



**CITY OF HAYWARD
CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016**



CITY OF HAYWARD, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2016

Prepared by:

Accounting Division, Department of Finance

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CITY OF HAYWARD, CALIFORNIA

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FOR FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	Pages
INTRODUCTORY SECTION	
Letter of Transmittal	i – xi
Organization Chart.....	xii
Directory of City Officials.....	xiii
Directory of Administrative Staff.....	xiv
GFOA Certificate of Achievement for Excellence in Financial Reporting	xv
FINANCIAL SECTION	
Independent Auditor’s Opinion.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	21
Statement of Activities	22
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	26
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities.....	28
Statement of Revenues, Expenditures, and Changes in Fund Balances	30
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statements of Activities	32
Proprietary Funds:	
Statement of Net Position	34
Statement of Revenues, Expenses and Changes in Fund Net Position.....	35
Statement of Cash Flows	36
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	38
Statement of Changes in Fiduciary Net Position.....	39
Notes to Basic Financial Statements	41
Required Supplemental Information:	
Schedule of Changes in the Net Pension Liability and Related Ratios (Miscellaneous Plan)	96
Schedule of Contributions (Miscellaneous Plan)	97
Schedule of Changes in the Net Pension Liability and Related Ratios (Fire Safety Plan)	98
Schedule of Contributions (Fire Safety Plan)	99
Schedule of Changes in the Net Pension Liability and Related Ratios (Police Safety Plan)	100
Schedule of Contributions (Police Safety Plan)	101
Retiree Medical Benefits (OPEB) Schedule of Funding Progress	102

FINANCIAL SECTION (Continued):

Required Supplemental Information (Continued):

Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund and Major Special Revenue Fund:

General Fund	105
Federal Grants Fund	106

Supplemental Information:

Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Major Capital Projects Funds:

Housing Authority Capital Project Fund.....	109
General Capital Projects Capital Project Fund.....	110

Combining Balance Sheets – General Fund

Combining Schedules of Revenues, Expenditures and Changes in Fund Balance –

General Fund.....

Non-major Governmental Funds:

Combining Balance Sheets.....

Combining Statements of Revenues, Expenditures, and Changes
in Fund Balances

Combining Schedules of Revenues, Expenditures, and Changes
in Fund Balances—Budget and Actual.....

Non-major Enterprise Funds

Combining Statements of Net Position

Combining Statements of Revenues, Expenses and Changes in Fund Net Position

Combining Statements of Cash Flows

Internal Service Funds:

Combining Statements of Net Position

Combining Statements of Revenues, Expenses and Changes in Fund Net Position

Combining Statements of Cash Flows

Fiduciary Funds:

Statement of Changes in Assets and Liabilities – All Agency Funds.....

STATISTICAL SECTION (Unaudited)

Net Position by Component – Last Ten Fiscal Years	151
Changes in Net Position – Last Ten Fiscal Years	152
Fund Balances of Governmental Funds – Last Ten Fiscal Years	156
Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years	158
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	160
Property Tax Rates - All Overlapping Governments – Last Ten Fiscal Years.....	161
Principal Property Taxpayers	162
Property Tax Levies and Collections – Last Ten Fiscal Years	163
Ratio of Outstanding Debt by Type– Last Ten Fiscal Years	164
Computation of Direct and Overlapping Debt	165
Computation of Legal Bonded Debt Margin	166
Revenue Bond Coverage Waste Water Revenue Bonds – Last Ten Fiscal Years	167
Bonded Debt Pledged Revenue Coverage- Last Ten Fiscal Years	168
Demographic and Economic Statistics – Last Ten Fiscal Years	169
Principal Employers	170
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years.....	171
Operating Indicators by Function/Program – Last Six Fiscal Years	172
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	174



December 8, 2016

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

It is my pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hayward for the fiscal year ended June 30, 2016. 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. The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB).

FINANCIAL STATEMENT PRESENTATION

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, 2016 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, 2016, 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 (issued in March 2017).

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 158,985, Hayward is the sixth largest city in the San Francisco Bay Area and the third largest city in Alameda County. Hayward is located fourteen miles south of Oakland in the San Francisco Bay Area. The City area includes sixty-one square miles lying between the eastern shore of the San Francisco Bay and the southern Oakland-Berkeley Hills. Hayward serves as a major transportation hub and a center of commercial and industrial activity, with immediate access to major interstate freeways, rail lines, and public transit routes such as Bay Area Rapid Transit (BART). The community includes approximately 49,000 homes and residences of all types; and considerable commercial and industrial development. Major institutional facilities include California State University-East Bay, Chabot Community College, one major hospital, a variety of private and vocational educational institutions; 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 homework and tutoring programs and

literacy classes are provided through the City Library system and are located in the Library and on school campuses in partnership with Hayward Unified School District (HUSD).

Component Units

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

ECONOMIC CONDITION AND OUTLOOK

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

Local Economy

Hayward is a diverse city with a diverse economy – comprised of a well-established and growing business community that represents a balance of retail, industrial, and advanced technologies. In fiscal year 2016, the City of Hayward economy experienced a modest improvement similar to the rest of the State – as did other cities in the San Francisco Bay Area. It should be noted that the Bay Area is a region with many micro economies. Each agency within this region has experienced varying levels of economic improvement as driven by their distinct local economic situations. The recession resulting from the global financial and credit market meltdown in 2008 has had a direct and dramatic impact on Hayward's local revenues these past few years and the City is now experiencing stabilization of revenues, although not all revenues have returned to pre-recessionary levels.

During the June 3, 2014 municipal election, the voters of the City of Hayward passed a ballot measure (Measure C) to increase the City's Transaction and Use (Sales) Tax by half a percent for twenty years (referred to as Measure C District Tax throughout this document). This half cent increase became effective October 1, 2014, bringing Hayward's Sales and Use Tax to 10.0%. This is a general tax that is considered discretionary in nature. Staff estimates that the Measure C District Tax will generate between \$10-\$14 million annually in locally controlled revenue that can be allocated by the City Council and will remain in place for a period of twenty years.

Reports indicate that the State of California's economy continues to improve and the Hayward economy reflects this improvement. The Employment Development Department data reflects that the unemployment rate in Alameda County as of October 2016 was 4.3%, which is down from .2% in 2015 and 5.2% in 2014. In addition, Hayward has seen a 5% increase in its assessed valuation in 2016. The median residential home value is about \$552,300 in October 2016 versus \$497,000 a year ago.

Sales tax revenue declined by a cumulative loss of \$12.4 million from 2008 to 2012, largely due to lagging automobile sales, along with decreases in business-to-business, construction, and other retail sectors. Immediate prior fiscal years saw a rebounding of this revenue to prior year levels. Collection of a full fiscal year of Measure C District tax revenues as approved by the voters in 2014 (\$13.4 million in FY 2016) dramatically increased the total Sales Tax revenues. However, these revenues are targeted for specific activities; therefore, to get the true story of the City's Sales Tax, these revenues should be considered separately.

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 2016 was \$22.0 million.

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

Factors Affecting the City's Financial Condition

The City has lost over \$100 million in local revenues to the State since 1994. Thankfully, management is not aware of any additional direct local revenue losses in the most recent version of the State budget. However, the State's ability to take local government revenues, the loss of the City's redevelopment agency being a prime example, has significantly hampered the future plans of local governments for years to come. In addition, the State's continued policy to push services down to the local level without reallocating revenue to support the service delivery is a continued challenge. Finally, the Court-ordered realignment/early release program to alleviate over-crowding in the State's prisons, places a dramatic demand on local law enforcement resources.

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

Long-term Perspective

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 consistently worked to balance its budget, Hayward must continue this effort and make additional adjustments to its general fund expenditures to address and resolve an ongoing structural deficit largely driven by rising employee benefit costs.

The City employs long-term planning as the framework for its fiscal decisions like the 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 in years past, the City continues its efforts to eliminate the structural gap it faces in the coming years.

While Hayward’s underlying economy is viewed as stable and positive in the long-term, today’s economic challenges, notably to the City’s General Fund, must be dealt with immediately to ensure long-term economic stability. The other enormous challenge is continuing to provide an ever-increasing high level of service to the community with limited resources and rising employee benefit costs – while ensuring long-term economic stability.

MAJOR INITIATIVES & ACCOMPLISHMENTS

In its role of providing direction and general oversight, the City Council has adopted four priorities and two supporting goals:

Overarching Priorities:	SAFE	CLEAN
	GREEN	THRIVE
Supporting Goals:	FISCAL	ORGANIZATIONAL
	STABILITY	HEALTH

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

Capital Improvement Program

An example of one of the strategies to meet Council priorities is through the City’s Capital Improvement Program, which for FY 2016 was budgeted at \$187 million in all funds, and over the Ten-Year Planning Cycle, the Capital Improvement Program totals \$506 million in project allocations. These projects will improve the economic base of the City as well as improve the safety and reliability of City infrastructure for residents, businesses, and visitors.

Neighborhood Services/Cleanliness

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

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

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

21st Century Library and Community Learning Center and Heritage Plaza: This project, which is expected to cost \$65.7 million, began construction of the 58,000 square-foot Library and Community Learning Center in January 2016. The building is planned to be a Leadership in Energy and Environmental Design (LEED) Platinum and Net Zero Energy facility. The Library and Heritage Plaza will meet the community's needs through 2030 and beyond. The library building is expected to be completed by November of 2017 and the Heritage Plaza by June of 2018. Project funding is a result of the June 2014 approval by the Hayward voters of a ½ cent local sales tax increase.

Fire Station #7 and Firehouse Clinic: Located on Huntwood Avenue, this fire station replaced the existing facility, which was a four-piece modular building with an adjacent apparatus bay and showed severe signs of aging. In addition, the project features a community health center, which will help to relieve emergency rooms of current, overcrowded conditions. Design work was completed during FY 2014, construction commenced during the early part of FY 2015 and was completed in September of 2016.

Fire Stations 1-5 Improvements and New Fire Station 6 and Fire Training Center: This project will improve Fire Stations 1-5 by making seismic and safety upgrades, energy efficiency, operational, and modernization improvements. Design started in FY 2015 and construction is anticipated to start in April 2017. The existing Fire Station 6 and the Fire Training Center will be replaced with a new Fire Station 6 and an expanded Fire Training Center. Design is anticipated to be completed in February 2018 with construction start in July 2018 and completion in November 2019.

Community Development Block Grant for Promise Neighborhood Street Improvement. This project, approved by Council in FY 2015, involved street pavement improvements for various street sections in the Jackson Triangle Area. Cold-In-Place Recycling method was used in reconstructing the street pavements. This sustainable method recycles existing pavement material as aggregate base and places a new Hot Mix Asphalt Concrete on top. The project was completed in late FY 2016.

Transit Connector Feasibility Study Project: In 2014, the City applied for and successfully received two grants worth \$350,000 under the Caltrans Community Based Transportation Planning Grant Program to evaluate the feasibility of transit shuttle service in Hayward. The feasibility study, began in July 2015, will evaluate potential direct transit connections between passenger rail stations in Hayward (BART and Amtrak) and areas that are currently underserved by transit, such as the Cannery area, Cal State East Bay, Fairway Park and the South and West Industrial Areas. Goals of the project include reducing the number of single occupancy commuters by providing more transit options, help businesses, residents and visitors to meet their transit needs, and to achieve objectives in the City's Climate Action Plan by expanding public transit services to encourage reductions in automobile travel. Based on the information received after preliminary ridership projections and the City Council presentation in February 2016, staff identified the need to evaluate alternative, flexible transportation options such as on-demand services provided by companies such as Uber, Lyft and Chariot in lieu of a traditional shuttle. The feasibility study is expected to be completed by April, 2017.

Land Use and Sustainability

Recycled Water: The City continued the process of applying for a State Revolving Loan through the State Water Resources Control Board for the construction of a recycled water storage and distribution system. In FY 2016, the City also began design of the recycled water storage and distribution system. This project will deliver approximately 300,000 gallons per day of recycled water to suitable sites within close proximity to the Water Pollution Control Facility, for irrigation and industrial use, and reduce the City's reliance on potable water for these purposes.

Advanced Metering Infrastructure (AMI): AMI technology allows for remote water meter reading capabilities. This system also enables water customers to better manage their water use through access to frequent real-time meter reads. Once completed, the project will provide the City with interval consumption data which can be used to improve water resource management and customer service the project contract was awarded in FY 2016 and installation will occur in FY 2017

Water Conservation: The City continues to offer a suite of water conservation programs to customers, including rebates for lawn replacement, installation of water efficient plumbing fixtures, such as rain barrels, high efficiency toilets, and washing machines. The City also continues to provide free faucet aerators and low-flow showerheads to all customers.

Route 238 Settlement: Route 238 stretches north to south from one end of the City of Hayward to the. A major project relates to the disposition of over four hundred parcels of property accumulated by the State Department of Transportation (Caltrans) in preparation for the old 238 bypass freeway, which was abandoned by Caltrans through pressure and litigation by the community and housing advocates. The City, in conjunction with Caltrans, recently completed the sale of almost all residential units, moving these parcels back onto the Property Tax rolls; and

assuring that many long-term tenants of these properties had the necessary assistance to purchase their home if they desired. The City and Caltrans are working together to dispose of the remaining undeveloped or under-developed parcels.

880/92 Reliever Route Project: This project will extend and widen Whitesell Street as well as improve the intersection at Hesperian and Winton. The improvements will provide for better access in and out of the City's industrial area and will help to relieve congestion on Interstate 880, State Route 92, and several major arterials in the area. A non-potable water (NPW) line alternative was added to the project to provide the first segment of the NPW distribution main extending from the Water Pollution Control Facility in Whitesell Street. Right-of-way acquisition and project design was completed, and construction contract was awarded during FY 2015 for this \$28.3 million, multi-year project. It is anticipated that the project will be completed by February 2017.

Street Pavement Rehabilitation and Preventative Maintenance Project: Design and Planning of the \$19 million project began in FY16. It is anticipated that more than 69 lane miles of city streets will be slurry sealed and an additional 37 lane miles rehabilitated or reconstructed, bringing the citywide Pavement Condition Indices (PCI) from 66 to 68. Funding is a combination of Gas Tax and Sales Tax Measures C, B and BB. The project is expected to be completed in early 2017.

Hangar Development at Hayward Executive Airport: Construction was completed in October 2016 on a \$10 million, 30,000 square foot hangar and 6,500 square foot office area by a private aviation service company, Meridian Aviation. Design was completed and construction begun on a \$5.5 million, 20,000 square foot hangar and 2,000 square foot office area by another private aviation service company, APP Jet Center. This project is scheduled for completion in February 2017.

South Hayward BART Transit Oriented Development (TOD) Project: This mixed-use TOD project received an allocation of \$30 million in State Prop 1C funding to fund Phase I of a transit-oriented development. Phase I includes 205 market-rate rental units that are to be built by Amcal Housing, Inc., and 151 affordable rental units comprised of family and senior housing units, to be built by Eden Housing on the land between Dixon Street and Mission Boulevard. Phase I has been completed and occupancy is expected in early 2017.

Organizational Health and Fiscal Stability

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

Long-term Debt Ratings

The City maintains excellent ratings on all of its debt issuances. In recent fiscal years the City has received very high ratings from the various rating agencies, including a AA rating from both Fitch and Standard & Poor's of the 2015 Certificates of Participation and a AA+ rating by Standard & Poor's for the 2013 Water Bonds. The City also has an implied general obligation

rating of AA+ with a stable outlook from both rating agencies. In addition, Standard & Poor's Ratings Services recently reviewed the rating of the 2004 and 2006 TABS and upgraded its rating from A- to A and affirmed a stable outlook. A critical component of the rating agency review is the City's financial management status - i.e., appropriate reserve levels, plans to reduce liabilities, fiscal policies, etc. If the City fails to maintain these areas of fiscal control, the City could see a reduction in future ratings.

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

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

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

Debt Administration: Even as a charter city, Hayward has adopted a comprehensive debt management policy that guides the issuance and management of City debt. The policy includes establishing the legal debt limits (per State law this equates to 15% of assessed value of all real

and personal property of the city); identifying the types of debt that can be issued and purposes for which debt proceeds can be used; establishing financial limits affecting debt issuance; and identifying guidelines regarding the structuring of debt (such as term). At the end of fiscal year 2016, the City had total debt outstanding of \$150.7 million, which complies with, and is significantly under, the current policy limits. This is further detailed in the accompanying Management Discussion and Analysis (MD&A) section of this document.

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

Reserve Policies: In complying with the provisions of GASB Statement 54 (fund balance reporting and fund type definitions), some of the current reserve designations have changed. For FY 2016, 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 goal 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 2016, the unassigned fund balance of the General Fund was \$22.1 million, while the total fund balance was \$44.1 million (includes non-cash outstanding receivables of over \$8.4 million and \$11.3 million in Measure C District Tax cash balance). The unassigned fund balance represents 13.5% of total General Fund expenditures of \$163.2 million (including Transfers Out). The City hopes to seek payment from the Successor Agency for this loan receivable beginning in FY 2018.

AWARDS AND ACKNOWLEDGEMENTS

Award Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Hayward for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the thirtieth 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. I would like to express special appreciation to Marichu Maramba, Accounting Manager; Thanh Nguyen, Senior Accountant, Denise Robles, Accountant; Michele Tan, Finance Technician and the entire Accounting Division staff.

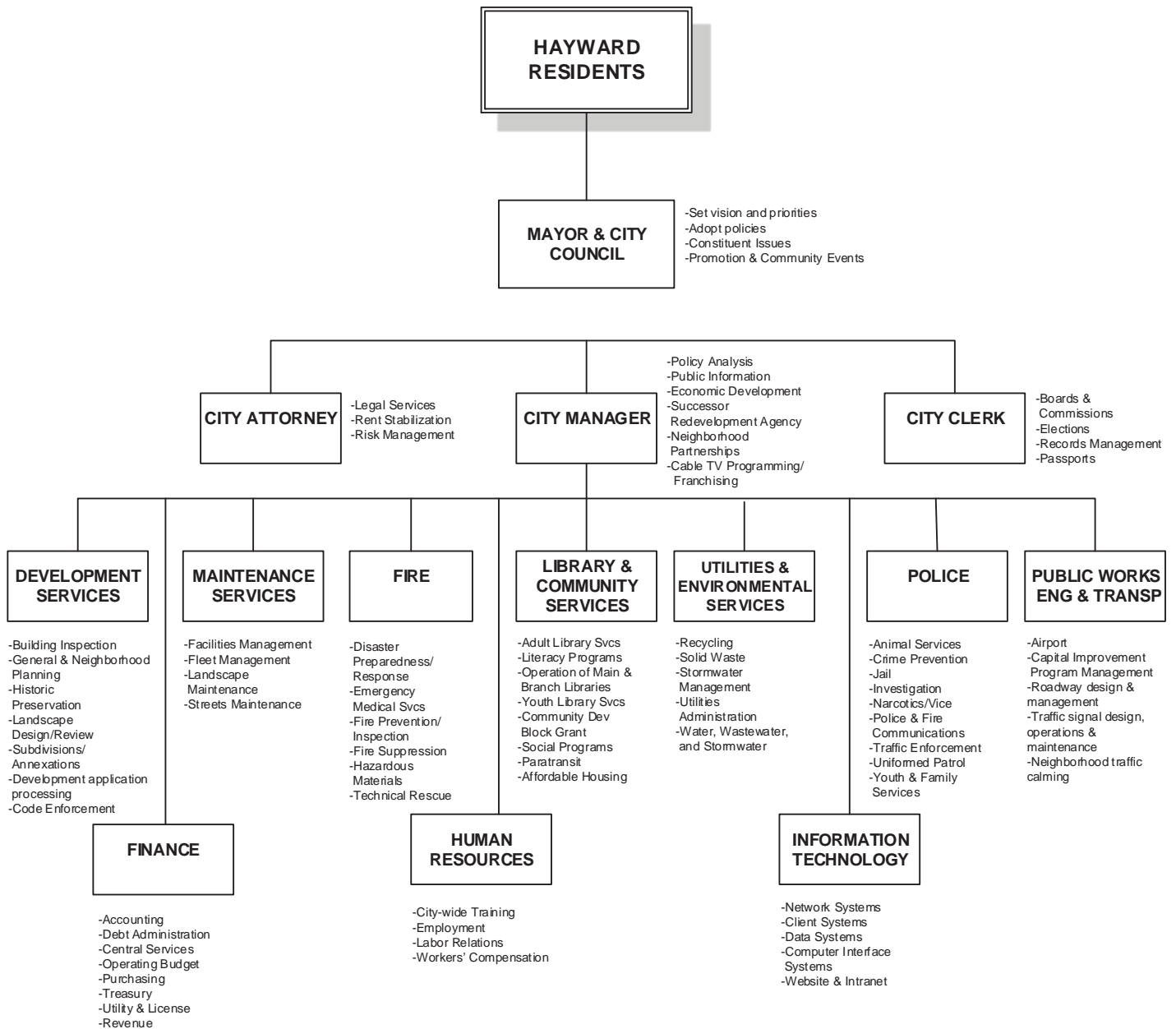
I also wish to recognize the commitment of the City Manager, the Mayor, and the City Council to the high standards embodied in this report and express appreciation to them and each City department for their cooperation and support in conducting the fiscal operations of the City.

Respectfully Submitted,



Dustin Claussen
Acting Director of Finance
City of Hayward

CITYWIDE ORGANIZATION



ELECTED OFFICIALS

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



Barbara Halliday
Mayor
Term Expires 2018



Al Mendall
Council Member
Term Expires 2016



Greg Jones
Council Member
Term Expires 2016



Marvin Peixoto
Council Member
Term Expires 2018



Sara Lamnin
Council Member
Term Expires 2018



Francisco Zermeño
Council Member
Term Expires 2016



Elisa Márquez
Council Member
Term Expires 2016

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	Dustin Claussen
Fire	Chief Garrett Contreras
Human Resources	Nina Morris Collins
Information Technology	Adam Kostrzak
Library & Community Services	Sean Reinhart
Maintenance Services	Todd Rullman
Police	Chief Diane Urban
Public Works - Engineering & Transportation	Morad Fakhrai
Utilities & Environmental Services	Alex Ameri



Government Finance Officers Association

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**City of Hayward
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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INDEPENDENT AUDITORS' OPINION

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hayward, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provision of the Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Notes 1 and 2 to the financial statements.

The City adjusted its beginning fund balance of center governmental funds as discussed in Note 9 to the financial statements.

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 5, 2016

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CITY OF HAYWARD, CALIFORNIA

Management's Discussion and Analysis

As management of the City of Hayward (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. 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 \$411.9 million (*total net position*). Of this total, \$127.3 million were Governmental and \$284.6 were Business-type.
- ❑ The City's total net position increased by \$61.7 million over fiscal year 2015. Governmental activities, including the General Fund, increased by \$46.5 million due to significant reimbursements for grant funded transportation and streets projects of \$25.8 million, an increase of \$7.4 million in sales tax due to a full year of collection of Measure C district sales tax revenue, \$6 million in collection of prior period delinquent utility tax revenue, a \$2.0 increase in property tax due to changes to assessed valuation in the City, \$2.1 million in increased property transfer tax revenues due to the improved real estate market conditions and a \$1 million increase to miscellaneous revenues due in large part to a loan repayment to the City by the Redevelopment Successor Agency for a loan due to the General Fund. Business-type activities, increased by \$15.2 million due to sewer & water activities.
- ❑ As of June 30, 2016, the City's governmental funds reported combined fund balances of \$181.2 million, an increase of \$85.1 million from the prior year. The most significant factors in this change were \$25.3 million of this increase in fund balance was due to a change in accounting principles resulting in a restatement of beginning fund balance increasing to recognize deferred revenue related to loans receivable and \$93.9 million in bond proceeds and premium issued, \$87.3 million and \$6.6 million respectively, related to the construction of the City's 21st Century Library and Fire Station rehabilitation projects, a \$7.4 million in sales tax due to a full year of collection of Measure C district sales tax revenue and \$6 million in collection of prior period delinquent utility tax revenue.
- ❑ At the end of fiscal year 2016, total fund balance for the General Fund was \$44.1 million, an increase of \$4.5 million over fiscal year 2015. The total fund balance is comprised of \$8.5 million in non-spendable (illiquid reserves), \$13.5 million in assigned (liquid reserves designated for specific purposes) and \$22.1 million spendable in fund balance designated for contingencies, economic uncertainty, emergencies, and liquidity by the City Council. The \$22.1 million represents 13.5% of total General Fund expenditures including Transfers Out. The \$8.5 million in non-spendable reserves offsets a long-term loan receivable (General Fund loan to the Redevelopment Successor Agency).
- ❑ Fiscal year 2016 ended with a net decrease to the General Fund, General Purpose Fund Reserve of \$0.9 million (net of Measure C district sales tax revenues) utilizing General Fund Reserves to balance the fiscal year 2016 budget due to operating revenues not fully covering operating expenditures.

- As of June 30, 2016, the City's enterprise funds (Sewer, Water, Stormwater and Airport) reported a combined net position of \$284.6 million; an increase of \$15.2 million from the previous year, due to sewer and water sales and water fees.

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 21-23) The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* (see Table 1 below on page 9) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It should be noted that net position includes liquid and illiquid assets (cash and non-cash).

The *statement of activities and change in net position* (see Table 2 below on page 10) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow impacts in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

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

Governmental Funds. (Pages 26-32) Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

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

The City maintains twenty two individual government funds for financial reporting. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, Federal Grants, Housing Authority, Route 238 Corridor Improvement Fund and General Capital Projects Fund all of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the *Non-major Governmental Funds* section of this Report. *Combining statements* present and summarize all the details of the non-major funds.

The City adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement is provided for all governmental funds with annually adopted budgets. The budget comparison statements for the General Fund, Federal Grants Special Revenue Fund, Housing Authority Capital Project Fund, the Route 238 Corridor Improvement Capital Project Fund and General Capital Projects Fund are located in the basic financial statements starting on page 105 of this report. All other major and non-major funds with legally adopted annual budgets are located in the supplementary information section.

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

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

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

Notes to the Basic Financial Statements. (pages 41-93) 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 113 of this Report.

Government-wide Financial Analysis

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

Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, total assets exceeded total liabilities by \$411.8 million at the close of the current fiscal year, an increase from the prior year of \$61.6 million.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$242.3	\$139.6	\$179.7	\$163.2	\$422.0	\$302.8
Capital assets	360.8	339.9	171.8	177.4	532.6	517.3
Total assets	603.1	479.5	351.5	340.6	954.6	820.1
Deferred outflows	23.5	19.6	2.6	1.2	26.1	20.8
Liabilities						
Long term debt outstanding	103.2	32.3	39.8	43.8	143.0	76.1
Other liabilities	378.0	342.2	27.3	25.9	405.3	368.1
Total liabilities	481.2	374.5	67.1	69.7	548.3	444.2
Deferred inflows	18.1	43.8	2.4	2.7	20.5	46.5
Net position:						
Net investments in capital assets	255.0	305.3	128.2	129.1	383.2	434.4
Restricted	68.0	33.0	0.0	0.0	68.0	33.0
Unrestricted	(195.7)	(257.5)	156.4	140.3	(39.3)	(117.2)
Total net position	\$127.3	\$80.8	\$284.6	\$269.4	\$411.9	\$350.2

The largest portion of the fiscal year 2016 City's net position, \$383.1 million, reflects its investment in capital assets (e.g. land, buildings, street infrastructure, sewer and water pipelines, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (future revenue), since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position, \$68.0 million, represents the resources that are subject to external restrictions. Almost all of the restricted net position is related to City's special revenue and capital projects funds. The remaining balance of unrestricted net position, negative \$39.3 million offsets the Net pension liabilities of \$339.2 million.

Statement of Activities. The Statement of Activities provides information about all the City's revenues and expenses, with an emphasis on measuring net revenues or expenses of each of the City's programs and explains in detail the change in Net Position for the year. The City's governmental activities net position increased by a net total of \$46.5 million.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$21.2	\$19.1	\$86.0	\$78.9	\$107.2	\$98.0
Operating contributions and grants	13.6	10.6	-	-	13.6	10.6
Capital contributions and grants	31.3	5.8	-	-	31.3	5.8
	66.1	35.5	86.0	78.9	152.1	114.4
General revenues						
Property tax	44.8	42.7	-	-	44.8	42.7
Sales tax	46.5	39.1	-	-	46.5	39.1
Utility user tax	22.0	15.7	-	-	22.0	15.7
Real property transfer tax	7.8	5.7	-	-	7.8	5.7
Franchise fees	10.1	10.1	-	-	10.1	10.1
Other taxes	13.2	11.0	-	-	13.2	11.0
Investment earnings	0.5	0.3	1.0	0.5	1.5	0.8
Miscellaneous	5.5	3.0	-	-	5.5	3.0
General revenues subtotal	150.4	127.6	1.0	0.5	151.4	128.1
Total Revenues	216.5	163.1	87.0	79.4	303.5	242.5
Expenses by activity						
General Government	14.2	16.3	-	-	14.2	16.3
Public safety	118.4	106.5	-	-	118.4	106.5
Public works and transportation	14.4	12.3	-	-	14.4	12.3
Library and neighborhood services	9.1	5.2	-	-	9.1	5.2
Economic development	1.8	0.8	-	-	1.8	0.8
Planning and building	7.3	6.8	-	-	7.3	6.8
Maintenance services	6.1	5.8	-	-	6.1	5.8
Interest on long term debt	1.5	1.4	-	-	1.5	1.4
Sewer	-	-	23.8	20.0	23.8	20.0
Water	-	-	38.2	36.9	38.2	36.9
Airport	-	-	4.0	3.5	4.0	3.5
Stormwater	-	-	3.0	2.4	3.0	2.4
Total expenses	172.8	155.1	69.0	62.8	241.8	217.9
Increase (decrease) before transfers	43.7	8.0	18.0	16.6	61.7	24.6
Transfers	2.8	2.6	(2.8)	(2.6)	-	-
Change in Net Position	46.5	10.6	15.2	14.0	61.7	24.6
Beginning Net Position	80.8	70.2	269.4	255.4	350.2	325.6
Ending Net Position (June 30)	\$127.3	\$80.8	\$284.6	\$269.4	\$411.9	\$350.2

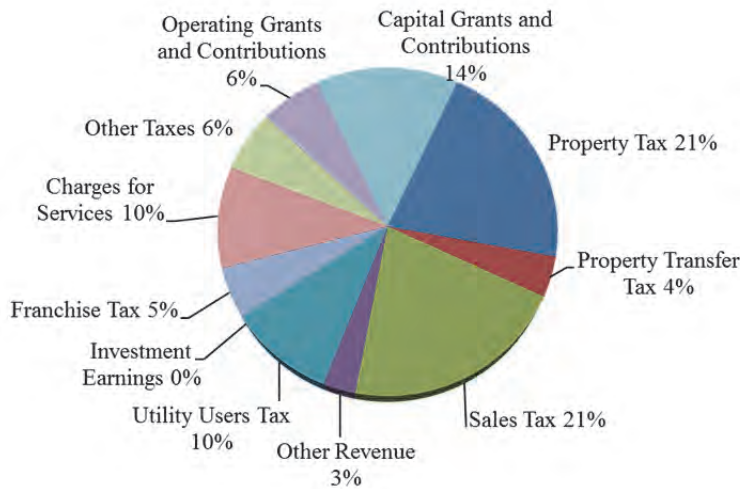
Governmental Activities Revenues

Governmental revenues are categorized as Program Revenues and General Revenues. Program revenue includes charges for services such as traffic safety fines, licenses, permits, plan check fees, building inspection and other construction related fees. Contributions and grants include amounts contributed by developers and grants from state and federal government, of which the majority is public works capital grants. General Revenues includes general taxes (property, sales, etc.). Total revenues increased by \$53.5 million largely driven by several key factors:

- ❑ Capital contributions and grants increased by \$25.5 million over the prior year due to transportation and streets grant funded projects.

- ❑ Sales Tax increased by \$7.4 million over the prior year – reflecting revenues related to the City’s Measure C District Sales Tax that became effective October 1, 2014. Fiscal Year 2016 was the first fiscal year that Measure C District Sales Tax was collected for the entire year.
- ❑ Utility User Tax increased by \$6.3 million over the prior year with a one-time \$6.0 million collection of delinquent tax from prior periods.
- ❑ Real Property Transfer Tax increased by \$2.1 million over the prior year and is a reflection of the improved real estate market.
- ❑ Property Taxes increased by \$2.0 million over prior year due to increases in assessed valuation .

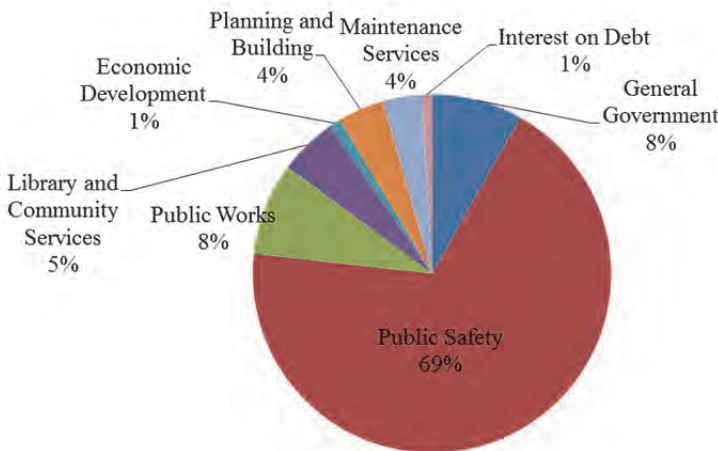
Chart 1 – Revenues by Source – Governmental Activities fiscal year 2016



Governmental Activities Expenses

The governmental expenses (excluding transfers) increased by \$17.7 million to \$172.8 million, largely attributed to public safety costs. Chart 2 summarizes governmental expenses by category.

Chart 2 – Expenses by Function – Governmental Activities fiscal year 2016



Business-Type Activities. The net position of business-type activities was \$284.6 million at June 30, 2016, an increase of \$15.2 million from last fiscal year. The increase in business-type position is attributable to water and sewer program revenues. Program revenues totaled \$86.0 million, while program expenses totaled \$69.0 million. Investment earnings totaled \$1.0 million.

As the *Revenues by Source* chart indicates, charges for utility services account for 99.3% of the revenue for the City’s enterprise funds. The majority of revenues are generated by the Water and Sewer enterprises.

Chart 3 – Revenues by Source – Business-type Activities

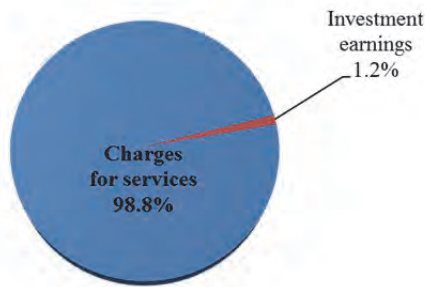
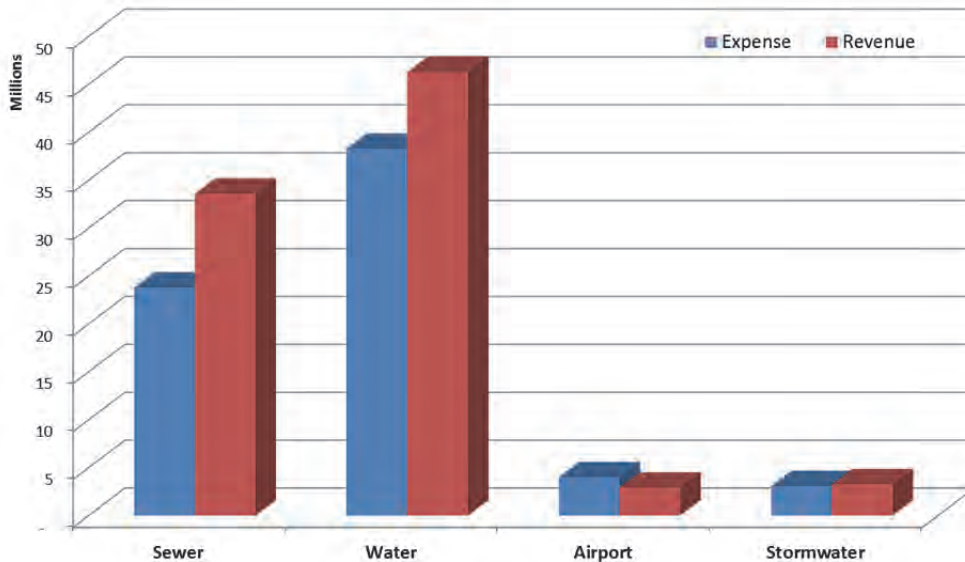


Chart 4 – Expenses and Program Revenues – Business-type Activities



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

Both Water and Sewer Funds increased their net position. Sewer saw an increase of \$9.1 million, while water increased by \$6.9 million. Given future capital expenses to be borne by these funds and anticipated cost increases attributed to California's drought conditions, this is an appropriate level of revenue growth. The Airport Fund experienced a decrease in net position of \$.6 million due to a increase in operating expenses over the prior year. The Stormwater Fund decreased their net position by \$0.2 million.

Financial Analysis of the Government's Funds

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

At the end of fiscal year 2016, the City's governmental funds reported combined ending fund balances of \$181.2 million, an increase of \$85.1 million compared with the prior year – almost entirely due to bond issuance and reimbursements for grant funded transportation and streets projects. Approximately \$159.1 million of the fund balance or 87.8% represents Non-Spendable, Restricted, and Assigned fund balances; and \$22.1 million or 12.2% is Unassigned and is available for spending at the City's discretion pursuant internal and statutory restrictions, 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 or presented as other funds. The General Fund accounted for 80.3% of the total governmental revenues and 72.38% of the total expenditures. A number of primary City services are accounted for in the General Fund, including public safety (police and fire services), general government, development services, maintenance services, and library and community services.

At the end of fiscal year 2016, the General Fund's Unassigned fund balance was \$22.1 million, no change from the prior year. However, the total fund balance, inclusive of Non-spendable and Assigned balances, was \$44.1 million, an increase of \$4.5 million over the prior year due largely to full year collection of Measure C district sales tax revenues. Without the new district sales tax revenue, the General Fund would reflect deficit of \$.9 million in fiscal year 2016.

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 13.5% of total General Fund expenditures of \$164.1 million (including Transfers Out). This is a decrease of 2.67% from last year.

General Fund Budgetary Highlights. Fiscal year 2016 ended with a Net Change in Fund Balance of \$4.5 million (GAAP Basis).

Table 3 – fiscal year 2016 General Fund Budget Summary *(in thousands)*

	A	B	C	Variance	Variance
<i>(reflected in thousands)</i>	2016	2016	2016	(C-B)	%
	Adopted	Adjusted	Actual		
Revenues	147,032	155,455	164,307	8,852	5.7%
Expenditures	134,532	140,971	137,618	(3,353)	-2.4%
Transfers In/(Out)	(12,036)	(18,788)	(22,199)	(3,411)	18.2%
Net Change in Fund Balance	464	(4,304)	4,490	8,794	
(Budget Basis)					

The net change in fund balance for fiscal year 2016 based on actual performance (column C) is \$4.5 million, and is a direct result of the inclusion of Measure C district sales tax in the General Fund revenues. Without the Measure C district sales tax revenues and bond issuance, the General Fund would have finished the fiscal year with a Net Change in Fund Balance of negative \$.9 million. This fund balance summary on page 105 reflects the Net Change in Fund Balance on a budget basis. Generally accepted accounting principles (GAAP Basis) require that all funds not required to be accounted for in other funds be included in the General Fund, resulting in several general ledger funds being combined and reported as the General Fund in the financial statements. These adjustments represent the GAAP Basis Fund balance and form a Net Change in Fund Balance of \$4.5 over prior year relating solely to Measure C district sales tax net assets.

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

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

The Housing Authority Fund Capital Projects Fund maintains loans for affordable housing projects.

The General Capital Projects Fund Accounts for General Fund and special revenue fund acquisition and construction of general purpose public facilities, street resurfacing and improvements.

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 2016, the unrestricted net position of the Sewer and Water Funds amounted to \$78.9, \$67.3 million, respectively. Sewer net position increased by \$9.1 million and Water net position increased \$6.9 million. Revenues from the sale of water decreased by almost \$2.6 million due to drought conservation and reductions in consumption over the prior year.

Wholesale water rates have increased more than 81% over the last five fiscal years from the San Francisco Public Utilities Commission (SFPUC) increasing water purchase costs in the Water and Sewer Funds. The major factor for the increases is implementation of the Water System Improvement Program (WSIP) by the SFPUC. The WSIP is a series of projects to rebuild and retrofit the aging regional water system in order to improve water supply reliability, seismic safety, and to ensure that water quality standards will continue to be met. Two thirds of the cost of fixing the regional system will be borne by wholesale customers of SFPUC water, including Hayward.

Fiduciary Funds. The Successor Agency to the Redevelopment Agency Private Purpose Trust Fund provides information about the City’s former Redevelopment Agency. In fiscal year 2016 the fund ended with a net position of (\$2.7) million an increase of \$4.3 million over prior fiscal year due to reduced expenditures.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2016, the City’s investments in capital assets for its governmental and business-type activities are \$532.6 million (net of accumulated depreciation) as presented below in Table 4. The investment in capital assets includes land, buildings, land improvements, machinery and equipment, vehicles, and street infrastructure such as roads, bridges, street lights, traffic signals, airport hangers, sewer, and water pipelines. The City’s investment in capital assets for the current fiscal year increased by 3%, mainly attributable to the 21st Century Library construction..

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$12.1	\$10.3	\$4.8	\$4.8	\$16.9	\$15.1
Construction in progress	49.6	32.5	12.5	24.7	62.1	57.2
Buildings	33.5	25.8	8.8	9.3	42.3	35.1
Improvements other than buildings	8.8	9.3			8.8	9.3
Machinery and equipment	21.4	18.4	29.8	16.0	51.2	34.4
Street infrastructure	235.4	243.6			235.4	243.6
Sewer infrastructure			75.2	79.1	75.2	79.1
Water infrastructure			30.8	32.5	30.8	32.5
Airport infrastructure			9.9	10.9	9.9	10.9
Total	\$360.8	\$339.9	\$171.8	\$177.3	\$532.6	\$517.2

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 2016, the City had total bonded debt outstanding of \$150.7 million as presented in Table 5. This represents an increase of \$67.3 million over the prior year due primarily to the issuance of 2015 certificate of participation for the construction of the 21st Century Library. Of this amount, \$93.9 million represents certificates of participation debt for Civic Center Project (City Hall) and 21st Century Library; \$1.0 million represents certificates of participation for sewer and water system improvements; \$7.6 million represents lease revenue bonds for capital improvements; \$5.6 million represents capital leases for a solar power generator, fleet vehicles, computer, and telephone equipment; \$35.4 million represents State Water Board financing for a water pollution control facility; \$5.1 million private placement lease; \$2.0 million loan represents loan from State Energy Resources Conservation and Development Commission.

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

Table 5 – City of Hayward Outstanding Debt

	Governmental		Business-type		Total	
	2016	2015	2016	2015	2016	2015
Certificates of Participation	\$93.9	\$21.2	\$1.0	\$2.1	\$94.9	\$23.3
Promissory Note	0.1	0.1			0.1	0.1
Lease Revenue Bonds	0.4	0.5	7.2	7.9	7.6	8.4
Capital Lease Obligations	5.6	5.8			5.6	5.8
Private Placement Loan	5.1	5.4			\$5.1	\$5.4
State Water Resources Control Board Loan			35.4	38.2	35.4	38.2
State Energy Resources Conservation	2.0	2.2			2.0	2.2
Total Long-Term Debt	\$107.1	\$35.2	\$43.6	\$48.2	\$150.7	\$83.4

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, 2016, a total of \$7.2 million in special assessment district debt was outstanding by four special assessment districts. (Further detail regarding the City debt can be found in Note 8 to the financial statements.)

Economic Outlook and Major Initiatives

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

Contacting the City's Financial Management

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

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CITY OF HAYWARD, CALIFORNIA

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

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

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

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CITY OF HAYWARD
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments (Note 2)	\$100,283,113	\$144,937,361	\$245,220,474
Cash and investments with fiscal agents (Note 2)	72,898,429	284,035	73,182,464
Accounts receivable, net	3,042,756	12,483,522	15,526,278
Due from other governments	23,315,432	133,271	23,448,703
Interest receivable	9,745		9,745
Internal balances (Note 4)	(3,450,054)	3,450,054	
Loans receivable (Note 3)	27,094,265		27,094,265
Long-term loans to the Private Purpose Trust Fund (Note 19E)	12,339,979	1,872,952	14,212,931
Land held for resale (Note 1)	3,448,652		3,448,652
Deposits, parts, supplies and other	3,238,113	5,657,675	8,895,788
Investment in East Bay Dischargers Authority (Note 16)		10,823,075	10,823,075
Capital assets (Note 5):			
Land	12,110,127	4,757,492	16,867,619
Construction in progress	49,590,932	12,546,352	62,137,284
Depreciable capital assets, net	299,139,261	154,490,218	453,629,479
Total assets	603,060,750	351,436,007	954,496,757
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 12)	22,432,139	2,641,689	25,073,828
Deferred loss on refunding (Note 6)	1,030,934		1,030,934
Total deferred outflow of resources	23,463,073	2,641,689	26,104,762
LIABILITIES:			
Accounts payable	9,850,367	5,005,009	14,855,376
Accrued interest	688,751	290,779	979,530
Accrued liabilities	28,107,146	832,916	28,940,062
Unearned revenue	78,527	909,158	987,685
Refundable deposits	3,588,111	1,232,245	4,820,356
Compensated absences (Note 1):			
Due within one year	6,063,848	881,308	6,945,156
Due in more than one year	648,231	66,953	715,184
Accrued reclamation costs (Note 10):			
Due in more than one year		125,000	125,000
Net OPEB obligation (Note 14)	32,681,837		32,681,837
Net pension liabilities (Note 12)	292,379,444	14,105,167	306,484,611
Long-term debt (Note 6):			
Due within one year	3,886,395	3,905,356	7,791,751
Due in more than one year	103,186,535	39,735,949	142,922,484
Total liabilities	481,159,192	67,089,840	548,249,032
DEFERRED INFLOWS OF RESOURCES:			
Related to pensions (Note 12)	18,047,823	2,431,174	20,478,997
NET POSITION (Note 9):			
Net investments in capital assets	254,986,441	128,152,757	383,139,198
Restricted for:			
Public safety	649,253		649,253
Public works and transportation	12,889,445		12,889,445
Planning and building	26,105,380		26,105,380
Economic development activities	28,401,874		28,401,874
Total restricted net position	68,045,952		68,045,952
Unrestricted	(195,715,585)	156,403,925	(39,311,660)
Total net position	\$127,316,808	\$284,556,682	\$411,873,490

See accompanying notes to basic financial statements

CITY OF HAYWARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General government	\$14,192,819	\$3,513,507	\$4,320,215	
Public safety	118,423,530	3,585,912	5,366,816	
Public works and transportation	14,414,107	5,620,367	3,913,458	\$31,255,350
Library and community services	9,047,644	1,312,128	11,500	
Economic development	1,762,937			
Planning and building	7,281,726	6,060,654		
Maintenance services	6,156,886	1,088,664		
Interest on long-term debt	1,490,140			
Total Governmental Activities	172,769,789	21,181,232	13,611,989	31,255,350
BUSINESS-TYPE ACTIVITIES:				
Sewer	23,757,316	33,557,099		
Water	38,253,454	46,264,199		
Airport	3,976,602	3,239,400		
Stormwater	3,042,678	2,894,801		
Total Business-type Activities	69,030,050	85,955,499		
Total	\$241,799,839	\$107,136,731	\$13,611,989	\$31,255,350

GENERAL REVENUES:

- Taxes:
 - Property taxes
 - Sales taxes
 - Utility users tax
 - Real property transfer tax
 - Franchise tax
 - Business tax
 - Excise tax
 - Other taxes
- Motor vehicle in-lieu, unrestricted
- Gain on sale of capital assets
- Investment earnings
- Miscellaneous

TRANSFERS (Note 4)

Total General Revenues And Transfers

CHANGE IN NET POSITION

BEGINNING NET POSITION

ENDING NET POSITION

See accompanying notes to basic financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
(\$6,359,097)		(\$6,359,097)
(109,470,802)		(109,470,802)
26,375,068		26,375,068
(7,724,016)		(7,724,016)
(1,762,937)		(1,762,937)
(1,221,072)		(1,221,072)
(5,068,222)		(5,068,222)
(1,490,140)		(1,490,140)
<u>(106,721,218)</u>		<u>(106,721,218)</u>
	\$9,799,783	9,799,783
	8,010,745	8,010,745
	(737,202)	(737,202)
	<u>(147,877)</u>	<u>(147,877)</u>
	16,925,449	16,925,449
<u>(106,721,218)</u>	<u>16,925,449</u>	<u>(89,795,769)</u>
44,750,688		44,750,688
46,495,377		46,495,377
22,040,616		22,040,616
7,849,464		7,849,464
10,139,140		10,139,140
2,603,305		2,603,305
3,782,330		3,782,330
5,774,001		5,774,001
61,688		61,688
882,491		882,491
523,123	1,019,170	1,542,293
5,505,290		5,505,290
2,801,309	<u>(2,801,309)</u>	
<u>153,208,822</u>	<u>(1,782,139)</u>	<u>151,426,683</u>
46,487,604	15,143,310	61,630,914
<u>80,829,204</u>	<u>269,413,372</u>	<u>350,242,576</u>
<u>\$127,316,808</u>	<u>\$284,556,682</u>	<u>\$411,873,490</u>

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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 2016. Individual non-major funds are reported in the Supplemental Section.

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

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

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

General Capital Projects Fund – Accounts for General Fund and special revenue fund acquisition and construction of general purpose public facilities, street surfacing and improvements.

CITY OF HAYWARD
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General*	Special Revenue Fund	Capital Projects Funds	
		Federal Grants	Housing Authority	General Capital Projects
ASSETS:				
Cash and investments (Note 2)	\$38,953,487	\$514,108	\$6,708,388	\$3,607,283
Cash and investments with fiscal agents (Note 2)				71,337,058
Accounts receivable, net	1,990,372			3,763
Due from other governments	10,203,948	364,666		10,901,646
Interest receivable				
Due from other funds (Note 4)	912,443			
Loans receivable (Note 3)		12,413,755	10,873,205	
Long-term loans to the Private Purpose Trust Fund (Note 19E)	8,436,442		3,876,516	
Land held for resale (Note 1)			707,539	
Deposits, parts, supplies and other	38,021	293		
Total Assets	\$60,534,713	\$13,292,822	\$22,165,648	\$85,849,750
LIABILITIES:				
Accounts payable	\$1,751,399	\$102,236	\$1,502	\$6,034,790
Accrued liabilities	10,165,488	7,420	840	1,987
Due to other funds (Note 4)				
Long-term interfund payables (Note 4)	3,378,625			
Unearned revenue				
Refundable deposits	1,180,108			579,335
Total Liabilities	16,475,620	109,656	2,342	6,616,112
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - grants receivable				10,858,850
FUND BALANCES (Note 9):				
Nonspendable	8,474,463	293		
Restricted				
Public safety				
Public works and transportation				
Planning and building		13,182,873		
Economic development			22,163,306	
Debt service				
Assigned	13,485,813			68,374,788
Unassigned	22,098,817			
Total Fund Balances (Deficit)	44,059,093	13,183,166	22,163,306	68,374,788
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$60,534,713	\$13,292,822	\$22,165,648	\$85,849,750

See accompanying notes to basic financial statements

* Includes balances related to the City's Measure C District Sales Tax.

Other Governmental Funds	Total Governmental Funds
\$27,647,132	\$77,430,398
1,478,231	72,815,289
152,152	2,146,287
1,845,172	23,315,432
9,745	9,745
	912,443
3,807,305	27,094,265
	12,312,958
2,741,113	3,448,652
68	38,382
<u>\$37,680,918</u>	<u>\$219,523,851</u>
\$1,260,247	\$9,150,174
69,215	10,244,950
912,443	912,443
	3,378,625
64,133	64,133
<u>1,824,584</u>	<u>3,584,027</u>
<u>4,130,622</u>	<u>27,334,352</u>
<u>123,614</u>	<u>10,982,464</u>
	8,474,756
649,253	649,253
12,889,445	12,889,445
12,922,507	26,105,380
6,238,568	28,401,874
726,909	726,909
	81,860,601
	<u>22,098,817</u>
<u>33,426,682</u>	<u>181,207,035</u>
<u>\$37,680,918</u>	<u>\$219,523,851</u>

CITY OF HAYWARD
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total Fund Balances reported on the governmental funds balance sheet \$181,207,035

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

CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES

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

Land	11,737,379
Construction in progress	48,729,752
Depreciable capital assets, net	280,393,370

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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

Cash and investments	22,935,855
Accounts receivable	896,469
Deposits, parts, supplies and other	3,199,731
Land	372,748
Construction in progress	861,180
Depreciable capital assets, net	18,745,891
Accounts payable	(700,193)
Accrued liabilities	(17,901,994)
Unearned revenue	(14,394)
Refundable deposits	(4,084)
Long-term interfund payables	(71,429)
Long-term loans to the Private Purpose Trust Fund	27,021
Compensated absences	(373,298)
Net pension liabilities and pension-related deferred outflows and inflows of resources	(6,654,745)
Long-term debt	(5,638,405)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues that are not currently available are shown as deferred on the Fund Balance Sheets are recognized as revenue on the Statement of Activities.

Unavailable revenue	10,982,464
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LONG-TERM ASSETS AND LIABILITIES

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

Long-term debt	(100,403,591)
Interest payable	(648,953)
Compensated absences	(6,338,781)
Net pension liabilities and pension-related deferred outflows and inflows of resources	(281,340,383)
Net OPEB Obligation	<u>(32,681,837)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$127,316,808</u></u>
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See accompanying notes to basic financial statements

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CITY OF HAYWARD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General*	Special	Capital	
		Revenue Fund	Projects Funds	
		Federal Grants	Housing Authority	General Capital Projects
REVENUES:				
Property taxes	\$44,159,430			
Sales taxes	46,495,377			
Utility users tax	22,040,616			
Other taxes	25,947,371			\$359,043
Licenses and permits	6,316,823			
Fines and forfeitures	1,899,326			
Special assessments				
Investment income	132,835	\$3,406	\$97,382	49,235
Rental income	18,389			
Intergovernmental	8,893,003	1,052,713		13,549,217
Fees and charges for services	5,394,006	169,800		18,373
Other revenue	3,010,102	848,397	512,447	581,250
Total Revenues	164,307,278	2,074,316	609,829	14,557,118
EXPENDITURES:				
Current:				
General government	12,675,974			
Public safety	104,761,291			
Public works and transportation	2,021,366	802,218		
Library and community services	5,424,176		42,126	
Economic development				
Planning and building	7,350,640			
Maintenance services	5,384,887			
Capital outlay				33,388,338
Debt service:				
Principal				
Interest and fiscal charges				
Bond issuance cost				832,143
Total Expenditures	137,618,334	802,218	42,126	34,220,481
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,688,944	1,272,098	567,703	(19,663,363)
OTHER FINANCING SOURCES (USES):				
Refunding debt issued (Note 6)				67,535,000
Premium on refunding debt issued (Note 6)				5,689,045
Payment to refunded debt escrow agent (Note 6)				
Transfers in (Note 4)	3,390,533			17,912,382
Transfers (out) (Note 4)	(25,589,214)	(231,864)		(150,000)
Total Other Financing Sources (Uses)	(22,198,681)	(231,864)		90,986,427
CHANGE IN FUND BALANCES	4,490,263	1,040,234	567,703	71,323,064
BEGINNING FUND BALANCES, AS RESTATED (Note 9) (DEFICITS)	39,568,830	12,142,932	21,595,603	(2,948,276)
ENDING FUND BALANCES (DEFICITS)	\$44,059,093	\$13,183,166	\$22,163,306	\$68,374,788

See accompanying notes to basic financial statements

* Includes revenue and expenditures related to the City's Measure C District Sales Tax.

Other Governmental Funds	Total Governmental Funds
	\$44,159,430
	46,495,377
	22,040,616
\$247,632	26,554,046
	6,316,823
442,239	2,341,565
1,166,399	1,166,399
260,648	543,506
	18,389
13,606,525	37,101,458
4,303,711	9,885,890
2,957,386	7,909,582
22,984,540	204,533,081
	12,675,974
403,333	105,164,624
1,027,405	3,850,989
2,904,776	8,371,078
1,984,194	1,984,194
31,593	7,382,233
894,478	6,279,365
6,476,497	39,864,835
2,397,381	2,397,381
1,055,901	1,055,901
222,476	1,054,619
17,398,034	190,081,193
5,586,506	14,451,888
19,813,775	87,348,775
876,695	6,565,740
(20,455,936)	(20,455,936)
3,795,350	25,098,265
(1,928,279)	(27,899,357)
2,101,605	70,657,487
7,688,111	85,109,375
25,738,571	96,097,660
\$33,426,682	\$181,207,035

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, 2016

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$85,109,375

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 39,864,835
Non-capitalized capital outlay expenditures were reclassified to various governmental activities (10,987,726)
Depreciation expense is deducted from fund balance
(Depreciation expense is net of internal service fund depreciation of \$2,646,998 which has already been allocated to service funds. (10,385,625)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.
Long-term debt issuance (73,458,581)
Repayment of debt principal and interest are added back to fund balance 2,397,381

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):
Unavailable revenue 10,982,464
New loans made (201,545)
Compensated absences (563,832)
Net pension liabilities and pension-related deferred outflows/inflows of resources 6,063,485
Net OPEB Obligation (7,852,049)
Interest payable (231,268)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.
Change in Net Position - All Internal Service Funds 5,750,690

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$46,487,604

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal year 2016. These statements include balances for both operating and capital funds.

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

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

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

CITY OF HAYWARD
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Non-Major Funds	Totals	
ASSETS:					
Current Assets:					
Cash and investments (Note 2)	\$65,946,381	\$65,470,990	\$13,519,990	\$144,937,361	\$22,852,715
Cash and investments with fiscal agents (Note 2)	34	284,001		284,035	83,140
Accounts receivable, net	4,834,078	7,427,783	221,661	12,483,522	896,469
Due from other governments			133,271	133,271	
Deposits, parts, supplies and other		1,166,368		1,166,368	3,199,731
Total Current Assets	70,780,493	74,349,142	13,874,922	159,004,557	27,032,055
Noncurrent Assets:					
Long-term interfund receivables (Note 4)	71,429	3,378,625		3,450,054	
Long-term loans to the Private Purpose Trust Fund (Note 19E)	831,877	1,041,075		1,872,952	27,021
Deposits, parts, supplies and other	4,460,529		30,778	4,491,307	
Investment in East Bay Dischargers Authority (Note 16)	10,823,075			10,823,075	
Capital assets (Note 5):					
Land	1,830,143	2,683,047	244,302	4,757,492	372,748
Construction in progress	3,134,839	3,413,266	5,998,247	12,546,352	861,180
Depreciable capital assets, net	98,587,054	45,079,756	10,823,408	154,490,218	18,745,891
Total Noncurrent Assets	119,738,946	55,595,769	17,096,735	192,431,450	20,006,840
Total Assets	190,519,439	129,944,911	30,971,657	351,436,007	47,038,895
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions (Note 12)	1,003,449	1,134,334	503,906	2,641,689	1,265,219
LIABILITIES:					
Current Liabilities:					
Accounts payable	1,087,526	3,380,792	536,691	5,005,009	700,193
Accrued interest	265,502	18,206	7,071	290,779	39,798
Accrued liabilities	336,247	344,533	152,136	832,916	17,862,196
Unearned revenue	743,167	165,991		909,158	14,394
Refundable deposits		1,131,287	100,958	1,232,245	4,084
Compensated absences - due within one year (Note 1)	302,742	449,317	129,249	881,308	337,246
Accrued reclamation costs (Note 10)	125,000			125,000	
Long-term debt - due within one year (Note 6)	3,360,356	421,781	123,219	3,905,356	1,325,347
Total Current Liabilities	6,220,540	5,911,907	1,049,324	13,181,771	20,283,258
Noncurrent Liabilities:					
Long-term interfund payables (Note 4)					71,429
Compensated absences (Note 1)	22,999	34,135	9,819	66,953	36,052
Net pension liabilities (Note 12)	5,357,867	6,056,719	2,690,581	14,105,167	6,755,571
Long-term debt - due in more than one year (Note 6)	34,755,949	3,869,167	1,110,833	39,735,949	4,313,058
Total Noncurrent Liabilities	40,136,815	9,960,021	3,811,233	53,908,069	11,176,110
Total Liabilities	46,357,355	15,871,928	4,860,557	67,089,840	31,459,368
DEFERRED INFLOWS OF RESOURCES:					
Related to pensions (Note 12)	923,485	1,043,939	463,750	2,431,174	1,164,393
NET POSITION (Note 9):					
Net investments in capital assets	65,435,731	46,885,121	15,831,905	128,152,757	14,368,435
Restricted for debt service					83,140
Unrestricted	78,806,317	67,278,257	10,319,351	156,403,925	1,228,778
Total Net Position	\$144,242,048	\$114,163,378	\$26,151,256	\$284,556,682	\$15,680,353

See accompanying notes to basic financial statements

CITY OF HAYWARD
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Sewer	Water	Non-Major Funds		
OPERATING REVENUES:					
Charges for services	\$32,774,430	\$11,627,577	\$6,095,844	\$50,497,851	\$26,916,326
Sale of water		34,545,573		34,545,573	
Miscellaneous	782,669	91,049	38,357	912,075	1,362,275
Total Operating Revenues	<u>33,557,099</u>	<u>46,264,199</u>	<u>6,134,201</u>	<u>85,955,499</u>	<u>28,278,601</u>
OPERATING EXPENSES:					
Salaries and related expenses	6,567,526	2,901,826	3,920,858	13,390,210	6,183,563
Materials, supplies and services	9,912,476	7,278,382	1,743,416	18,934,274	8,572,422
Repairs and maintenance	605,872	785,080	221,997	1,612,949	2,862,528
Water purchases		24,864,482		24,864,482	
Self-funded insurance expense					7,799,663
Depreciation (Note 5)	5,041,989	2,290,299	1,133,009	8,465,297	2,646,998
Total Operating Expenses	<u>22,127,863</u>	<u>38,120,069</u>	<u>7,019,280</u>	<u>67,267,212</u>	<u>28,065,174</u>
Operating Income (Loss)	<u>11,429,236</u>	<u>8,144,130</u>	<u>(885,079)</u>	<u>18,688,287</u>	<u>213,427</u>
NONOPERATING REVENUES (EXPENSES):					
Investment income	436,506	491,141	91,523	1,019,170	58,050
Interest (expense)	(679,151)	(133,385)		(812,536)	(202,971)
Gain (loss) on disposal of capital assets	(802,708)			(802,708)	79,783
Loss from equity investment (Note 16)	(147,594)			(147,594)	
Net Nonoperating Revenues (Expenses)	<u>(1,192,947)</u>	<u>357,756</u>	<u>91,523</u>	<u>(743,668)</u>	<u>(65,138)</u>
Income (Loss) Before Contributions and Transfers	<u>10,236,289</u>	<u>8,501,886</u>	<u>(793,556)</u>	<u>17,944,619</u>	<u>148,289</u>
TRANSFERS					
Transfers in (Note 4)	185,000		244,383	429,383	6,592,044
Transfers (out) (Note 4)	(1,308,078)	(1,612,849)	(309,765)	(3,230,692)	(989,643)
Net Transfers	<u>(1,123,078)</u>	<u>(1,612,849)</u>	<u>(65,382)</u>	<u>(2,801,309)</u>	<u>5,602,401</u>
CHANGE IN NET POSITION	9,113,211	6,889,037	(858,938)	15,143,310	5,750,690
BEGINNING NET POSITION	<u>135,128,837</u>	<u>107,274,341</u>	<u>27,010,194</u>	<u>269,413,372</u>	<u>9,929,663</u>
ENDING NET POSITION	<u>\$144,242,048</u>	<u>\$114,163,378</u>	<u>\$26,151,256</u>	<u>\$284,556,682</u>	<u>\$15,680,353</u>

See accompanying notes to basic financial statements

CITY OF HAYWARD
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Non-Major Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$33,521,920	\$46,005,700	\$6,272,684	\$85,800,304	\$27,795,109
Payments to suppliers	(9,552,946)	(32,190,407)	(1,708,708)	(43,452,061)	(19,317,116)
Payments to employees	(6,916,553)	(6,382,131)	(3,081,383)	(16,380,067)	(5,553,117)
Net Cash Flows From Operating Activities	<u>17,052,421</u>	<u>7,433,162</u>	<u>1,482,593</u>	<u>25,968,176</u>	<u>2,924,876</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:					
Interfund receipts	517,857			517,857	
Interfund payments		(3,378,625)		(3,378,625)	(573,829)
Transfers in	185,000		244,383	429,383	6,592,044
Transfers (out)	(1,308,078)	(1,612,849)	(309,765)	(3,230,692)	(989,643)
Net Cash Flows From Noncapital and Related Financing Activities	<u>(605,221)</u>	<u>(4,991,474)</u>	<u>(65,382)</u>	<u>(5,662,077)</u>	<u>5,028,572</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(1,915,380)	(1,596,609)	(193,092)	(3,705,081)	(5,055,670)
Proceeds from capital leases					1,272,000
Principal payments on capital debt	(4,035,287)	(410,498)	(119,502)	(4,565,287)	(1,456,914)
Interest paid	(448,175)	(135,222)		(583,397)	(202,971)
Net Cash Flows From Capital and Related Financing Activities	<u>(6,398,842)</u>	<u>(2,142,329)</u>	<u>(312,594)</u>	<u>(8,853,765)</u>	<u>(5,443,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	436,474	491,140	91,523	1,019,137	58,050
Net Cash Flows From Investing Activities	<u>436,474</u>	<u>491,140</u>	<u>91,523</u>	<u>1,019,137</u>	<u>58,050</u>
NET CASH FLOWS	<u>10,484,832</u>	<u>790,499</u>	<u>1,196,140</u>	<u>12,471,471</u>	<u>2,567,943</u>
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	<u>55,461,549</u>	<u>64,680,491</u>	<u>12,323,850</u>	<u>132,465,890</u>	<u>20,367,912</u>
CASH AND EQUIVALENTS AT END OF PERIOD	<u>\$65,946,381</u>	<u>\$65,470,990</u>	<u>\$13,519,990</u>	<u>\$144,937,361</u>	<u>\$22,935,855</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$11,429,236	\$8,144,130	(\$885,079)	\$18,688,287	\$213,427
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	5,041,989	2,290,299	1,133,009	8,465,297	2,646,998
Change in assets and liabilities:					
Receivables, net	(758,048)	(1,015,195)	259,318	(1,513,925)	(483,492)
Due from other governments		28	(120,835)	(120,807)	
Parts and supplies	24,633	(159,234)		(134,601)	
Other assets	442,585	90,415		533,000	(1,437,752)
Accounts payable and other accrued expenses	498,184	806,328	251,714	1,556,226	803,165
Due to retirement system	(343,055)	(3,409,960)	808,881	(2,944,134)	1,144,840
Compensated absences	(5,972)	(70,345)	30,594	(45,723)	37,690
Refundable deposits		603,851	4,991	608,842	
Unearned revenue	722,869	152,845		875,714	
Net Cash Flows From Operating Activities	<u>\$17,052,421</u>	<u>\$7,433,162</u>	<u>\$1,482,593</u>	<u>\$25,968,176</u>	<u>\$2,924,876</u>

See accompanying notes to basic financial statements

CITY OF HAYWARD, CALIFORNIA

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

CITY OF HAYWARD
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	Private Purpose Trust Funds	Agency Funds
CURRENT ASSETS:		
Cash and investments (Note 2)	\$4,241,338	\$6,371,062
Cash and investments with fiscal agents (Note 2)	4,011,556	353,897
Accounts receivable, net	453,912	7,222
Due from other governments		999,997
	<u>8,706,806</u>	<u>7,732,178</u>
NONCURRENT ASSETS:		
Loans receivable (Note 19D)	24,912,298	
Land held for resale	3,695,031	
Capital assets (Note 19C):		
Land	5,277,955	
depreciable capital assets, net	12,060,201	
	<u>45,945,485</u>	
Total Assets	<u>\$54,652,291</u>	<u>\$7,732,178</u>
CURRENT LIABILITIES:		
Accounts payable	\$63,102	
Accrued interest	692,611	
Refundable deposits	128,000	\$2,830,779
Due to bondholders and others		4,901,399
Unearned revenue	533,677	
Long-term debt - due in less than one year (Note 19F)	1,920,000	
	<u>3,337,390</u>	<u>7,732,178</u>
NONCURRENT LIABILITIES (Note 19 E and F):		
Long-term loans payables - due in more than one year	14,212,931	
Long-term debt - due in more than one year	39,840,000	
	<u>54,052,931</u>	
Total Liabilities	<u>57,390,321</u>	<u>\$7,732,178</u>
NET POSITION HELD IN TRUST FOR PRIVATE PURPOSES	<u>(\$2,738,030)</u>	

See accompanying notes to basic financial statements

CITY OF HAYWARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust Fund
ADDITIONS	
Property tax	\$6,427,560
Investment income	4,707
Rental income	50,000
Intergovernmental	662,954
Other revenue	20,036
Total additions	7,165,257
DEDUCTIONS	
Maintenance services	345,977
Depreciation expense	377,106
Interest and fiscal charges	2,148,336
Total deductions	2,871,419
Net change in position	4,293,838
Net position - beginning	(7,031,868)
Net position - ending	(\$2,738,030)

See accompanying notes to basic financial statements

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CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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.

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

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

Internal Service funds

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

Fiduciary funds

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

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

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- The City has several unrestricted subfunds it accounts for separately in its general ledger that are combined and included in General Fund amounts reported in the accompanying financial statements. However for budgetary presentation purposes, the City only reports its main operating fund. Other subfunds not included in the budgetary presentation are reported as perspective differences.
- The sole Special Revenue fund the City does not budget for is the Donation Special Revenue Fund. The City is unable to forecast the amount of donations received in a given year, and the amount of donations it will spend in the fiscal year.

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

Land held for Resale of \$3,448,652 at June 30, 2016 is stated at the lowest of historical cost, net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer performing projects in accordance with the Redevelopment Plan of the former Redevelopment Agency of the City of Hayward.

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

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

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016:

	Governmental Activities	Business-type Activities	Total
Beginning Balance	\$6,110,557	\$993,984	\$7,104,541
Additions	6,121,941	878,080	7,000,021
Payments	(5,520,419)	(923,803)	(6,444,222)
Ending Balance	\$6,712,079	\$948,261	\$7,660,340
Current Portion	\$6,063,848	\$881,308	\$6,945,156

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

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.

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

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.

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2016, the City held \$2,105,211 in uncollateralized deposits under escrow agreements with construction contractors. Such deposits are permitted to be uncollateralized under the government code.

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

Classification – As of June 30, 2016 cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

Statement of Net Position

Cash and investments available for operations	\$245,220,474
Cash and investments with fiscal agents	73,182,464

Private Purpose Trust Fund

Cash and investments available for operations	4,241,338
Cash and investments with fiscal agents	4,011,556

Agency Funds

Cash and investments available for operations	6,371,062
Cash and investments with fiscal agents	353,897

Total Cash and Investments	\$333,380,791
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Cash in bank	\$41,427,370
Cash on hand (Petty Cash)	3,275
Investments	291,950,146
Total Cash and Investments	\$333,380,791

Cash and investments as of June 30, 2016 consist of the following:

Cash in bank	\$41,427,370
Cash on hand (Petty Cash)	3,275
Investments	291,950,146
Total Cash and Investments	\$333,380,791

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligation	5 years	None	100%	100%
U.S. Agency Securities (fully backed)	5 years	None	100%	100%
U.S. Agency Securities (sponsored)	5 years	None	100%	40%
Banker's Acceptance	180 days	A-1	40%	5%
Commercial Paper	270 days	A-1	25%	5%
Negotiable Certificates of Deposit	5 years	A	30%	5%
Repurchase Agreements	1 year	None	20%	20%
Medium-Term Notes	5 years	A	30%	5%
Money Market Fund	N/A	AAAm	20%	10%
Alameda County Investment Pool	None	None	10%	10%
California Local Agency Investment Fund	None	None	\$65m per account	N/A
Collateralized Certificates of Deposit	5 years	None	25%	20%
Municipal Bonds	5 years	A	20%	5%
Supranationals	5 years	AA	30%	30%
Asset-Backed Securities	5 years	AA	20%	5%

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
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

Fair Value Hierarchy - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value:			
U.S. Treasury Obligation	\$52,883,032		\$52,883,032
U.S. Agency Securities		\$61,146,110	61,146,110
California Local Agency Investment Fund		94,676,229	94,676,229
Corporate Bonds		5,255,317	5,255,317
Municipal Bonds		1,804,661	1,804,661
Supranationals		5,191,823	5,191,823
Asset-Backed Security		684,895	684,895
	<u>\$52,883,032</u>	<u>\$168,759,035</u>	<u>221,642,067</u>
Investments Measured at Amortized Cost:			
Money market mutual funds			<u>70,308,079</u>
Total Investments			<u>\$291,950,146</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

U.S. Treasury Obligation classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. U.S. Agency Securities, Corporate Bonds, Municipal Bonds, Supranationals and Asset-Backed Security, classified in Level 2 of the fair value hierarchy, are valued using pricing techniques of matrix pricing or market corroborated pricing, with inputs such as yield curves or indices. These prices are obtained from various pricing sources by our custodian bank. The California Local Agency Investment Fund, classified in Level 2 of the fair value hierarchy, is valued based on the fair value factor provided by the Treasurer of the State of California calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

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

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

Investment Type	12 Months or less	13 Months to 24 Months	25 Months to 60 Months	Total
U.S. Treasury Obligation	\$14,926,360	\$24,779,587	\$13,177,085	\$52,883,032
U.S. Agency Securities	2,452,942	20,756,508	37,936,660	61,146,110
Money Market Mutual Fund	70,308,079			70,308,079
California Local Agency Investment Fund	94,676,229			94,676,229
Corporate Bonds		2,972,521	2,282,796	5,255,317
Municipal Bonds	250,000	1,118,869	435,792	1,804,661
Supranationals		1,014,572	4,177,251	5,191,823
Asset-Backed Security		61,152	623,743	684,895
Total Investments	<u>\$182,613,610</u>	<u>\$50,703,209</u>	<u>\$58,633,327</u>	291,950,146
Cash in Banks				41,427,370
Cash on hand (Petty Cash)				<u>3,275</u>
Total Cash				41,430,645
Total Cash and Investments				<u>\$333,380,791</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2016, these investments had an average maturity of 167 days.

Money market funds are available for withdrawal on demand and at June 30, 2016, had an average maturity of 22 days.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2016 for each investment type as provided by Moody's investment rating system:

Investment Type	AAA	AAAm	AA3	A1	A2	A3	Baa1	Not Rated	Total
U.S. Treasury Obligation	\$52,883,032								\$52,883,032
U.S. Agency Securities	61,146,110								61,146,110
Money Market Mutual Fund		\$70,308,079							70,308,079
California Local Agency Investment Fund								\$94,676,229	94,676,229
Corporate Bonds	655,073		\$905,270	\$1,060,448	\$1,257,000	\$909,325	\$468,201 *		5,255,317
Municipal Bonds			435,792			1,368,869			1,804,661
Supranationals	5,191,823								5,191,823
Asset-Backed Security	684,895								684,895
Total Investments	\$120,560,933	\$70,308,079	\$1,341,062	\$1,060,448	\$1,257,000	\$2,278,194	\$468,201	\$94,676,229	\$291,950,146

* These bonds were rated A by Fitch at June 30, 2016

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, 2016, the following investments were subjected to custodial credit risk:

Major Fund	Issuer	Investment Type	Reported Amount
General Fund	Federal National Mortgage Association	U.S. Agency Securities	\$29,324,591
	Federal Home Loan Bank	U.S. Agency Securities	20,272,452

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

3. LOANS RECEIVABLES

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

Huntwood Commons Apartments – The City has a loan agreement with Eden Housing, Inc., a California nonprofit public benefit corporation. Eden Housing intends to rehabilitate thirty-nine units of rental housing for rental to low-income households and one manager’s unit. The loans are in the amount of \$840,000 consisting of HOME funds and \$175,500 consisting of Workforce Housing Reward funds. In fiscal year 2016, in order to assist in the feasibility of the Hayward 4 Development rehabilitation, the City modified the Huntwood Loans to reflect the new principal amount of \$1,075,200, which is equal to the unpaid principal amount of the original loans plus interest accrued.

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016 were as follows:

FROM FUND:	TO FUND:	AMOUNT:
General Fund	General Capital Projects	\$16,286,382 A
	Non-Major Governmental Funds	3,795,350 A
	Internal Service Funds	5,507,482 A
Federal Grants Fund	General Fund	231,864 D
General Capital Projects	Internal Service Funds	150,000 B
Non-Major Governmental Funds	General Fund	809,216 A
	General Capital Projects	1,093,000 B
	Internal Service Funds	26,063 C
Sewer Fund	General Fund	431,287 D
	General Capital Projects Fund	533,000 B
	Internal Service Funds	343,791 A
Water Fund	General Fund	849,441 D
	Sewer Fund	185,000 A
	Non-Major Governmental Funds	244,383 A
	Internal Service Funds	334,025 A
Non-Major Enterprise Funds	General Fund	210,680 D
	Internal Services Funds	99,085 A, C
Internal Service Funds	General Fund	858,045 D
	Internal Service Funds	131,598 C
		<u>\$32,119,692</u>

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016 interfund balances were as follows:

<u>Due from Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Route 238 Corridor Improvement Capital Projects Fund	\$883,713
	Certificates of Participation Debt Service Fund	<u>28,730</u>
		<u>\$912,443</u>

Long-Term Interfund Advances - At June 30, 2016, the funds below had made advances that were not expected to be repaid within the next year.

	<u>Long-Term Interfund Receivable</u>	<u>Long-Term Interfund Payable</u>
General Fund		\$3,378,625
Enterprise Funds		
Water	\$3,378,625	
Sewer	71,429	
Internal Service Funds		<u>71,429</u>
Total	<u>\$3,450,054</u>	<u>\$3,450,054</u>

Sewer Enterprise Fund Long-Term Receivable from Fleet Management Fund - In fiscal year 2010, the Sewer Enterprise Fund loaned \$1,000,000 to the Fleet Management Internal Service Fund for the design, build and purchase of an aerial fire apparatus. As of June 30, 2016 the outstanding loan balance was \$71,429.

General Fund Advance from Water Enterprise Fund - In fiscal year 2014, the Water Enterprise Fund loaned \$3,420,000 to the General Fund for cost related to a new fire station and firehouse clinic. This loan bears 2% interest and repayments are made semiannually every December 1st and June 1st. As of June 30, 2016 the outstanding loan balance was \$3,378,625.

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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

5. CAPITAL ASSETS

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

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

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

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

Buildings and improvements	10 - 50 years
Improvements other than Buildings	25 years
Machinery and equipment	7 - 50 years
Streets	25 - 40 years
Traffic Signals	20 years
Medians	25 - 40 years
Conduits	20 years
Drains	20 years

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

5. CAPITAL ASSETS (Continued)

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

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$10,332,509	\$1,777,618			\$12,110,127
Construction in progress	32,454,862	25,953,354	(\$31,938)	(\$8,785,346)	49,590,932
Total capital assets not being depreciated	42,787,371	27,730,972	(31,938)	(8,785,346)	61,701,059
Capital assets being depreciated:					
Buildings and improvements	50,005,620			8,785,346	58,790,966
Improvements other than buildings	14,907,048				14,907,048
Machinery and equipment	48,689,142	6,239,289	(1,392,128)		53,536,303
Streets	303,220,562	12,231			303,232,793
Traffic signals	7,257,235				7,257,235
Medians	3,724,705				3,724,705
Conduits	1,540,569				1,540,569
Drains	2,994,000				2,994,000
Total capital assets being depreciated	432,338,881	6,251,520	(1,392,128)	8,785,346	445,983,619
Less accumulated depreciation for:					
Buildings and improvements	24,167,402	1,180,500			25,347,902
Improvements other than buildings	5,575,962	545,412			6,121,374
Machinery and equipment	30,306,432	3,149,251	(1,374,353)		32,081,330
Streets	64,960,892	7,587,644			72,548,536
Traffic signals	5,295,920	267,720			5,563,640
Medians	1,868,195	93,118			1,961,313
Conduits	1,289,443	63,278			1,352,721
Drains	1,721,842	145,700			1,867,542
Total accumulated depreciation	135,186,088	13,032,623	(1,374,353)		146,844,358
Net depreciable assets	297,152,793	(6,781,103)	(17,775)	8,785,346	299,139,261
Governmental activity capital assets, net	\$339,940,164	\$20,949,869	(\$49,713)		\$360,840,320

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

5. CAPITAL ASSETS (Continued)

	Balance June 30, 2015	Additions	Transfers	Balance June 30, 2016
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$4,757,492			\$4,757,492
Construction in progress	24,734,711	\$2,893,904	(\$15,082,263)	12,546,352
Total capital assets not being depreciated	29,492,203	2,893,904	(15,082,263)	17,303,844
Capital assets being depreciated:				
Buildings and improvements	27,589,544			27,589,544
Machinery and equipment	28,931,485	8,470	15,082,263	44,022,218
Sewer pipelines and infrastructure	123,971,066			123,971,066
Water pipelines and infrastructure	64,387,643			64,387,643
Airport hangars, tarmacs and other infrastructure assets	26,645,069			26,645,069
Total capital assets being depreciated	271,524,807	8,470	15,082,263	286,615,540
Less accumulated depreciation for:				
Buildings and improvements	18,282,190	510,644		18,792,834
Machinery and equipment	12,967,199	1,249,942		14,217,141
Sewer pipelines and infrastructure	44,825,726	3,983,852		48,809,578
Water pipelines and infrastructure	31,888,559	1,746,801		33,635,360
Airport hangars, tarmacs and other infrastructure assets	15,696,351	974,058		16,670,409
Total accumulated depreciation	123,660,025	8,465,297		132,125,322
Net depreciable assets	147,864,782	(8,456,827)	15,082,263	154,490,218
Business-type activity capital assets, net	\$177,356,985	(\$5,562,923)		\$171,794,062

Governmental capital assets construction in progress was composed of the following at June 30, 2016:

Governmental Funds:

	Project Budget	Expended to June 30, 2016	Committed
Buildings	\$76,280,000	\$22,140,369	\$54,139,631
Improvement other than buildings	2,750,000	1,317,520	1,432,480
Machinery and equipment	5,229,585	1,056,964	4,172,621
Streets	92,266,683	33,893,363	58,373,320
Total	\$176,526,268	\$58,408,216	\$118,118,052

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

5. CAPITAL ASSETS (Continued)

A summary of enterprise fund construction in progress at June 30, 2016 follows:

Enterprise Funds:

	Project Budget	Expended to June 30, 2016	Committed
Sewer Enterprise Fund	\$43,150,000	\$3,134,839	\$40,015,161
Water Enterprise Fund	41,148,000	3,413,266	37,734,734
Airport Enterprise Fund	10,277,000	5,998,247	4,278,753
Total	<u>\$94,575,000</u>	<u>\$12,546,352</u>	<u>\$82,028,648</u>

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

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

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

Governmental Activities

General Government	\$939,386
Public Safety	7,139,318
Public Works and Transportation	972,762
Library and Community Services	532,257
Economic Development	91,369
Planning and Building	433,621
Maintenance Services	276,912
Internal Service Funds	2,646,998
	<u>\$13,032,623</u>

Business-Type Activities

Sewer Fund	\$5,041,989
Water Fund	2,290,299
Stormwater Fund	275
Airport Fund	1,132,734
	<u>\$8,465,297</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2015	Additions	Retirements	Outstanding at June 30, 2016	Current Portion
Governmental Activity Debt:						
Certificates of Participation						
2007 Refunding COP (a) 4.0-4.5%, due 8/1/26	\$31,820,000	\$21,195,000		\$21,195,000		
2015 COP (a), 3.0-5.0%, due 12/31/34 Add: Original issue premium	67,535,000 5,689,046		\$67,535,000 5,689,046		\$67,535,000 5,689,046	
2016 Refunding COP, 2.6-2.76%, due 11/1/2026 Add: Original issue premium	19,813,775 876,695		19,813,775 876,695		19,813,775 876,695	\$1,922,392
Promissory Note						
Fire Suppression Equipment (a), 0%	200,000	100,000			100,000	
Lease Revenue Bonds						
ABAG Series 2001-2 (a), 3.0-5.0%, due 12/01/20	3,589,835	450,000		70,000	380,000	70,000
Loan Payable						
Energy Efficiency Loan (a), 1%, due 12/22/23	2,488,880	2,245,717		254,380	1,991,337	256,987
Private Placement Loan						
2014 Fire Station #7 and Wellness Center Private Placement Loan (a), 2.84%, due 8/1/29	5,500,000	5,351,674		303,002	5,048,672	311,669
Subtotal		<u>29,342,391</u>	<u>93,914,516</u>	<u>21,822,382</u>	<u>101,434,525</u>	<u>2,561,048</u>
Internal Service Fund Long-Term Debt (b)						
Capital Leases - Equipment						
Solar Power Generator Equipment, 6%, due 03/01/30	1,035,000	712,713		30,411	682,302	32,263
Energy Upgrades and Solar Project, 3%, due 06/22/2024	887,152	520,307		80,362	439,945	82,831
Capital Leases - Fleet						
Fire Engines 3.240%, due 10/22/20	1,906,413	1,173,956		198,306	975,650	204,786
Maintenance Vehicles 2.88%, due on 10/22/17	765,366	311,311		121,863	189,448	125,397
Police Vehicles Replacement 2.05%, due on 11/10/2015	815,000	105,548		105,548		
Police Vehicles 1.3%, due on 11/15/2016	520,000	198,159		131,678	66,481	66,481
Police Vehicles 2.46%, due on 1/17/18	535,000	406,118		132,075	274,043	135,346
Fire Engines 3.05%, due 1/17/24	824,000	752,364		73,838	678,526	76,107
Fire Truck 2.92%, due 6/15/25	1,272,000		1,272,000	111,257	1,160,743	114,528
Capital Leases - Technology						
Computer hardware	755,100	312,760		154,536	158,224	158,224
Network Infrastructure Lease, due 5/21/19	1,699,356	1,334,404		321,361	1,013,043	329,384
Total capital lease obligations		<u>5,827,640</u>	<u>1,272,000</u>	<u>1,461,235</u>	<u>5,638,405</u>	<u>1,325,347</u>
Subtotal		<u>5,827,640</u>	<u>1,272,000</u>	<u>1,461,235</u>	<u>5,638,405</u>	<u>1,325,347</u>
Total Governmental Activity Debt		<u>\$35,170,031</u>	<u>\$95,186,516</u>	<u>\$23,283,617</u>	<u>\$107,072,930</u>	<u>\$3,886,395</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

6. LONG-TERM DEBT (Continued)

Type of Obligation	Authorized and Issued	Balance June 30, 2015	Retirements	Outstanding at June 30, 2016	Current Portion
Business-type Activity Debt:					
Revenue Bonds					
2013 Water Revenue Refunding Loan (c), 2.76%, due 5/1/25	\$7,245,000	\$6,055,000	\$530,000	\$5,525,000	\$545,000
Loan Payable					
Energy Efficiency Loan (c), 3%, due 6/22/25	2,450,000	1,869,473	162,787	1,706,686	167,855
Certificates of Participation					
For acquisition of:					
2007 Sewer (d) 3.5-4.0%%, due 2/1/18	9,880,000	2,095,000	1,145,000	950,000	465,000
State Water Resource Control Board Loan					
0%, due 9/30/28 (d)	54,550,018	38,187,119	2,727,500	35,459,619	2,727,501
Total Business-type Activity Debt		<u>\$48,206,592</u>	<u>\$4,565,287</u>	<u>\$43,641,305</u>	<u>\$3,905,356</u>

Debt service payments are generally made from the following sources:

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

A. Certificates of Participation (COPs)

2007 Refunding Certificates of Participation – In August 2007, the Hayward Public Financing Authority issued \$31,820,000 in Certificates of Participation (2007 COPs) to prepay \$26,740,000 of the outstanding principal of the 1996 Civic Center Certificates of Participation and to prepay \$4,245,000 of the outstanding principal of the 1997 Road and Seismic Retrofit Refunding Certificates of Participation. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of Net Position. This advance refunding was undertaken to reduce total debt service payments over the next 18 years by \$2,864,926 and resulted in an economic gain of \$1,991,771.

In June, 2016, proceeds from the 2016 Refunding Certificates of Participation were used to advance refund and defease the 2007 Refunding Certificates of Participation.

2015 Certificates of Participation – On October 1, 2015, the City issued \$67,535,000 in Certificates of Participation (2015 COPs) to acquire and construct a number of capital improvements, including a new library and community learning center, improvements to existing fire stations, and street rehabilitation and repairs. The 2015 COPs bear interest at 3% to 5% and are due serially each November 1. Interest payments are due semi-annually on May 1 and November 1, through maturity in 2034.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

6. LONG-TERM DEBT (Continued)

2016 Refunding Certificates of Participation – On June 1, 2016, the Hayward Public Financing Authority issued Certificates of Participation (2016 COPs) in the amount of \$19,813,775. The proceeds of the lease obligation were used to refund the 2007 Certificates of Participation. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of Net Position. The refunding resulted in an overall debt service savings of \$1,582,765. The net present value of the debt service savings is called an economic gain and amounted to \$1,550,245.

The lease obligation is payable each November from 2016 to 2026, in amounts ranging from \$850,000 to \$2,021,009 and bear interest at rates ranging from 2.6% to 2.76%. Interest is payable semiannually on May 1 and November 1.

B. Promissory Note

In fiscal year 2011, the City entered into a promissory note agreement with A100 US, LLC. The City borrowed \$200,000 to help finance the purchase of new City vehicles. The note bears no interest. As of June 30, 2016, the balance of the promissory note was \$100,000. The City has made multiple attempts to repay this amount.

C. 2001 ABAG Lease Revenue Bonds

In fiscal year 2002, the City issued \$7,475,000 principal amount of ABAG Lease Revenue Bonds, Series 2001-2, (2001-2 Bonds), the proceeds of which were used to finance the cost of acquiring capital assets and to refund and retire various capital lease and certificates of participation obligations. This bifurcated Bond issue is repayable from governmental funds, the Equipment Management Internal Service Fund, the Sewer Enterprise Fund and the Water Enterprise Fund and as a result, the principal balance of the 2001-2 Bonds has been prorated and recorded in each of the above funds and activities. As of June 30, 2016, the portions of bonds repayable from the Equipment Management Internal Service Funds, the Sewer Enterprise Fund and the Water Enterprise Fund were paid off. The remaining balance payable from governmental funds is \$380,000.

D. Energy Efficiency Loan

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

E. 2014 Fire Station #7 and Wellness Center Private Placement Loan

The City entered into a loan agreement with Umpqua Bank in the amount of \$5,500,000 on August 1, 2014. Loan proceeds will be used to fund the design and construction of a Firehouse Wellness Clinic at Fire Station # 7. This loan bears interest of 2.84%. Principal and interest payments are payable semiannually on February 1 and August 1, commencing February 1, 2015 through maturity on August 1, 2029.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

6. LONG-TERM DEBT (Continued)

F. 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.

G. 2013 Water Revenue Refunding Loan

The City issued Water Revenue Refunding Bonds of \$7,245,000 on August 13, 2013, to defease the City's outstanding Public Financing Authority 1996 Revenue Bonds, and to refund 2001 Water System Improvement Project Certificates of Participation and 2004 Water System Improvement Project Certificates of Participation. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of Net Position. The 2013 Water Revenue Refunding Bonds are secured by a pledge of net revenues of the water system. The Bonds bear interest at a rate per annum at 2.67%. Principal payments are payable May 1. Interest payments are payable semiannually on May 1 and November 1, commencing May 1, 2014 through maturity on May 1, 2025.

The pledge of future Water Fund Revenues ends upon repayment of the \$5.52 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2025. For fiscal year 2016, Water Fund Revenues including operating revenues, non-operating interest earnings and transfers in amounted to \$46.8 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to \$36.0 million. Net Revenues available for debt service amounted to \$10.7 million, which represented coverage of 20.8 times over the \$530,000 in debt service.

H. Energy Efficiency Loan

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

I. 2007 Sewer Refunding Certificates of Participation

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

6. LONG-TERM DEBT (Continued)

J. State Water Resources Control Board Loan

In June 2006, the City entered into a loan agreement with the State of California's State Water Resources Control Board for the purpose of financing the Wastewater System Improvement Project. Under the terms of the contract, the City has agreed to repay \$54,550,018 to the State in exchange for receiving \$45,458,167 in proceeds used to fund the Project. The difference between the repayment obligation and proceeds amounts to \$9,091,852 upon issue and represents in-substance interest on the outstanding balance. As of June 30, 2016, the City's gross repayment obligation totaled \$35,459,618 and has a corresponding prepayment of interest expense for \$4,099,066. The repayments of the loan are due annually on September 30, commencing September 30, 2009.

K. Debt Service Requirements

At June 30, 2016, annual debt service requirements to maturity for long-term debt, including interest payments, were as follows:

Year Ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$3,886,395	\$3,457,529	\$3,905,356	\$239,863
2018	3,743,896	3,442,337	3,945,429	201,730
2019	5,904,224	3,285,001	3,485,655	161,648
2020	5,771,005	3,062,621	3,505,950	140,345
2021	5,980,412	2,839,580	3,531,585	118,288
2022 - 2026	30,361,334	10,785,142	17,082,720	239,842
2027 - 2031	25,004,923	6,009,950	8,184,610	
2032 - 2035	19,855,000	1,720,275		
Totals	100,507,189	<u>\$34,602,435</u>	<u>\$43,641,305</u>	<u>\$1,101,716</u>
Plus unamortized premium	<u>6,565,741</u>			
Total Long-term debt principal, net	<u>\$107,072,930</u>			

L. Defeased Bonds

As of June 30, 2016, outstanding balances for defeased debt were \$1,595,000 for the 1998 Sewer System Improvement Certificates of Participation, \$1,480,000 for the 2001 Water System Improvement Project Certificates of Participation, and \$19,425,000 for the 2007 Refunding Certificates of Participation. The 2004 Water System Improvement Project Certificates of Participation and 1996 Sewer System Improvement Certificates of Participation were fully defeased.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

6. LONG-TERM DEBT (Continued)

M. Authorized and Unissued Debt

On October 14, 2014, City Council authorized an application for a State Water Resources Control Board Revolving Fund Loan in the amount of \$12,200,000. As of June 30, 2016, the City had not finalized the loan agreement with the State.

On April 19, 2016, City Council authorized the City Manager to sign and file a State Water Resources Control Board Revolving Loan Financial Assistance Application for Water Pollution Control Facility Phase II Improvements in the amount of \$25,000,000. As of June 30, 2016 the total amount remained authorized but unissued.

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, 2016 was \$570,000.

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, 2016 was \$210,000.

In October 2013, the Community Facilities District No. 1, Eden Shores issued Special Tax Refunding Bonds, Series 2013, in the original principal amount of \$7,076,294 refunding the 2002 Special Tax Bonds. Outstanding debt for the 2013 Bonds at June 30, 2016 was \$6,423,957.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

9. NET POSITION AND FUND BALANCES

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

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

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

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

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

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

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

Debt Service Activities – These Net Positions are restricted for the use of debt service related activities.

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

9. NET POSITION AND FUND BALANCES (Continued)

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

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

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

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

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. In accordance to the City's fund balance policy, intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council. This category includes 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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

9. NET POSITION AND FUND BALANCES (Continued)

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

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

It is the policy of the City of Hayward to establish and maintain adequate financial reserves in order to avoid the negative effects of economic cycles upon essential services to the public and to assure that annual fluctuations in revenue receipts do not impede the City's ability to meet its expenditure obligations.

During periods of economic sufficiency, these reserves shall be used as a source of supplemental revenue through prudent investments and earnings under policies of the City Council and for meeting short term cash flow deficiencies. During periods of economic downturns, when revenues fail to meet the normal operating requirements of essential public services, or when need for reserves temporarily exceeds receipts, these designations may, upon the recommendation of the City Manager and the authorization of the City Council, be used in accordance with the standards set forth herein.

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

9. NET POSITION AND FUND BALANCES (Continued)

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

	Balance at June 30, 2016
Nonspendables:	
Items not in spendable form:	
Deposits, parts, supplies and other:	\$8,474,463
Total Nonspendable Fund	8,474,463
 Assigned:	
Capital projects	256,170
Measure C District sales tax	13,229,643
Total Assigned Fund Balances	13,485,813
 Unassigned:	
Designations:	
Liquidity	22,098,817
Total Unassigned Fund Balances	22,098,817
Total Fund Balances	\$44,059,093

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

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

- In October 2014 the Citizens of Hayward approved the Measure C District Sales Tax, a general tax. Fund balances related to this Measure have been assigned.

Prior Period Adjustment – The City changed its accounting policy related to loans receivable in fiscal year 2016. Rather than offsetting long-term loans receivable with unavailable revenue (deferred inflow of resources), loans receivable are now a component of fund balance. As a result, beginning fund balance in the Federal Grants Special Revenue Fund, Housing Authority Capital Projects Fund, Community Development Block Grant Special Revenue Fund, Housing Mortgage Revenue Bonds Special Revenue Fund and Recycling Special Revenue Fund have been adjusted and increased in the amount of \$11,566,128, \$10,813,607, \$2,706,273, \$175,500 and \$53,631, respectively.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

9. NET POSITION AND FUND BALANCES (Continued)

Deficit Fund Balances – As of June 30, 2016, the following funds had deficits:

The Workers' Compensation Insurance Internal Service Fund reflects an accumulated deficit of \$6,833,929 due to accrued claims which have not been fully funded. The above deficits are expected to be eliminated with future revenues.

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. This pronouncement was implemented effected July 1, 2015.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. This pronouncement was implemented effected July 1, 2015.

GASB Statement No. 79 – In June 2015, GASB issued Statement No. 76, *Certain External Investment Pools and Pool Participant*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

10. ACCRUED RECLAMATION COSTS

To comply with regulatory requirements imposed by the California Regional Water Quality Control Board and the Alameda County Department of Environmental Health, the City expects to incur reclamation costs associated with an abandoned 60 acre landfill site. Such costs represent placing an 18-inch vegetative cover over the landfill site as well as ongoing monitoring costs. Annually the City expects to incur \$125,000 in expenses related to reclamation costs for the site. These expenses will be funded by operating revenue of the Sewer Enterprise Fund. Reclamation payments totaled \$161,588 for the year ended June 30, 2016. 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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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. PENSION PLANS

A. *General Information about the Pension Plans*

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

12. PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Classic Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.70%	1.0% - 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	24.467%	24.467%
	Safety - Fire	
	Classic Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% - 2.7%
Required employee contribution rates	9.0%	11.25%
Required employer contribution rates	40.397%	40.397%
	Safety - Police	
	Classic Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% - 2.7%
Required employee contribution rates	9.0%	12.75%
Required employer contribution rates	42.398%	42.398%

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

12. PENSION PLANS (Continued)

Employees Covered – The following employees were covered by the benefit terms for each Plan as of the most recent actuarial valuation date of June 30, 2014 and measurement date of June 30, 2015:

	<u>Miscellaneous</u>	<u>Safety-Fire</u>	<u>Safety - Police</u>
Inactive employees or beneficiaries currently receiving benefits	808	176	286
Inactive employees entitled to but not yet receiving benefits	612	19	77
Active employees	457	116	177
Total	<u>1,877</u>	<u>311</u>	<u>540</u>

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

12. PENSION PLANS (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

	All Plans (1)
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 20.0% (2)
Investment Rate of Return	7.65%
Mortality	Derived using CalPers Membership Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) Actuarial assumptions are the same for all benefit tiers (Classic Tier and PEPRA)
- (2) Depending on age, service and type of employment
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website under the GASB 68 section.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

12. PENSION PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

12. PENSION PLANS (Continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follow:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$389,956,961	\$280,606,640	\$109,350,321
Changes in the year:			
Service cost	5,922,880		5,922,880
Interest on the total pension liability	28,504,068		28,504,068
Differences between actual and expected experience	(3,128,990)		(3,128,990)
Changes in assumptions	(6,628,461)		(6,628,461)
Changes in benefit terms			
Plan to plan resource movement		2,005	(2,005)
Contribution - employer		8,397,492	(8,397,492)
Contribution - employee (paid by employer)			
Contribution - employee		3,176,411	(3,176,411)
Net investment income		6,280,326	(6,280,326)
Administrative expenses		(311,784)	311,784
Benefit payments, including refunds of employee contributions	(21,117,520)	(21,117,520)	
Net changes	<u>3,551,977</u>	<u>(3,573,070)</u>	<u>7,125,047</u>
Balance at June 30, 2015	<u>\$393,508,938</u>	<u>\$277,033,570</u>	<u>\$116,475,368</u>

Safety - Fire Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$244,244,349	\$174,468,128	\$69,776,221
Changes in the year:			
Service cost	3,887,900		3,887,900
Interest on the total pension liability	18,049,868		18,049,868
Differences between actual and expected experience	763,164		763,164
Changes in assumptions	(4,308,430)		(4,308,430)
Changes in benefit terms			
Plan to plan resource movement			
Contribution - employer		4,969,514	(4,969,514)
Contribution - employee (paid by employer)			
Contribution - employee		2,383,255	(2,383,255)
Net investment income		3,918,637	(3,918,637)
Administrative expenses		(193,742)	193,742
Benefit payments, including refunds of employee contributions	(13,394,096)	(13,394,096)	
Net changes	<u>4,998,406</u>	<u>(2,316,432)</u>	<u>7,314,838</u>
Balance at June 30, 2015	<u>\$249,242,755</u>	<u>\$172,151,696</u>	<u>\$77,091,059</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

12. PENSION PLANS (Continued)

Safety - Police Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$321,239,482	\$216,215,691	\$105,023,791
Changes in the year:			
Service cost	6,454,659		6,454,659
Interest on the total pension liability	23,663,122		23,663,122
Differences between actual and expected experience	(823,804)		(823,804)
Changes in assumptions	(5,929,992)		(5,929,992)
Changes in benefit terms			
Plan to plan resource movement			
Contribution - employer		7,594,532	(7,594,532)
Contribution - employee (paid by employer)			
Contribution - employee		3,296,967	(3,296,967)
Net investment income		4,819,953	(4,819,953)
Administrative expenses		(241,860)	241,860
Benefit payments, including refunds of employee contributions	(16,782,338)	(16,782,338)	
Net changes	<u>6,581,647</u>	<u>(1,312,746)</u>	<u>7,894,393</u>
Balance at June 30, 2015	<u>\$327,821,129</u>	<u>\$214,902,945</u>	<u>\$112,918,184</u>
Combined Total	<u>\$970,572,822</u>	<u>\$664,088,211</u>	<u>\$306,484,611</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety-Fire	Safety-Police
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$166,105,004	\$109,455,261	\$157,998,858
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$116,475,368	\$77,091,059	\$112,918,184
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$75,257,643	\$50,358,421	\$76,115,073

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

12. PENSION PLANS (Continued)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of (\$8,034,022). At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$10,026,685	
Differences between actual and expected experience		(\$1,768,560)
Changes in assumptions		(3,746,521)
Net differences between projected and actual earnings on plan investments		<u>(2,773,250)</u>
Total	<u>\$10,026,685</u>	<u>(\$8,288,331)</u>

Safety Plan - Fire:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$5,789,172	
Differences between actual and expected experience	607,416	
Changes in assumptions		(\$3,429,159)
Net differences between projected and actual earnings on plan investments		<u>(1,772,317)</u>
Total	<u>\$6,396,588</u>	<u>(\$5,201,476)</u>

Safety Plan - Police:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$8,650,555	
Differences between actual and expected experience		(\$601,154)
Changes in assumptions		(4,327,291)
Net differences between projected and actual earnings on plan investments		<u>(2,060,745)</u>
Total	<u>\$8,650,555</u>	<u>(\$6,989,190)</u>
Combined total	<u>\$25,073,828</u>	<u>(\$20,478,997)</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

12. PENSION PLANS (Continued)

\$24,466,412 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

All Plans (Misc, Fire and Police)

Year Ended June 30	Increase (Decrease) in Pension Expense Amortization
2017	(\$11,351,733)
2018	(8,382,074)
2019	(6,561,754)
2020	6,423,980

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. The benefits a participant will receive depend on contributions. Employer liabilities are limited to the amount of current contributions.

As approved by Council, PARS participants contribute 3.75 % and the City contributes 3.75% of salary each pay period. Contributions made by an employee and the employer vest immediately. No forfeitures were noted during the current period.

For the fiscal year ending June 30, 2016, total contributions of \$31,794 were made based on a total amount of covered compensation of \$423,904.

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, 2016, approximately 598 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 709 active employees that should they meet requirements will be eligible to receive health care benefits upon retirement.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy and Actuarial Assumptions - The annual required contribution (ARC) was determined as part of a July 1, 2015 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 4.19% explicit investment rate of return, 4% implicit investment rate of return, 3.25% projected annual salary increase and a 7.28% long term return on assets. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 22-year closed amortization period.

Funding Progress and Funded Status - In fiscal year 2016, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Net OPEB Obligation at June 30, 2015	\$24,829,788
Annual required contribution (ARC)	11,514,294
Interest on net OPEB obligation	1,037,581
Adjustment to annual required contribution	(1,747,687)
Annual OPEB cost	10,804,188
Contributions made:	
Other Contributions	(2,925,196)
Contribution to CERBT Trust	(26,943)
Subtotal	(2,952,139)
Change in net OPEB Obligation	7,852,049
Net OPEB Obligation at June 30, 2016	\$32,681,837

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 OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$7,021,160	\$4,012,279	57%	\$21,680,703
6/30/2015	7,330,299	4,181,214	57%	24,829,788
6/30/2016	10,804,188	2,952,139	27%	32,681,837

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date, the plan was 3.3% funded. The Actuarial Accrued Liability (AAL) for benefits was \$112,025,118 and the Actuarial Value of Plan Asset was \$3,684,251 resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$108,340,867. The covered payroll (annual payroll of active employees covered by the plan) was \$81,350,000 and the ratio of UAAL to the covered payroll was 133.18%.

The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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.

<u>Type of Coverage</u>	<u>Self Insurance</u>	<u>Coverage and Limits</u>
General Liability	\$0 - \$1,000,000 per occurrence	\$250,000 - \$25,000,000
Workers' compensation	\$0 - statutory limits	None
Property	\$0 - \$500,000 per occurrence	\$250,000 - \$1,000,000,000
Cyber	\$0 - \$100,000 per occurrence	\$50,000 - \$25,000,000
Boiler and machinery	\$0 - \$350,000 per occurrence	\$2,000,000 - \$100,000,000
Airport	None	\$25,000 - \$50,000,000
Pollution	\$0 - \$75,000 per pollution condition	\$200,000 - \$25,000,000

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

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

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

Self-Insurance - The City records estimated liabilities for general liability claims filed or expected to be filed in the General Liability Fund (internal service fund). As of June 30, 2016, the recorded liability was \$2,225,494 charges to the General Fund and other funds are determined from an analysis of self-insured claim costs and recorded as transfers from such funds to the General Liability Fund.

The City records estimated liabilities for workers' compensation claims filed or expected to be filed in the Worker's Compensation Insurance Fund (internal service fund). As of June 30, 2016, the recorded liability was \$15,190,223. 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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

15. RISK MANAGEMENT (Continued)

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

The unpaid workers' compensation claims liabilities included in the Worker's Compensation Insurance Internal Service Fund are based on the results of an actuarial study and include amounts for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. In addition, the liability is discounted using an annual interest rate of 2%.

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

	General Liability	Workers' Compensation	Totals, as of June 30	
			2016	2015
Balance, beginning of year	\$2,308,659	\$14,317,647	\$16,626,306	\$13,420,913
Current year claims and changes in estimates	(1,577,569)	(3,990,543)	(5,568,112)	14,790,728
Claims paid	1,473,604	4,836,516	6,310,120	(11,585,335)
Balance, end of year	<u>\$2,204,694</u>	<u>\$15,163,620</u>	<u>\$17,368,314</u>	<u>\$16,626,306</u>

GASB #10 requires the City to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including allocated loss adjustment expense and unallocated loss adjustment expenses. GASB #10 does not prohibit the discounting of losses to recognize investment income. The City's estimated minimum liability at June 30, 2016 is \$15,163,620. This amount is net of the allowable adjustment to recognize investment income.

16. JOINT POWERS AGREEMENTS

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

16. JOINT POWERS AGREEMENTS (Continued)

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 2016 amounted to \$680,540 and are recorded as materials, supplies and services expenses.
- b) Payments related to the City’s long-term investment in the joint powers agency, for which the City has the ability to exercise significant influence over operating and financial policies, are recorded as an investment in the East Bay Dischargers Authority under the equity method. The City’s equity approximates one-third of the total net position of EBDA and amounts to \$10,823,075 at June 30, 2016.

The investment in East Bay Dischargers Authority is valued as of June 30, 2016, the latest date for which financial information is available.

Summary financial information as of and for the year ended June 30, 2016 (the most recent audited financial information available) for EBDA’s common use operations was as follows:

Assets		
Current		\$5,536,274
Net OPEB asset		77,306
Capital assets - net		28,191,902
Total Assets		33,805,482
Deferred outflow of resources		173,256
Total		\$33,978,738
Liabilities		\$1,339,567
Deferred inflow of resources		122,501
Net Position		32,516,670
Total		\$33,978,738
Revenues		\$4,399,040
Expenses		(4,704,637)
Non-operating revenues		25,072
Change in Net Position		(\$280,525)

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

16. JOINT POWERS AGREEMENTS (Continued)

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

A. Litigation

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

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

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

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

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

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

17. COMMITMENTS AND CONTINGENCIES (Continued)

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

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

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

The City paid its surcharge of \$2,342,736 during fiscal year 2016, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2017 is estimated to be \$2,659,992.

18. CONDUIT DEBT WITHOUT CITY COMMITMENT

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

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

18. CONDUIT DEBT WITHOUT CITY COMMITMENT (Continued)

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.

On November 10, 2014, the City sponsored the issuance of City of Hayward Multifamily Housing Revenue Bonds (South Hayward BART Family and Senior Affordable Apartments) 2014 Series A which were issued in the aggregate principal amount of \$32,261,046 to assist in the acquisition and construction of a 150-unit multifamily rental housing facility. 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.

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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

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

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

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

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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 activities authorized by the bond indentures of the former Redevelopment Agency 2004 and 2006 Tax Allocation Bonds.

C. Capital Assets

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

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

Buildings and improvements	10 - 50 years
Improvements other than Buildings	15 years
Machinery and equipment	7 - 50 years

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Capital Asset Additions, Retirements, and Balances

	Balance June 30, 2015	Additions	Balance June 30, 2016
Capital assets not being depreciated:			
Land	\$5,277,955		\$5,277,955
Total capital asset not being depreciated	<u>5,277,955</u>		<u>5,277,955</u>
Capital assets being depreciated:			
Buildings and improvements	14,135,897		14,135,897
Improvements other than buildings	1,574,361		1,574,361
Machinery and equipment	9,575		9,575
Total capital asset being depreciated	<u>15,719,833</u>		<u>15,719,833</u>
Less accumulated depreciation for:			
Buildings and improvements	2,763,908	\$314,132	3,078,040
Improvements other than buildings	509,043	62,974	572,017
Machinery and equipment	9,575		9,575
Total accumulated depreciation	<u>3,282,526</u>	<u>377,106</u>	<u>3,659,632</u>
Net depreciable assets	<u>12,437,307</u>	<u>(377,106)</u>	<u>12,060,201</u>
Private purpose trust fund assets, net	<u>\$17,715,262</u>	<u>(\$377,106)</u>	<u>\$17,338,156</u>

D. Loans Receivable

The Successor Agencies assumed the notes and loans receivable of the former Redevelopment Agency as of February 1, 2012. The balance of the notes receivable assumed by the Successor Agency at June 30, 2016 was \$24,912,298 recorded in the Successor Agency to the Redevelopment Agency Private-Purpose Trust, consisting of rehabilitation and construction loans.

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

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Receivables – To partially compensate the former Redevelopment Agency for the above design and construction costs and repay the advances, the School District, HARD and the City have agreed to assign certain school development fees and park-in-lieu fees to the former Redevelopment Agency. In addition, the School District has agreed that the former Redevelopment Agency may retain pass-through payments due the School District pursuant to the Health and Safety Code, as partial compensation for the above costs. The remaining unreimbursed costs are recorded in a schedule of changes in the loan receivable balance for the year ended June 30, 2016. See Note 19E as these loans were transferred to the Successor Agency.

	School Project	Cannery Park	Cinema Place	Retail Attraction	Total
Balance at June 30, 2015	\$20,870,304	\$3,778,772	\$275,624	\$1,456,802	\$26,381,502
Less: Loan Payments				20,039	20,039
Less: Pass-through payments	786,212	71,717			857,929
Less: Park in-lieu fees	376,082	215,154			591,236
Balance at June 30, 2016	<u>\$19,708,010</u>	<u>\$3,491,901</u>	<u>\$275,624</u>	<u>\$1,436,763</u>	<u>\$24,912,298</u>
Per G/L	<u>19,708,010</u>	<u>3,491,901</u>	<u>275,624</u>	<u>1,436,763</u>	<u>24,912,298</u>

E. Loans Payable

The Successor Agencies assumed the notes and loans payable of the former Redevelopment Agency as of February 1, 2012. The balance of the loans payable assumed by the Successor Agency at June 30, 2016 was \$14,212,931 recorded in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund. The loans were as follows:

	Advances to Private Purpose Trust Fund	Advances From City
General Fund	\$8,436,442	
Housing Authority Special Revenue Fund	3,876,516	
Enterprise Funds		
Sewer	831,877	
Water	1,041,075	
Internal Service Funds	27,021	
Successor Agency Private Purpose Trust Fund		\$14,212,931
Total	<u>\$14,212,931</u>	<u>\$14,212,931</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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

Under the Dissolution Act, certain agreements between Cities and redevelopment agencies no longer qualify as enforceable obligations. However, with the passage of AB 1484 on June 28, 2012, upon meeting certain requirements including the issuance of a finding of completion by the State Department of Finance and approval from the Oversight Board, this loan was restored at LAIF rates from inception. The amounts above reflect only the principal portion of the loan. As a result of the State Controller's Office Asset Transfer Review, completed in 2014, a loan repayment made by the Successor Agency to the City's General Fund in March 2011 of \$2.22 million was disallowed. Additional repayments of \$1,041,075 by the Successor Agency to the City's Water Enterprise Fund and \$831,877 by the Successor Agency to the City's Sewer Enterprise Fund were also disallowed. These balances are reflected in the table above.

F. Long-Term Debt

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

Type of Obligation	Authorized and Issued	Principal Outstanding June 30, 2015	Retirements	Principal Outstanding June 30, 2016	Current Portion
Tax Allocation Bonds,					
2004 Redevelopment Agency					
due 3/1/2034, interest at 3%-5.3%	\$44,790,000	\$32,125,000	\$1,745,000	\$30,380,000	\$1,825,000
2006 Redevelopment Agency					
due 3/1/2036, interest at 3.75%-5.0%	11,800,000	11,470,000	90,000	11,380,000	95,000
Total	<u>\$56,590,000</u>	<u>\$43,595,000</u>	<u>\$1,835,000</u>	<u>\$41,760,000</u>	<u>\$1,920,000</u>

At June 30, 2016, future debt service requirement for the Successor Agency were as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	\$1,920,000	\$2,089,188
2018	2,010,000	1,999,130
2019	2,100,000	1,903,199
2020	2,200,000	1,801,500
2021	2,310,000	1,693,072
2022 - 2026	13,420,000	6,596,998
2027 - 2031	10,535,000	3,169,548
2032 - 2036	7,265,000	1,142,259
Totals	<u>\$41,760,000</u>	<u>\$20,394,894</u>

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

2004 Tax Allocation Bonds

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

2006 Tax Allocation Bonds

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

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed and housing set-aside amounts are no longer required, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. The Successor Agency only receives the funds necessary to fulfill its approved obligations. In fiscal year 2016, total tax increment calculated and available for distribution by the County Auditor-Controller was \$6,427,560, and the total received by the Successor Agency was \$6,427,560. The taxes available for distribution covered 100% of the \$4,008,930 of debt service.

G. Commitments and Contingencies

State Approval of Enforceable Obligations – Successor Agency

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.

H. Authorized and Unissued Debt

On June 8, 2016, the Oversight Board authorized a refunding in the amount of \$35,270,000 to refund the 2004 RDA Tax Allocation Bonds and 2006 RDA Tax Allocation Bonds. As of June 30, 2016, the City had not issued the 2016 Tax Allocation Refunding Bonds.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

Measurement Date	6/30/2014	6/30/2015
Total Pension Liability		
Service Cost	\$6,288,587	\$5,922,880
Interest	27,661,985	28,504,068
Differences between expected and actual experience	-	(3,128,990)
Changes in assumptions	-	(6,628,461)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(19,351,565)	(21,117,520)
Net change in total pension liability	14,599,007	3,551,977
Total pension liability - beginning	375,357,954	389,956,961
Total pension liability - ending (a)	\$389,956,961	\$393,508,938
Plan fiduciary net position		
Contributions - employer	\$7,412,951	\$8,397,492
Contributions - employee	3,116,188	3,176,411
Net investment income	42,388,729	6,280,326
Benefit payments, including refunds of employee contributions	(19,351,565)	(21,117,520)
Plan to Plan Resource Movement	-	2,005
Administrative Expense	-	(311,784)
Net change in plan fiduciary net position	33,566,303	(3,573,070)
Plan fiduciary net position - beginning	247,040,337	280,606,640
Plan fiduciary net position - ending (b)	\$280,606,640	\$277,033,570
Net pension liability - ending (a)-(b)	\$109,350,321	\$116,475,368
Plan fiduciary net position as a percentage of the total pension liability	71.96%	70.40%
Covered - employee payroll (1)	\$37,254,645	\$37,577,455
Net pension liability as percentage of covered-employee payroll	293.52%	309.96%

Notes to Schedule:

(1) Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Source: CalPERS Accounting Valuation

SCHEDULE OF CONTRIBUTIONS

Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

Fiscal Year Ended June 30	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$8,401,478	\$10,026,685
Contributions in relation to the actuarially determined contributions	<u>8,401,478</u>	<u>10,026,685</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>
 Covered-employee payroll	 \$37,577,455	 \$37,278,957
 Contributions as a percentage of covered-employee payroll	 22.36%	 26.90%

Notes to Schedule

Valuation date:	6/30/2012	6/30/2013
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	15 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Source: City of Hayward's general ledger and CalPERS Actuarial Valuation

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Fire Safety Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

Measurement Date	6/30/2014	6/30/2015
Total Pension Liability		
Service Cost	\$4,037,733	\$3,887,900
Interest	17,319,964	18,049,868
Differences between expected and actual experience	-	763,164
Changes in assumptions	-	(4,308,430)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	<u>(12,054,664)</u>	<u>(13,394,096)</u>
Net change in total pension liability	9,303,033	4,998,406
Total pension liability - beginning	<u>234,941,316</u>	<u>244,244,349</u>
Total pension liability - ending (a)	<u><u>\$244,244,349</u></u>	<u><u>\$249,242,755</u></u>
 Plan fiduciary net position		
Contributions - employer	\$4,128,191	\$4,969,514
Contributions - employee	2,212,037	2,383,255
Net investment income	26,481,168	3,918,637
Benefit payments, including refunds of employee contributions	(12,054,664)	(13,394,096)
Administrative Expense	<u>-</u>	<u>(193,742)</u>
Net change in plan fiduciary net position	20,766,732	(2,316,432)
Plan fiduciary net position - beginning	153,701,396	174,468,128
 Plan fiduciary net position - ending (b)	<u><u>\$174,468,128</u></u>	<u><u>\$172,151,696</u></u>
 Net pension liability - ending (a)-(b)	<u><u>\$69,776,221</u></u>	<u><u>\$77,091,059</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	71.43%	69.07%
 Covered - employee payroll (1)	\$14,894,224	\$15,304,881
 Net pension liability as percentage of covered-employee payroll	468.48%	503.70%

Notes to Schedule:

(1) Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Source: CalPERS Accounting Valuation

SCHEDULE OF CONTRIBUTIONS

Fire Safety Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

Fiscal Year Ended June 30	2015	2016
Actuarially determined contribution	\$4,879,642	\$5,789,172
Contributions in relation to the actuarially determined contributions	<u>4,879,642</u>	<u>5,789,172</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
 Covered-employee payroll	 \$15,304,881	 \$15,425,723
 Contributions as a percentage of covered-employee payroll	 31.88%	 37.53%

Notes to Schedule

Valuation date:	6/30/2012	6/30/2013
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	27 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement

*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Source: City of Hayward's general ledger and CalPERS Actuarial Valuation

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Police Safety Plan - Agent Multiple-Employer Defined Pension Plan

Last 10 Years*

Measurement Date	<u>6/30/2014</u>	<u>6/30/2015</u>
Total Pension Liability		
Service Cost	\$6,810,663	\$6,454,659
Interest	22,705,717	23,663,122
Differences between expected and actual experience	-	(823,804)
Changes in assumptions	-	(5,929,992)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(15,228,912)	(16,782,338)
Net change in total pension liability	<u>14,287,468</u>	<u>6,581,647</u>
Total pension liability - beginning	<u>306,952,014</u>	<u>321,239,482</u>
Total pension liability - ending (a)	<u>\$321,239,482</u>	<u>\$327,821,129</u>
 Plan fiduciary net position		
Contributions - employer	\$5,781,918	\$7,594,532
Contributions - employee	3,731,615	3,296,967
Net investment income	32,686,768	4,819,953
Benefit payments, including refunds of employee contributions	(15,228,912)	(16,782,338)
Administrative Expense	-	(241,860)
Net change in plan fiduciary net position	<u>26,971,389</u>	<u>(1,312,746)</u>
Plan fiduciary net position - beginning	<u>189,244,302</u>	<u>216,215,691</u>
Plan fiduciary net position - ending (b)	<u>\$216,215,691</u>	<u>\$214,902,945</u>
 Net pension liability - ending (a)-(b)	<u>\$105,023,791</u>	<u>\$112,918,184</u>
 Plan fiduciary net position as a percentage of the total pension liability	67.31%	65.55%
 Covered - employee payroll (1)	\$21,359,362	\$22,033,138
 Net pension liability as percentage of covered-employee payroll	491.70%	512.49%

Notes to Schedule:

(1) Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Source: CalPERS Accounting Valuation

SCHEDULE OF CONTRIBUTIONS

Police Safety Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

Fiscal Year Ended June 30	2015	2016
Actuarially determined contribution	\$7,487,975	\$8,650,555
Contributions in relation to the actuarially determined contributions	<u>7,487,975</u>	<u>8,650,555</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	\$22,033,138	\$21,649,761
Contributions as a percentage of covered-employee payroll	33.99%	39.96%

Notes to Schedule

Valuation date: 6/30/2012 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	27 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement

*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Source: City of Hayward's general ledger and CalPERS Actuarial Valuation

RETIREE MEDICAL BENEFITS (OPEB) SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial		Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
6/30/2011	\$517,364	\$68,954,988	(\$68,437,624)	1%	\$77,520,736	(88.28%)
6/30/2013	839,626	75,797,884	(74,958,258)	1%	71,461,824	(104.89%)
6/30/2015	3,684,251	112,025,118	(108,340,867)	3%	81,350,000	(133.18%)

MAJOR GOVERNMENTAL FUNDS BUDGET AND ACTUAL SCHEDULES

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CITY OF HAYWARD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis*	Variance with Adjusted Budget Positive (Negative)
	Adopted	Adjusted		
REVENUES:				
Property taxes	\$43,521,000	\$43,573,000	\$44,159,430	\$586,430
Sales taxes	44,064,000	43,274,500	46,495,377	3,220,877
Utility user tax	16,411,000	22,494,000	22,040,616	(453,384)
Other tax	22,982,700	23,556,700	25,947,371	2,390,671
Licenses and permits	4,901,487	5,054,487	6,316,823	1,262,336
Fines and forfeitures	1,767,271	1,822,271	1,899,326	77,055
Investment and rental income	554,781	554,781	151,224	(403,557)
Intergovernmental	7,203,695	8,563,823	8,893,003	329,180
Fees and charges for services	5,626,069	6,561,468	8,404,108	1,842,640
	147,032,003	155,455,030	164,307,278	8,852,248
EXPENDITURES:				
Current:				
General government	12,201,179	13,746,579	12,675,974	1,070,605
Public safety	101,194,277	104,011,021	104,761,291	(750,270)
Public works and transportation	2,295,393	2,365,176	2,021,366	343,810
Library and community services	5,425,332	5,610,932	5,424,176	186,756
Planning and building	6,500,855	8,086,955	7,350,640	736,315
Maintenance services	6,915,361	7,150,160	5,384,887	1,765,273
	134,532,397	140,970,823	137,618,334	3,352,489
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,499,606	14,484,207	26,688,944	12,204,737
OTHER FINANCING SOURCES (USES):				
Transfers in	3,390,533	3,390,533	3,390,533	
Transfers (out)	(15,426,299)	(22,178,832)	(25,589,214)	(3,410,382)
	(12,035,766)	(18,788,299)	(22,198,681)	(3,410,382)
NET CHANGE IN FUND BALANCE	\$463,840	(\$4,304,092)	4,490,263	\$8,794,355
BEGINNING FUND BALANCE			39,568,830	
ENDING FUND BALANCE			\$44,059,093	

* Includes revenue and expenditures related to the City's Measure C District Sales Tax.

CITY OF HAYWARD
 FEDERAL GRANTS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Adjusted Budget	Actual	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Investment income			\$3,406	\$3,406
Intergovernmental	\$88,380	\$1,408,161	1,052,713	(355,448)
Fees and charges for services		28,500	169,800	141,300
Other revenue			848,397	848,397
Total Revenues	88,380	1,436,661	2,074,316	637,655
EXPENDITURES:				
Current:				
Public works and transportation	616,516	1,479,384	802,218	677,166
Total Expenditures	616,516	1,479,384	802,218	677,166
EXCESS OF REVENUES OVER	(528,136)	(42,723)	1,272,098	1,314,821
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(231,864)	(231,864)	(231,864)	
Total Other Financing Sources (Uses)	(231,864)	(231,864)	(231,864)	
NET CHANGE IN FUND BALANCE	(\$760,000)	(\$274,587)	1,040,234	\$1,314,821
BEGINNING FUND BALANCE, AS RESTATED			12,142,932	
ENDING FUND BALANCE			\$13,183,166	

SUPPLEMENTAL INFORMATION

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CITY OF HAYWARD
HOUSING AUTHORITY CAPITAL PROJECT FUND
SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$2,927,699	\$2,927,699		(\$2,927,699)
Investment income	44,998	44,998	\$97,382	52,384
Other revenue	<u>63,929</u>	<u>63,929</u>	<u>512,447</u>	<u>448,518</u>
Total Revenues	<u>3,036,626</u>	<u>3,036,626</u>	<u>609,829</u>	<u>(2,426,797)</u>
EXPENDITURES:				
Library and community services	<u>122,265</u>	<u>877,850</u>	<u>42,126</u>	<u>835,724</u>
Total Expenditures	<u>122,265</u>	<u>877,850</u>	<u>42,126</u>	<u>835,724</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>72,217</u>			
Total Other Financing Sources (Uses)	<u>72,217</u>			
NET CHANGE IN FUND BALANCE	<u>\$2,986,578</u>	<u>\$2,158,776</u>	567,703	<u>(\$1,591,073)</u>
BEGINNING FUND BALANCE, AS RESTATED			<u>21,595,603</u>	
ENDING FUND BALANCE			<u>\$22,163,306</u>	

CITY OF HAYWARD
GENERAL CAPITAL PROJECTS CAPITAL PROJECT FUND
SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Adjusted Budget Positive (Negative)
REVENUES:				
Other taxes			\$359,043	\$359,043
Investment income			49,235	49,235
Intergovernmental			13,549,217	13,549,217
Fees and charges for services			18,373	18,373
Other revenue			581,250	581,250
Total Revenues			14,557,118	14,557,118
EXPENDITURES:				
Capital outlay	\$101,721,000	\$132,438,063	33,388,338	99,049,725
Debt service:				
Bond issuance cost			832,143	(832,143)
Total Expenditures	101,721,000	132,438,063	34,220,481	98,217,582
EXCESS OF REVENUES OVER EXPENDITURES	(101,721,000)	(132,438,063)	(19,663,363)	112,774,700
OTHER FINANCING SOURCES (USES):				
Refunding debt issued			67,535,000	67,535,000
Premium on refunding debt issued			5,689,045	5,689,045
Transfers in	14,502,000	8,469,000	17,912,382	9,443,382
Transfers (out)		(150,000)	(150,000)	
Total Other Financing Sources (Uses)	14,502,000	8,319,000	90,986,427	82,667,427
NET CHANGE IN FUND BALANCE	(\$87,219,000)	(\$124,119,063)	71,323,064	\$195,442,127
BEGINNING FUND BALANCE			(2,948,276)	
ENDING FUND BALANCE			\$68,374,788	

COMBINING GENERAL FUND SCHEDULES

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CITY OF HAYWARD
GENERAL FUND
COMBINING BALANCE SHEETS
JUNE 30, 2016

	General Fund		Total
	General Purpose	Measure C District Sales Tax	
ASSETS:			
Cash and investments	\$27,669,779	\$11,283,708	\$38,953,487
Accounts receivable, net	1,990,372		1,990,372
Due from other governments	8,197,348	2,006,600	10,203,948
Interest receivable			
Due from other funds	912,443		912,443
Long-term loans to the Private Purpose Trust Fund	8,436,442		8,436,442
Deposits, parts, supplies and other	36,021	2,000	38,021
	<u>\$47,242,405</u>	<u>\$13,292,308</u>	<u>\$60,534,713</u>
LIABILITIES:			
Accounts payable	\$1,741,732	\$9,667	\$1,751,399
Accrued liabilities	10,112,490	52,998	10,165,488
Advances from other funds	3,378,625		3,378,625
Refundable deposits	1,180,108		1,180,108
	<u>16,412,955</u>	<u>62,665</u>	<u>16,475,620</u>
FUND BALANCES:			
Nonspendable	8,474,463		8,474,463
Assigned	256,170	13,229,643	13,485,813
Unassigned	22,098,817		22,098,817
	<u>30,829,450</u>	<u>13,229,643</u>	<u>44,059,093</u>
	<u>\$47,242,405</u>	<u>\$13,292,308</u>	<u>\$60,534,713</u>
Total Liabilities and Fund Balances			

CITY OF HAYWARD
GENERAL FUND
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund		
	General Fund	Measure C District Sales Tax	Total
REVENUES:			
Property taxes	\$44,159,430		\$44,159,430
Sales taxes	33,059,150	\$13,436,227	46,495,377
Utility users tax	22,040,616		22,040,616
Other taxes	25,947,371		25,947,371
Licenses and permits	6,316,823		6,316,823
Fines and forfeitures	1,899,326		1,899,326
Investment income	132,835		132,835
Rental income	18,389		18,389
Intergovernmental	8,893,003		8,893,003
Fees and charges for services	5,394,006		5,394,006
Other revenue	3,010,102		3,010,102
Total Revenues	150,871,051	13,436,227	164,307,278
EXPENDITURES:			
Current:			
General government	12,675,974		12,675,974
Public safety	104,761,291		104,761,291
Public works and transportation	2,021,366		2,021,366
Library and community services	5,424,176		5,424,176
Planning and building	7,350,640		7,350,640
Maintenance services	4,106,802	1,278,085	5,384,887
Total Expenditures	136,340,249	1,278,085	137,618,334
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,530,802	12,158,142	26,688,944
OTHER FINANCING SOURCES (USES):			
Transfers in	3,390,533		3,390,533
Transfers (out)	(18,776,214)	(6,813,000)	(25,589,214)
Total Other Financing Sources (Uses)	(15,385,681)	(6,813,000)	(22,198,681)
CHANGE IN FUND BALANCES	(854,879)	5,345,142	4,490,263
BEGINNING FUND BALANCES (DEFICITS)	31,684,329	7,884,501	39,568,830
ENDING FUND BALANCES (DEFICITS)	\$30,829,450	\$13,229,643	\$44,059,093

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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

Measure BB Fund – Supports local road improvement and repair projects, traffic congestion relief projects, local transportation technology projects, and pedestrian and bicyclist access and safety projects. Accounts for the provision of taxi and van transportation for the elderly and handicapped. An additional 1% sales tax is collected to support this program.

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

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

DEBT SERVICE FUNDS

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

CAPITAL PROJECTS FUNDS

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

Route 238 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.

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

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CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

SPECIAL REVENUE FUNDS				
	Special Gasoline Tax	Community Development Block Grant	Housing Mortgage Revenue Bonds	Park Dedication Ordinance
ASSETS:				
Cash and investments	\$885,251	\$1,401,721	\$1,082,795	\$2,279,848
Cash and investments with fiscal agents				
Accounts receivable, net	120,565			
Due from other governments	241,531	334,584		
Interest receivable				
Loans receivable		3,531,838	221,836	
Deposits, parts, supplies and other				
Land held for resale				
Total Assets	\$1,247,347	\$5,268,143	\$1,304,631	\$2,279,848
LIABILITIES:				
Accounts payable	\$194,715	\$204,333	\$169	\$18,010
Accrued liabilities	40	24,311	5,393	
Due to other funds				
Unearned revenue				
Refundable deposits			100,000	
Total Liabilities	194,755	228,644	105,562	18,010
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - grants receivable	120,565			
FUND BALANCES:				
Restricted				
Public safety				
Public works and transportation	932,027			
Planning and building				2,261,838
Economic development		5,039,499	1,199,069	
Debt service				
Total Fund Balances	932,027	5,039,499	1,199,069	2,261,838
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,247,347	\$5,268,143	\$1,304,631	\$2,279,848

SPECIAL REVENUE FUNDS

Business Improvement	Donation	Recycling	Narcotics Asset Seizure	Park Maintenance District	Measure B Local Streets and Roads
\$199,771	\$7,643,213	\$1,633,701	\$701,311	\$2,967,282	\$1,944,641
3,048				11,272	
	904			4,790	\$350,712
68		53,631			
<u>\$202,887</u>	<u>\$7,644,117</u>	<u>\$1,687,332</u>	<u>\$701,311</u>	<u>\$2,983,344</u>	<u>\$2,295,353</u>
\$8,000	\$26,754	\$12,937		\$129,884	\$1,580
	954	18,525		1,039	992
			\$52,058		
<u>8,000</u>	<u>27,708</u>	<u>31,462</u>	<u>52,058</u>	<u>130,923</u>	<u>2,572</u>
<u>3,048</u>					
			649,253		
191,839	7,616,409	1,655,870		2,852,421	2,292,781
<u>191,839</u>	<u>7,616,409</u>	<u>1,655,870</u>	<u>649,253</u>	<u>2,852,421</u>	<u>2,292,781</u>
<u>\$202,887</u>	<u>\$7,644,117</u>	<u>\$1,687,332</u>	<u>\$701,311</u>	<u>\$2,983,344</u>	<u>\$2,295,353</u>

(Continued)

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

SPECIAL REVENUE FUNDS				
	Measure B Pedestrian	Measure B Paratransit	Measure BB	Measure F
ASSETS:				
Cash and investments	\$410,637	\$1,059,223	\$2,983,082	\$908,228
Cash and investments with fiscal agents				
Accounts receivable, net				
Due from other governments	72,272	179,179	482,533	138,071
Interest receivable				
Loans receivable				
Deposits, parts, supplies and other				
Land held for resale				
Total Assets	\$482,909	\$1,238,402	\$3,465,615	\$1,046,299
LIABILITIES:				
Accounts payable	\$68,020	\$110,878	\$283,586	
Accrued liabilities		15,348		
Due to other funds				
Unearned revenue				
Refundable deposits				
Total Liabilities	68,020	126,226	283,586	
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - grants receivable				
FUND BALANCES:				
Restricted				
Public safety				
Public works and transportation	414,889	1,112,176	3,182,029	\$1,046,299
Planning and building				
Economic development				
Debt service				
Total Fund Balances	414,889	1,112,176	3,182,029	1,046,299
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$482,909	\$1,238,402	\$3,465,615	\$1,046,299

SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS				
Local Grants	Certificates of Participation	Traffic Signal Construction	Route 238 Corridor Improvement	Performance Deposits	Total Nonmajor Governmental Funds	
\$25,190	\$705,743	\$509,729	\$1	\$305,765	\$27,647,132	
	49,896		\$1,428,335		1,478,231	
17,266		1			152,152	
41,500			8,841		1,845,172	
					9,745	
					3,807,305	
					68	
			2,741,113		2,741,113	
<u>\$83,956</u>	<u>\$755,639</u>	<u>\$509,730</u>	<u>\$4,178,290</u>	<u>\$305,765</u>	<u>\$37,680,918</u>	
\$53,425		\$28,677	\$119,279		\$1,260,247	
41				\$2,572	69,215	
	\$28,730		883,713		912,443	
12,075					64,133	
			1,428,335	296,249	1,824,584	
<u>65,541</u>	<u>28,730</u>	<u>28,677</u>	<u>2,431,327</u>	<u>298,821</u>	<u>4,130,622</u>	
		1			123,614	
18,415		481,052	1,746,963	6,944	649,253	
					12,889,445	
					12,922,507	
	726,909				6,238,568	
					726,909	
<u>18,415</u>	<u>726,909</u>	<u>481,052</u>	<u>1,746,963</u>	<u>6,944</u>	<u>33,426,682</u>	
<u>\$83,956</u>	<u>\$755,639</u>	<u>\$509,730</u>	<u>\$4,178,290</u>	<u>\$305,765</u>	<u>\$37,680,918</u>	

CITY OF HAYWARD, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS			
	Special Gasoline Tax	Community Development Block Grant	Housing Mortgage Revenue Bonds	Park Dedication Ordinance
REVENUES:				
Other taxes				
Fines and forfeitures				
Special assessments				
Investment income (loss)	\$4,744	\$7,556	\$13,512	\$25,894
Intergovernmental	3,291,760	2,034,701		
Fees and charges for services	329			
Other	3,680	1,293,451	209,366	1,316,057
Total Revenues	3,300,513	3,335,708	222,878	1,341,951
EXPENDITURES:				
Current:				
Public safety				
Public works and transportation			159,314	
Library and community services		2,238,892		
Economic development				1,944,194
Planning and building		31,593		
Maintenance services				
Capital outlay	1,846,471			
Debt service:				
Principal repayment	254,379			
Interest and fiscal charges		1,549		
Bond issuance cost				
Total Expenditures	2,100,850	2,272,034	159,314	1,944,194
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,199,663	1,063,674	63,564	(602,243)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt				
Premium on refunding debt issued				
Payment to refunded debt escrow agent				
Transfers in				
Transfers (out)	(1,416,000)	(6,277)	(5,653)	
Total Other Financing Sources (Uses)	(1,416,000)	(6,277)	(5,653)	
NET CHANGE IN FUND BALANCES	(216,337)	1,057,397	57,911	(602,243)
BEGINNING FUND BALANCES, AS RESTATED	1,148,364	3,982,102	1,141,158	2,864,081
ENDING FUND BALANCES	\$932,027	\$5,039,499	\$1,199,069	\$2,261,838

SPECIAL REVENUE FUNDS

Business Improvement	Donation	Recycling	Narcotics Asset Seizure	Park Maintenance District	Measure B Local Streets and Roads
\$7,778		\$239,854	\$442,239		
1,376		12,535 539,782	2,329	\$1,166,399 19,482	\$8,453 2,230,443
	\$125,378	652			
9,154	125,378	792,823	444,568	1,185,881	2,238,896
	102,771 110,625	537,681	207,976		
40,000				894,478	313,876
40,000	213,396	537,681	207,976	894,478	313,876
(30,846)	(88,018)	255,142	236,592	291,403	1,925,020
		(83,230)			
		(83,230)			
(30,846)	(88,018)	171,912	236,592	291,403	1,925,020
222,685	7,704,427	1,483,958	412,661	2,561,018	367,761
\$191,839	\$7,616,409	\$1,655,870	\$649,253	\$2,852,421	\$2,292,781

(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, 2016

	SPECIAL REVENUE FUNDS			
	Measure B Pedestrian	Measure B Paratransit	Measure BB	Measure F
REVENUES:				
Other taxes				
Fines and forfeitures				
Special assessments				
Investment income (loss)	\$3,550	\$38,703		\$4,852
Intergovernmental	459,633	842,667	\$3,130,193	759,607
Fees and charges for services				
Other				
Total Revenues	463,183	881,370	3,130,193	764,459
EXPENDITURES:				
Current:				
Public safety				
Public works and transportation			217,590	2,195
Library and community services		665,884		
Economic development				
Planning and building				
Maintenance services				
Capital outlay	403,088		340,861	174,744
Debt service:				
Principal repayment				
Interest and fiscal charges				
Total Expenditures	403,088	665,884	558,451	176,939
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	60,095	215,486	2,571,742	587,520
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt				
Premium on refunding debt issued				
Payment to refunded debt escrow agent				
Transfers in				
Transfers (out)		(17,119)		
Total Other Financing Sources (Uses)		(17,119)		
NET CHANGE IN FUND BALANCES	60,095	198,367	2,571,742	587,520
BEGINNING FUND BALANCES, AS RESTATED	354,794	913,809	610,287	458,779
ENDING FUND BALANCES	\$414,889	\$1,112,176	\$3,182,029	\$1,046,299

SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Local Grants	Certificates of Participation	Traffic Signal Construction	Route 238 Corridor Improvement	Performance Deposits	
					\$247,632
					442,239
					1,166,399
\$94,735		\$4,291 223,004	\$110,659	\$2,712	260,648
			4,303,382		13,606,525
3,500			5,302		4,303,711
\$98,235		227,295	4,419,343	2,712	2,957,386
					403,333
92,586					1,027,405
					2,904,776
					1,984,194
					31,593
					894,478
		451,710	2,945,747		6,476,497
	\$2,143,002				2,397,381
	1,054,352				1,055,901
	222,476				222,476
92,586	3,419,830	451,710	2,945,747		17,398,034
5,649	(3,419,830)	(224,415)	1,473,596	2,712	5,586,506
	19,813,775				19,813,775
	876,695				876,695
	(20,455,936)				(20,455,936)
	3,445,350	350,000			3,795,350
			(400,000)		(1,928,279)
	3,679,884	350,000	(400,000)		2,101,605
5,649	260,054	125,585	1,073,596	2,712	7,688,111
12,766	466,855	355,467	673,367	4,232	25,738,571
\$18,415	\$726,909	\$481,052	\$1,746,963	\$6,944	\$33,426,682

CITY OF HAYWARD, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS					
	Special Gasoline Tax			Community Development Block Grant		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Other taxes						
Fines and forfeitures						
Special assessments						
Investment income		\$4,744	\$4,744	\$49,216	\$7,556	(\$41,660)
Intergovernmental		3,291,760	3,291,760	1,402,417	2,034,701	632,284
Fees and charges for services		329	329			
Other		3,680	3,680	464,976	1,293,451	828,475
Total Revenues		<u>3,300,513</u>	<u>3,300,513</u>	<u>1,916,609</u>	<u>3,335,708</u>	<u>1,419,099</u>
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation						
Library and community services				3,018,820	2,238,892	779,928
Economic development						
Planning and building				684,870	31,593	653,277
Maintenance services						
Capital outlay	\$3,168,095	1,846,471	1,321,624			
Debt service						
Principal repayment		254,379	(254,379)			
Interest and fiscal charges				2,495	1,549	946
Bond issuance cost						
Total Expenditures	<u>3,168,095</u>	<u>2,100,850</u>	<u>1,067,245</u>	<u>3,706,185</u>	<u>2,272,034</u>	<u>1,434,151</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,168,095)</u>	<u>1,199,663</u>	<u>4,367,758</u>	<u>(1,789,576)</u>	<u>1,063,674</u>	<u>2,853,250</u>
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt						
Payment to refunded debt escrow agent						
Transfers in						
Transfers (out)	<u>(1,416,000)</u>	<u>(1,416,000)</u>		<u>(6,277)</u>	<u>(6,277)</u>	
Total Other Financing Sources (Uses)	<u>(1,416,000)</u>	<u>(1,416,000)</u>		<u>(6,277)</u>	<u>(6,277)</u>	
NET CHANGE IN FUND BALANCES	<u><u>(\$4,584,095)</u></u>	<u>(216,337)</u>	<u><u>\$4,367,758</u></u>	<u><u>(\$1,795,853)</u></u>	<u>1,057,397</u>	<u><u>\$2,853,250</u></u>
BEGINNING FUND BALANCES, AS RESTATED		<u>1,148,364</u>			<u>3,982,102</u>	
ENDING FUND BALANCES		<u><u>\$932,027</u></u>			<u><u>\$5,039,499</u></u>	

SPECIAL REVENUE FUNDS

Housing Mortgage Revenue Bonds			Park Dedication Ordinance			Business Improvement		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
							\$7,778	\$7,778
\$5,500	\$13,512	\$8,012		\$25,894	\$25,894		1,376	1,376
115,219	209,366	94,147	\$2,235,906	1,316,057	(919,849)			
120,719	222,878	102,159	2,235,906	1,341,951	(893,955)		9,154	9,154
287,388	159,314	128,074						
			2,638,816	1,944,194	694,622	\$96,343	40,000	56,343
287,388	159,314	128,074	2,638,816	1,944,194	694,622	96,343	40,000	56,343
(166,669)	63,564	230,233	(402,910)	(602,243)	(199,333)	(96,343)	(30,846)	65,497
(5,653)	(5,653)							
(5,653)	(5,653)							
<u>(\$172,322)</u>	57,911	<u>\$230,233</u>	<u>(\$402,910)</u>	(602,243)	<u>(\$199,333)</u>	<u>(\$96,343)</u>	(30,846)	<u>\$65,497</u>
	<u>1,141,158</u>			<u>2,864,081</u>			<u>222,685</u>	
	<u>\$1,199,069</u>			<u>\$2,261,838</u>			<u>\$191,839</u>	

(Continued)

CITY OF HAYWARD, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS					
	Recycling			Narcotics Asset Seizure		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Other taxes	\$260,000	\$239,854	(\$20,146)			
Fines and forfeitures					\$442,239	\$442,239
Special assessments						
Investment income	4,000	12,535	8,535		2,329	2,329
Intergovernmental	536,318	539,782	3,464			
Fees and charges for services						
Other	2,500	652	(1,848)			
Total Revenues	802,818	792,823	(9,995)		444,568	444,568
EXPENDITURES:						
Current:						
Public safety				\$263,202	207,976	55,226
Public works and transportation	1,459,356	537,681	921,675			
Library and community services						
Economic development						
Planning and building						
Maintenance services						
Capital outlay						
Debt service						
Principal repayment						
Interest and fiscal charges						
Bond issuance cost						
Total Expenditures	1,459,356	537,681	921,675	263,202	207,976	55,226
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(656,538)</u>	<u>255,142</u>	<u>911,680</u>	<u>(263,202)</u>	<u>236,592</u>	<u>499,794</u>
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt						
Payment to refunded debt escrow agent						
Transfers in						
Transfers (out)	(83,230)	(83,230)				
Total Other Financing Sources (Uses)	<u>(83,230)</u>	<u>(83,230)</u>				
NET CHANGE IN FUND BALANCES	<u>(\$739,768)</u>	<u>171,912</u>	<u>\$911,680</u>	<u>(\$263,202)</u>	<u>236,592</u>	<u>\$499,794</u>
BEGINNING FUND BALANCES, AS RESTATED		<u>1,483,958</u>			<u>412,661</u>	
ENDING FUND BALANCES		<u>\$1,655,870</u>			<u>\$649,253</u>	

SPECIAL REVENUE FUNDS

Park Maintenance District			Measure B Local Streets and Roads			Measure B Pedestrian		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
\$1,148,131	\$1,166,399 19,482	\$18,268 19,482		\$8,453 2,230,443	\$8,453 2,230,443		\$3,550 459,633	\$3,550 459,633
<u>1,148,131</u>	<u>1,185,881</u>	<u>37,750</u>		<u>2,238,896</u>	<u>2,238,896</u>		<u>463,183</u>	<u>463,183</u>
1,283,184	894,478	388,706	\$2,573,386	313,876	2,259,510	\$1,187,783	403,088	784,695
<u>1,283,184</u>	<u>894,478</u>	<u>388,706</u>	<u>2,573,386</u>	<u>313,876</u>	<u>2,259,510</u>	<u>1,187,783</u>	<u>403,088</u>	<u>784,695</u>
<u>(135,053)</u>	<u>291,403</u>	<u>426,456</u>	<u>(2,573,386)</u>	<u>1,925,020</u>	<u>4,498,406</u>	<u>(1,187,783)</u>	<u>60,095</u>	<u>1,247,878</u>
<u>(\$135,053)</u>	291,403	<u>\$426,456</u>	<u>(\$2,573,386)</u>	1,925,020	<u>\$4,498,406</u>	<u>(\$1,187,783)</u>	60,095	<u>\$1,247,878</u>
	<u>2,561,018</u>			<u>367,761</u>			<u>354,794</u>	
	<u>\$2,852,421</u>			<u>\$2,292,781</u>			<u>\$414,889</u>	

(Continued)

CITY OF HAYWARD, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS					
	Measure B Paratransit			Measure BB		
	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES:						
Other taxes						
Fines and forfeitures						
Special assessments						
Investment income	\$3,000	\$8,068	\$5,068			
Intergovernmental	811,613	842,667	31,054	\$731,166	\$3,130,193	\$2,399,027
Fees and charges for services						
Other	20,000	30,635	10,635			
Total Revenues	<u>834,613</u>	<u>881,370</u>	<u>46,757</u>	<u>731,166</u>	<u>3,130,193</u>	<u>2,399,027</u>
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation				731,166	217,590	513,576
Library and community services	1,005,214	665,884	339,330			
Economic development						
Planning and building						
Maintenance services						
Capital outlay				2,609,000	340,861	2,268,139
Debt service						
Principal repayment						
Interest and fiscal charges	2,500		2,500			
Bond issuance cost						
Total Expenditures	<u>1,007,714</u>	<u>665,884</u>	<u>341,830</u>	<u>3,340,166</u>	<u>558,451</u>	<u>2,781,715</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(173,101)</u>	<u>215,486</u>	<u>388,587</u>	<u>(2,609,000)</u>	<u>2,571,742</u>	<u>5,180,742</u>
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt						
Payment to refunded debt escrow agent						
Transfers in						
Transfers (out)	<u>(17,119)</u>	<u>(17,119)</u>				
Total Other Financing Sources (Uses)	<u>(17,119)</u>	<u>(17,119)</u>				
NET CHANGE IN FUND BALANCES	<u><u>(\$190,220)</u></u>	<u>198,367</u>	<u><u>\$388,587</u></u>	<u><u>(\$2,609,000)</u></u>	<u>2,571,742</u>	<u><u>\$5,180,742</u></u>
BEGINNING FUND BALANCES, AS RESTATED		<u>913,809</u>			<u>610,287</u>	
ENDING FUND BALANCES		<u><u>\$1,112,176</u></u>			<u><u>\$3,182,029</u></u>	

SPECIAL REVENUE FUNDS						DEBT SERVICE FUNDS		
Measure F			Local Grants			Certificates of Participation		
Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)	Adjusted Budget	Actual	Variance Positive (Negative)
	\$4,852	\$4,852				\$3,000		(\$3,000)
	759,607	759,607	\$91,500	\$94,735	\$3,235			
			3,500	3,500				
	764,459	764,459	95,000	98,235	3,235	3,000		(3,000)
	2,195	(2,195)	143,844	92,586	51,258			
\$1,918,933	174,744	1,744,189						
						6,797,381	\$2,143,002	4,654,379
						3,250,968	1,054,352	2,196,616
							222,476	(222,476)
1,918,933	176,939	1,741,994	143,844	92,586	51,258	10,048,349	3,419,830	6,628,519
(1,918,933)	587,520	2,506,453	(48,844)	5,649	54,493	(10,045,349)	(3,419,830)	6,625,519
							20,690,470	20,690,470
							(20,455,936)	(20,455,936)
						10,045,350	3,445,350	(6,600,000)
						10,045,350	3,679,884	(6,365,466)
<u>(\$1,918,933)</u>	587,520	<u>\$2,506,453</u>	<u>(\$48,844)</u>	5,649	<u>\$54,493</u>	<u>\$1</u>	260,054	<u>\$260,053</u>
	458,779			12,766			466,855	
	<u>\$1,046,299</u>			<u>\$18,415</u>			<u>\$726,909</u>	

(Continued)

CITY OF HAYWARD, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>CAPITAL PROJECTS FUNDS</u>					
	<u>Traffic Signal Construction</u>			<u>Route 238 Corridor Improvement</u>		
	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:						
Other taxes						
Fines and forfeitures						
Special assessments						
Investment income		\$4,291	\$4,291		\$119,813	\$119,813
Intergovernmental		223,004	223,004			
Fees and charges for services					4,294,228	4,294,228
Other					5,302	5,302
Total Revenues		<u>227,295</u>	<u>227,295</u>		<u>4,419,343</u>	<u>4,419,343</u>
EXPENDITURES:						
Current:						
Public safety						
Public works and transportation						
Library and community services						
Economic development						
Planning and building						
Maintenance services						
Capital outlay	\$1,490,513	451,710	1,038,803	\$11,070,869	2,945,747	8,125,122
Debt Service						
Principal repayment						
Interest and fiscal charges						
Total Expenditures	<u>1,490,513</u>	<u>451,710</u>	<u>1,038,803</u>	<u>11,070,869</u>	<u>2,945,747</u>	<u>8,125,122</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,490,513)</u>	<u>(224,415)</u>	<u>1,266,098</u>	<u>(11,070,869)</u>	<u>1,473,596</u>	<u>12,544,465</u>
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt						
Payment to refunded debt escrow agent						
Transfers in	350,000	350,000				
Transfers (out)				(400,000)	(400,000)	
Total Other Financing Sources (Uses)	<u>350,000</u>	<u>350,000</u>		<u>(400,000)</u>	<u>(400,000)</u>	
NET CHANGE IN FUND BALANCES	<u>(\$1,140,513)</u>	125,585	<u>\$1,266,098</u>	<u>(\$11,470,869)</u>	1,073,596	<u>\$12,544,465</u>
BEGINNING FUND BALANCES, AS RESTATED		<u>355,467</u>			<u>673,367</u>	
ENDING FUND BALANCES		<u>\$481,052</u>			<u>\$1,746,963</u>	

CAPITAL PROJECTS FUNDS

Performance Deposits

<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
	\$2,712	\$2,712
	<u>2,712</u>	<u>2,712</u>
	<u>2,712</u>	<u>2,712</u>
	<u>2,712</u>	<u>\$2,712</u>
	<u>4,232</u>	
	<u>\$6,944</u>	

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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
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2016

	<u>Stormwater</u>	<u>Airport</u>	<u>Totals</u>
Current Assets:			
Cash and investments	\$4,154,910	\$9,365,080	\$13,519,990
Accounts receivable, net	14,936	206,725	221,661
Due from other governments	<u>133,271</u>		<u>133,271</u>
Total Current Assets	<u>4,303,117</u>	<u>9,571,805</u>	<u>13,874,922</u>
Noncurrent Assets:			
Deposits, parts, supplies and other Capital assets		30,778	30,778
Land		244,302	244,302
Construction in progress		5,998,247	5,998,247
Depreciable capital assets, net	<u>1,635</u>	<u>10,821,773</u>	<u>10,823,408</u>
Total Noncurrent Assets	<u>1,635</u>	<u>17,095,100</u>	<u>17,096,735</u>
Total Assets	<u>4,304,752</u>	<u>26,666,905</u>	<u>30,971,657</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to pensions	<u>290,128</u>	<u>213,778</u>	<u>503,906</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	38,884	497,807	536,691
Accrued interest		7,071	7,071
Accrued liabilities	82,993	69,143	152,136
Refundable deposits		100,958	100,958
Compensated absences - due within one year	64,512	64,737	129,249
Long term debt - due within one year		<u>123,219</u>	<u>123,219</u>
Total Current Liabilities	<u>186,389</u>	<u>862,935</u>	<u>1,049,324</u>
Noncurrent Liabilities:			
Compensated absences	4,901	4,918	9,819
Net pension liabilities	1,549,122	1,141,459	2,690,581
Long term debt - due in more than one year		<u>1,110,833</u>	<u>1,110,833</u>
Total Noncurrent Liabilities	<u>1,554,023</u>	<u>2,257,210</u>	<u>3,811,233</u>
Total Liabilities	<u>1,740,412</u>	<u>3,120,145</u>	<u>4,860,557</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to pensions	<u>267,008</u>	<u>196,742</u>	<u>463,750</u>
NET POSITION:			
Net investments in capital assets	1,635	15,830,270	15,831,905
Unrestricted	<u>2,585,825</u>	<u>7,733,526</u>	<u>10,319,351</u>
Total Net Position	<u>\$2,587,460</u>	<u>\$23,563,796</u>	<u>\$26,151,256</u>

CITY OF HAYWARD
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Stormwater</u>	<u>Airport</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$2,886,897	\$3,208,947	\$6,095,844
Miscellaneous	7,904	30,453	38,357
	<u>2,894,801</u>	<u>3,239,400</u>	<u>6,134,201</u>
Total Operating Revenues			
OPERATING EXPENSES:			
Salaries and related expenses	2,299,423	1,621,435	3,920,858
Materials, supplies and services	724,889	1,018,527	1,743,416
Repairs and maintenance	18,091	203,906	221,997
Depreciation	275	1,132,734	1,133,009
	<u>3,042,678</u>	<u>3,976,602</u>	<u>7,019,280</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(147,877)</u>	<u>(737,202)</u>	<u>(885,079)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	26,922	64,601	91,523
	<u>26,922</u>	<u>64,601</u>	<u>91,523</u>
Net Nonoperating Revenues (Expenses)			
Income (Loss) Before Contributions and Transfers	<u>(120,955)</u>	<u>(672,601)</u>	<u>(793,556)</u>
TRANSFERS			
Transfers in		244,383	244,383
Transfers (out)	(121,344)	(188,421)	(309,765)
	<u>(121,344)</u>	<u>55,962</u>	<u>(65,382)</u>
Net Transfers			
CHANGE IN NET POSITION	(242,299)	(616,639)	(858,938)
BEGINNING NET POSITION	<u>2,829,759</u>	<u>24,180,435</u>	<u>27,010,194</u>
ENDING NET POSITION	<u>\$2,587,460</u>	<u>\$23,563,796</u>	<u>\$26,151,256</u>

CITY OF HAYWARD
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Stormwater	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$3,045,239	\$3,227,445	\$6,272,684
Payments to suppliers	(699,954)	(1,008,754)	(1,708,708)
Payments to employees	(1,621,624)	(1,459,759)	(3,081,383)
Net Cash Flows From Operating Activities	<u>723,661</u>	<u>758,932</u>	<u>1,482,593</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Interfund receipts (payment)			
Transfers in		244,383	244,383
Transfers (out)	(121,344)	(188,421)	(309,765)
Net Cash Flows From Noncapital and Related Financing Activities	<u>(121,344)</u>	<u>55,962</u>	<u>(65,382)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets		(193,092)	(193,092)
Principal payments on capital debt		(119,502)	(119,502)
Net Cash Flows From Capital and Related Financing Activities		<u>(312,594)</u>	<u>(312,594)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	26,922	64,601	91,523
Net Cash Flows From Investing Activities	<u>26,922</u>	<u>64,601</u>	<u>91,523</u>
NET CASH FLOWS	629,239	566,901	1,196,140
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	<u>3,525,671</u>	<u>8,798,179</u>	<u>12,323,850</u>
CASH AND EQUIVALENTS AT END OF PERIOD	<u>\$4,154,910</u>	<u>\$9,365,080</u>	<u>\$13,519,990</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(\$147,877)	(\$737,202)	(\$885,079)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	275	1,132,734	1,133,009
Change in assets and liabilities:			
Receivables, net	271,273	(11,955)	259,318
Other assets			
Due from other governments	(120,835)		(120,835)
Accounts payable and other accrued expenses	43,026	208,688	251,714
Refundable deposits		4,991	4,991
Due to retirement system	659,389	149,492	808,881
Compensated absences	18,410	12,184	30,594
Net Cash Flows From Operating Activities	<u>\$723,661</u>	<u>\$758,932</u>	<u>\$1,482,593</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2016

	Workers' Compensation Insurance*	General Liability	Facilities Management
ASSETS:			
Current Assets:			
Cash and investments	\$8,897,625	\$823,449	\$1,201,130
Cash and investments with fiscal agents			83,140
Accounts receivable, net	306,707	442,477	2,396
Deposits, parts, supplies and other		1,500,375	
Total Current Assets	9,204,332	2,766,301	1,286,666
Noncurrent Assets:			
Long-term loans to the Private Purpose Trust Fund		27,021	
Land			372,748
Construction in progress			
Depreciable capital assets, net			1,877,122
Total Noncurrent Assets		27,021	2,249,870
Total Assets	9,204,332	2,793,322	3,536,536
DEFERRED OUTFLOWS OF RESOURCES:			
Related to pensions	146,155	45,810	181,057
LIABILITIES:			
Current Liabilities:			
Accounts payable	61,737	244,845	190,155
Accrued interest			13,861
Accrued liabilities*	15,190,223	2,225,494	63,169
Unearned revenue			
Refundable deposits			4,084
Compensated absences	15,867	7,141	85,445
Long-term debt - due within one year			115,094
Total Current Liabilities	15,267,827	2,477,480	471,808
Noncurrent Liabilities:			
Long-term interfund payables			
Compensated absences	1,696	763	9,134
Net pension liabilities	780,385	244,598	966,746
Long-term debt			1,007,151
Total Noncurrent Liabilities	782,081	245,361	1,983,031
Total Liabilities	16,049,908	2,722,841	2,454,839
DEFERRED INFLOWS OF RESOURCES:			
Related to pensions	134,508	42,159	166,629
NET POSITION:			
Net investments in capital assets		27,021	1,127,625
Restricted for debt service			83,140
Unrestricted	(6,833,929)	47,111	(114,640)
Total Net Position	(\$6,833,929)	\$74,132	\$1,096,125

* Accrued liabilities balance in Workers' Compensation Insurance fund includes the ultimate cost of all reported and unreported claims as required by GASB Standard number 10.

<u>Fleet Management</u>	<u>Technology Services</u>	<u>Employee Benefits</u>	<u>Total</u>
\$5,357,716	\$2,801,620	\$3,771,175	\$22,852,715
			83,140
66,905	77,984		896,469
	1,699,356		3,199,731
<u>5,424,621</u>	<u>4,578,960</u>	<u>3,771,175</u>	<u>27,032,055</u>
			27,021
			372,748
	861,180		861,180
<u>13,034,260</u>	<u>3,834,509</u>		<u>18,745,891</u>
<u>13,034,260</u>	<u>4,695,689</u>		<u>20,006,840</u>
<u>18,458,881</u>	<u>9,274,649</u>	<u>3,771,175</u>	<u>47,038,895</u>
<u>200,690</u>	<u>691,507</u>		<u>1,265,219</u>
182,454	13,729	7,273	700,193
22,486	3,451		39,798
220,431	162,879		17,862,196
12,894	1,500		14,394
			4,084
55,216	173,577		337,246
<u>722,643</u>	<u>487,610</u>		<u>1,325,347</u>
<u>1,216,124</u>	<u>842,746</u>	<u>7,273</u>	<u>20,283,258</u>
71,429			71,429
5,903	18,556		36,052
1,071,573	3,692,269		6,755,571
<u>2,622,251</u>	<u>683,656</u>		<u>4,313,058</u>
<u>3,771,156</u>	<u>4,394,481</u>		<u>11,176,110</u>
<u>4,987,280</u>	<u>5,237,227</u>	<u>7,273</u>	<u>31,459,368</u>
<u>184,697</u>	<u>636,400</u>		<u>1,164,393</u>
9,689,366	3,524,423		14,368,435
			83,140
<u>3,798,228</u>	<u>568,106</u>	<u>3,763,902</u>	<u>1,228,778</u>
<u>\$13,487,594</u>	<u>\$4,092,529</u>	<u>\$3,763,902</u>	<u>\$15,680,353</u>

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Workers' Compensation Insurance	General Liability	Facilities Management
OPERATING REVENUES			
Charges for services	\$6,754,179	\$229,541	\$3,613,043
Other	1,000	442,477	168,714
Total Operating Revenues	6,755,179	672,018	3,781,757
OPERATING EXPENSES			
Salaries and related expenses	320,885	496,039	764,379
Materials, supplies and services	1,203,809	2,434,265	1,156,366
Repairs and maintenance	241	551	885,667
Self-funded insurance expense	4,836,516	1,473,604	
Depreciation			69,978
Total Operating Expenses	6,361,451	4,404,459	2,876,390
Operating Income (Loss)	393,728	(3,732,441)	905,367
NONOPERATING REVENUES (EXPENSES)			
Investment income			6,107
Interest (expense)			(56,708)
Gain on disposal of capital assets			
Total Nonoperating Revenues (Expenses)			(50,601)
Income (Loss) Before Transfers	393,728	(3,732,441)	854,766
CONTRIBUTIONS AND TRANSFERS			
Transfers in		3,119,511	35,730
Transfers (out)	(165,491)	(337,372)	(140,606)
Net Contributions and Transfers	(165,491)	2,782,139	(104,876)
CHANGE IN NET POSITION	228,237	(950,302)	749,890
BEGINNING NET POSITION	(7,062,166)	1,024,434	346,235
ENDING NET POSITION	(\$6,833,929)	\$74,132	\$1,096,125

<u>Fleet Management</u>	<u>Technology Services</u>	<u>Employee Benefits</u>	<u>Total</u>
\$7,142,176	\$5,987,434	\$3,189,953	\$26,916,326
123,250	626,684	150	1,362,275
<u>7,265,426</u>	<u>6,614,118</u>	<u>3,190,103</u>	<u>28,278,601</u>
1,199,254	3,403,006		6,183,563
965,584	1,376,551	1,435,847	8,572,422
928,212	1,047,857		2,862,528
		1,489,543	7,799,663
<u>1,713,062</u>	<u>863,958</u>		<u>2,646,998</u>
<u>4,806,112</u>	<u>6,691,372</u>	<u>2,925,390</u>	<u>28,065,174</u>
<u>2,459,314</u>	<u>(77,254)</u>	<u>264,713</u>	<u>213,427</u>
33,675	18,268		58,050
(114,186)	(32,077)		(202,971)
<u>79,783</u>			<u>79,783</u>
<u>(728)</u>	<u>(13,809)</u>		<u>(65,138)</u>
<u>2,458,586</u>	<u>(91,063)</u>	<u>264,713</u>	<u>148,289</u>
833,803	1,533,000	1,070,000	6,592,044
(156,473)	(189,701)		(989,643)
<u>677,330</u>	<u>1,343,299</u>	<u>1,070,000</u>	<u>5,602,401</u>
3,135,916	1,252,236	1,334,713	5,750,690
<u>10,351,678</u>	<u>2,840,293</u>	<u>2,429,189</u>	<u>9,929,663</u>
<u>\$13,487,594</u>	<u>\$4,092,529</u>	<u>\$3,763,902</u>	<u>\$15,680,353</u>

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Workers' Compensation Insurance	General Liability	Facilities Management
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$6,722,606	\$229,541	\$3,790,830
Payments to suppliers	(4,582,656)	(5,322,361)	(2,119,558)
Payments to employees	(316,410)	(476,445)	(1,052,635)
	<u>1,823,540</u>	<u>(5,569,265)</u>	<u>618,637</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments to other funds		(27,021)	
Transfers in		3,119,511	35,730
Transfers out	(165,491)	(337,372)	(140,606)
	<u>(165,491)</u>	<u>2,755,118</u>	<u>(104,876)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets			
Proceeds from capital leases			
Principal payments on capital debt			(106,452)
Interest paid on capital debt			(56,708)
			<u>(163,160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income			6,107
			<u>6,107</u>
Net increase (decrease) in cash and cash equivalents	1,658,049	(2,814,147)	356,708
Cash and cash equivalents at beginning of period	<u>7,239,576</u>	<u>3,637,596</u>	<u>927,562</u>
Cash and cash equivalents at end of period	<u><u>\$8,897,625</u></u>	<u><u>\$823,449</u></u>	<u><u>\$1,284,270</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$393,728	(\$3,732,441)	\$905,367
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation			69,978
Change in assets and liabilities:			
Receivables, net	(32,573)	(442,477)	9,073
Other assets		(1,500,375)	
Accounts and other payables	33,250	169,599	(95,960)
Due to retirement system	552,084	24,293	(304,323)
Compensated absences	4,475	(4,699)	16,067
Other accrued expenses	872,576	(83,165)	18,435
Cash Flows from Operating Activities	<u><u>\$1,823,540</u></u>	<u><u>(\$5,569,265)</u></u>	<u><u>\$618,637</u></u>

Fleet Management	Technology Services	Employee Benefits	Total
\$7,247,932	\$6,614,097	\$3,190,103	\$27,795,109
(1,817,475)	(2,549,676)	(2,925,390)	(19,317,116)
(976,795)	(2,730,832)		(5,553,117)
<u>4,453,662</u>	<u>1,333,589</u>	<u>264,713</u>	<u>2,924,876</u>
(183,520)	(363,288)		(573,829)
833,803	1,533,000	1,070,000	6,592,044
(156,473)	(189,701)		(989,643)
<u>493,810</u>	<u>980,011</u>	<u>1,070,000</u>	<u>5,028,572</u>
(3,930,983)	(1,124,687)		(5,055,670)
1,272,000			1,272,000
(874,563)	(475,899)		(1,456,914)
(114,186)	(32,077)		(202,971)
<u>(3,647,732)</u>	<u>(1,632,663)</u>		<u>(5,443,555)</u>
<u>33,675</u>	<u>18,268</u>		<u>58,050</u>
<u>33,675</u>	<u>18,268</u>		<u>58,050</u>
1,333,415	699,205	1,334,713	2,567,943
<u>4,024,301</u>	<u>2,102,415</u>	<u>2,436,462</u>	<u>20,367,912</u>
<u>\$5,357,716</u>	<u>\$2,801,620</u>	<u>\$3,771,175</u>	<u>\$22,935,855</u>
\$2,459,314	(\$77,254)	\$264,713	\$213,427
1,713,062	863,958		2,646,998
(17,494)	(21)		(483,492)
62,623			(1,437,752)
(164,692)	(161,855)		(219,658)
217,068	655,718		1,144,840
5,391	16,456		37,690
178,390	36,587		1,022,823
<u>\$4,453,662</u>	<u>\$1,333,589</u>	<u>\$264,713</u>	<u>\$2,924,876</u>

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AGENCY FUNDS

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

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

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

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

CITY OF HAYWARD
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>Local Improvement Districts</u>				
ASSETS:				
Cash and investments	\$2,111,638	\$2,601,466	\$2,111,638	\$2,601,466
Cash and investments with fiscal agents	353,830	353,897	353,830	353,897
Accounts receivable	7,222			7,222
Due from other governments	980,413	999,997	980,413	999,997
Total Assets	<u>\$3,453,103</u>	<u>\$3,955,360</u>	<u>\$3,445,881</u>	<u>\$3,962,582</u>
LIABILITIES:				
Accounts payable				
Due to bondholders	<u>\$3,453,103</u>	<u>\$3,955,360</u>	<u>\$3,445,881</u>	<u>\$3,962,582</u>
Total Liabilities	<u>\$3,453,103</u>	<u>\$3,955,360</u>	<u>\$3,445,881</u>	<u>\$3,962,582</u>
<u>South Hayward Bart Parking District JPA</u>				
ASSETS:				
Cash and investments	<u>\$82,364</u>	<u>\$938,817</u>	<u>\$82,364</u>	<u>\$938,817</u>
Total Assets	<u>\$82,364</u>	<u>\$938,817</u>	<u>\$82,364</u>	<u>\$938,817</u>
LIABILITIES:				
Due to others	<u>\$82,364</u>	<u>\$938,817</u>	<u>\$82,364</u>	<u>\$938,817</u>
Total Liabilities	<u>\$82,364</u>	<u>\$938,817</u>	<u>\$82,364</u>	<u>\$938,817</u>
<u>Other Agency Funds</u>				
ASSETS:				
Cash and investments	<u>\$1,869,570</u>	<u>\$2,830,779</u>	<u>\$1,869,570</u>	<u>\$2,830,779</u>
Total Assets	<u>\$1,869,570</u>	<u>\$2,830,779</u>	<u>\$1,869,570</u>	<u>\$2,830,779</u>
LIABILITIES:				
Accounts payable	\$1,510		\$1,510	
Refundable deposits	<u>1,868,060</u>	<u>\$2,830,779</u>	<u>1,868,060</u>	<u>\$2,830,779</u>
Total Liabilities	<u>\$1,869,570</u>	<u>\$2,830,779</u>	<u>\$1,869,570</u>	<u>\$2,830,779</u>
<u>Total</u>				
ASSETS:				
Cash and investments	\$4,063,572	\$6,371,062	\$4,063,572	\$6,371,062
Cash and investments with fiscal agents	353,830	353,897	353,830	353,897
Accounts receivable, net	7,222			7,222
Due from other governments	<u>980,413</u>	<u>999,997</u>	<u>980,413</u>	<u>999,997</u>
Total Assets	<u>\$5,405,037</u>	<u>\$7,724,956</u>	<u>\$5,397,815</u>	<u>\$7,732,178</u>
LIABILITIES:				
Accounts payable	\$1,510		\$1,510	
Refundable deposits	1,868,060	\$2,830,779	1,868,060	\$2,830,779
Due to bondholders and others	<u>3,535,467</u>	<u>4,894,177</u>	<u>3,528,245</u>	<u>4,901,399</u>
Total Liabilities	<u>\$5,405,037</u>	<u>\$7,724,956</u>	<u>\$5,397,815</u>	<u>\$7,732,178</u>

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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

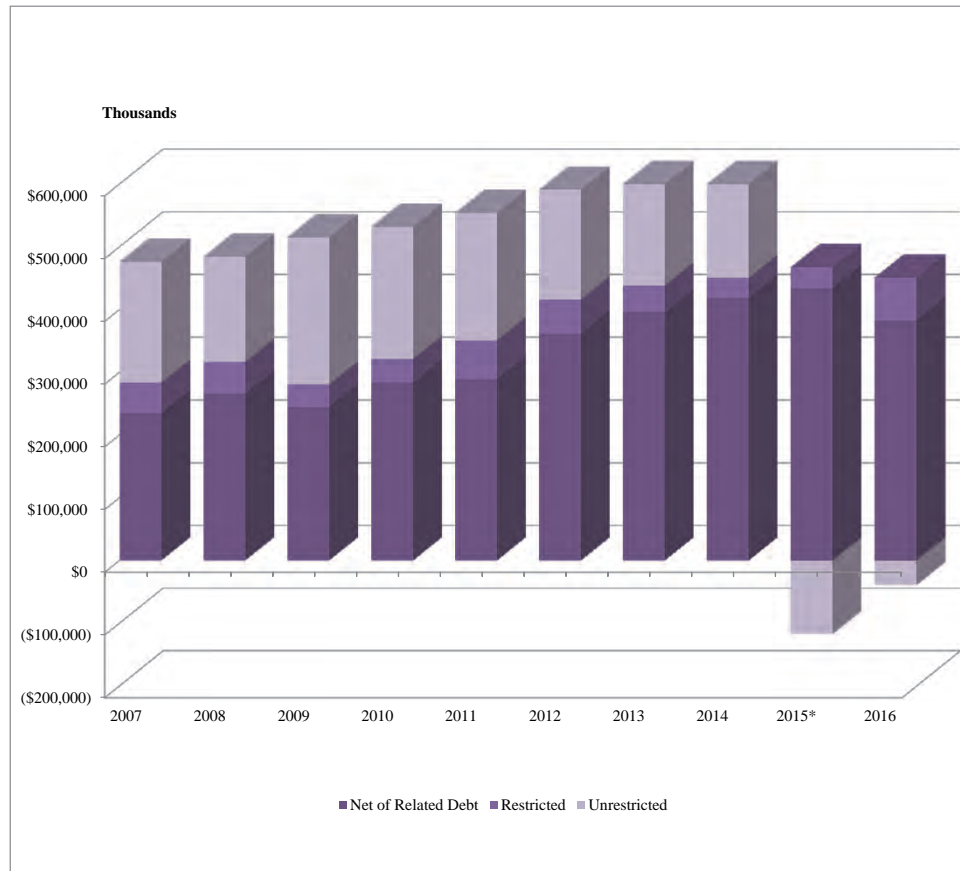
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

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

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



* To comply with GASB 68 an adjustment was made to the City's total unrestricted net position, decreasing it by \$311,685,673 in FY 2015. The negative Net Position offsets the Net Pension Liabilities of \$284,150,333.

	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016
Governmental activities										
Net investment in capital assets	126,446,824	\$165,674,448	\$144,536,663	\$175,603,110	\$177,018,316	\$249,020,221	\$279,525,198	\$290,077,936	\$305,320,098	\$254,986,441
Restricted	45,104,958	50,176,114	35,212,631	37,078,947	62,458,594	54,205,450	42,224,510	31,382,199	33,021,745	68,045,952
Unrestricted	79,057,083	33,506,242	94,984,265	74,605,502	67,919,935	35,822,808	33,214,883	43,176,179	(257,512,639)	(195,715,585)
Total governmental activities net position	\$250,608,865	\$249,356,804	\$274,733,559	\$287,287,559	\$307,396,845	\$339,048,479	\$354,964,591	\$364,636,314	\$80,829,204	\$127,316,808
Business-type activities										
Net investment in capital assets	\$108,163,977	\$100,748,593	\$100,949,049	\$108,371,577	\$111,809,831	\$112,987,363	\$116,593,166	\$128,869,837	\$129,150,393	\$128,152,757
Restricted	3,934,308	0	0	0	0	0	0	0	0	0
Unrestricted	113,683,272	134,111,663	139,593,608	136,133,467	134,720,060	139,002,268	140,296,857	143,368,162	140,262,979	156,403,925
Total business-type activities net position	\$225,781,557	\$234,860,256	\$240,542,657	\$244,505,044	\$246,529,891	\$251,989,631	\$256,890,023	\$272,237,999	\$269,413,372	\$284,556,682
Primary government										
Net investment in capital assets	\$234,610,801	\$266,423,041	\$245,485,712	\$283,974,687	\$288,828,147	\$362,007,584	\$396,118,364	\$418,947,773	\$434,470,491	\$383,139,198
Restricted	49,039,266	50,176,114	35,212,631	37,078,947	62,458,594	54,205,450	42,224,510	31,382,199	33,021,745	68,045,952
Unrestricted	192,740,355	167,617,905	234,577,873	210,738,969	202,639,995	174,825,076	173,511,740	186,544,341	(117,249,660)	(39,311,660)
Total primary government net position	\$476,390,422	\$484,217,060	\$515,276,216	\$531,792,603	\$553,926,736	\$591,038,110	\$611,854,614	\$636,874,313	\$350,242,576	\$411,873,490

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses					
Governmental Activities:					
General Government	\$14,937,511	\$15,432,428	\$12,844,106	\$12,526,820	\$9,728,751
Public Safety	73,909,494	83,609,438	89,391,667	91,936,447	97,783,089
Public Works and Transportation	19,796,435	6,896,062	5,097,319	6,614,756	12,061,251
Library and Community Services		9,654,552	9,448,832	8,873,963	8,826,270
Economic Development		4,685,202	2,814,162	4,337,389	7,755,610
Planning and Building		5,524,642	6,383,986	5,930,519	5,878,086
Maintenance Services		7,202,019	3,899,394	4,612,144	4,028,800
Community Development	8,016,005				
Culture and Leisure	3,785,273				
Nondepartmental	1,379,106				
Interest on Long Term Debt	5,006,826	6,060,020	4,175,089	4,073,192	4,486,345
Total Governmental Activities Expenses	<u>126,830,650</u>	<u>139,064,363</u>	<u>134,054,555</u>	<u>138,905,230</u>	<u>150,548,202</u>
Business-Type Activities:					
Sewer	13,349,209	15,250,146	15,783,768	18,276,551	19,395,928
Water	24,582,923	25,585,042	27,602,545	28,336,545	29,807,045
Airport	2,442,805	2,644,168	3,568,997	3,008,282	3,124,022
Centennial Hall Maintenance and Operation	678,612	678,964	782,509	313,299	
Stormwater	1,909,447	2,049,493	1,908,290	2,227,090	2,326,729
Total Business-Type Activities Expenses	<u>42,962,996</u>	<u>46,207,813</u>	<u>49,646,109</u>	<u>52,161,767</u>	<u>54,653,724</u>
Total Primary Government Expenses	<u>\$169,793,646</u>	<u>\$185,272,176</u>	<u>\$183,700,664</u>	<u>\$191,066,997</u>	<u>\$205,201,926</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$949,015	\$817,256	\$379,561	\$190,261	\$1,019,505
Public Safety	5,075,945	5,123,501	8,016,352	9,128,483	8,608,854
Public Works and Transportation	7,279,079	1,092,482	507,944	555,541	744,992
Library and Community Services		106,920	111,630	98,968	90,947
Economic Development		103,864	166,223	79,484	121,677
Planning and Building		6,242,967	6,780,653	5,074,620	5,022,960
Maintenance Services		149,268	29,190	37,098	269,786
Community Development	525,981				
Culture and Leisure	96,406				
Nondepartmental					
Operating Grants and Contributions	18,296,402	15,332,573	14,294,205	17,196,527	12,904,598
Capital Grants and Contributions	2,596,202	2,856,295	22,570,080	18,885,041	30,675,031
Total Government Activities Program Revenues	<u>34,819,030</u>	<u>31,825,126</u>	<u>52,855,838</u>	<u>51,246,023</u>	<u>59,458,350</u>

* Due to City of Hayward Departmental reorganization, Community Development, and Culture and Leisure Departments no longer exist.
Source: City of Hayward Comprehensive Annual Financial Report

2012	2013	2014	2015	2016
\$9,417,144	\$11,162,908	\$11,989,512	\$16,245,827	\$14,192,819
96,991,346	100,470,925	102,494,680	106,541,527	118,423,530
12,400,798	13,689,585	8,851,489	12,295,579	14,414,107
7,645,958	7,490,405	8,073,175	5,150,554	9,047,644
2,078,030	1,285,830	1,432,514	835,342	1,762,937
5,642,610	6,102,300	6,293,037	6,831,521	7,281,726
4,030,146	3,896,951	4,790,594	5,798,009	6,156,886
<u>3,685,703</u>	<u>2,056,984</u>	<u>1,131,490</u>	<u>1,400,778</u>	<u>1,490,140</u>
<u>141,891,735</u>	<u>146,155,888</u>	<u>145,056,491</u>	<u>155,099,137</u>	<u>172,769,788</u>
17,977,438	19,127,813	17,443,979	19,967,350	23,757,316
36,010,696	38,837,206	38,252,368	36,953,171	38,253,454
3,271,942	3,252,108	3,443,655	3,489,917	3,976,602
<u>2,235,721</u>	<u>2,402,138</u>	<u>2,419,567</u>	<u>2,373,574</u>	<u>3,042,678</u>
<u>59,495,797</u>	<u>63,619,265</u>	<u>61,559,569</u>	<u>62,784,012</u>	<u>69,030,050</u>
<u>\$201,387,532</u>	<u>\$209,775,153</u>	<u>\$206,616,060</u>	<u>\$217,883,149</u>	<u>\$241,799,838</u>
\$2,162,950	\$2,505,144	\$3,348,209	\$3,404,484	\$3,513,507
8,139,780	3,308,573	3,332,950	3,311,997	3,585,912
4,382,791	3,780,364	4,121,654	4,966,061	5,620,367
110,465	95,682	85,256	116,787	1,312,128
77,251		2,749,344	1,292,172	
4,312,438	3,541,420	5,026,469	4,536,430	6,060,654
399,721	710,653	1,243,660	1,504,197	1,088,664
25,163,445	6,998,650	7,634,799	10,587,001	13,611,989
32,561,709	26,479,205	9,066,354	5,807,599	31,255,350
<u>77,310,550</u>	<u>47,419,691</u>	<u>36,608,695</u>	<u>35,526,728</u>	<u>66,048,571</u>

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

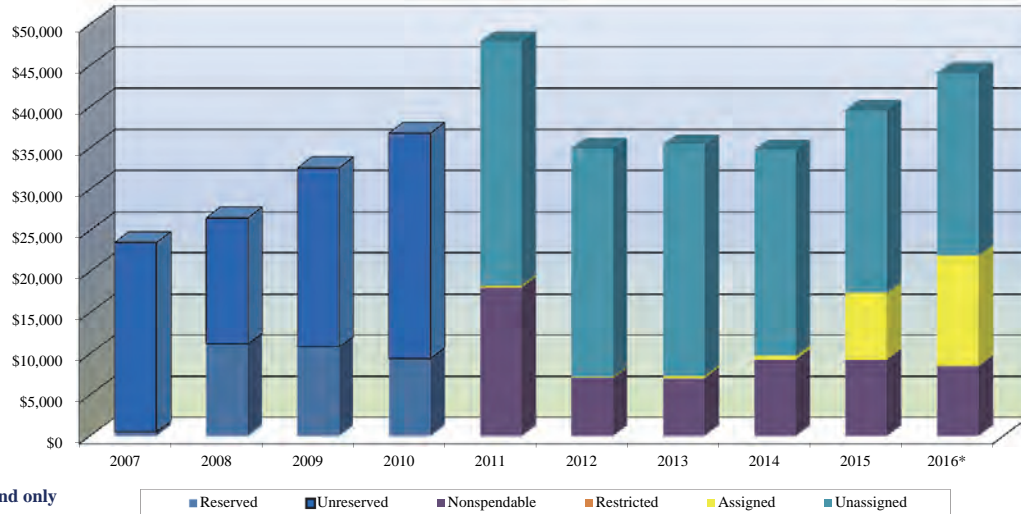
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Business-Type Activities:					
Charges for Services:					
Sewer	15,981,344	16,507,956	18,861,871	19,186,749	20,338,593
Water	23,287,599	24,550,837	29,246,643	28,143,863	31,684,462
Airport	3,179,495	2,049,105	2,843,185	2,783,068	2,790,998
Centennial Hall Maintenance & Operation	331,503	293,948	288,869	42,954	
Stormwater	1,899,910	2,710,813	2,791,915	2,700,531	2,724,244
Operating Grants and Contributions	4,315,427	4,771,353			
Capital Grants and Contributions	400,343	1,728,487	167,026	2,411,519	1,246,130
Total Business-Type Activities Program Revenue	<u>49,395,621</u>	<u>52,612,499</u>	<u>54,199,509</u>	<u>55,268,684</u>	<u>58,784,427</u>
Total Primary Government Program Revenues	<u>\$84,214,651</u>	<u>\$84,437,625</u>	<u>\$107,055,347</u>	<u>\$106,514,707</u>	<u>\$118,242,777</u>
Net (Expense)/Revenue					
Governmental Activities	(\$92,011,620)	(\$107,239,237)	(\$81,198,717)	(\$87,659,207)	(\$91,089,852)
Business-Type Activities	6,432,625	6,404,686	4,553,400	3,106,917	4,130,703
Total Primary Government Net Expense	<u>(\$85,578,995)</u>	<u>(\$100,834,551)</u>	<u>(\$76,645,317)</u>	<u>(\$84,552,290)</u>	<u>(\$86,959,149)</u>
Total Primary Government Net Expense from prior page	<u>(\$85,578,995)</u>	<u>(\$100,834,551)</u>	<u>(\$76,645,317)</u>	<u>(\$84,552,290)</u>	<u>(\$86,959,149)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	\$24,652,905	\$38,464,255	\$40,699,344	\$37,292,466	\$35,725,966
Incremental Property Tax	11,465,642	10,729,476	10,657,184	4,520,035	10,351,054
Special Assessments	919,634				714,017
Sales Taxes	28,857,677	28,512,340	25,630,173	23,508,544	25,491,533
Utility Users Tax				10,927,290	14,699,792
Real Property Transfer Tax	7,119,746	5,077,214	3,852,507	3,796,719	3,821,387
Franchise Tax	4,766,970	6,166,499	5,831,272	8,316,848	9,091,479
Business Tax	2,481,365	2,480,696	2,502,991	2,337,106	2,389,657
Excise Tax	1,918,155	1,931,187	1,858,267	1,857,223	1,699,438
Other Taxes	5,079,403	4,933,567	4,958,591	1,938,591	1,683,087
Motor Vehicle in-lieu, Unrestricted	10,821,864	671,084	522,508	457,126	694,933
Investment Earnings	3,135,049	3,638,001	2,132,768	819,649	434,426
Gain (Loss) on Sale of Capital Assets		53,845	2,362,950		
Miscellaneous	6,906,996	2,889,548	2,289,663	2,834,841	1,505,212
Transfers (refer to CAFR Footnote 4)	2,220,192	2,829,378	3,277,254	1,673,064	2,141,488
Extraordinary Item (refer to CAFR Footnote 19)					
Total Governmental Activities General Revenues and Transfers	<u>110,345,598</u>	<u>108,377,090</u>	<u>106,575,472</u>	<u>100,279,502</u>	<u>110,443,469</u>
Business-Type Activities:					
Investment Earnings	6,078,001	5,245,152	3,720,221	1,694,085	841,733
Gain (Loss) from disposal of capital assets	110,575	251,354			
Miscellaneous		437,661	686,034	834,449	
Transfers (refer to CAFR Footnote 19)	(2,220,192)	(2,829,378)	(3,277,254)	(1,673,064)	(2,141,488)
Total Business-Type Activities General Revenues and Transfers	<u>3,968,384</u>	<u>3,104,789</u>	<u>1,129,001</u>	<u>855,470</u>	<u>(1,299,755)</u>
Total Primary Government General Revenues and Transfers	<u>\$114,313,982</u>	<u>\$111,481,879</u>	<u>\$107,704,473</u>	<u>\$101,134,972</u>	<u>\$109,143,714</u>
Change in Net Position					
Governmental Activities	\$18,333,978	\$1,137,853	\$25,376,755	\$12,620,295	\$19,353,617
Business-Type Activities	10,401,009	9,509,475	5,682,401	3,962,387	2,830,948
Total Primary Government	<u>\$28,734,987</u>	<u>\$10,647,328</u>	<u>\$31,059,156</u>	<u>\$16,582,682</u>	<u>\$22,184,565</u>

* Due to City of Hayward Departmental reorganization, Community Development, and Culture and Leisure Departments no longer exist.
Source: City of Hayward Comprehensive Annual Financial Report

2012	2013	2014	2015	2016
22,333,628	22,136,846	25,527,904	28,389,311	33,557,099
38,463,759	43,128,089	47,045,822	44,704,910	46,264,199
2,917,614	2,963,971	3,365,514	2,995,362	3,239,400
2,738,050	2,821,653	2,777,228	2,832,703	2,894,801
119,629	88,916			
<u>66,572,680</u>	<u>71,139,475</u>	<u>78,716,468</u>	<u>78,922,286</u>	<u>85,955,499</u>
<u>\$143,883,230</u>	<u>\$118,559,166</u>	<u>\$115,325,163</u>	<u>\$114,449,014</u>	<u>\$152,004,070</u>
(\$64,581,185)	(\$98,736,197)	(\$108,447,796)	(\$119,572,409)	(\$106,721,218)
7,076,883	7,520,210	17,156,899	16,138,274	16,925,449
<u>(\$57,504,302)</u>	<u>(\$91,215,987)</u>	<u>(\$91,290,897)</u>	<u>(\$103,434,135)</u>	<u>(\$89,795,769)</u>
<u>(\$57,504,302)</u>	<u>(\$91,215,987)</u>	<u>(\$91,290,897)</u>	<u>(\$103,434,135)</u>	<u>(\$89,795,769)</u>
\$35,715,527	\$39,297,973	\$39,456,863	\$42,740,159	\$44,750,688
4,721,491				
817,210				
26,346,354	29,197,989	31,019,079	39,148,631	46,495,377
14,796,979	14,939,639	15,761,544	15,680,721	22,040,616
4,777,989	4,595,640	4,878,857	5,710,272	7,849,464
9,891,601	9,687,980	9,488,631	10,127,647	10,139,140
2,483,442	2,548,248	2,649,279	2,634,539	2,603,305
1,742,210	1,868,695	1,694,229	2,142,691	3,782,330
944,268	5,820,346	6,748,616	6,314,878	5,774,001
75,744	78,484	64,954	62,743	61,688
369,203	534,927	424,910	349,196	523,123
(9,687)			(352,880)	882,491
685,054	3,192,697	3,473,568	2,996,956	5,505,290
2,167,125	2,889,691	2,458,989	2,618,309	2,801,309
<u>(9,342,122)</u>				
<u>96,182,388</u>	<u>114,652,309</u>	<u>118,119,519</u>	<u>130,173,862</u>	<u>153,208,822</u>
549,982	269,873	650,066	533,521	1,019,170
<u>(2,167,125)</u>	<u>(2,889,691)</u>	<u>(2,458,989)</u>	<u>(2,618,309)</u>	<u>(2,801,309)</u>
(1,617,143)	(2,619,818)	(1,808,923)	(2,084,788)	(1,782,139)
<u>\$94,565,245</u>	<u>\$112,032,491</u>	<u>\$116,310,596</u>	<u>\$128,089,074</u>	<u>\$151,426,683</u>
\$31,601,203	\$15,916,112	\$9,671,723	\$10,601,453	\$46,487,604
5,459,740	4,900,392	15,347,976	14,053,486	15,143,310
<u>\$37,060,943</u>	<u>\$20,816,504</u>	<u>\$25,019,699</u>	<u>\$24,654,939</u>	<u>\$61,630,914</u>

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

Thousands



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
General Fund										
Reserved	\$502,204	\$11,213,927	\$10,827,978	\$9,434,579						
Unreserved	23,022,362	15,317,927	21,758,830	27,367,200						
Nonspendable					\$18,079,779 (b)	\$7,047,042	\$7,028,303	\$9,255,154	\$9,284,281	\$8,474,463
Restricted										
Assigned					256,170 (b)	133,571	256,170	459,100	8,150,187	13,485,813
Unassigned					29,550,120 (b)	27,763,993	28,115,304	25,052,543	22,134,362	22,098,817
Total General Fund (a)	\$23,524,566	\$26,531,854	\$32,586,808	\$36,801,779	\$47,886,069	\$34,944,606	\$35,399,777	\$34,766,797	\$39,568,830	\$44,059,093
All Other Governmental Funds										
Reserved	\$55,418,227	\$4,154,570	\$19,356,635	\$12,853,145						
Unreserved										
Unreserved, reported in:										
Debt Service funds		4,308,979	4,206,222	4,171,034						
Special revenue funds	16,985,069	18,065,349	15,211,686	16,022,583						
Capital project funds	24,096,411	40,928,952	21,442,946	14,181,758						
Undesignated funds										
Nonspendable					\$68 (b)	\$68		\$2,239,029	\$234,029	\$293
Restricted					36,094,240 (b)	48,807,530	\$22,811,952	19,827,871	33,488,600	68,772,861
Assigned					5,568,584 (b)	7,460,751	2,646,543	7,670,060		68,374,788
Unassigned					(5,102,162) (b)	77,273	(724,802)		(2,508,938)	
Total all other governmental funds	\$96,499,707	\$67,457,850	\$60,217,489	\$47,228,520	\$36,560,730	\$56,345,622	\$24,733,693	\$29,736,960	\$31,213,691	\$137,147,942

* General Fund includes balances related to the City's Measure C District Sales Tax

(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.

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

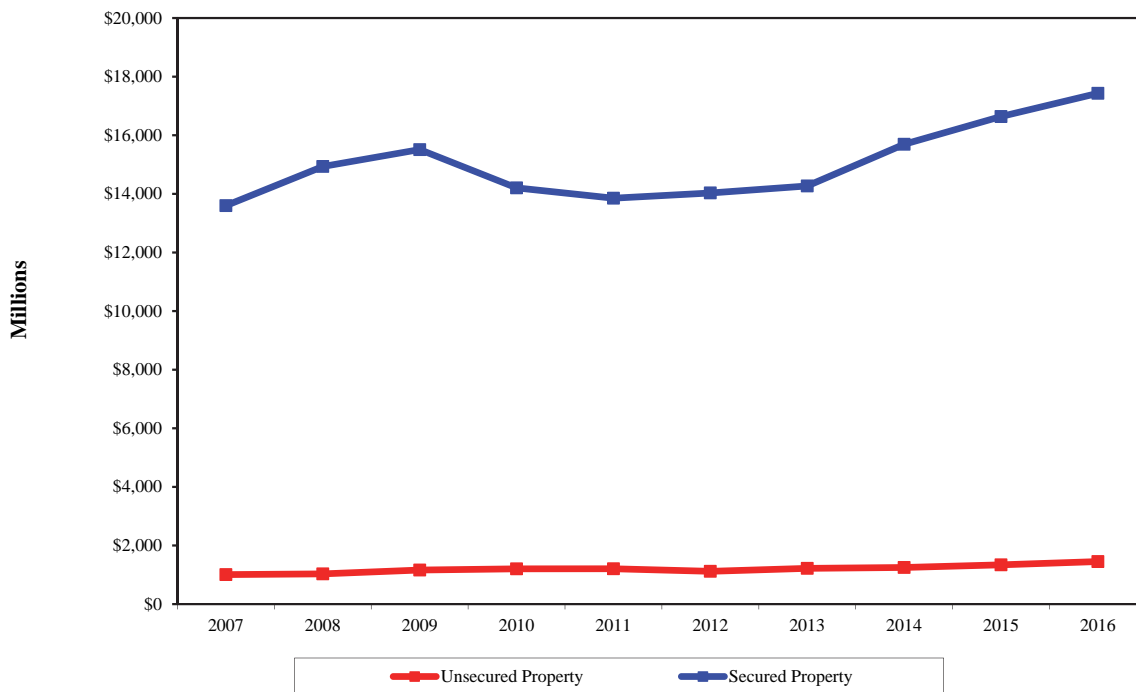
	Fiscal Years Ended June 30,				
	2007	2008	2009	2010	2011
Revenues					
Property Taxes	\$24,687,960	\$39,135,339	\$41,221,852	\$37,292,466	\$35,725,967
Property Tax Increment	11,465,642	12,082,986	12,630,213	10,180,653	10,351,054
Special Assessments	884,579	1,051,269	741,098	610,058	714,015
Sales Taxes	28,857,677	29,233,148	26,341,473		25,491,532
Utility Users Taxes				10,927,290	14,699,792
Other Taxes	21,365,639	22,941,172	21,419,990	20,996,991	18,729,085
Licenses and permits	4,024,802	4,712,325	4,650,694	3,084,964	3,259,291
Fines and forfeitures	1,150,614	985,858	1,657,789	2,042,460	2,756,632
Use of money and property	5,969,155	5,517,114	3,239,537	1,471,396	1,153,359
Intergovernmental revenues	27,904,422	10,914,969	32,634,889	25,004,880	36,952,595
Fees and charges for services	6,760,792	6,244,187	8,428,414	8,807,886	9,262,348
Reimbursement from Developer	5,000,000	1,813,604	381,868	484,205	1,064,680
Other	4,823,715	3,782,765	1,781,740	2,559,991	7,787,702
Total Revenues	142,894,997	138,414,736	155,129,557	123,463,240	167,948,052
Expenditures					
Current:					
General government	10,729,759	11,639,480	10,421,821	8,564,302	7,930,669
Public safety	71,172,116	79,941,250	79,537,953	82,051,155	88,980,339
Public works and transportation	13,037,745	6,186,587	9,558,688	6,152,137	9,225,588
Library and community services	7,533,647	8,511,524	8,771,317	7,986,000	7,884,539
Economic development	3,628,763	6,039,172	4,810,371	5,986,083	5,622,527
Planning and building		6,454,120	6,095,525	5,558,437	5,562,298
Maintenance services		7,160,250	3,723,200	4,384,873	3,783,213
Nondepartmental	1,379,106				
Capital outlay	37,397,788	32,072,854	29,560,203	15,712,302	28,216,666
Debt service:					
Principal	2,221,503	3,026,920	3,094,025	2,940,621	3,071,058
Interest and fiscal charges	4,792,626	5,186,476	4,046,129	3,966,495	4,584,267
Bond issuance cost					
Pass-through payments				5,660,618	2,151,873
Total Expenditures	151,893,053	166,218,633	159,619,232	148,963,023	167,013,037
Excess (deficiency) of revenues over (under) expenditures	(8,998,056)	(27,803,897)	(4,489,675)	(25,499,783)	935,015
Other Financing Sources (Uses)					
Gain on Sale					
Transfer of land held for resale to cap assets					
Proceeds from sale of capital asset			2,301,320		17,961
Proceeds of refunding bonds (refer to CAFR Footnote 6)		31,820,000			
Premium on refunding bonds issued (refer to CAFR Footnote 6)					
Payment to refunded bond escrow agent (refer to CAFR Footnote 6)		(31,184,483)			
Proceeds of repayment agreement					
Proceeds from long term debt (refer to CAFR Footnote 6)	257,512	1,342,011			200,000
Contributions from assessment district					
Transfers in (refer to CAFR Footnote 4)	13,790,988	21,111,234	22,583,520	26,352,391	35,397,325
Transfers out (refer to CAFR Footnote 4)	(12,991,291)	(19,687,595)	(21,476,956)	(33,068,855)	(36,133,801)
Total other financing sources (uses)	1,057,209	3,401,167	3,407,884	(6,716,464)	(518,515)
Extraordinary Item (Refer to CAFR Footnote 19)					
Net Change in fund balances	(\$7,940,847)	(\$24,402,730)	(\$1,081,791)	(\$32,216,247)	\$416,500
Debt service as a percentage of noncapital expenditures					
	6.5%	6.5%	5.8%	5.7%	5.9%

Source: City of Hayward Comprehensive Annual Financial Report

Fiscal Years Ended June 30,

2012	2013	2014	2015	2016
\$35,715,527	\$39,180,750	\$38,971,067	\$42,128,306	\$44,159,430
4,721,491				
817,210	891,037	972,339	980,329	1,166,399
26,346,354	29,197,989	31,019,079	39,148,631	46,495,377
14,796,979	14,939,639	15,761,544	15,680,721	22,040,616
20,748,138	20,630,166	21,310,770	23,424,572	26,554,046
3,177,816	3,605,753	4,078,392	5,031,300	6,316,823
2,951,068	2,938,106	2,285,486	2,549,034	2,341,565
1,098,574	756,670	635,092	357,388	561,895
55,173,561	28,617,999	33,839,482	22,647,381	37,101,458
8,851,474	8,377,718	8,172,604	7,639,834	9,885,890
344,375	109,677	252,910		
6,565,952	1,934,141	2,402,380	5,002,806	7,909,582
<u>181,308,519</u>	<u>151,179,645</u>	<u>159,701,145</u>	<u>164,590,302</u>	<u>204,533,081</u>
8,034,218	9,841,308	10,551,378	13,702,855	12,675,974
90,190,936	90,696,723	91,851,849	96,719,824	105,164,624
10,994,660	10,498,047	3,764,567	6,623,943	3,850,989
6,926,851	6,531,206	7,004,537	6,748,325	8,371,078
4,396,669	1,847,619	2,017,787	763,285	1,984,194
5,346,481	5,806,741	5,981,108	6,495,171	7,382,233
3,827,181	3,685,853	4,591,395	5,581,077	6,279,365
30,601,040	36,797,417	22,587,661	30,819,943	39,864,835
1,751,366	1,854,870	2,216,033	2,156,489	2,397,381
3,355,010	2,040,992	1,093,538	1,158,708	1,055,901
				1,054,619
1,546				
<u>165,425,958</u>	<u>169,600,776</u>	<u>151,659,853</u>	<u>170,769,620</u>	<u>190,081,193</u>
15,882,561	(18,421,131)	8,041,292	(6,179,318)	14,451,888
				87,348,775
				6,565,740
				(20,455,936)
		2,488,880	5,500,000	
14,518,727	11,304,955	16,346,295	9,012,179	25,098,265
(15,548,463)	(12,689,762)	(22,375,934)	(12,188,316)	(27,899,357)
(1,029,736)	(1,384,807)	(3,540,759)	2,323,863	70,657,487
(8,009,396)				
<u>\$6,843,429</u>	<u>(\$19,805,938)</u>	<u>\$4,500,533</u>	<u>(\$3,855,455)</u>	<u>\$85,109,375</u>
3.9%	3.0%	2.6%	2.4%	2.4%

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



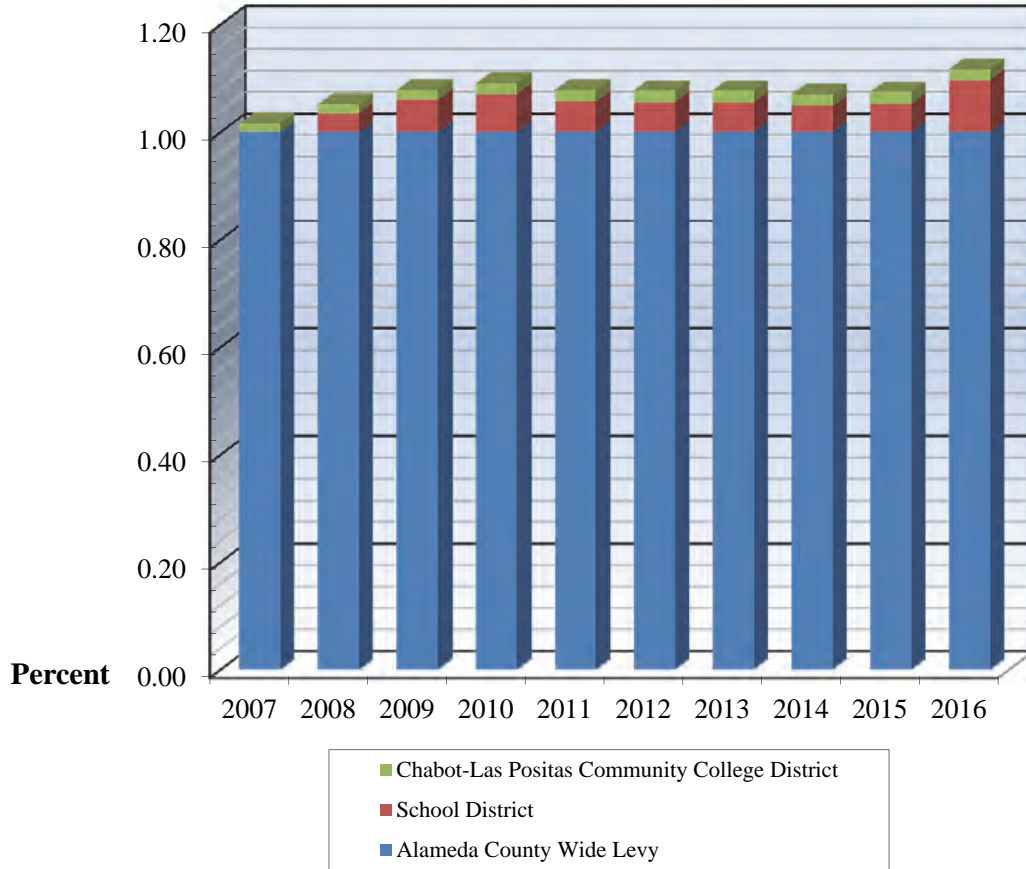
Fiscal Year	Total Secured Property	Total Unsecured Property	Total Assessed (c)	Estimated Full Market (a)	Direct Tax Rate (b)
2007	\$13,597,846,461	\$1,007,627,707	\$14,605,474,168	\$14,605,474,168	1%
2008	14,934,382,599	1,032,847,525	15,967,230,124	15,967,230,124	1%
2009	15,511,405,943	1,162,782,433	16,674,188,376	16,674,188,376	1%
2010	14,205,256,130	1,202,570,890	15,407,827,020	15,407,827,020	1%
2011	13,852,339,086	1,206,621,783	15,058,960,869	15,058,960,869	1%
2012	14,031,375,627	1,119,664,498	15,151,040,125	15,151,040,125	1%
2013	14,269,516,867	1,219,715,968	15,489,232,835	15,489,232,835	1%
2014	15,692,946,952	1,249,273,320	16,942,220,272	16,942,220,272	1%
2015	16,639,488,990	1,340,155,668	17,979,644,658	17,979,644,658	1%
2016	17,432,403,170	1,452,793,040	18,885,196,210	18,885,196,210	1%

NOTE:

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

Source: Alameda County Auditor Controller Office Certificate of Assessed Valuations

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



<u>Fiscal Year</u>	<u>Alameda County Wide Levy</u>	<u>City of Hayward</u>	<u>Hayward Unified School District</u>	<u>Chabot-Las Positas Community College District</u>	<u>Bay Area Rapid Transit (BART)</u>	<u>East Bay Regional Park</u>	<u>Total</u>
2007	1.0000	0.0018	0.0000	0.0159	0.0050	0.0085	1.0312
2008	1.0000	0.0018	0.0354	0.0164	0.0076	0.0080	1.0692
2009	1.0000	0.0018	0.0603	0.0183	0.0090	0.0100	1.0994
2010	1.0000	0.0018	0.0710	0.0195	0.0057	0.0108	1.1088
2011	1.0000	0.0018	0.0566	0.0211	0.0031	0.0084	1.0910
2012	1.0000	0.0018	0.0557	0.0214	0.0041	0.0071	1.0901
2013	1.0000	0.0018	0.0553	0.0219	0.0043	0.0051	1.0884
2014	1.0000	0.0018	0.0486	0.0214	0.0075	0.0078	1.0871
2015	1.0000	0.0018	0.0527	0.0217	0.0045	0.0085	1.0892
2016	1.0000	0.0018	0.0970	0.0198	0.0026	0.0067	1.1279

Source: Alameda County Assessor's Office

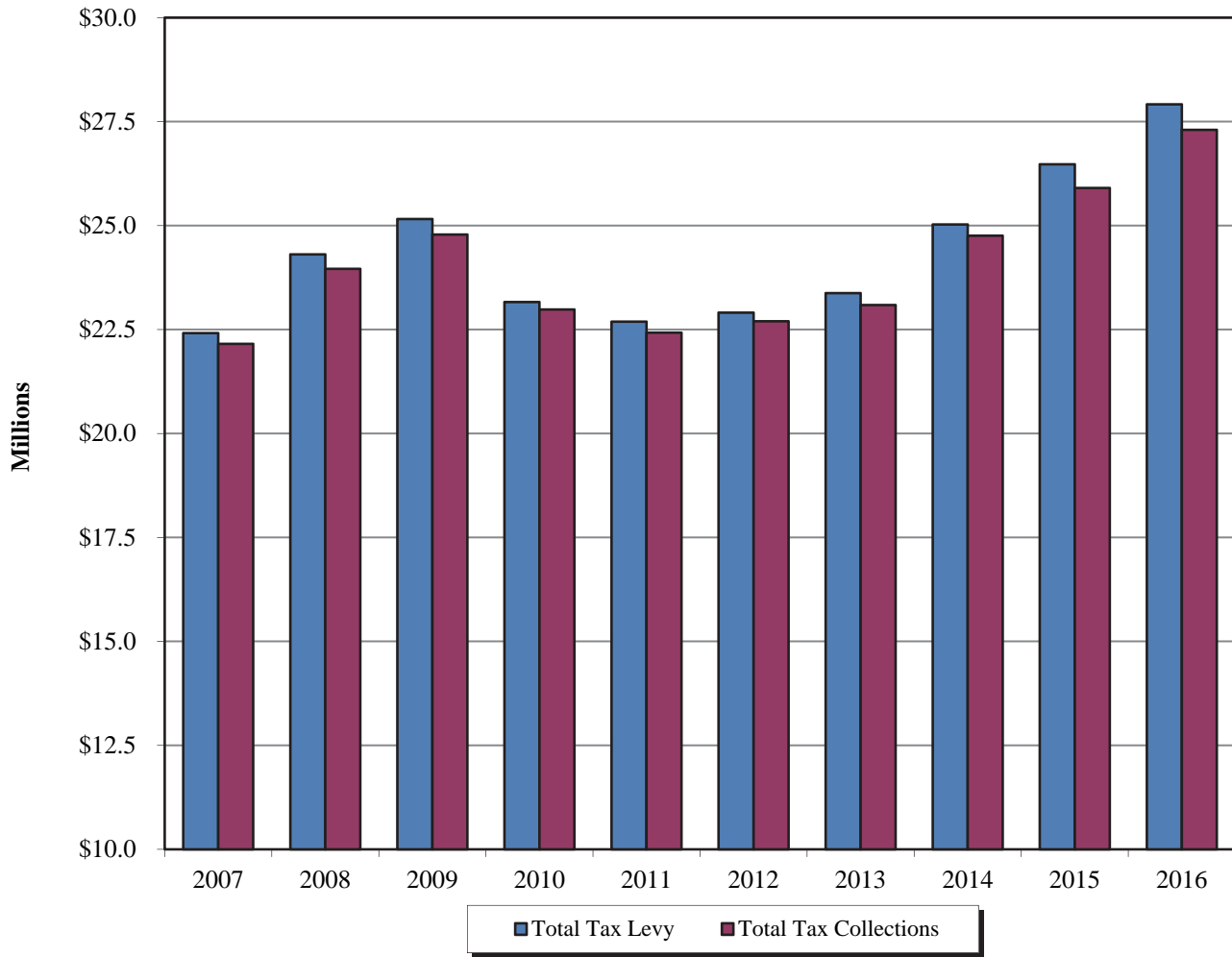
City of Hayward
Principal Property Tax Payers
Current Year and Ten Years Ago

Employer	FY 2016			FY 2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Russell City Energy Company, LLC	\$480,073,868	1	2.54%			
PSB Northern Calif Industrial Portfolio LLC	201,180,300	2	1.07%			
Southland Mall LP	158,838,700	3	0.84%	\$137,268,039	2	0.86%
Kaiser Foundation Hospitals	153,567,978	4	0.81%			
Hayward Point Eden I LP	100,469,168	5	0.53%	69,596,752	7	0.44%
Guardian KW Hayward LLC	91,182,915	6	0.48%			
Hayward Industrial Park Associates	84,340,199	7	0.45%			
SCI Limited Partnership I	81,730,220	8	0.43%	80,786,284	4	0.51%
Impax Laboratories Inc.	76,099,842	9	0.40%	67,661,738	8	0.42%
Bottling Group LLC	73,266,187	10	0.39%	75,747,710	5	0.47%
Northern Cal Industrial Portfolio				174,724,762	1	1.09%
Berkeley Farm Inc.				130,919,842	3	0.82%
First American Title Co.				71,747,874	6	0.45%
Toll Stonebrae LP				63,147,780	9	0.40%
Standard Pacific Corporation				56,589,419	10	0.35%
Subtotal	\$1,500,749,377		7.95%	\$928,190,200		5.81%

Total Assessed Valuation:
Fiscal Year 2015/2016 18,885,196,210
Fiscal Year 2006/2007 15,967,230,124

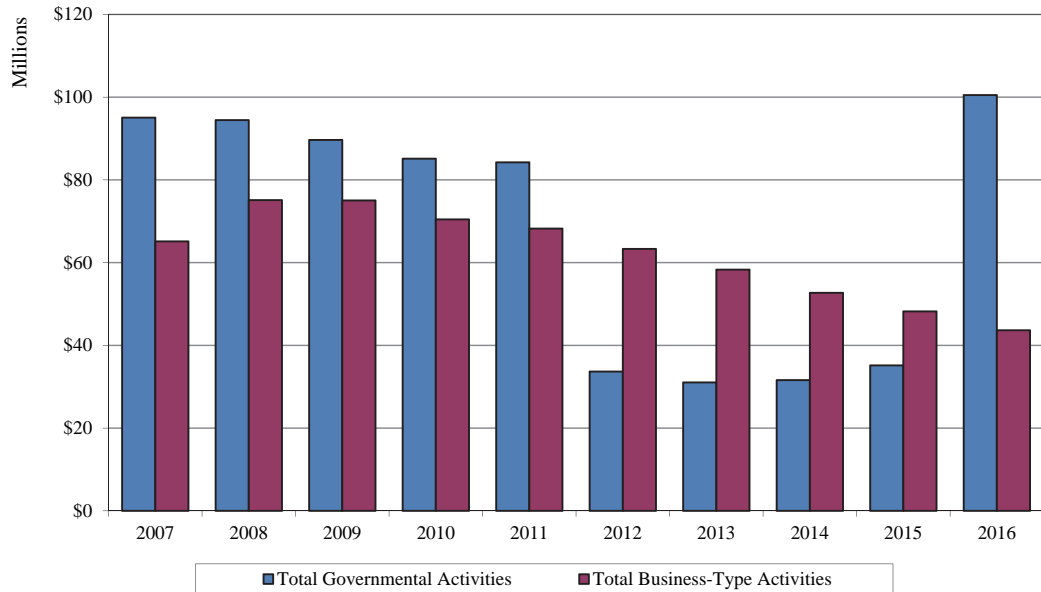
Source: Alameda County Assessor Fiscal Year Combined Tax Rolls

**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
2007	\$22,414,567	\$21,022,743	93.79%	\$1,133,169	\$22,155,912	98.85%
2008	24,307,591	22,564,833	92.83%	1,393,980	23,958,813	98.57%
2009	25,157,590	23,387,921	92.97%	1,396,493	24,784,414	98.52%
2010	23,161,547	21,849,101	94.33%	1,132,552	22,981,653	99.22%
2011	22,689,887	21,518,638	94.84%	907,086	22,425,724	98.84%
2012	22,905,414	21,746,406	94.94%	952,781	22,699,187	99.10%
2013	23,375,741	22,340,018	95.57%	748,912	23,088,930	98.77%
2014	25,027,044	24,356,397	97.32%	399,535	24,755,932	98.92%
2015	26,474,019	25,522,217	96.40%	382,845	25,905,062	97.85%
2016	27,915,350	26,854,859	96.20%	446,987	27,301,846	97.80%

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
2007	\$55,385,000	\$32,095,000	\$3,068,590	\$4,506,396	\$95,054,986
2008	54,175,000	31,820,000	2,367,210	6,085,299	94,447,509
2009	52,905,000	30,430,000	1,785,520	4,536,751	89,657,271
2010	51,570,000	29,045,000	1,449,610	3,058,792	85,123,402
2011	50,170,000	27,605,000	1,101,010	5,367,484	84,243,494
2012	0 (a)	26,095,000	740,240	6,846,579	33,681,819
2013	0 (a)	24,525,000	575,000	5,943,842	31,043,842
2014	0 (a)	22,895,000	3,003,880	5,699,806	31,598,686
2015	0 (a)	21,195,000	2,695,717	11,279,313	35,170,031
2016	0 (a)	87,348,775	2,371,338	10,787,079	100,507,193

Business-Type Activities					
Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Total	Total Government	Government Debt Per Capita (b)
2007	\$13,853,205	\$51,289,612	\$65,142,817	\$160,197,803	\$1,083.55
2008	12,502,790	62,618,065	75,120,855	169,568,364	1,136.48
2009	12,147,240	62,885,113	75,032,353	164,689,624	1,091.54
2010	11,232,695	59,227,319	70,460,014	155,583,416	1,016.19
2011	10,276,995	57,944,117	68,221,112	152,464,606	1,045.43
2012	9,277,380	54,047,154	63,324,534	97,006,353	659.40
2013	8,225,000	50,073,263	58,298,263	89,342,105	600.59
2014	6,570,000	46,137,248	52,707,248	84,305,934	558.18
2015	6,055,000	42,151,592	48,206,592	83,376,623	545.34
2016	5,525,000	38,116,304	43,641,304	144,148,497	906.68

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**

2015-16 Assessed Valuation:	\$ 18,534,890,945
Redevelopment Incremental Valuation:	<u>(2,044,450,687)</u>
Adjusted Assessed Valuation:	\$ 16,490,440,258

	Total Debt 6/30/2016	% Applicable (1)	City's Share of Debt 6/30/2016		
<u>DIRECT DEBT:</u>					
City of Hayward General Fund Obligations	\$ 100,507,193	100.000%	\$ 100,507,193	\$ 100,507,193	\$ 100,507,193
Total Direct Debt					\$ 100,507,193
<u>OVERLAPPING DEBT:</u>					
Overlapping Tax and Assessment Debt:					
Bay Area Rapid Transit District	\$ 527,065,000	3.078%	\$ 16,223,061		
Chabot-Las Positas Community College District	420,427,539	17.835%	74,983,252		
Castro Valley Unified School District	62,140,000	0.157%	97,560		
Hayward Unified School District	298,979,744	85.648%	256,070,171		
New Haven Unified School District	214,828,428	14.255%	30,623,792		
Pleasanton Unified School District	24,299,976	0.029%	7,047		
San Lorenzo Unified School District	109,540,000	15.652%	17,145,201		
Washington Township Healthcare District	333,540,000	2.102%	7,011,011		
East Bay Regional Park District	149,945,000	4.715%	7,069,907		
City of Hayward Community Facilities District No. 1	6,423,957	100.000%	6,423,957		
City of Hayward 1915 Act Bonds	780,000	100.000%	780,000		
Subtotal Overlapping Tax and Assessment Debt				\$ 416,434,959	
Ratios to 2015-16 Assessed Valuation:					
Subtotal Overlapping Tax and Assessment Debt	2.53%				
<u>OVERLAPPING GENERAL FUND DEBT:</u>					
Alameda County General Fund Obligations	\$ 852,027,000	7.802%	\$ 66,475,147		
Alameda County Pension Obligation Bonds	47,111,094	7.802%	3,675,608		
Alameda-Contra Costa Transit District Certificates of Participation	21,285,000	9.242%	1,967,160		
Hayward Unified School District Certificates of Participation	14,880,000	85.648%	12,744,422		
San Lorenzo Unified School District Certificates of Participation	8,225,000	15.652%	1,287,377		
Castro Valley and Pleasanton Unified School District Certificates of Participation	22,045,000	0.157% & 0.029%	13,318		
Hayward Area Recreation and Park District Certificates of Participation	16,100,000	54.623%	8,794,303		
Subtotal Overlapping General Fund Debt				\$ 94,957,334	
<u>OVERLAPPING TAX INCREMENT DEBT(Successor Agencies):</u>	\$ 69,840,000	15.269% & 100.000%	\$ 46,047,535		\$ 46,047,535
Total Overlapping Debt					\$ 557,439,828
Grand Total Direct and Overlapping Debt					\$ 657,947,021 (2)
Combined Total Direct and Overlapping Debt					\$ 657,947,021 (2)
<u>Ratio to 2015-16 Assessed Valuation:</u>					
Combined Total Direct and Overlapping Tax and Assessment Debt	3.99%				

NOTE:

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

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	<u><u>\$18,885,196,210</u></u>
---	--------------------------------

BONDED DEBT LIMIT (15.% OF ASSESSED VALUE)	<u>\$2,832,779,432</u>
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$100,507,193
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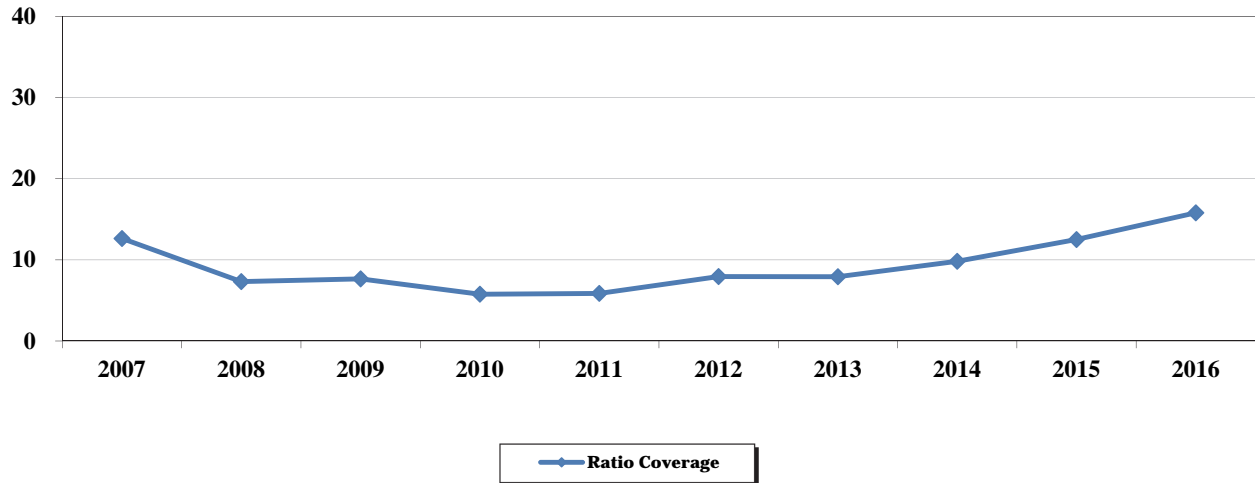
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	<u>100,507,193</u>
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Amount of debt subject to limit	<u>0</u>
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LEGAL BONDED DEBT MARGIN	<u><u>\$2,832,779,432</u></u>
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2007	\$2,395,084,519	0	\$2,395,084,519	0.00%
2008	2,501,128,256	0	2,501,128,256	0.00%
2009	2,311,174,053	0	2,311,174,053	0.00%
2010	2,258,844,130	0	2,258,844,130	0.00%
2011	2,272,656,019	0	2,272,656,019	0.00%
2012	2,323,384,925	0	2,323,384,925	0.00%
2013	2,541,333,041	0	2,541,333,041	0.00%
2014	2,541,333,041	0	2,541,333,041	0.00%
2015	2,696,946,699	0	2,696,946,699	0.00%
2016	2,832,779,432	0	2,832,779,432	0.00%

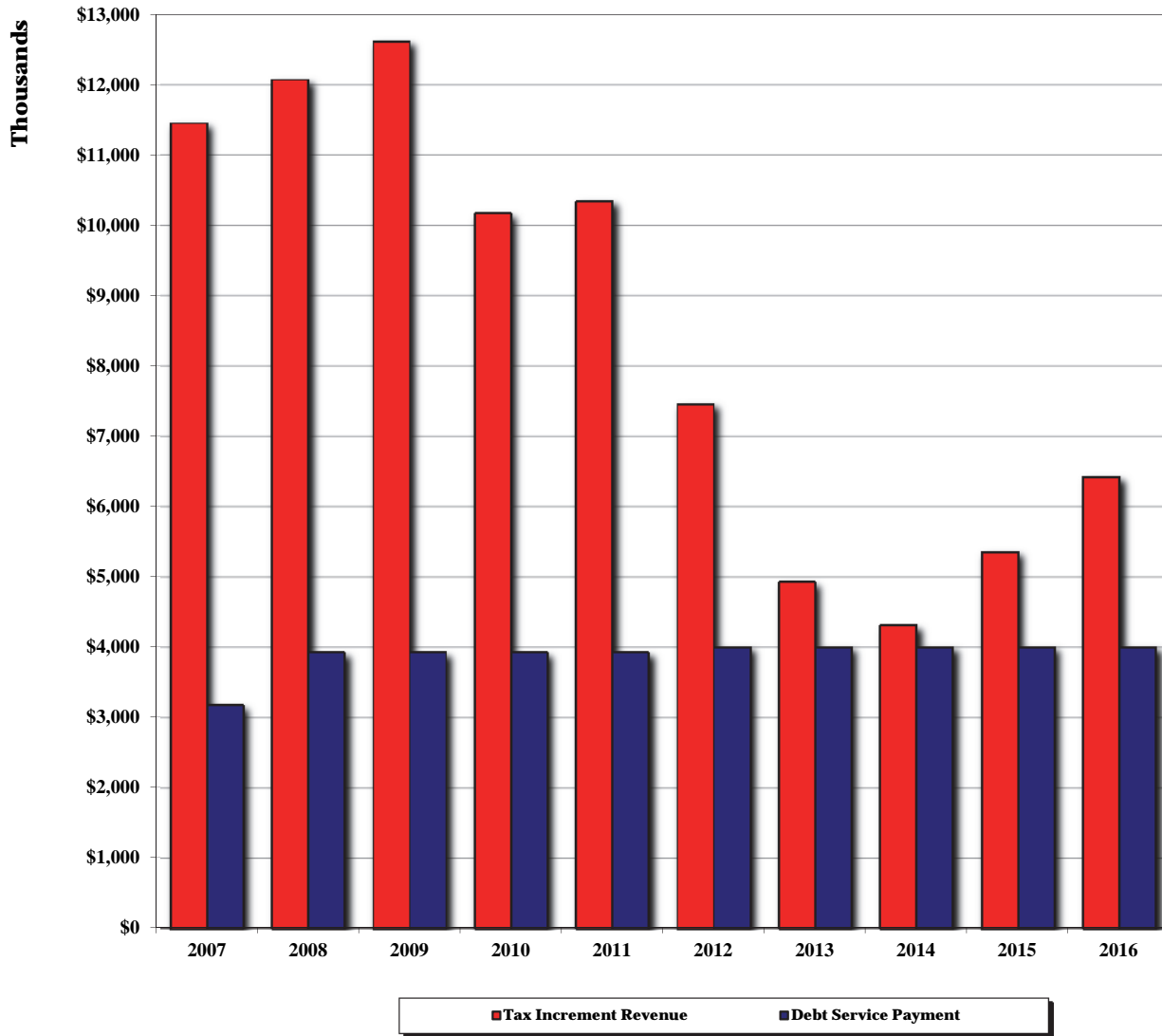
**CITY OF HAYWARD
REVENUE BOND COVERAGE
WASTEWATER REVENUE BONDS
LAST TEN FISCAL YEARS**



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Ratio Coverage
				Principal	Interest	Total	
2007	\$49,256,682	\$32,133,601	\$17,123,081	\$700,000	\$654,199	\$1,354,199	12.64
2008	50,796,313	34,331,143	16,465,170	1,630,000	615,493	2,245,493	7.33
2009	52,045,189	36,734,951	15,310,238	1,275,000	723,400	1,998,400	7.66
2010	49,514,021	37,952,868	11,561,153	1,325,000	676,988	2,001,988	5.77
2011	52,765,158	41,042,710	11,722,448	1,370,000	628,288	1,998,288	5.87
2012	61,287,200	45,366,632	15,920,568	1,425,000	577,688	2,002,688	7.95
2013	65,512,421	49,506,563	16,005,858	1,490,000	527,831	2,017,831	7.93
2014	73,136,288	47,380,860	25,755,428	2,160,000	459,280	2,619,280	9.83
2015	73,564,675	49,566,818	23,997,857	1,615,000	302,938	1,917,938	12.51
2016	80,748,945	52,915,644	27,833,301	1,555,498	205,533	1,761,031	15.81

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

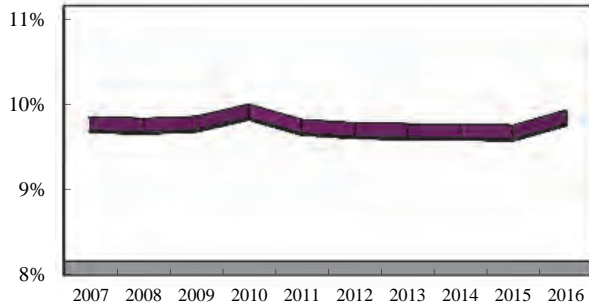
**CITY OF HAYWARD
 BONDED DEBT PLEDGED REVENUE COVERAGE
 TAX ALLOCATION BONDS
 LAST TEN FISCAL YEARS**



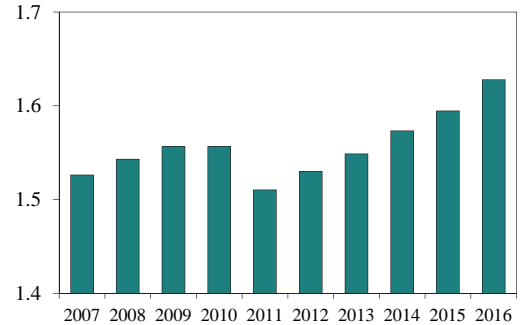
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2007	\$11,465,642	\$610,000	\$2,571,716	\$3,181,716	3.60
2008	12,082,986	1,210,000	2,722,771	3,932,771	3.07
2009	12,630,212	1,270,000	2,662,272	3,932,272	3.21
2010	10,180,653	1,335,000	2,598,772	3,933,772	2.59
2011	10,351,054	1,400,000	2,532,021	3,932,021	2.63
2012	7,465,404	1,540,000	2,469,022	4,009,022	1.86
2013	4,934,694	1,605,000	2,400,322	4,005,322	1.23
2014	4,317,292	1,680,000	2,328,657	4,008,657	1.08
2015	5,365,287	1,750,000	2,253,588	4,003,588	1.34
2016	6,427,560	1,835,000	2,173,931	4,008,931	1.60

Source: City of Hayward Annual Financial Statements

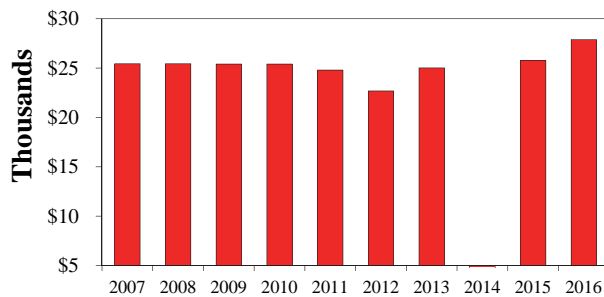
**CITY OF HAYWARD
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



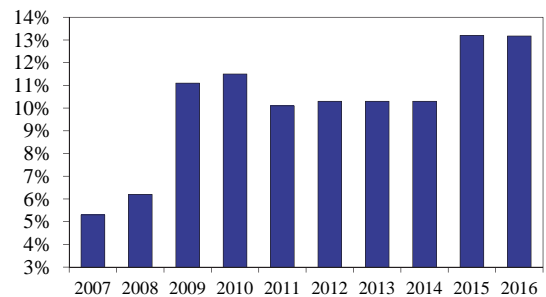
■ City Population as a % of County Population



■ Alameda Co. Population



■ Per Capita Income



■ Unemployment Rate (%)

Fiscal Year	City Population	Per Capita Income	City Unemployment Rate	Alameda Co. Population	City Population % of County
2007	147,845	\$25,439	5.3%	1,526,148	9.69%
2008	149,205	25,439	6.2%	1,543,000	9.67%
2009	150,878	25,407	11.1%	1,556,657	9.69%
2010	153,104	25,407	11.5%	1,556,657	9.84%
2011	145,839	24,803	10.1%	1,510,271	9.66%
2012	147,113	22,681	10.3%	1,529,875	9.62%
2013	148,756	25,019	10.3%	1,548,681	9.61%
2014	151,037	*	10.3%	1,573,254	9.60%
2015	152,889	25,770	13.2%	1,594,569	9.59%
2016	158,985	27,889	13.2%	1,627,865	9.77%

* No data available

Sources: U.S. Census Bureau
State of California - Department of Finance, Office of The Director
State of California - Employment Development Department, Labor Market Information Division

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

<u>Employer</u>	<u>FY 2016</u>	<u>FY 2007</u>		
		<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Alameda County Sheriff's Department	*			
Baxter Bio Pharma	*			
Berkeley Farms, LLC	*	640	8	0.4%
California State University East Bay	*	1,600	3	1.1%
Chabot Community College	*	763	7	0.5%
Fremont Bank Operations Center	*			
Hayward Unified School District	*	2,100	2	1.4%
Gillig Corporation	*	474	9	0.3%
Impax Laboratories, Inc.	*			
Illumina	*			
Platikon Industries, Inc.	*			
Pentagon Technologies	*			
Siemens Building Tech	*			
St. Rose Hospital	*	660	7	0.4%
Alameda Newspaper Group		406	10	0.3%
AT&T		940	5	0.6%
City of Hayward		847	6	0.6%
Kaiser Permanente Medical Center **		2,200	1	1.5%
Mervyn's ***		<u>1,300</u>	4	<u>0.9%</u>
Subtotal		<u><u>11,930</u></u>		<u><u>8.0%</u></u>
Total City Population Using Census Data		<u><u>149,664</u></u>		

Source: City of Hayward Adopted Operating Budget FY17

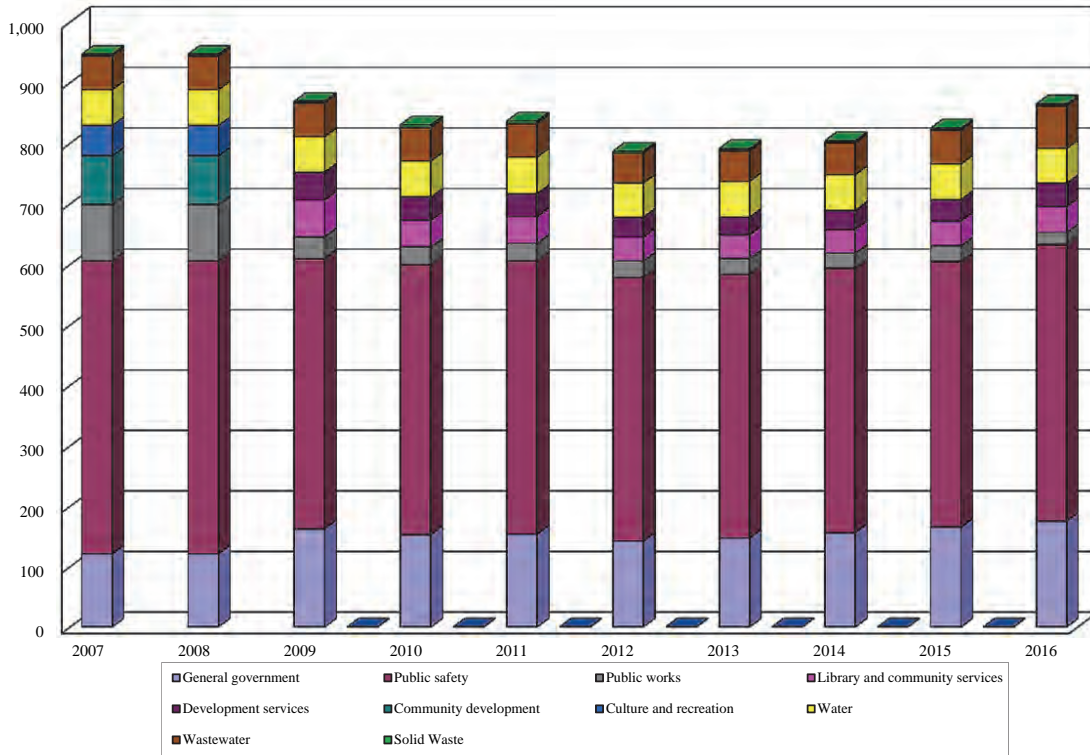
Note: FY16 data not available for ranking or total employment.

* Presented in alphabetical order based on economic development's assessment.

** Closed in November 2013

*** Filed for bankruptcy in November 2008

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
General government	121.00	121.00	162.50	152.50	153.50	142.00	146.90	156.00	165.00	175.00
Public safety	484.70	484.70	446.70	446.70	452.20	436.50	436.50	437.50	439.50	457.00
Public works	92.75	92.75	36.50	29.75	29.00	27.00	26.10	25.00	26.00	20.50
Library and community services			59.85	43.45	43.45	39.10	38.55	38.55	40.20	42.20
Development services			46.50	38.50	38.50	33.25	30.00	32.00	36.00	39.00
Community development	80.50	80.50	*	*	*	*	*	*	*	*
Culture and recreation	49.85	49.85	*	*	*	*	*	*	*	*
Water	59.00	59.00	58.25	59.25	60.00	56.00	58.40	58.50	58.50	57.30
Wastewater	55.50	55.50	55.50	55.50	55.50	49.50	51.00	53.00	56.00	70.40
Solid Waste	3.00	3.00	3.00	4.00	4.00	3.00	3.00	3.00	3.00	2.80
Total	946.30	946.30	868.80	829.65	836.15	786.35	790.45	803.55	824.20	864.20

Source: City of Hayward Adopted Operating Budget

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

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

Function/Program	2013	2014	2015	2016
Public safety:				
Fire alarms	17,080	16,571	16,437	17,463
Police: (Uniform Crime Reporting Statistics)				
Property crime calls	4,867	4,773	4,869	4,430
Violent crime calls (a)	591	584	610	560
Arson calls	21	37	30	19
Public works				
Pavement Condition Index (PCI)*	69	68	68	67
*Industry measure of street condition with 100 ideal score				
Annual pavement improvement projects	10	11	11	12
Airport operations count/flights	100,138	111,293	117,985	112,274
Airport reported based aircraft	430	402	426	427
Library and Community Services				
Social Services Projects Funded	19	16	15	13
Facilities Projects Funded	4	4	7	5
Economic Development Projects Funded	1	2	2	5
New Housing/Rehab Projects Funded	1	1	1	1
Public Services Projects Funded	9	9	8	4
Planning				
Active Subdivisions	33	43	50	41
Active Parcel Maps	17	5	4	9
Building Permits	3,576	3,838	4,037	4,420
Residential Rental Inspections	919	3,768	1,510	1,518
Library and neighborhood services				
Library Materials in Collection	165,975	169,870	168,659	165,542
Library Circulation (Items checked out)	1,087,852	889,014	880,483	808,116
Community Preservation Cases	2,786	2,867	3,959	3,735
Water				
Water service connections	33,200	33,450	33,950	34,340
Water main breaks	21	26	20	35
Average daily consumption (thousands of gallons)	15,480	15,170	13,600	12,255
Wastewater				
Sewer service connections	31,700	31,950	32,260	32,610
Average daily treatment (thousands of gallons)	11,400	11,200	10,970	10,840
Solid Waste				
Landfilled waste recycled and diversion rate*	74%	76%	73%	70%-75%
*Diversion rate beginning in calendar year 2000 and each year thereafter.				

(a) Excluded Simple assault calls, restated prior years.

Source: City of Hayward

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

Function/Program	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Public safety:					
Fire stations (a)	9	9	9	9	9
Number of firefighters and officers (b)	120	121	116	121	121
Police stations	1	1	1	1	1
Number of police officers (c)	186	186	181	198	207
Public works					
Miles of streets	258	260	260	260	266
Street lights	7,300	7,700	7,700	8,000	8,143
Traffic Signals	107	108	108	108	133
Airport	1	1	1	1	1
Library and neighborhood services					
City Libraries	2	2	2	2	2
Water					
Number of consumers	140,000	140,000	140,000	140,000	140,000
Average daily consumption (gallons)	18,200,000	19,300,000	18,600,000	17,400,000	17,400,000
Miles of water mains	340	340	350	350	350
Storage capacity (gallons)	28,100,000	28,100,000	28,100,000	28,100,000	29,300,000
Wastewater					
Miles of sewers	340	340	320	320	320
Number of treatment plants	1	1	1	1	1
Treatment capacity (gallons)	16,500,000	16,500,000	16,500,000	16,500,000	18,500,000

(a) Includes Fairview Fire District Station under contract

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

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

Sources: City of Hayward

Fiscal Year Ended June 30,

2012	2013	2014	2015	2016
9	9	9	9	9
118	115	127	118	118
1	1	1	1	1
197	189	199	177	186
266	266	266	266	283
8,143	8,143	8,161	8,178	8,273
134	135	135	134	134
1	1	1	1	1
2	2	2	2	2
140,000	140,000	150,000	150,000	150,000
15,600,000	15,500,000	15,200,000	13,600,000	12,255,000
350	370	380	385	385
29,350,000	29,350,000	29,350,000	29,350,000	29,350,000
320	320	325	325	325
1	1	1	1	1
18,500,000	18,500,000	18,500,000	18,500,000	18,500,000

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HAYWARD

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