

**CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION
IMPROVEMENT AUTHORITY
MEASURE B FUNDS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011**

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CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
MEASURE B FUNDS
Financial Statements
For the Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds of the City of Hayward, California) as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly in all material respects the financial position of the Measure B Funds at June 30, 2011 and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2011 on our consideration of the City of Hayward's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As of July 1, 2010, the City adopted the provision of Governmental Accounting standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*.

December 10, 2011



CITY OF HAYWARD
 MEASURE B PROGRAMS - BALANCE SHEET
 JUNE 30, 2011

	2011			Totals
	Paratransit	Local Streets and Roads	Bike and Pedestrian	
ASSETS				
Cash and Investments (Note 2)	\$479,731	\$295,199	\$428,395	\$1,203,325
Due from other governments	168,106	470,469	97,567	736,142
Other receivables	<u>1,120</u>	<u>436</u>	<u>949</u>	<u>2,505</u>
Total Assets	<u><u>\$648,957</u></u>	<u><u>\$766,104</u></u>	<u><u>\$526,911</u></u>	<u><u>\$1,941,972</u></u>
LIABILITIES				
Accounts payable	\$53,596	\$13,839		\$67,435
Accrued liabilities	<u>2,606</u>			<u>2,606</u>
Total Liabilities	<u>56,202</u>	<u>13,839</u>		<u>70,041</u>
FUND BALANCE				
Restricted for Measure B Programs	<u>592,755</u>	<u>752,265</u>	<u>\$526,911</u>	<u>1,871,931</u>
Total Fund Balance	<u>592,755</u>	<u>752,265</u>	<u>526,911</u>	<u>1,871,931</u>
Total Liabilities and Fund Balance	<u><u>\$648,957</u></u>	<u><u>\$766,104</u></u>	<u><u>\$526,911</u></u>	<u><u>\$1,941,972</u></u>

See accompanying notes to financial statements

CITY OF HAYWARD
 MEASURE B PROGRAMS - STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2011

	2011			Totals
	Paratransit	Measure B Retail Sales Tax	Bike and Pedestrian	
REVENUES				
Intergovernmental				
Measure B allocation	\$811,007	\$1,789,469	\$365,833	\$2,966,309
Other			1,385	1,385
Other revenues		1,230	455	1,685
Use of Money and Property	3,998	8,223	5,517	17,738
Total Revenues	<u>815,005</u>	<u>1,798,922</u>	<u>373,190</u>	<u>2,987,117</u>
EXPENDITURES				
Library and neighborhood services	477,439			477,439
Debt Service:				
Interest and fiscal charges	2,476			2,476
Public works and transportation		3,303,140	435,400	3,738,540
Total Expenditures	<u>479,915</u>	<u>3,303,140</u>	<u>435,400</u>	<u>4,218,455</u>
Excess of revenues over expenditures	<u>335,090</u>	<u>(1,504,218)</u>	<u>(62,210)</u>	<u>(1,231,338)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to the City	(13,797)			(13,797)
Total other financing sources (uses)	<u>(13,797)</u>			<u>(13,797)</u>
Net Change in Fund Balance	321,293	(1,504,218)	(62,210)	(1,245,135)
Beginning Fund Balance	<u>271,462</u>	<u>2,256,483</u>	<u>589,121</u>	<u>3,117,066</u>
Ending Fund Balance	<u>\$592,755</u>	<u>\$752,265</u>	<u>\$526,911</u>	<u>\$1,871,931</u>

See accompanying notes to financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

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

B. *Basis of Accounting*

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

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

C. *Description of Funds*

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

D. *Capital Assets*

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are maintained on a pooled basis with those of other funds of the City. Pooled cash and investments consist of U.S. Treasury or its agencies, money market funds investing in such obligations, negotiable certificates of deposit, commercial paper and medium term corporate notes that meet specified rating requirements, mutual funds, guaranteed investment contracts, repurchase agreements, reverse repurchase agreements when authorized by the City's Council, the State Treasurer's investment pool (Local Agency Investment Fund), and banker's acceptances. The City did not enter into any reverse repurchase agreements during 2010-2011. All investments are stated at fair value. Pooled investment earnings are allocated quarterly based on the average quarterly cash and investment balances of the various funds and related entities of the City.

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

NOTE 3 – MEASURE B FUNDS

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

Projects funded by Measure B 2000 were as follows:

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

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

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

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

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

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

NOTE 4 - COMMITMENTS AND CONTINGENCIES

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
WITH ALAMEDA COUNTY MEASURE B 2000 AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
City of Hayward, California

We have audited the financial statements of Alameda County Transportation Improvement Authority – Measure B 2000 Funds of the City of Hayward (Measure B Funds) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 10, 2011. As of July 1, 2010, the City adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. 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.

Compliance

We have audited the City of Hayward's compliance with the requirements of Alameda County Measure B 2000 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the City of Hayward management. Our responsibility is to express an opinion on City of Hayward's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and requirements of Alameda County Measure B 2000. Those standards and requirements of Alameda County Measure B 2000 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Measure B Funds. An audit includes examining, on a test basis, evidence about the City of Hayward's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Hayward's compliance with those requirements.

In our opinion, the City of Hayward complied, in all material respects, with the compliance requirements referred to above that are applicable to Measure B Funds for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Hayward is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City of Hayward's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hayward's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated December 10, 2011, which is an integral part of our audit and should be read in conjunction with this report.

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

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December 10, 2011