

**CITY OF HAYWARD
CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017**



CITY OF HAYWARD, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2017

Prepared by:

Accounting Division, Department of Finance

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December 6, 2017

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, 2017. 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 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, 2017 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, 2017, 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 2018).

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 161,040, 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 has more than 50,000 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 2017, 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 9.75%. 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 2017 was 3.4%, which is down from .9% in 2016 and 1.1% in 2015. In addition, Hayward has seen a 6% increase in its assessed valuation in 2017. The median residential home value is about \$604,800 in September 2017 versus \$552,300 a year ago.

From 2008-2012 the City saw a cumulative loss of \$12.4 million in sales tax revenue, due in large part to lagging automobile sales, along with decreases in business-to-business, construction, and other retail sectors. While the City has seen an erosion in some business segments, this revenue source has been fully restored to pre-recession levels. The City's Measure C District tax revenues, as approved by the voters in 2014, (\$14.0 million in FY 2017) dramatically increased total Sales Tax revenues. However, these revenues are targeted for specific activities as outlined in the documents to place the measure on the ballot in 2014; 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 2017 was \$20.8 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 faces similar challenges to other local jurisdictions in California. In addition to rising operating and capital costs, the City has lost over \$100 million in local revenues to the State since 1994. 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.

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 and recently updated its forecasting model to provide a comprehensive and agile tool projecting the City's finances for a ten-future fiscal year period for the General Fund as well as other key operating funds. While the General Fund structural budget gap has been greatly reduced as compared to years past, the City continues its efforts to eliminate structural gaps and achieve a more stable fiscal outlook on a long-term basis.

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 GREEN | CLEAN THRIVE |
| Supporting Goals: | FISCAL STABILITY | ORGANIZATIONAL HEALTH |

In an effort to focus and advance these goals, the City Council adopted three strategic initiatives in FY 2017. The adoption of the Complete Streets, Complete Communities and Tennyson Corridor initiatives provides management the focus and framework to move the Council's overarching priorities forward in significant ways.

Through the budget planning process, and with City Council direction, the management team aligned its program priorities and service delivery objectives with these priorities and initiatives. The operating budget provides details related to the progress made on each initiative and departmental goals related to these City Council Priorities. Some of the City's efforts toward accomplishing these priorities 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 2017 was budgeted at \$195 million in all funds, and over the Ten-Year Planning Cycle, the Capital Improvement Program totals \$518 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.

Federal Grant for Storm Drain Trash Capture Device Installation: The City implemented the second year of the \$800K grant from the U.S. Environmental Protection Agency for Youth-Based Trash Capture, Reduction and Watershed Education project. This effort partnered with local school groups to install one of the project's two large trash capture devices in the City's municipal storm sewer system. The project also characterized and quantified trash collected from each device, assessed trash sources, and implemented trash reduction initiatives based on trash collected. The second trash capture device is scheduled to be installed next year.

21st Century Library and Community Learning Center and Heritage Plaza: This project, which is expected to cost \$65.7 million, will construct a 58,000 square-foot Library and Community Learning Center. This is planned to be a Leadership in Energy and Environmental Design (LEED) Platinum and Net Zero Energy facility and plaza that will meet the community's needs through 2030 and beyond. Construction began in FY 2016 as a result of the June 2014 approval by the Hayward voters of the ½ cent District sales tax. The library building is expected to be completed during Spring/Summer of 2018.

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 and construction commenced during the early part of FY 2015 which was completed in September 2016. The collocated firehouse clinic station model has been a tremendously successful model for service delivery to residents. More information on the firehouse clinic can be found at <https://www.mercurynews.com/2015/11/12/first-firehouse-clinic-in-state-opens-friday-in-hayward/>.

Fire Stations 1-5 Improvements: This project provides major renovations to the existing Fire Stations 1-5 including seismic retrofit, energy efficient buildings, and accessibility upgrades. The project is expected to cost \$10.8 million. Design work was completed in December 2016. Construction commenced in April 2017 and is expected to be completed in May 2018.

Fire Station 6 and Fire Training Center Improvement: Located on West Winton Avenue and adjacent to the Hayward Executive Airport, this project will replace the existing Fire Station 6 and Fire Training Center. The current training center consists of four main buildings that could potentially be replaced with eight new buildings/structures based on the leveraging of Measure C district sales tax revenues and partnerships with other agencies. This project will replace the existing Fire Station 6 and Fire Training Center with a new Fire Station 6/Classroom Building, Apparatus Building, Training Tower, Burn Building, Storage Building, Hangar Building, USAR Structure and Parking Lot and an alternate design for an Outdoor Classroom, BART Station training facility, and Entry Canopy. The project also includes installation of Bay-Friendly

Landscaping, storm water treatment, LED lighting, solar PV panels and is planned to be a LEED Silver or better, and achieve Net Zero Energy in the habitable buildings. The project is expected to cost \$59.1 million (full buildout of all training facilities). Design work is expected to be completed by June 2018, construction to commence in Fall FY 2019 with an expected completion date in Winter FY 2020.

Mission Boulevard Corridor Improvements Phase 2: The Phase 2 project is a continuation of the Phase 1 project and will improve Mission Boulevard from Industrial Parkway to the south City limit near Blanche Street. The project is designed to accommodate multi-modal access which includes the installation of new sidewalk, curb ramps, pavement, traffic signals, street lighting, bike lanes, transit improvements, landscaping and underground of overhead utilities. The project also includes sustainability features such as drought tolerant plants, permeable pavers, reuse of existing pavement, and energy efficient LED streetlights with dimming features. The project is expected to cost \$32.5 million. Design work was completed in September 2017, construction will commence in January 2018 and the project is expected to be completed in September 2019.

Main Street Complete Street Project: Council has taken several actions to develop a policy that ensures the City streets are safe and convenient for travel regardless of age or ability, and that accommodate all modes of transportation. On March 19, 2013, Council adopted Resolution No. 13-027, supporting a city-wide Complete Streets Policy to support the design and development of a comprehensive, integrated transportation network to allow for safe, convenient travel along and across streets for all users.

Council has prioritized Main Street as one of the key streets that requires improvement due to its location in the core downtown area and its offering of a wide-range of housing choices (existing and planned future), including affordable housing options, retail stores, and services in close proximity to BART and other public transit services.

Consistent with this policy and Council's priority of implementing complete streets elements, City staff successfully applied for and Hayward was awarded a \$1.675 million Measure BB grant from Alameda County Transportation Commission towards design and construction of this project.

The Main Street Complete Streets project will improve pedestrian facilities and add bicycle lanes to create a safe, friendly environment for multimodal travel in the Downtown Hayward Priority Development Area.

The proposed project will reduce the roadway from four to two lanes, add bulb-outs (curb extensions) at intersections, add bike lanes, improve ADA access with new curb ramps, widen sidewalks, create on-street parking opportunities that provide door zone protection for bicyclists, resurface and restripe roadways, and create an attractive, sustainable landscaping buffer along sidewalks. The award for design is anticipated in early 2018 with construction commencing in Spring of 2019.

Land Use and Sustainability

Recycled Water: The City obtained a State Revolving Loan through the State Water Resources Control Board for the construction of a recycled water distribution system. This project will deliver recycled water to suitable sites within close proximity to the City's Water Pollution Control Facility. This project would enable the City to distribute 260,000 gallons per day of tertiary treated wastewater for irrigation and industrial use, and reduce the City's reliance on potable water for these purposes.

Water Meter Replacement and Advanced Metering Infrastructure (AMI): The City initiated a comprehensive meter replacement project which will utilize AMI technology, providing 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. The project is approximately 25% complete and is expected to be finished by the end of 2018.

Water Conservation: The City continues to offer a suite of water conservation programs to customers and has increased the effort to perform outreach related to water conservation and efficient water use to all customers. The City remains in compliance with all State conservation regulations, and permanently prohibited wasteful water practices through an Ordinance update.

Route 238: Mission Boulevard, formerly Route 238, is now a City street that stretches north to south from one end of the City of Hayward to the other. There are several proposed projects related to this corridor. One major project relates to the disposition of over four hundred parcels of property accumulated by the State Department of Transportation (Caltrans) in preparation for the old 238 bypass freeway, which was abandoned by Caltrans through pressure 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 has recently acquired ten groups of these parcels from Caltrans and is now seeking planned development proposals from the development community prior to offering these undeveloped or under-developed parcels for sale.

Hangar Development at Hayward Executive Airport: In the past year, construction was completed on two new airport facilities that will provide competitive fuel sales and aircraft storage services for private aircraft owners. The two facilities will also help increase local employment opportunities. In December 2016, New Jersey-based aviation service company Meridian opened their first West Coast Fixed Base Operation at the airport, a \$10 million, 30,000 square foot hangar and 60,000 square foot passenger terminal complex. In March 2017, aviation service company and long-standing airport tenant APP Jet Center completed work on a \$5.5 million, 20,000 square foot hangar and 3,000 square foot passenger terminal complex. Both companies report that their hangars are now completely full.

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, which was reaffirmed in December 2017 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. 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 2017, the City had total debt outstanding of \$142.5 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 2017, the policy states that General Fund reserves for economic uncertainty and liquidity should be no less than two months of city operating costs or at least 20% of budgeted General Fund operating expenditures.

While further delineated in the accompanying MD&A, at the end of fiscal year 2017, the unassigned fund balance of the General Fund was \$21.8 million, while the total fund balance was \$39.7 million (includes non-cash outstanding receivables of over \$7.6 million and \$7.9 million in Measure C District Tax cash balance). The unassigned fund balance represents 12.3% of total General Fund expenditures of \$176.5 million (including Transfers Out).

AWARDS AND ACKNOWLEDGEMENTS

Award Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Hayward for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the thirty first 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.

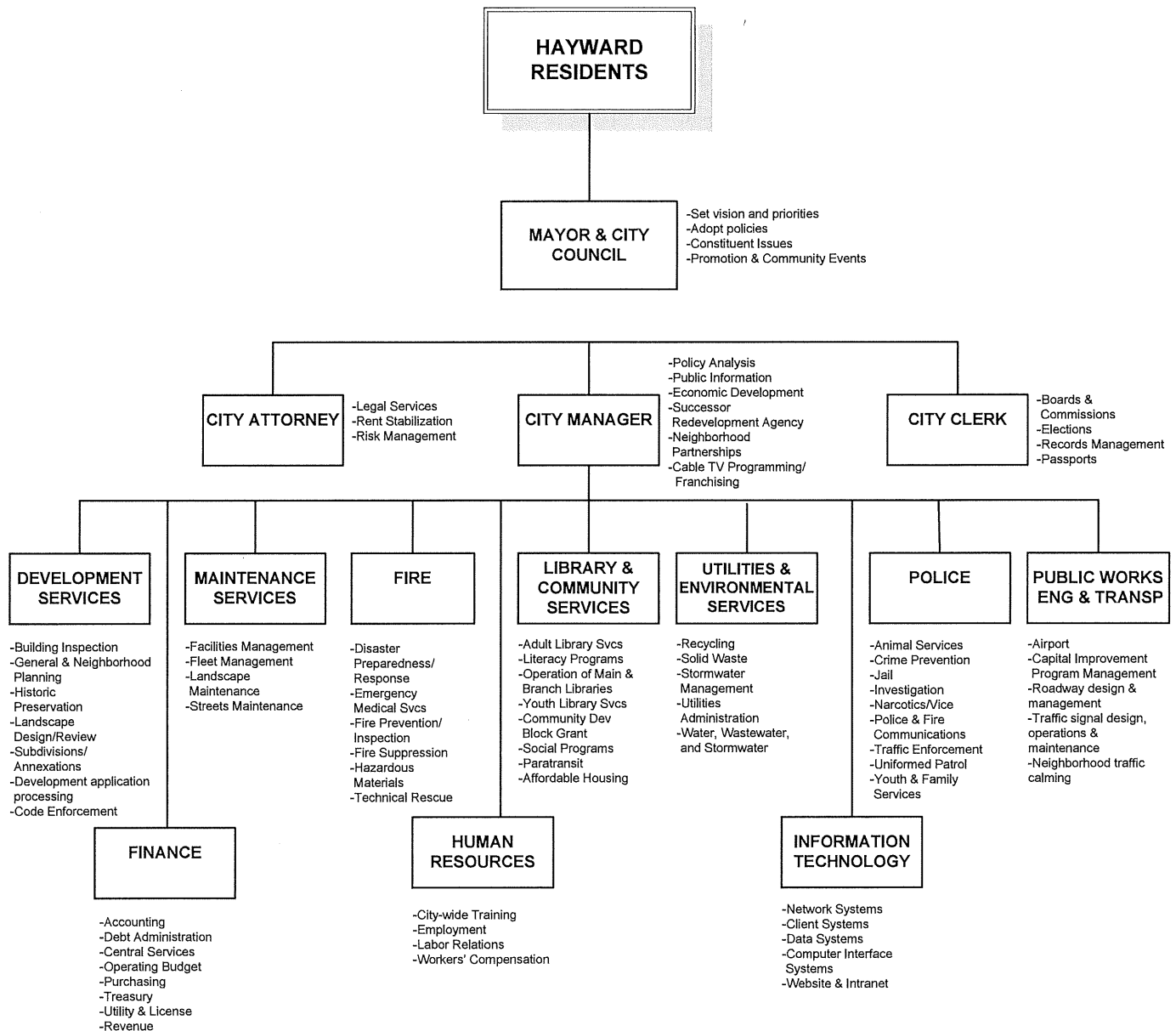
I also wish to recognize the commitment of the City Manager, the Mayor, and the City Council to the high standards embodied in this report and express appreciation to them and each City department for their cooperation and support in conducting the fiscal operations of the City.

Respectfully Submitted,



Dustin Claussen
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



Marvin Peixoto
Council Member
Term Expires 2018



Sara Lamnin
Council Member
Term Expires 2018



Mark Salinas
Council Member
Term Expires 2020



Elisa Márquez
Council Member
Term Expires 2020



Francisco Zermelo
Council Member
Term Expires 2020



Al Mendall
Council Member
Term Expires 2020

ADMINISTRATIVE STAFF

Appointed by City Council

| | |
|---------------|----------------|
| City Manager | Kelly McAdoo |
| City Attorney | Michael Lawson |
| City Clerk | Miriam Lens |

Department Directors

| | |
|---|-------------------------|
| Assistant City Manager | Maria Hurtado |
| 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 Mark Koller |
| Public Works - Engineering & Transportation | Morad Fakhrai |
| Utilities & Environmental Services | Alex Ameri |



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**City of Hayward
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Egan".

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, (City) California, as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other 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. 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. Such 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 6, 2017 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.



Pleasant Hill, California
December 6, 2017

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, 2017. 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 \$421.3 million (*total net position*). Excluding the \$369.1 million net pension liability, \$263.4 million of unrestricted net position is available to meet the City's ongoing obligations to residents and creditors.
- ❑ The City's total net position increased by \$9.4 million over fiscal year 2016. Governmental activities, including the General Fund, decreased by \$.8 million and Business-type activities, increased by \$10.2 million.
- ❑ As of June 30, 2017, the City's governmental funds reported combined fund balances of \$174.9 million, a decrease of \$6.3 million from the prior year. The most significant factor in this change was the \$6.8 million increase in construction related costs for the City's 21st Century Library.
- ❑ At the end of fiscal year 2017, total fund balance for the General Fund was \$39.7 million, a decrease of \$4.4 million over fiscal year 2016. The total fund balance is comprised of \$7.6 million in non-spendable (illiquid reserves), \$10.3 million in assigned (liquid reserves designated for specific purposes) and \$21.8 million spendable in fund balance designated for contingencies, economic uncertainty, emergencies, and liquidity by the City Council. The \$21.8 million represents 12.3% of total General Fund expenditures including Transfers Out. The \$7.6 million in non-spendable reserves offsets a long-term loan receivable (General Fund loan to the Redevelopment Successor Agency).
- ❑ Fiscal year 2017 ended with a net decrease to the General Fund, General Purpose Fund Reserve of \$1.1 million (net of Measure C district sales tax revenues) utilizing General Fund Reserves to balance the fiscal year 2017 budget due to operating revenues not fully covering operating costs.
- ❑ As of June 30, 2017, the City's enterprise funds (Sewer, Water, Stormwater and Airport) reported a combined net position of \$294.8 million; an increase of \$10.2 million from the previous year, due to water and sewer charges and 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 17-19) 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 6) 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 7) 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 22-28) 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 103 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 30-32) 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 34-35) 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 37-92) 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 94 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 \$421.3 million at the close of the current fiscal year, an increase from the prior year of \$9.4 million.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | | |
| Current and other assets | \$223.6 | \$242.3 | \$186.8 | \$179.7 | \$410.4 | \$422.0 |
| Capital assets | 379.5 | 360.8 | 174.3 | 171.8 | 553.8 | 532.6 |
| Total assets | 603.1 | 603.1 | 361.1 | 351.5 | 964.2 | 954.6 |
| Deferred outflows | 67.2 | 23.5 | 5.4 | 2.6 | 72.6 | 26.1 |
| Liabilities | | | | | | |
| Long term debt outstanding | 99.0 | 103.2 | 35.8 | 39.8 | 134.8 | 143.0 |
| Other liabilities | 438.8 | 378.0 | 34.1 | 27.3 | 472.9 | 405.3 |
| Total liabilities | 537.8 | 481.2 | 69.9 | 67.1 | 607.7 | 548.3 |
| Deferred inflows | 6.0 | 18.1 | 1.8 | 2.4 | 7.8 | 20.5 |
| Net position: | | | | | | |
| Net investments in capital assets | 324.1 | 255.0 | 134.5 | 128.2 | 458.6 | 383.2 |
| Restricted | 68.4 | 68.0 | 0.0 | 0.0 | 68.4 | 68.0 |
| Unrestricted* | (266.0) | (195.7) | 160.3 | 156.4 | (105.7) | (39.3) |
| Total net position | \$126.5 | \$127.3 | \$294.8 | \$284.6 | \$421.3 | \$411.9 |

* Unrestricted net position for June 30, 2017, included the City's \$369.1 million net pension liability, which is not a claim on current financial assets.

The largest portion of the fiscal year 2017 City's net position, \$458.6 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.

A portion of the City's net position, \$68.4 million, represents the resources that are subject to external restrictions on how they may be used. Almost all of the restricted net position is related to City's special revenue and capital projects funds. Excluding the \$369.1 million net pension liability, \$263.4 million of unrestricted net position is available to meet the City's ongoing obligations to residents and creditors.

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 decreased by a net total of \$.8 million.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|-------------------------|---------|--------------------------|---------|---------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Program revenues | | | | | | |
| Charges for services | \$25.2 | \$21.2 | \$87.8 | \$86.0 | \$113.0 | \$107.2 |
| Operating contributions and grants | 12.0 | 13.6 | 1.1 | - | 13.1 | 13.6 |
| Capital contributions and grants | 1.5 | 31.3 | - | - | 1.5 | 31.3 |
| | 38.7 | 66.1 | 88.9 | 86.0 | 127.6 | 152.1 |
| General revenues | | | | | | |
| Property tax | 48.8 | 44.8 | - | - | 48.8 | 44.8 |
| Sales tax | 48.8 | 46.5 | - | - | 48.8 | 46.5 |
| Utility user tax | 20.8 | 22.0 | - | - | 20.8 | 22.0 |
| Real property transfer tax | 8.3 | 7.8 | - | - | 8.3 | 7.8 |
| Franchise fees | 9.6 | 10.1 | - | - | 9.6 | 10.1 |
| Other taxes | 11.7 | 13.2 | - | - | 11.7 | 13.2 |
| Investment earnings | 1.5 | 0.5 | 1.9 | 1.0 | 3.4 | 1.5 |
| Miscellaneous | 5.1 | 5.5 | - | - | 5.1 | 5.5 |
| General revenues subtotal | 154.6 | 150.4 | 1.9 | 1.0 | 156.5 | 151.4 |
| Total Revenues | 193.3 | 216.5 | 90.8 | 87.0 | 284.1 | 303.5 |
| Expenses by activity | | | | | | |
| General Government | 16.2 | 14.2 | - | - | 16.2 | 14.2 |
| Public safety | 128.1 | 118.4 | - | - | 128.1 | 118.4 |
| Public works and transportation | 25.6 | 14.4 | - | - | 25.6 | 14.4 |
| Library and neighborhood services | 7.0 | 9.1 | - | - | 7.0 | 9.1 |
| Economic development | 0.1 | 1.8 | - | - | 0.1 | 1.8 |
| Planning and building | 8.6 | 7.3 | - | - | 8.6 | 7.3 |
| Maintenance services | 8.3 | 6.1 | - | - | 8.3 | 6.1 |
| Interest on long term debt | 3.1 | 1.5 | - | - | 3.1 | 1.5 |
| Sewer | - | - | 22.7 | 23.8 | 22.7 | 23.8 |
| Water | - | - | 46.2 | 38.2 | 46.2 | 38.2 |
| Airport | - | - | 6.3 | 4.0 | 6.3 | 4.0 |
| Stormwater | - | - | 2.5 | 3.0 | 2.5 | 3.0 |
| Total expenses | 197.0 | 172.8 | 77.7 | 69.0 | 274.7 | 241.8 |
| Increase (decrease) before transfers | (3.7) | 43.7 | 13.1 | 18.0 | 9.4 | 61.7 |
| Transfers | 2.9 | 2.8 | (2.9) | (2.8) | - | - |
| Change in Net Position | (0.8) | 46.5 | 10.2 | 15.2 | 9.4 | 61.7 |
| Beginning Net Position | 127.3 | 80.8 | 284.6 | 269.4 | 411.9 | 350.2 |
| Ending Net Position (June 30) | \$126.5 | \$127.3 | \$294.8 | \$284.6 | \$421.3 | \$411.9 |

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 decreased by \$23.2 million largely driven by several key factors:

- Capital contributions and grants decreased by \$29.8 million over the prior year primarily due to decrease in transportation and streets grant money for projects that are complete, one of the major project is Route 880/92 Reliever Route.
- Sales Tax increased by \$2.3 million over the prior year – is a reflection of improving economy.
- Property Taxes increased by \$4.0 million over prior year due to increases in assessed valuation .

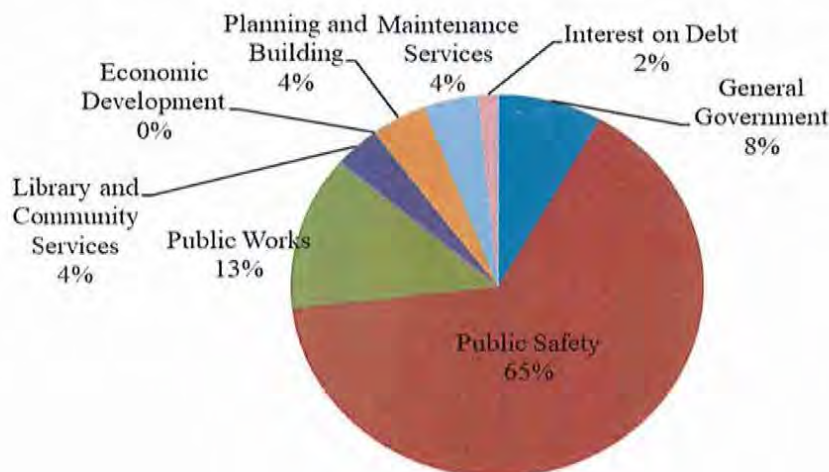
Chart 1 – Revenues by Source – Governmental Activities fiscal year 2017



Governmental Activities Expenses

The governmental expenses (excluding transfers) increased by \$24.2 million to \$197.0 million, largely attributed to public safety and public works and transportation and interest on long term debt costs. Chart 2 summarizes governmental expenses by category.

Chart 2 – Expenses by Function – Governmental Activities fiscal year 2017



Business-Type Activities. The net position of business-type activities was \$294.8 million at June 30, 2017, an increase of \$10.2 million from last fiscal year. The increase in business-type position is attributable to water and sewer program revenues. Program revenues totaled \$87.8 million, while program expenses totaled \$77.8 million. Investment earnings totaled \$1.9 million.

As the *Revenues by Source* chart indicates, charges for utility services account for 96.6% 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

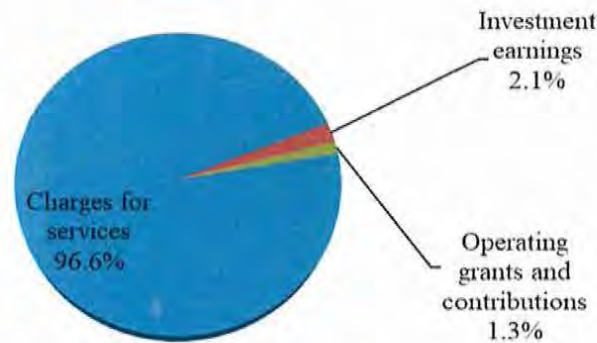
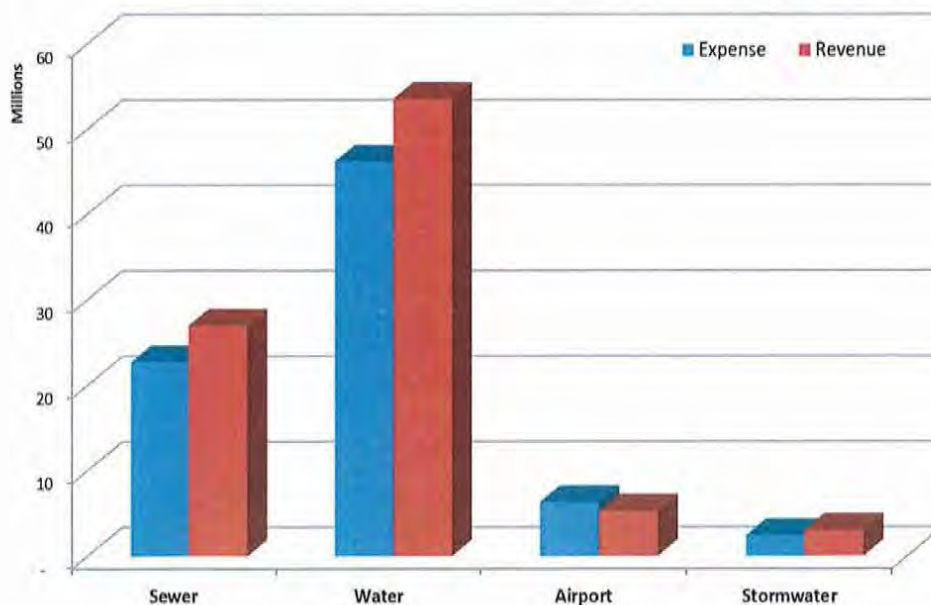


Chart 4 – Expenses and Program Revenues – Business-type Activities



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

Water, Sewer and Stormwater Funds increased their net position. Sewer saw an increase of \$4.2 million, water increased by \$7.3 million and Stormwater increased by \$.6 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 \$1.0 million due to a increase in operating expenses over the prior year.

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 2017, the City's governmental funds reported combined ending fund balances of \$174.9 million, a decrease of \$6.3 million compared with the prior year – almost entirely due to the construction related costs of the City's 21st Century Library . Approximately \$153.1 million of the fund balance or 87.6% represents Non-Spendable, Restricted, and Assigned fund balances; and \$21.8 million or 12.4% 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 83.6% of the total governmental revenues and 82.5% 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 2017, the General Fund's Unassigned fund balance was \$21.8 million, a decrease of \$.3 million from the prior year. The total fund balance, inclusive of Non-spendable and Assigned balances, was \$39.7 million, a decrease of \$4.4 million over the prior year due mainly to an increase in public safety expenses of \$5.4 million over the prior year. Exclusive of the district sales tax fund, the General Fund would reflect a deficit of \$1.1 million in fiscal year 2017.

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 12.3% of total General Fund expenditures of \$176.5 million (including Transfers Out). This is a decrease of 1.2% from last year.

General Fund Budgetary Highlights. Fiscal year 2017 ended with a Net Change in Fund Balance of negative \$4.4 million (GAAP Basis).

Table 3 – fiscal year 2017 General Fund Budget Summary *(in thousands)*

| | A | B | C | Variance | Variance |
|-----------------------------------|--------------|----------------|----------------|--------------|----------|
| <i>(reflected in thousands)</i> | 2017 | 2017 | 2017 | (C-B) | % |
| | Adopted | Adjusted | Actual | | |
| Revenues | 155,268 | 155,765 | 169,551 | 13,786 | 8.9% |
| Expenditures | 143,824 | 147,864 | 147,000 | (864) | -0.6% |
| Transfers In/(Out) | (8,844) | (11,512) | (26,908) | (15,396) | 133.7% |
| Net Change in Fund Balance | 2,600 | (3,611) | (4,357) | (746) | |
| (Budget Basis) | | | | | |

The net change in fund balance for fiscal year 2017 based on actual performance (column C) is negative \$4.4 million. Without the Measure C district sales tax revenues, the General Fund would have finished the fiscal year with a Net Change in Fund Balance of negative \$1.1 million. This fund balance summary on page 111 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 negative \$4.4 over prior year.

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 2017, the unrestricted net position of the Sewer and Water Funds amounted to \$79.6, \$70.3 million, respectively. Sewer net position increased by \$4.3 million and Water net position increased \$6.4 million.

Wholesale water rates have increased more than 90% 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 2017 the fund ended with a net position of 2.1 million an increase of \$4.8 million over prior fiscal year due to change in accounting treatment of receipt of July-December Recognized Obligation Payment Schedule (ROPS).

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2017, the City's investments in capital assets for its governmental and business-type activities are \$553.7 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 4%, mainly attributable to the 21st Century Library construction..

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

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$12.1 | \$12.1 | \$4.8 | \$4.8 | \$16.9 | \$16.9 |
| Construction in progress | 67.9 | 49.6 | 13.5 | 12.5 | 81.4 | 62.1 |
| Buildings | 32.3 | 33.5 | 12.9 | 8.8 | 45.2 | 42.3 |
| Improvements other than buildings | 8.5 | 8.8 | | | 8.5 | 8.8 |
| Machinery and equipment | 25.2 | 21.4 | 30.1 | 29.8 | 55.3 | 51.2 |
| Street infrastructure | 233.5 | 235.4 | | | 233.5 | 235.4 |
| Sewer infrastructure | | | 72.0 | 75.2 | 72.0 | 75.2 |
| Water infrastructure | | | 31.3 | 30.8 | 31.3 | 30.8 |
| Airport infrastructure | | | 9.6 | 9.9 | 9.6 | 9.9 |
| Total | \$379.5 | \$360.8 | \$174.2 | \$171.8 | \$553.7 | \$532.6 |

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 2017, the City had total bonded debt outstanding of \$142.4 million as presented in Table 5. This represents a decrease of \$8.2 million over the prior year. Of this amount, \$91.6 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; \$6.8 million represents lease revenue bonds for capital improvements; \$4.4 million represents capital leases for a solar power generator, fleet vehicles, computer, and telephone equipment; \$32.7 million represents State Water Board financing for a water pollution control facility; \$4.7 million private placement lease; \$1.7 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 | |
|--|----------------|----------------|---------------|---------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Certificates of Participation | \$91.6 | \$93.9 | \$0.5 | \$1.0 | \$92.1 | \$94.9 |
| Promissory Note | 0.0 | 0.1 | | | 0.0 | 0.1 |
| Lease Revenue Bonds | 0.3 | 0.4 | 6.5 | 7.2 | 6.8 | 7.6 |
| Capital Lease Obligations | 4.4 | 5.6 | | | 4.4 | 5.6 |
| Private Placement Loan | 4.7 | 5.1 | | | 4.7 | 5.1 |
| State Water Resources Control Board Loan | | | 32.7 | 35.4 | 32.7 | 35.4 |
| State Energy Resources Conservation | 1.7 | 2.0 | | | 1.7 | 2.0 |
| Total Long-Term Debt | \$102.7 | \$107.1 | \$39.7 | \$43.6 | \$142.4 | \$150.7 |

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, 2017, a total of \$6.8 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, 2017

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS: | | | |
| Cash, cash equivalents, and investments (Note 2) | \$122,773,453 | \$150,702,195 | \$273,475,648 |
| Cash, cash equivalents, and investments with fiscal agents (Note 2) | 46,324,137 | 284,046 | 46,608,183 |
| Accounts receivable, net | 3,501,780 | 13,562,661 | 17,064,441 |
| Due from other governments | 9,413,729 | 326,798 | 9,740,527 |
| Interest receivable | 314,685 | 5,269 | 319,954 |
| Internal balances (Note 4) | (3,311,644) | 3,311,644 | |
| Loans receivable (Note 3) | 28,456,375 | 616,599 | 29,072,974 |
| Long-term loans to the Private Purpose Trust Fund (Note 19) | 11,539,979 | 1,872,952 | 13,412,931 |
| Land held for resale (Note 1) | 4,559,770 | | 4,559,770 |
| Deposits, parts, supplies and other | 20,559 | 5,498,362 | 5,518,921 |
| Investment in East Bay Dischargers Authority (Note 16) | | 10,677,883 | 10,677,883 |
| Capital assets (Note 5): | | | |
| Land | 12,110,127 | 4,757,492 | 16,867,619 |
| Construction in progress | 67,921,824 | 13,485,510 | 81,407,334 |
| Depreciable capital assets, net | 299,511,721 | 155,972,245 | 455,483,966 |
| Total assets | <u>603,136,495</u> | <u>361,073,656</u> | <u>964,210,151</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions (Note 12) | 66,175,103 | 5,417,226 | 71,592,329 |
| Deferred loss on refunding (Note 6) | 1,030,936 | | 1,030,936 |
| Total deferred outflow of resources | <u>67,206,039</u> | <u>5,417,226</u> | <u>72,623,265</u> |
| LIABILITIES: | | | |
| Accounts payable | 10,703,936 | 5,875,636 | 16,579,572 |
| Accrued interest | 668,635 | 280,691 | 949,326 |
| Accrued liabilities | 23,656,262 | 253,932 | 23,910,194 |
| Unearned revenue | 275,420 | 373,706 | 649,126 |
| Refundable deposits | 3,755,988 | 1,365,671 | 5,121,659 |
| Compensated absences (Note 1): | | | |
| Due within one year | 6,269,640 | 904,784 | 7,174,424 |
| Due in more than one year | 576,391 | 139,364 | 715,755 |
| Accrued reclamation costs (Note 10): | | | |
| Due within one year | | 125,000 | 125,000 |
| Net OPEB obligation (Note 14) | 40,914,485 | | 40,914,485 |
| Net pension liabilities (Note 12) | 348,299,458 | 20,821,184 | 369,120,642 |
| Long-term debt (Note 6): | | | |
| Due within one year | 3,743,898 | 3,945,429 | 7,689,327 |
| Due in more than one year | 98,963,510 | 35,790,520 | 134,754,030 |
| Total liabilities | <u>537,827,623</u> | <u>69,875,917</u> | <u>607,703,540</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Related to pensions (Note 12) | 6,027,443 | 1,822,455 | 7,849,898 |
| NET POSITION (Note 9): | | | |
| Net investments in capital assets | 324,056,697 | 134,479,298 | 458,535,995 |
| Restricted for: | | | |
| Public safety | 729,106 | | 729,106 |
| Public works and transportation | 13,920,266 | | 13,920,266 |
| Planning and development | 22,536,631 | | 22,536,631 |
| Economic development activities | 31,245,022 | | 31,245,022 |
| Total restricted net position | <u>68,431,025</u> | | <u>68,431,025</u> |
| Unrestricted | (266,000,254) | 160,313,212 | (105,687,042) |
| Total net position | <u>\$126,487,468</u> | <u>\$294,792,510</u> | <u>\$421,279,978</u> |

See accompanying notes to basic financial statements

CITY OF HAYWARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| GOVERNMENTAL ACTIVITIES: | | | | |
| General government | \$16,158,933 | \$2,627,359 | \$3,950,542 | |
| Public safety | 128,069,028 | 4,638,881 | 4,243,034 | \$100,000 |
| Public works and transportation | 25,599,837 | 7,009,479 | 3,759,651 | 1,363,593 |
| Library and community services | 7,056,242 | 2,537,062 | 31,500 | |
| Economic development | 152,175 | | | |
| Planning and building | 8,628,739 | 6,926,489 | | |
| Maintenance services | 8,288,824 | 1,488,851 | | |
| Interest on long-term debt | 3,078,848 | | | |
| Total Governmental Activities | 197,032,626 | 25,228,121 | 11,984,727 | 1,463,593 |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Sewer | 22,755,149 | 27,000,318 | | |
| Water | 46,225,355 | 53,565,672 | | |
| Airport | 6,348,333 | 4,161,002 | 1,162,390 | |
| Stormwater | 2,450,088 | 3,066,075 | | |
| Total Business-type Activities | 77,778,925 | 87,793,067 | 1,162,390 | |
| Total | \$274,811,551 | \$113,021,188 | \$13,147,117 | \$1,463,593 |

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, as restated (Note 1)

ENDING NET POSITION

See accompanying notes to basic financial statements

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-----------------------------|---------------|
| Governmental Activities | Business-type Activities | Total |
| (\$9,581,032) | | (\$9,581,032) |
| (119,087,113) | | (119,087,113) |
| (13,467,114) | | (13,467,114) |
| (4,487,680) | | (4,487,680) |
| (152,175) | | (152,175) |
| (1,702,250) | | (1,702,250) |
| (6,799,973) | | (6,799,973) |
| (3,078,848) | | (3,078,848) |
| (158,356,185) | | (158,356,185) |
| | \$4,245,169 | 4,245,169 |
| | 7,340,317 | 7,340,317 |
| | (1,024,941) | (1,024,941) |
| | 615,987 | 615,987 |
| | 11,176,532 | 11,176,532 |
| (158,356,185) | 11,176,532 | (147,179,653) |
| 48,768,731 | | 48,768,731 |
| 48,848,674 | | 48,848,674 |
| 20,753,813 | | 20,753,813 |
| 8,349,727 | | 8,349,727 |
| 9,646,261 | | 9,646,261 |
| 3,664,550 | | 3,664,550 |
| 2,226,200 | | 2,226,200 |
| 5,607,637 | | 5,607,637 |
| 71,223 | | 71,223 |
| 121,761 | | 121,761 |
| 1,470,868 | 1,920,919 | 3,391,787 |
| 5,130,121 | | 5,130,121 |
| 2,861,623 | (2,861,623) | |
| 157,521,189 | (940,704) | 156,580,485 |
| (834,996) | 10,235,828 | 9,400,832 |
| 127,322,464 | 284,556,682 | 411,879,146 |
| \$126,487,468 | \$294,792,510 | \$421,279,978 |

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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 2017. 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, 2017

| | | Special Revenue Fund | Capital Projects Funds | |
|---|---------------------|-------------------------|---------------------------|-----------------------------|
| | General* | Federal Grants | Housing Authority | General Capital Projects |
| ASSETS: | | | | |
| Cash, cash equivalents, and investments (Note 2) | \$34,268,030 | \$1,409,450 | \$7,113,200 | \$18,840,410 |
| Cash, cash equivalents, and investments with fiscal agents (Note 2) | | | | 46,189,497 |
| Accounts receivable, net | 1,830,543 | | | 759,700 |
| Due from other governments | 7,009,172 | 260,875 | | |
| Interest receivable | | | 256,703 | 47,137 |
| Due from other funds (Note 4) | 681,651 | | | |
| Loans receivable (Note 3) | | 12,729,995 | 10,744,663 | |
| Long-term loans to the Private Purpose Trust Fund (Note 19) | 7,636,442 | | 3,876,516 | |
| Land held for resale (Note 1) | | | 707,539 | |
| Deposits, parts, supplies and other | 20,559 | | | |
| Total Assets | <u>\$51,446,397</u> | <u>\$14,400,320</u> | <u>\$22,698,621</u> | <u>\$65,836,744</u> |
| LIABILITIES: | | | | |
| Accounts payable | \$1,420,433 | \$115,030 | \$203,155 | \$6,144,824 |
| Accrued liabilities | 5,359,362 | | 598 | 1,443 |
| Due to other funds (Note 4) | | | | |
| Long-term interfund payables (Note 4) | 3,311,644 | | | |
| Unearned revenue | | | | 16,895 |
| Refundable deposits | 1,653,201 | | | 239,034 |
| Total Liabilities | <u>11,744,640</u> | <u>115,030</u> | <u>203,753</u> | <u>6,402,196</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unavailable revenue | | | | 742,844 |
| Total Deferred Inflows of Resources | | | | <u>742,844</u> |
| FUND BALANCES (Note 9): | | | | |
| Nonspendable | 7,657,001 | | | |
| Restricted | | | | |
| Public safety | | | | |
| Public works and transportation | | | | |
| Planning and building | | 14,285,290 | | |
| Economic development | | | 22,494,868 | |
| Debt service | | | | |
| Assigned | 10,276,759 | | | 58,691,704 |
| Unassigned | 21,767,997 | | | |
| Total Fund Balances (Deficit) | <u>39,701,757</u> | <u>14,285,290</u> | <u>22,494,868</u> | <u>58,691,704</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$51,446,397</u> | <u>\$14,400,320</u> | <u>\$22,698,621</u> | <u>\$65,836,744</u> |

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 |
|--------------------------------|--------------------------------|
| \$32,977,213 | \$94,608,303 |
| 51,377 | 46,240,874 |
| 497,884 | 3,088,127 |
| 2,107,363 | 9,377,410 |
| 10,845 | 314,685 |
| | 681,651 |
| 4,981,717 | 28,456,375 |
| | 11,512,958 |
| 3,852,231 | 4,559,770 |
| | 20,559 |
| <u>\$44,478,630</u> | <u>\$198,860,712</u> |
| \$1,593,194 | \$9,476,636 |
| 18,006 | 5,379,409 |
| 681,651 | 681,651 |
| | 3,311,644 |
| 251,729 | 268,624 |
| 1,860,504 | 3,752,739 |
| <u>4,405,084</u> | <u>22,870,703</u> |
| <u>298,213</u> | <u>1,041,057</u> |
| <u>298,213</u> | <u>1,041,057</u> |
| | 7,657,001 |
| 729,106 | 729,106 |
| 15,184,496 | 15,184,496 |
| 8,251,341 | 22,536,631 |
| 7,485,927 | 29,980,795 |
| 8,124,463 | 8,124,463 |
| | 68,968,463 |
| | 21,767,997 |
| <u>39,775,333</u> | <u>174,948,952</u> |
| <u>\$44,478,630</u> | <u>\$198,860,712</u> |

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CITY OF HAYWARD
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total Fund Balances reported on the governmental funds balance sheet \$174,948,952

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 | 66,913,548 |
| Depreciable capital assets, net | 276,593,180 |

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 | 28,248,413 |
| Accounts receivable | 413,653 |
| Due from other governments | 36,319 |
| Long-term loans to the Private Purpose Trust Fund | 27,021 |
| Land | 372,748 |
| Construction in progress | 1,008,276 |
| Depreciable capital assets, net | 22,918,541 |
| Accounts payable | (1,227,300) |
| Accrued liabilities | (18,309,477) |
| Unearned revenue | (6,796) |
| Refundable deposits | (3,249) |
| Compensated absences | (401,146) |
| Net pension liabilities and pension-related deferred outflows and inflows of resources | (6,627,949) |
| Long-term debt | (4,313,054) |

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 | 1,041,057 |
|---------------------|-----------|

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 | (97,363,418) |
| Interest payable | (636,011) |
| Compensated absences | (6,444,885) |
| Net pension liabilities and pension-related deferred outflows and inflows of resources | (281,523,849) |
| Net OPEB Obligation | (40,914,485) |

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$126,487,468

See accompanying notes to basic financial statements

CITY OF HAYWARD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

| | | Special Revenue Fund | Capital Projects Funds | |
|--|--------------|-------------------------|---------------------------|-----------------------------|
| | General* | Federal Grants | Housing Authority | General Capital Projects |
| REVENUES: | | | | |
| Property taxes | \$47,195,566 | | | |
| Sales taxes | 48,848,674 | | | |
| Utility users tax | 20,753,813 | | | |
| Other taxes | 26,820,222 | | | \$688,970 |
| Licenses and permits | 7,765,527 | | | 983 |
| Fines and forfeitures | 2,428,970 | | | |
| Special assessments | | | | |
| Investment income | 440,447 | \$12,833 | \$378,097 | 329,569 |
| Rental income | 26,074 | | | |
| Intergovernmental | 6,558,579 | 791,396 | | 7,395,094 |
| Fees and charges for services | 5,679,408 | 108,044 | | 228 |
| Other revenue | 3,033,970 | | 328,360 | 3,061,021 |
| Total Revenues | 169,551,250 | 912,273 | 706,457 | 11,475,865 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 13,182,512 | | | |
| Public safety | 110,187,351 | | | |
| Public works and transportation | 2,755,536 | 160,149 | | |
| Library and community services | 5,552,560 | | 371,354 | |
| Economic development | | | | |
| Planning and building | 8,465,010 | | | |
| Maintenance services | 6,857,236 | | | |
| Capital outlay | | | | 38,878,656 |
| Debt service: | | | | |
| Principal | | | | |
| Interest and fiscal charges | | | | |
| Bond issuance cost | | | | |
| Total Expenditures | 147,000,205 | 160,149 | 371,354 | 38,878,656 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) | 22,551,045 | 752,124 | 335,103 | (27,402,791) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in (Note 4) | 2,627,118 | 350,000 | | 24,319,707 |
| Transfers (out) (Note 4) | (29,535,499) | | (3,541) | (6,600,000) |
| Total Other Financing Sources (Uses) | (26,908,381) | 350,000 | (3,541) | 17,719,707 |
| CHANGE IN FUND BALANCES | (4,357,336) | 1,102,124 | 331,562 | (9,683,084) |
| BEGINNING FUND BALANCES (DEFICITS), as restated (Note 1) | 44,059,093 | 13,183,166 | 22,163,306 | 68,374,788 |
| ENDING FUND BALANCES (DEFICITS) | \$39,701,757 | \$14,285,290 | \$22,494,868 | \$58,691,704 |

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 |
|--------------------------------|--------------------------------|
| | \$47,195,566 |
| | 48,848,674 |
| | 20,753,813 |
| \$9,236 | 27,518,428 |
| | 7,766,510 |
| 70,994 | 2,499,964 |
| 1,026,071 | 1,026,071 |
| 559,271 | 1,720,217 |
| | 26,074 |
| 13,658,300 | 28,403,369 |
| 101,501 | 5,889,181 |
| 4,659,239 | 11,082,590 |
| <u>20,084,612</u> | <u>202,730,457</u> |
| | 13,182,512 |
| 273,996 | 110,461,347 |
| 1,085,573 | 4,001,258 |
| 754,994 | 6,678,908 |
| 56,797 | 56,797 |
| 32,385 | 8,497,395 |
| 854,032 | 7,711,268 |
| 10,093,624 | 48,972,280 |
| 2,561,048 | 2,561,048 |
| 3,303,835 | 3,303,835 |
| 2,972 | 2,972 |
| <u>19,019,256</u> | <u>205,429,620</u> |
| <u>1,065,356</u> | <u>(2,699,163)</u> |
| 13,256,606 | 40,553,431 |
| <u>(7,978,967)</u> | <u>(44,118,007)</u> |
| <u>5,277,639</u> | <u>(3,564,576)</u> |
| 6,342,995 | (6,263,739) |
| <u>33,432,338</u> | <u>181,212,691</u> |
| <u>\$39,775,333</u> | <u>\$174,948,952</u> |

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, 2017

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 (\$6,263,739)

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 48,972,280

Non-capitalized capital outlay expenditures were reclassified to various governmental activities (23,662,424)

Depreciation expense is deducted from fund balance

(Depreciation expense is net of internal service fund depreciation of

\$3,403,002 which has already been allocated to service funds (10,841,268)

Loss on disposal of capital assets is deducted from fund balance (84,982)

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.

Repayment of debt principal and amortization of bond premiums are added back to fund balance 2,940,173

Write-off of promissory note is added back to fund balance 100,000

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 (9,941,407)

Compensated absences (106,104)

Net pension liabilities and pension-related deferred outflows/inflows of resources (183,466)

Net OPEB Obligation (8,232,648)

Interest payable 12,942

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 6,455,647

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$834,996)

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 2017. 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, 2017

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|---|---|----------------------|---------------------|----------------------|--|
| | Sewer | Water | Non-Major Funds | Totals | |
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash and investments (Note 2) | \$68,895,844 | \$68,863,128 | \$12,943,223 | \$150,702,195 | \$28,165,150 |
| Cash and investments with fiscal agents (Note 2) | 27 | 284,019 | | 284,046 | 83,263 |
| Accounts receivable, net | 4,355,222 | 8,621,850 | 585,589 | 13,562,661 | 413,653 |
| Due from other governments | 311,742 | | 15,056 | 326,798 | 36,319 |
| Interest receivable | | 5,269 | | 5,269 | |
| Deposits, parts, supplies and other | | 1,339,196 | | 1,339,196 | |
| Total Current Assets | <u>73,562,835</u> | <u>79,113,462</u> | <u>13,543,868</u> | <u>166,220,165</u> | <u>28,698,385</u> |
| Noncurrent Assets: | | | | | |
| Long-term interfund receivables (Note 4) | | 3,311,644 | | 3,311,644 | |
| Long-term loans to the Private Purpose Trust Fund (Note 19) | 831,877 | 1,041,075 | | 1,872,952 | 27,021 |
| Deposits, parts, supplies and other | 4,129,023 | | 30,143 | 4,159,166 | |
| Loans receivable (Note 3) | | 616,599 | | 616,599 | |
| Investment in East Bay Dischargers Authority (Note 16) | 10,677,883 | | | 10,677,883 | |
| Capital assets (Note 5): | | | | | |
| Land | 1,830,143 | 2,683,047 | 244,302 | 4,757,492 | 372,748 |
| Construction in progress | 6,224,394 | 6,037,402 | 1,223,714 | 13,485,510 | 1,008,276 |
| Depreciable capital assets, net | <u>95,698,010</u> | <u>45,433,772</u> | <u>14,840,463</u> | <u>155,972,245</u> | <u>22,918,541</u> |
| Total Noncurrent Assets | <u>119,391,330</u> | <u>59,123,539</u> | <u>16,338,622</u> | <u>194,853,491</u> | <u>24,326,586</u> |
| Total Assets | <u>192,954,165</u> | <u>138,237,001</u> | <u>29,882,490</u> | <u>361,073,656</u> | <u>53,024,971</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Related to pensions (Note 12) | <u>2,338,894</u> | <u>2,232,556</u> | <u>845,776</u> | <u>5,417,226</u> | <u>2,084,306</u> |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | 1,129,627 | 4,645,655 | 100,354 | 5,875,636 | 1,227,300 |
| Accrued interest | 257,907 | 16,332 | 6,452 | 280,691 | 32,624 |
| Accrued liabilities | 96,538 | 115,672 | 41,722 | 253,932 | 18,276,853 |
| Unearned revenue | 221,479 | 152,227 | | 373,706 | 6,796 |
| Refundable deposits | | 1,263,584 | 102,087 | 1,365,671 | 3,249 |
| Compensated absences - due within one year (Note 1) | 317,900 | 447,157 | 139,727 | 904,784 | 367,373 |
| Accrued reclamation costs (Note 10) | 125,000 | | | 125,000 | |
| Long-term debt - due within one year (Note 6) | <u>3,385,429</u> | <u>434,040</u> | <u>125,960</u> | <u>3,945,429</u> | <u>1,067,741</u> |
| Total Current Liabilities | <u>5,533,880</u> | <u>7,074,667</u> | <u>516,302</u> | <u>13,124,849</u> | <u>20,981,936</u> |
| Noncurrent Liabilities: | | | | | |
| Compensated absences (Note 1) | 48,966 | 68,876 | 21,522 | 139,364 | 33,773 |
| Net pension liabilities (Note 12) | 8,989,572 | 8,580,859 | 3,250,753 | 20,821,184 | 8,011,055 |
| Long-term debt - due in more than one year (Note 6) | <u>31,370,520</u> | <u>3,435,127</u> | <u>984,873</u> | <u>35,790,520</u> | <u>3,245,313</u> |
| Total Noncurrent Liabilities | <u>40,409,058</u> | <u>12,084,862</u> | <u>4,257,148</u> | <u>56,751,068</u> | <u>11,290,141</u> |
| Total Liabilities | <u>45,942,938</u> | <u>19,159,529</u> | <u>4,773,450</u> | <u>69,875,917</u> | <u>32,272,077</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| Related to pensions (Note 12) | <u>786,847</u> | <u>751,073</u> | <u>284,535</u> | <u>1,822,455</u> | <u>701,200</u> |
| NET POSITION (Note 9): | | | | | |
| Net investments in capital assets | 68,996,598 | 50,285,054 | 15,197,646 | 134,479,298 | 19,986,511 |
| Restricted for debt service | | | | | 83,263 |
| Unrestricted | <u>79,566,676</u> | <u>70,273,901</u> | <u>10,472,635</u> | <u>160,313,212</u> | <u>2,066,226</u> |
| Total Net Position | <u>\$148,563,274</u> | <u>\$120,558,955</u> | <u>\$25,670,281</u> | <u>\$294,792,510</u> | <u>\$22,136,000</u> |

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, 2017

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|--|---|---------------|--------------------|---------------|--|
| | Sewer | Water | Non-Major Funds | Totals | |
| OPERATING REVENUES: | | | | | |
| Charges for services | \$26,290,036 | \$11,476,500 | \$6,527,403 | \$44,293,939 | \$29,562,993 |
| Sale of water | | 40,714,662 | | 40,714,662 | |
| Miscellaneous | 710,282 | 1,374,510 | 699,674 | 2,784,466 | 938,567 |
| Total Operating Revenues | 27,000,318 | 53,565,672 | 7,227,077 | 87,793,067 | 30,501,560 |
| OPERATING EXPENSES: | | | | | |
| Salaries and related expenses | 9,155,279 | 8,104,501 | 3,200,992 | 20,460,772 | 6,992,298 |
| Materials, supplies and services | 6,822,346 | 5,839,582 | 3,796,654 | 16,458,582 | 8,052,821 |
| Repairs and maintenance | 1,070,536 | 998,807 | 259,198 | 2,328,541 | 4,143,912 |
| Water purchases | | 28,611,694 | | 28,611,694 | |
| Self-funded insurance expense | | | | | 8,229,946 |
| Depreciation (Note 5) | 5,267,512 | 2,548,676 | 1,541,577 | 9,357,765 | 3,403,002 |
| Total Operating Expenses | 22,315,673 | 46,103,260 | 8,798,421 | 77,217,354 | 30,821,979 |
| Operating Income (Loss) | 4,684,645 | 7,462,412 | (1,571,344) | 10,575,713 | (320,419) |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Intergovernmental | | | 1,162,390 | 1,162,390 | |
| Investment income | 844,759 | 915,072 | 161,088 | 1,920,919 | 325,196 |
| Interest (expense) | (429,996) | (122,095) | | (552,091) | (167,080) |
| Gain (loss) on disposal of capital assets | 135,712 | | | 135,712 | 191,751 |
| Loss from equity investment (Note 16) | (145,192) | | | (145,192) | |
| Net Nonoperating Revenues (Expenses) | 405,283 | 792,977 | 1,323,478 | 2,521,738 | 349,867 |
| Income (Loss) Before Contributions and Transfers | 5,089,928 | 8,255,389 | (247,866) | 13,097,451 | 29,448 |
| TRANSFERS | | | | | |
| Transfers in (Note 4) | 385,000 | | 172,805 | 557,805 | 6,600,455 |
| Transfers (out) (Note 4) | (1,153,702) | (1,859,812) | (405,914) | (3,419,428) | (174,256) |
| Net Transfers | (768,702) | (1,859,812) | (233,109) | (2,861,623) | 6,426,199 |
| CHANGE IN NET POSITION | 4,321,226 | 6,395,577 | (480,975) | 10,235,828 | 6,455,647 |
| BEGINNING NET POSITION | 144,242,048 | 114,163,378 | 26,151,256 | 284,556,682 | 15,680,353 |
| ENDING NET POSITION | \$148,563,274 | \$120,558,955 | \$25,670,281 | \$294,792,510 | \$22,136,000 |

See accompanying notes to basic financial statements

CITY OF HAYWARD
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities- Internal Service Funds |
|---|---|---------------------|---------------------|----------------------|--|
| | Sewer | Water | Non-Major Funds | Totals | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Receipts from customers | \$26,645,744 | \$52,490,138 | \$6,981,364 | \$86,117,246 | \$30,948,057 |
| Payments to suppliers | (7,758,984) | (34,586,909) | (4,602,093) | (46,947,986) | (16,495,647) |
| Payments to employees | (6,954,532) | (6,938,868) | (3,139,724) | (17,033,124) | (6,789,216) |
| Net Cash Flows From Operating Activities | <u>11,932,228</u> | <u>10,964,361</u> | <u>(760,453)</u> | <u>22,136,136</u> | <u>7,663,194</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Intergovernmental receipts | | | 1,162,390 | 1,162,390 | |
| Interfund receipts | 71,429 | 66,981 | | 138,410 | |
| Interfund payments | | | | | (71,429) |
| Transfers in | 385,000 | | 172,805 | 557,805 | 6,600,455 |
| Transfers (out) | (1,153,702) | (1,859,812) | (405,914) | (3,419,428) | (174,256) |
| Net Cash Flows From Noncapital and Related Financing Activities | <u>(697,273)</u> | <u>(1,792,831)</u> | <u>929,281</u> | <u>(1,560,823)</u> | <u>6,354,770</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Acquisition of capital assets | (5,332,311) | (5,526,828) | (784,099) | (11,643,238) | (7,722,748) |
| Gain on disposal of capital leases | | | | | 191,751 |
| Change in investment | | | | | (123) |
| Principal payments on capital debt | (3,360,356) | (421,781) | (123,219) | (3,905,356) | (1,325,351) |
| New loans given | | (616,599) | | (616,599) | |
| Interest paid | (437,591) | (123,969) | | (561,560) | (167,080) |
| Net Cash Flows From Capital and Related Financing Activities | <u>(9,130,258)</u> | <u>(6,689,177)</u> | <u>(907,318)</u> | <u>(16,726,753)</u> | <u>(9,023,551)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Investment income | 844,766 | 909,785 | 161,723 | 1,916,274 | 318,022 |
| Net Cash Flows From Investing Activities | <u>844,766</u> | <u>909,785</u> | <u>161,723</u> | <u>1,916,274</u> | <u>318,022</u> |
| NET CASH FLOWS | <u>2,949,463</u> | <u>3,392,138</u> | <u>(576,767)</u> | <u>5,764,834</u> | <u>5,312,435</u> |
| CASH AND EQUIVALENTS AT BEGINNING OF PERIOD | <u>65,946,381</u> | <u>65,470,990</u> | <u>13,519,990</u> | <u>144,937,361</u> | <u>22,852,715</u> |
| CASH AND EQUIVALENTS AT END OF PERIOD | <u>\$68,895,844</u> | <u>\$68,863,128</u> | <u>\$12,943,223</u> | <u>\$150,702,195</u> | <u>\$28,165,150</u> |
| RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$4,684,645 | \$7,462,412 | (\$1,571,344) | \$10,575,713 | (\$320,419) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation | 5,267,512 | 2,548,676 | 1,541,577 | 9,357,765 | 3,403,002 |
| Change in assets and liabilities: | | | | | |
| Receivables, net | 478,856 | (1,194,067) | (363,928) | (1,079,139) | 482,816 |
| Due from other governments | (311,742) | | 118,215 | (193,527) | (36,319) |
| Parts and supplies | | (172,828) | | (172,828) | |
| Other assets | 331,506 | | | 331,506 | 3,199,731 |
| Accounts payable and other accrued expenses | (197,608) | 1,036,002 | (547,370) | 291,024 | 933,331 |
| Due to retirement system | 2,159,622 | 1,133,052 | 39,087 | 3,331,761 | (26,796) |
| Compensated absences | 41,125 | 32,581 | 22,181 | 95,887 | 27,848 |
| Refundable deposits | | 132,297 | 1,129 | 133,426 | |
| Unearned revenue | (521,688) | (13,764) | | (535,452) | |
| Net Cash Flows From Operating Activities | <u>\$11,932,228</u> | <u>\$10,964,361</u> | <u>(\$760,453)</u> | <u>\$22,136,136</u> | <u>\$7,663,194</u> |
| NON-CASH TRANSACTIONS | <u>\$135,712</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, 2017

| | Private Purpose Trust Funds | Agency Funds |
|--|--------------------------------|--------------------|
| CURRENT ASSETS: | | |
| Cash and investments (Note 2) | \$7,050,550 | \$7,644,582 |
| Cash and investments with fiscal agents (Note 2) | 24,153 | 354,125 |
| Accounts receivable, net | 511,251 | 90,716 |
| Due from other governments | | 681,939 |
| | <u>7,585,954</u> | <u>8,771,362</u> |
| Total Current Assets | | |
| NONCURRENT ASSETS: | | |
| Loans receivable (Note 19) | 24,634,521 | |
| Land held for resale | 3,695,031 | |
| Capital assets (Note 19): | | |
| Land | 5,277,955 | |
| depreciable capital assets, net | 11,683,096 | |
| | <u>45,290,603</u> | |
| Total Noncurrent Assets | | |
| Total Assets | <u>\$52,876,557</u> | <u>\$8,771,362</u> |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$35,492 | |
| Accrued interest | 518,434 | |
| Refundable deposits | 128,000 | \$3,835,562 |
| Due to bondholders and others | | 4,935,800 |
| Long-term debt - due in less than one year (Note 19) | 1,685,000 | |
| | <u>2,366,926</u> | <u>8,771,362</u> |
| Total Current Liabilities | | |
| NONCURRENT LIABILITIES (Note 19): | | |
| Long-term loans payables - due in more than one year | 13,412,931 | |
| Long-term debt - due in more than one year | 35,046,159 | |
| | <u>48,459,090</u> | |
| Total Non-Current Liabilities | | |
| Total Liabilities | <u>50,826,016</u> | <u>\$8,771,362</u> |
| NET POSITION HELD IN TRUST FOR PRIVATE PURPOSES | <u>\$2,050,541</u> | |

See accompanying notes to basic financial statements

CITY OF HAYWARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Private-Purpose Trust Fund</u> |
|---|---------------------------------------|
| ADDITIONS | |
| Property tax | \$8,534,887 |
| Investment income | 7,900 |
| Rental income | 50,000 |
| Intergovernmental | 391,012 |
| Other revenue | <u>86,871</u> |
| Total additions | <u>9,070,670</u> |
| DEDUCTIONS | |
| Maintenance services | 826,468 |
| Depreciation expense | 377,105 |
| Interest and fiscal charges | <u>1,921,860</u> |
| Total deductions | <u>3,125,433</u> |
| Net change in position | 5,945,237 |
| Net position - beginning | <u>(3,894,696)</u> |
| Net position - ending, As restated (Note 1) | <u><u>\$2,050,541</u></u> |

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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 offset by nonspendable or restricted fund balances indicating 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 \$4,559,770 at June 30, 2017 was 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, 2017

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, 2017:

| | Governmental Activities | Business-type Activities | Total |
|-------------------|----------------------------|-----------------------------|--------------------|
| Beginning Balance | \$6,712,079 | \$948,261 | \$7,660,340 |
| Additions | 6,280,918 | 917,583 | 7,198,501 |
| Payments | <u>(6,146,966)</u> | <u>(821,696)</u> | <u>(6,968,662)</u> |
| Ending Balance | <u>\$6,846,031</u> | <u>\$1,044,148</u> | <u>\$7,890,179</u> |
| Current Portion | <u>\$6,269,640</u> | <u>\$904,784</u> | <u>\$7,174,424</u> |

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, 2017

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.

Implementation of Governmental Accounting Standards (GASB) Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) statements, which became effective in fiscal year 2017.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This statement had no impact on the City's financial statements.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement had no impact on the City's financial statements.

GASB Statement No. 77 – *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. This statement had no impact on the City's financial statements.

GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement had no impact on the City's financial statements.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement had no impact on the City's financial statements.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 82 – Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement had no material impact on the City's financial statements.

Restatement of Fund Balance – The City restated beginning fund balance in the Measure B Pedestrian Special Revenue Fund for an unrecorded liability resulting in a decrease in beginning fund balance of \$4,085. In addition, the City restated beginning fund balance in the Measure BB Special Revenue Fund for an adjustment in interest income resulting in an increase in beginning fund balance of \$9,741.

Furthermore, the Successor Agency to the Redevelopment Agency Private Purpose Trust Fund restated beginning fund balance for revenue received that was originally recorded as unearned revenue resulting in an increase to beginning fund balance of \$533,677. Moreover, the Successor Agency to the Redevelopment Agency Private Purpose Trust Fund restated beginning fund balance for amounts that were recorded in unearned revenue to off-set loans receivable, however the loans receipts were collected and recorded as revenue in prior years resulting in a decrease in beginning fund balance of \$1,690,343.

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.

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, 2017, the City held \$284,000 in uncollateralized deposits under escrow agreements with construction contractors. Such deposits are permitted to be uncollateralized under the government code.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2017 cash and investments were 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 | \$273,475,648 |
| Cash and investments with fiscal agents | 46,608,183 |

Private Purpose Trust Fund

| | |
|---|-----------|
| Cash and investments available for operations | 7,050,550 |
| Cash and investments with fiscal agents | 24,153 |

Agency Funds

| | |
|---|-----------------------------|
| Cash and investments available for operations | 7,644,582 |
| Cash and investments with fiscal agents | 354,125 |
| Total Cash and Investments | <u><u>\$335,157,241</u></u> |

Cash and investments as of June 30, 2017 consisted of the following:

| | |
|----------------------------|-----------------------------|
| Cash in bank | \$37,593,904 |
| Cash on hand (Petty Cash) | 3,275 |
| Investments | <u>297,560,062</u> |
| Total Cash and Investments | <u><u>\$335,157,241</u></u> |

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

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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% |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

| Authorized Investment Type | Maturity | 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 |
| Investment Agreements | No Limit | None to two Highest Categories |
| Commercial Paper | None to 270 days | A-1 to A-1+ |
| State General Obligations | No Limit | A/A2 to Two Highest Categories |
| Municipal Obligations | No Limit | AAA to Two Highest Categories |
| Federal Funds or Bankers Acceptances | 180 days to 1 year | A-1 to A-1+ |
| Repurchase Agreements | None to 30 days | None to A |
| Pre-funded Municipal Bonds | No Limit | AAA |
| California Local Agency Investment Fur | 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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2017:

| Investment Type | Level 1 | Level 2 | Total |
|--|---------------------|---------------------|----------------------|
| Investments by Fair Value: | | | |
| U.S. Treasury Obligation | \$32,203,414 | | \$32,203,414 |
| U.S. Agency Securities | | \$59,960,595 | 59,960,595 |
| Corporate Bonds | | 8,476,853 | 8,476,853 |
| Municipal Bonds | | 4,105,643 | 4,105,643 |
| Supranationals | | 6,347,644 | 6,347,644 |
| Asset-Backed Security | | 3,333,020 | 3,333,020 |
| Total Investments at Fair Value | <u>\$32,203,414</u> | <u>\$82,223,755</u> | 114,427,169 |
| Investments Measured at Amortized Cost: | | | |
| Money market mutual funds | | | 46,990,219 |
| California Local Agency Investment Fund | | | 130,129,610 |
| Certificate of Deposits | | | <u>6,013,064</u> |
| Total Investments | | | <u>\$297,560,062</u> |

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 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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

| Investment Type | 12 Months or less | 13 Months to 24 Months | 25 Months to 60 Months | Total |
|---|----------------------|------------------------|------------------------|----------------------|
| U.S. Treasury Obligation | | \$6,377,271 | \$25,826,143 | \$32,203,414 |
| U.S. Agency Securities | \$1,022,056 | 41,160,481 | 17,778,058 | 59,960,595 |
| Money Market Mutual Fund | 46,990,219 | | | 46,990,219 |
| California Local Agency Investment Fund | 130,129,610 | | | 130,129,610 |
| Corporate Bonds | 1,249,599 | 2,794,228 | 4,433,026 | 8,476,853 |
| Municipal Bonds | 1,539,045 | 623,744 | 1,942,854 | 4,105,643 |
| Supranationals | 1,006,615 | 4,133,475 | 1,207,554 | 6,347,644 |
| Certificate of Deposits | | 6,013,064 | | 6,013,064 |
| Asset-Backed Security | | | 3,333,020 | 3,333,020 |
| Total Investments | <u>\$181,937,144</u> | <u>\$61,102,263</u> | <u>\$54,520,655</u> | 297,560,062 |
| Cash in Banks | | | | 37,593,904 |
| Cash on hand (Petty Cash) | | | | <u>3,275</u> |
| Total Cash | | | | <u>37,597,179</u> |
| Total Cash and Investments | | | | <u>\$335,157,241</u> |

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, 2017, these investments had an average maturity of 194 days.

Money market funds are available for withdrawal on demand and at June 30, 2017, had an average maturity of 26 days.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2017 for each investment type as provided by Moody's investment rating system:

| Investment Type | AAA | AAAm | AA1 | AA2 | AA3 | A1 | A2 | A3 | Baa1 | Not Rated | Total |
|---|----------------------|---------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|----------------------|----------------------|
| U.S. Treasury Obligation | \$32,203,414 | | | | | | | | | | \$32,203,414 |
| U.S. Agency Securities | \$9,960,595 | | | | | | | | | | \$9,960,595 |
| Money Market Mutual Fund | | \$46,990,219 | | | | | | | | | \$46,990,219 |
| California Local Agency Investment Fund | | | | | | | | | | \$130,129,610 | \$130,129,610 |
| Corporate Bonds | 285,726 | | \$501,256 | \$300,210 | \$894,556 | \$2,080,185 | \$2,448,928 | \$1,500,692 | \$465,300 * | | \$8,476,853 |
| Municipal Bonds | | | | 1,247,569 | | 1,748,074 | | 1,110,000 | | | \$4,105,643 |
| Supranationals | 6,347,644 | | | | | | | | | | \$6,347,644 |
| Certificate of Deposits | | | | 1,196,741 | 3,617,030 | 1,199,293 | | | | | \$6,013,064 |
| Asset-Backed Security | 3,333,020 | | | | | | | | | | \$3,333,020 |
| Total Investments | <u>\$102,130,399</u> | <u>\$46,990,219</u> | <u>\$501,256</u> | <u>\$2,744,520</u> | <u>\$4,511,586</u> | <u>\$5,027,552</u> | <u>\$2,448,928</u> | <u>\$2,610,692</u> | <u>\$465,300</u> | <u>\$130,129,610</u> | <u>\$297,560,062</u> |

* These bonds were rated A by Fitch at June 30, 2017

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, 2017, the following investments were subjected to custodial credit risk on the entity-wide level:

| Issuer | Investment Type | Reported Amount |
|---------------------------------------|------------------------|-----------------|
| Federal National Mortgage Association | U.S. Agency Securities | \$33,804,339 |
| Federal Home Loan Bank | U.S. Agency Securities | 20,747,875 |

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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

3. LOANS RECEIVABLES (Continued)

The City also pools certain funds received from the U.S. Department of Housing and Urban Development and the State of California Department of Housing and Community Development, and administrative fees received from owners of multifamily projects funded by mortgage revenues bonds sponsored by the City. These monies are loaned to businesses, nonprofit and for-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.

Related Party Loan – The City entered into a loan agreement with the City Manager on June 30, 2017, to provide the City Manager a long-term loan of \$616,599 to finance the acquisition of the City Manager's personal residence located within the City. The loan is secured by a deed of trust on the property. The loan was funded by the City's Water Enterprise Fund. The loan is due upon sale of the property, within twelve months after the termination of the City Manager's employment with the City, or 30 years from the date of the loan agreement execution, whichever occurs first. The loan bears an interest rate at the 2.38% for the first five years of the loan. Interest thereafter will be set annually and shall accrue at a simple rate equal to yet Yield at Market achieved by the City's Managed Portfolio for the quarter ended on June 30 of the previous calendar year, plus 100 basis points or 1%, but shall not exceed 6%. At June 30, 2017, the outstanding balance of this loan was \$616,599.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017 were as follows:

| FROM FUND: | TO FUND: | AMOUNT: |
|------------------------------|--------------------------------|---------------------|
| General Fund | Federal Grants Special Revenue | \$350,000 E |
| | General Capital Projects | 16,759,707 A |
| | Non Major Governmental Funds | 6,656,606 A |
| | Non-Major Enterprise Funds | 172,805 F |
| | Internal Service Funds | 5,596,381 A |
| Housing Authority | General Fund | 3,541 D |
| General Capital Projects | Non Major Governmental Funds | 6,600,000 B |
| Non-Major Governmental Funds | General Fund | 378,563 A |
| | General Capital Projects | 7,560,000 B |
| | Internal Service Funds | 40,404 C |
| Sewer | General Fund | 777,723 D |
| | Internal Service Funds | 375,979 A |
| Water | General Fund | 1,165,740 D |
| | Sewer | 385,000 A |
| | Internal Service Funds | 309,072 A |
| Non -Major Enterprise Funds | General Fund | 301,551 D |
| | Internal Service Funds | 104,363 C |
| Internal Service Funds | Internal Service Funds | 174,256 D |
| | | <u>\$47,711,691</u> |

- A To fund debt service, capital projects and administrative overhead
- B To fund Capital Projects
- C To fund General Liability Insurance Fund
- D To fund Allocation of Administrative Overhead
- E To fund Federal Grants
- F To fund Emergency Repair

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017 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 | \$681,651 |
| | | <u>\$681,651</u> |

Long-Term Interfund Advances – At June 30, 2017, 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 | | \$3,311,644 |
| Water Enterprise Fund | \$3,311,644 | |
| Total | <u>\$3,311,644</u> | <u>\$3,311,644</u> |

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, 2017 the outstanding loan balance was \$3,311,644.

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, 2017

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, 2017

5. CAPITAL ASSETS (Continued)

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

| | Balance June 30, 2016 | Additions | Retirements | Transfers | Balance June 30, 2017 |
|--|--------------------------|--------------|-------------|---------------|--------------------------|
| <i>Governmental activities:</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$12,110,127 | | | | \$12,110,127 |
| Construction in progress | 49,590,932 | \$25,807,200 | | (\$7,476,308) | 67,921,824 |
| Total capital assets not being depreciated | 61,701,059 | 25,807,200 | | (7,476,308) | 80,031,951 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 58,790,966 | 216,999 | | | 59,007,965 |
| Improvements other than buildings | 14,907,048 | 88,185 | (\$10,799) | 254,643 | 15,239,077 |
| Machinery and equipment | 53,536,303 | 6,901,451 | (5,820,279) | 733,482 | 55,350,957 |
| Streets | 303,232,793 | 18,769 | | 6,488,183 | 309,739,745 |
| 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 | 445,983,619 | 7,225,404 | (5,831,078) | 7,476,308 | 454,854,253 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 25,347,902 | 1,330,511 | | | 26,678,413 |
| Improvements other than buildings | 6,121,374 | 559,362 | (9,107) | | 6,671,629 |
| Machinery and equipment | 32,081,330 | 3,869,570 | (5,736,989) | | 30,213,911 |
| Streets | 72,548,536 | 7,931,374 | | | 80,479,910 |
| Traffic signals | 5,563,640 | 253,616 | | | 5,817,256 |
| Medians | 1,961,313 | 93,117 | | | 2,054,430 |
| Conduits | 1,352,721 | 61,691 | | | 1,414,412 |
| Drains | 1,867,542 | 145,029 | | | 2,012,571 |
| Total accumulated depreciation | 146,844,358 | 14,244,270 | (5,746,096) | | 155,342,532 |
| Net depreciable assets | 299,139,261 | (7,018,866) | (84,982) | 7,476,308 | 299,511,721 |
| Governmental activity capital assets, net | \$360,840,320 | \$18,788,334 | (\$84,982) | | \$379,543,672 |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

5. CAPITAL ASSETS (Continued)

| | Balance June 30, 2016 | Additions | Retirements | Transfers | Balance June 30, 2017 |
|--|--------------------------|--------------------|-------------|---------------|--------------------------|
| <i>Business-type activities:</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$4,757,492 | | | | \$4,757,492 |
| Construction in progress | 12,546,352 | \$10,930,324 | | (\$9,991,166) | 13,485,510 |
| Total capital assets not being depreciated | 17,303,844 | 10,930,324 | | (9,991,166) | 18,243,002 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 27,589,544 | | | 4,964,266 | 32,553,810 |
| Machinery and equipment | 44,022,218 | 503,910 | (\$19,350) | 1,442,667 | 45,949,445 |
| Sewer pipelines and infrastructure | 123,971,066 | | | 872,802 | 124,843,868 |
| Water pipelines and infrastructure | 64,387,643 | | | 2,461,780 | 66,849,423 |
| Airport hangars, tarmacs and other infrastructure assets | 26,645,069 | 344,716 | | 249,651 | 27,239,436 |
| Total capital assets being depreciated | 286,615,540 | 848,626 | (19,350) | 9,991,166 | 297,435,982 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 18,792,834 | 914,396 | | | 19,707,230 |
| Machinery and equipment | 14,217,141 | 1,659,373 | (19,350) | | 15,857,164 |
| Sewer pipelines and infrastructure | 48,809,578 | 3,980,536 | | | 52,790,114 |
| Water pipelines and infrastructure | 33,635,360 | 1,834,523 | | | 35,469,883 |
| Airport hangars, tarmacs and other infrastructure assets | 16,670,409 | 968,937 | | | 17,639,346 |
| Total accumulated depreciation | 132,125,322 | 9,357,765 | (19,350) | | 141,463,737 |
| Net depreciable assets | 154,490,218 | (8,509,139) | | 9,991,166 | 155,972,245 |
| Business-type activity capital assets, net | <u>\$171,794,062</u> | <u>\$2,421,185</u> | | | <u>\$174,215,247</u> |

Governmental capital assets construction in progress was composed of the following at June 30, 2017:

| | Project Budget | Expended to June 30, 2017 | Committed |
|----------------------------------|----------------------|------------------------------|----------------------|
| Buildings | \$66,280,000 | \$30,161,498 | \$36,118,502 |
| Improvement other than buildings | 37,760,000 | 4,706,393 | 33,053,607 |
| Machinery and equipment | 2,591,585 | 697,789 | 1,893,796 |
| Streets | 107,846,683 | 31,922,652 | 75,924,031 |
| Traffic Signals | 559,000 | 433,492 | 125,508 |
| Total | <u>\$215,037,268</u> | <u>\$67,921,824</u> | <u>\$147,115,444</u> |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

5. CAPITAL ASSETS (Continued)

A summary of enterprise fund construction in progress at June 30, 2017 follows:

| | Project Budget | Expended to June 30, 2017 | Committed |
|-------------------------|---------------------|------------------------------|---------------------|
| Sewer Enterprise Fund | \$26,785,000 | \$6,224,394 | \$20,560,606 |
| Water Enterprise Fund | 23,683,000 | 6,037,402 | 17,645,598 |
| Airport Enterprise Fund | 4,209,000 | 1,223,714 | 2,985,286 |
| Total | <u>\$54,677,000</u> | <u>\$13,485,510</u> | <u>\$41,191,490</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 | \$980,600 |
| Public Safety | 7,452,539 |
| Public Works and Transportation | 1,015,439 |
| Library and Community Services | 555,609 |
| Economic Development | 95,378 |
| Planning and Building | 452,644 |
| Maintenance Services | 289,059 |
| Internal Service Funds | 3,403,002 |
| | <u>\$14,244,270</u> |

Business-Type Activities

| | |
|-----------------|--------------------|
| Sewer Fund | \$5,267,512 |
| Water Fund | 2,548,676 |
| Stormwater Fund | 275 |
| Airport Fund | 1,541,302 |
| | <u>\$9,357,765</u> |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

6. LONG-TERM DEBT

The City's long-term debt issues and transactions are summarized below:

| Type of Obligation | Authorized and Issued | Balance at June 30, 2016 | Retirements | Outstanding at June 30, 2017 | Current Portion |
|---|-----------------------------|--------------------------------|-------------|------------------------------------|--------------------|
| Governmental Activity Debt: | | | | | |
| Certificates of Participation | | | | | |
| 2015 COP (a), 3.0-5.0%, due 12/31/34 | \$67,535,000 | \$67,535,000 | | \$67,535,000 | |
| Add: Original issue premium | 5,689,046 | 5,689,046 | \$299,423 | 5,389,623 | |
| 2016 Refunding COP, 2.6-2.76%, due 11/1/2026 | 19,813,775 | 19,813,775 | 1,922,392 | 17,891,383 | \$2,021,009 |
| Add: Original issue premium | 876,695 | 876,695 | 79,700 | 796,995 | |
| 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 | 380,000 | 70,000 | 310,000 | 75,000 |
| Loan Payable | | | | | |
| Energy Efficiency Loan (a), 1%, due 12/22/23 | 2,488,880 | 1,991,337 | 256,987 | 1,734,350 | 259,565 |
| Private Placement Loan | | | | | |
| 2014 Fire Station #7 and Wellness Center Private Placement Loan (a), 2.84%, due 8/1/29 | 5,500,000 | 5,048,672 | 311,669 | 4,737,003 | 320,583 |
| Subtotal | | 101,434,525 | 3,040,171 | 98,394,354 | 2,676,157 |
| Internal Service Fund Long-Term Debt (b) | | | | | |
| Capital Leases - Equipment | | | | | |
| Solar Power Generator Equipment, 6%, due 03/01/30 | 1,035,000 | 682,302 | 32,263 | 650,039 | 34,228 |
| Energy Upgrades and Solar Project, 3%, due 06/22/2024 | 887,152 | 439,945 | 82,832 | 357,113 | 85,334 |
| Capital Leases - Fleet | | | | | |
| Fire Engines 3.240%, due 10/22/20 | 1,906,413 | 975,650 | 204,786 | 770,864 | 211,473 |
| Maintenance Vehicles 2.88%, due on 10/22/17 | 765,366 | 189,448 | 125,397 | 64,051 | 64,055 |
| Police Vehicles 1.3%, due on 11/15/2016 | 520,000 | 66,481 | 66,481 | | |
| Police Vehicles 2.46%, due on 1/17/18 | 535,000 | 274,043 | 135,346 | 138,697 | 138,694 |
| Fire Engines 3.05%, due 1/17/24 | 824,000 | 678,526 | 76,107 | 602,419 | 78,446 |
| Fire Truck 2.92%, due 6/15/25 | 1,272,000 | 1,160,743 | 114,528 | 1,046,215 | 117,899 |
| Capital Leases - Technology | | | | | |
| Computer hardware | 755,100 | 158,224 | 158,224 | | |
| Network Infrastructure Lease, due 5/21/19 | 1,699,356 | 1,013,043 | 329,387 | 683,656 | 337,612 |
| Total capital lease obligations | | 5,638,405 | 1,325,351 | 4,313,054 | 1,067,741 |
| Subtotal | | 5,638,405 | 1,325,351 | 4,313,054 | 1,067,741 |
| Total Governmental Activity Debt | | \$107,072,930 | \$4,365,522 | \$102,707,408 | \$3,743,898 |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

6. LONG-TERM DEBT (Continued)

| Type of Obligation | Authorized and Issued | Balance June 30, 2016 | Retirements | Outstanding at June 30, 2017 | Current Portion |
|---|-----------------------------|-----------------------------|--------------------|------------------------------------|--------------------|
| Business-type Activity Debt: | | | | | |
| Revenue Bonds | | | | | |
| 2013 Water Revenue Refunding Loan (c), 2.76%, due 5/1/25 | \$7,245,000 | \$5,525,000 | \$545,000 | \$4,980,000 | \$560,000 |
| Loan Payable | | | | | |
| Energy Efficiency Loan (c), 3%, due 6/22/25 | 2,450,000 | 1,706,686 | 167,855 | 1,538,831 | 172,928 |
| Certificates of Participation | | | | | |
| For acquisition of: | | | | | |
| 2007 Sewer (d) 3.5-4.0%, due 2/1/18 | 9,880,000 | 950,000 | 465,000 | 485,000 | 485,000 |
| State Water Resource Control Board Loan | | | | | |
| 0%, due 9/30/28 (d) | 54,550,018 | 35,459,619 | 2,727,501 | 32,732,118 | 2,727,501 |
| Total Business-type Activity Debt | | <u>\$43,641,305</u> | <u>\$3,905,356</u> | <u>\$39,735,949</u> | <u>\$3,945,429</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.

Certificates of Participation (COPs)

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.

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 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.

**CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

6. LONG-TERM DEBT (Continued)

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, 2017, the balance of the promissory note was \$100,000. The City has written off the outstanding balance during the current fiscal year.

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, 2017, 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 \$310,000.

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.

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.

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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

6. LONG-TERM DEBT (Continued)

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 2.76%. 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 \$4.98 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2025. For fiscal year 2017, Water Fund Revenues including operating revenues, non-operating interest earnings and transfers in amounted to \$54.1 million and operating costs including operating expenses, but not interest, depreciation or amortizations amounted to \$43.5 million. Net Revenues available for debt service amounted to \$10.6 million, which represented coverage of 15.2 times over the \$697,490 in debt service.

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.

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 3.5% and 4%. 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, 2017

6. LONG-TERM DEBT (Continued)

State Water Resources Control Board Loans

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, 2017, the City's gross repayment obligation totaled \$32,732,118 and has a corresponding prepayment of interest expense for \$3,533,673. The repayments of the loan are due annually on September 30, commencing September 30, 2009.

Debt Service Requirements

At June 30, 2017, annual debt service requirements to maturity for long-term debt, including interest payments, were as follows:

| Year Ending June 30: | Governmental Activities | | Business-Type Activities | |
|-------------------------------------|-------------------------|---------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2018 | \$3,743,898 | \$3,442,337 | \$3,945,429 | \$201,730 |
| 2019 | 5,904,223 | 3,285,001 | 3,485,655 | 161,648 |
| 2020 | 5,771,005 | 3,062,621 | 3,505,950 | 140,345 |
| 2021 | 5,880,408 | 2,839,580 | 3,531,585 | 118,288 |
| 2022 | 5,813,855 | 2,615,428 | 3,552,300 | 95,599 |
| 2023 - 2027 | 30,984,968 | 9,676,184 | 16,257,921 | 144,243 |
| 2028 - 2032 | 23,232,433 | 5,259,136 | 5,457,109 | |
| 2033 - 2037 | 15,190,000 | 964,619 | | |
| Totals | 96,520,790 | <u>\$31,144,906</u> | <u>\$39,735,949</u> | <u>\$861,853</u> |
| Plus unamortized premium | <u>6,186,618</u> | | | |
| Total Long-term debt principal, net | <u>\$102,707,408</u> | | | |

Defeased Bonds

As of June 30, 2017, outstanding balances for defeased debt were \$560,000 for the 1998 Sewer System Improvement Certificates of Participation, \$1,350,000 for the 2001 Water System Improvement Project Certificates of Participation, and \$17,380,000 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, 2017

6. LONG-TERM DEBT (Continued)

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, 2017, 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, 2017 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, 2017 was \$440,000.

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, 2017 was \$190,000.

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, 2017 was \$6,148,070.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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.

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:

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

9. NET POSITION AND FUND BALANCES (Continued)

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.

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 drawdowns 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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

9. NET POSITION AND FUND BALANCES (Continued)

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.

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

| | <u>Balance at June 30, 2017</u> |
|---------------------------------------|-------------------------------------|
| Nonspendables: | |
| Items not in spendable form: | |
| Deposits, parts, supplies and other: | <u>\$7,657,001</u> |
| Total Nonspendable Fund | <u>7,657,001</u> |
| Assigned: | |
| Capital projects | 256,170 |
| Measure C District sales tax | <u>10,020,589</u> |
| Total Assigned Fund Balances | <u>10,276,759</u> |
| Unassigned: | |
| Designations: | |
| Liquidity | <u>21,767,997</u> |
| Total Unassigned Fund Balances | <u>21,767,997</u> |
| Total Fund Balances | <u><u>\$39,701,757</u></u> |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

9. NET POSITION AND FUND BALANCES (Continued)

- **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.

Deficit Fund Balances – As of June 30, 2017, the following funds had deficits:

The Workers' Compensation Insurance Internal Service Fund reflects an accumulated deficit of \$4,836,809 due to accrued claims which have not been fully funded. The above deficits are expected to be eliminated with future revenues.

10. ACCRUED RECLAMATION COSTS

To comply with regulatory requirements imposed by the California Regional Water Quality Control Board and the Alameda County Department of Environmental Health, the City expects to incur reclamation costs associated with an abandoned 60 acre landfill site. Such costs represent placing an 18-inch vegetative cover over the landfill site as well as ongoing monitoring costs. 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 \$163,379 for the year ended June 30, 2017. Reclamation costs are accrued in the Sewer Enterprise Fund. Actual costs may be higher due to inflation, changes in technology, or changes in State or Federal regulations.

11. DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them. Distributions may be made only at termination, retirement, death, or in an emergency defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

12. PENSION PLANS

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, 2017

12. PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2017, 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% - 2.50% | 1.0% - 2.5% |
| Required employee contribution rates | 8.00% | 6.25% |
| Required employer contribution rates | 26.388% | 26.388% |

| | 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% | 9.75% |
| Required employer contribution rates | 43.122% | 43.122% |

| | 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% | 12.00% |
| Required employer contribution rates | 47.220% | 47.220% |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2015 and measurement date of June 30, 2016:

| | Miscellaneous | Safety-Fire | Safety - Police |
|--|---------------|-------------|-----------------|
| Inactive employees or beneficiaries currently receiving benefits | 831 | 183 | 298 |
| Inactive employees entitled to but not yet receiving benefits | 629 | 18 | 74 |
| Active employees | 482 | 118 | 179 |
| Total | 1,942 | 319 | 551 |

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.

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2017

12. PENSION PLANS (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

| | All Plans (1) |
|----------------------------------|--|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Projected Salary Increase | 3.2% - 20.0% (2) |
| Investment Rate of Return | 7.50% |
| 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 PEPR)

(2) Depending on age, service and type of employment

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 5 years of projected mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2015 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a April 2010 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.

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, 2017

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 | 20.0% | 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 | 1.0% | -0.55% | -1.05% |
| Total | 100% | | |

(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, 2017

12. PENSION PLANS (Continued)

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, 2015 | \$393,508,938 | \$277,033,570 | \$116,475,368 |
| Changes in the year: | | | |
| Service cost | 6,147,333 | | 6,147,333 |
| Interest on the total pension liability | 29,369,393 | | 29,369,393 |
| Differences between actual and expected experience | (1,584,352) | | (1,584,352) |
| Changes in assumptions | | | |
| Changes in benefit terms | | | |
| Plan to plan resource movement | | (11,393) | 11,393 |
| Contribution - employer | | 9,973,051 | (9,973,051) |
| Contribution - employee (paid by employer) | | | |
| Contribution - employee | | 3,159,686 | (3,159,686) |
| Net investment income | | 1,454,000 | (1,454,000) |
| Administrative expenses | | (168,838) | 168,838 |
| Benefit payments, including refunds of employee contributions | (22,169,235) | (22,169,235) | |
| Net changes | 11,763,139 | (7,762,729) | 19,525,868 |
| Balance at June 30, 2016 | \$405,272,077 | \$269,270,841 | \$136,001,236 |

Safety - Fire Plan:

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Balance at June 30, 2015 | \$249,242,755 | \$172,151,696 | \$77,091,059 |
| Changes in the year: | | | |
| Service cost | 4,145,914 | | 4,145,914 |
| Interest on the total pension liability | 19,111,623 | | 19,111,623 |
| Differences between actual and expected experience | 5,499,415 | | 5,499,415 |
| Changes in assumptions | | | |
| Changes in benefit terms | | | |
| Plan to plan resource movement | | | |
| Contribution - employer | | 5,795,308 | (5,795,308) |
| Contribution - employee (paid by employer) | | | |
| Contribution - employee | | 2,527,042 | (2,527,042) |
| Net investment income | | 802,917 | (802,917) |
| Administrative expenses | | (104,917) | 104,917 |
| Benefit payments, including refunds of employee contributions | (13,979,969) | (13,979,969) | |
| Net changes | 14,776,983 | (4,959,619) | 19,736,602 |
| Balance at June 30, 2016 | \$264,019,738 | \$167,192,077 | \$96,827,661 |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

12. PENSION PLANS (Continued)

Safety - Police Plan:

| | Increase (Decrease) | | |
|---|------------------------|----------------------|----------------------|
| | Total Pension | Plan Fiduciary | Net Pension |
| | Liability | Net Position | Liability/(Asset) |
| Balance at June 30, 2015 | <u>\$327,821,129</u> | <u>\$214,902,945</u> | <u>\$112,918,184</u> |
| Changes in the year: | | | |
| Service cost | 6,807,555 | | 6,807,555 |
| Interest on the total pension liability | 25,023,071 | | 25,023,071 |
| Differences between actual and expected experience | 4,712,282 | | 4,712,282 |
| Changes in assumptions | | | |
| Changes in benefit terms | | | |
| Plan to plan resource movement | | 11,302 | (11,302) |
| Contribution - employer | | 8,594,361 | (8,594,361) |
| Contribution - employee (paid by employer) | | | |
| Contribution - employee | | 3,666,124 | (3,666,124) |
| Net investment income | | 1,028,532 | (1,028,532) |
| Administrative expenses | | (130,972) | 130,972 |
| Benefit payments, including refunds of employee contributions | (17,676,444) | (17,676,444) | |
| Net changes | <u>18,866,464</u> | <u>(4,507,097)</u> | <u>23,373,561</u> |
| Balance at June 30, 2016 | <u>\$346,687,593</u> | <u>\$210,395,848</u> | <u>\$136,291,745</u> |
| Combined Total | <u>\$1,015,979,408</u> | <u>\$646,858,766</u> | <u>\$369,120,642</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 | \$186,509,315 | \$130,802,944 | \$183,491,652 |
| Current Discount Rate | 7.65% | 7.65% | 7.65% |
| Net Pension Liability | \$136,001,236 | \$96,827,661 | \$136,291,745 |
| 1% Increase | 8.65% | 8.65% | 8.65% |
| Net Pension Liability | \$94,023,991 | \$68,748,971 | \$97,710,083 |

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, 2017

12. PENSION PLANS (Continued)

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

For the year ended June 30, 2017, the City recognized pension expense of \$31,476,702. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$11,092,052 | |
| Differences between actual and expected experience | | (\$1,332,335) |
| Changes in assumptions | | (864,581) |
| Net differences between projected and actual earnings on plan investments | 14,585,436 | |
| Total | <u>\$25,677,488</u> | <u>(\$2,196,916)</u> |

Safety Plan - Fire:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$6,383,503 | |
| Differences between actual and expected experience | 4,872,766 | |
| Changes in assumptions | | (\$2,549,888) |
| Net differences between projected and actual earnings on plan investments | 9,135,183 | |
| Total | <u>\$20,391,452</u> | <u>(\$2,549,888)</u> |

Safety Plan - Police:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$10,512,716 | |
| Differences between actual and expected experience | 3,472,208 | (\$378,504) |
| Changes in assumptions | | (2,724,590) |
| Net differences between projected and actual earnings on plan investments | 11,538,465 | |
| Total | <u>\$25,523,389</u> | <u>(\$3,103,094)</u> |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

12. PENSION PLANS (Continued)

\$27,988,271 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <i><u>All Plans (Misc., Fire and Police)</u></i> | |
|--|---------------------|
| <u>Year Ended</u> | <u>Amortization</u> |
| <u>June 30</u> | <u>Amount</u> |
| 2018 | \$2,602,396 |
| 2019 | 4,818,805 |
| 2020 | 17,820,583 |
| 2021 | 10,404,546 |
| 2022 | 107,830 |

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, 2017, total contributions of \$12,436 were made based on a total amount of covered compensation of \$331,633.

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, 2017, approximately 595 retirees were eligible and were receiving retiree health care benefits from the City. There were approximately 712 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, 2017

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 2017, the City made contributions toward the ARC and amortized its net OPEB obligation as presented below:

| | |
|--|----------------------------|
| Net OPEB Obligation at June 30, 2016 | <u>\$32,681,837</u> |
| Annual required contribution (ARC) | 12,168,142 |
| Interest on net OPEB obligation | 1,363,444 |
| Adjustment to annual required contribution | <u>(2,370,013)</u> |
| Annual OPEB cost | <u>11,161,573</u> |
| Contributions made: | |
| Contribution to CERBT Trust | <u>(2,928,925)</u> |
| Subtotal | <u>(2,928,925)</u> |
| Change in net OPEB Obligation | <u>8,232,648</u> |
| Net OPEB Obligation at June 30, 2017 | <u><u>\$40,914,485</u></u> |

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

| Fiscal Year | Annual OPEB Cost | Actual Contribution | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|-------------|---------------------|------------------------|---|------------------------|
| 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 |
| 6/30/2017 | 11,161,573 | 2,928,925 | 26% | 40,914,485 |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 | \$500,000 - \$10,000,000 |

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 as part of the accrued liabilities in the General Liability Fund (internal service fund). 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 as part of the accrued liabilities in the Workers' Compensation Insurance Fund (internal service fund). 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, 2017

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 | |
|---|----------------------|--------------------------|-----------------------|---------------------|
| | | | 2017 | 2016 |
| Balance, beginning of year | \$2,204,694 | \$15,163,620 | \$17,368,314 | \$16,626,306 |
| Current year claims and changes in estimates | (1,887,221) | (1,826,677) | (3,713,898) | (5,568,112) |
| Claims paid | 1,230,473 | 3,304,268 | 4,534,741 | 6,310,120 |
| Balance, end of year | <u>\$1,547,946</u> | <u>\$16,641,211</u> | <u>\$18,189,157</u> | <u>\$17,368,314</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, 2017 is \$18,819,157. 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, 2017

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 2017 amounted to \$754,304 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 \$10,677,883 at June 30, 2017.

The investment in East Bay Dischargers Authority is valued as of June 30, 2017, the latest date for which financial information is available.

Summary financial information as of and for the year ended June 30, 2017 (the most recent audited financial information available) for EBDA's common use operations was as follows:

| | |
|-------------------------------|--------------|
| Assets | |
| Current | \$5,315,299 |
| Net OPEB asset | 81,474 |
| Capital assets - net | 27,759,962 |
| Total Assets | 33,156,735 |
| Deferred outflow of resources | 160,624 |
| Total | \$33,317,359 |
| Liabilities | \$1,180,433 |
| Deferred inflow of resources | 103,276 |
| Net Position | 32,033,650 |
| Total | \$33,317,359 |
| Revenues | \$4,935,711 |
| Expenses | (5,455,880) |
| Non-operating revenues | 37,149 |
| Change in Net Position | (\$483,020) |

**CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

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

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.

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, 2017

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 \$2,659,992 during fiscal year 2017, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2018 is estimated to be \$2,943,576.

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, 2017

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

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, 2017

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, 2017

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

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 Successor Agency's Bonds.

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, 2017

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

Capital Asset Additions, Retirements, and Balances

| | Balance June 30, 2016 | Additions | Balance June 30, 2017 |
|---|--------------------------|-------------|--------------------------|
| Capital assets not being depreciated: | | | |
| Land | \$5,277,955 | | \$5,277,955 |
| Total capital asset not being depreciated | 5,277,955 | | 5,277,955 |
| Capital assets being depreciated: | | | |
| Buildings 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 | 15,719,833 | | 15,719,833 |
| Less accumulated depreciation for: | | | |
| Buildings and improvements | 3,078,040 | \$314,131 | 3,392,171 |
| Improvements other than buildings | 572,017 | 62,974 | 634,991 |
| Machinery and equipment | 9,575 | | 9,575 |
| Total accumulated depreciation | 3,659,632 | 377,105 | 4,036,737 |
| Net depreciable assets | 12,060,201 | (377,105) | 11,683,096 |
| Private purpose trust fund assets, net | \$17,338,156 | (\$377,105) | \$16,961,051 |

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, 2017 was \$24,634,521 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, 2017

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, 2017.

| | School Project | Cannery Park | Place | Attraction | Total |
|--------------------------|---------------------|--------------------|------------------|--------------------|---------------------|
| Balance at June 30, 2016 | \$19,708,010 | \$3,491,901 | \$275,624 | \$1,436,763 | \$24,912,298 |
| Add: Loan Disbursements | | | | 200,000 | 200,000 |
| Less: Loan Payments | 391,012 | | | 86,765 | 477,777 |
| Balance at June 30, 2017 | <u>\$19,316,998</u> | <u>\$3,491,901</u> | <u>\$275,624</u> | <u>\$1,549,998</u> | <u>\$24,634,521</u> |

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, 2017 was \$13,421,931 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 | \$7,636,442 | |
| 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 | | \$13,412,931 |
| Total | <u>\$13,412,931</u> | <u>\$13,412,931</u> |

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.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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.

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, 2016 | Additions | Retirements | Principal Outstanding June 30, 2017 | Current Portion |
|--|-----------------------------|---|---------------------|---------------------|---|--------------------|
| Tax Allocation Bonds, | | | | | | |
| 2004 Redevelopment Agency due 3/1/2034, interest at 3%-5.3% | \$44,790,000 | \$30,380,000 | | \$30,380,000 | | |
| 2006 Redevelopment Agency due 3/1/2036, interest at 3.75%-5.0% | 11,800,000 | 11,380,000 | | 11,380,000 | | |
| 2016 Refunding Redevelopment Agency due 3/1/2036, interest at 2.0%-5.0% | 35,270,000 | | \$35,270,000 | 2,035,000 | \$33,235,000 | \$1,685,000 |
| Add: Original Issue Premium | | | 3,680,168 | 184,009 | 3,496,159 | |
| Total | <u>\$91,860,000</u> | <u>\$41,760,000</u> | <u>\$38,950,168</u> | <u>\$43,979,009</u> | <u>\$36,731,159</u> | <u>\$1,685,000</u> |

At June 30, 2017, future debt service requirement for the Successor Agency were as follows:

| Year Ending June 30 | Governmental Activities | |
|-------------------------------------|--------------------------|---------------------|
| | Principal | Interest |
| 2018 | \$1,685,000 | \$1,550,975 |
| 2019 | 1,735,000 | 1,487,550 |
| 2020 | 1,805,000 | 1,417,450 |
| 2021 | 1,880,000 | 1,344,550 |
| 2022 | 1,975,000 | 1,254,250 |
| 2023 - 2027 | 11,360,000 | 4,669,125 |
| 2028 - 2032 | 7,650,000 | 2,008,125 |
| 2033 - 2036 | 5,145,000 | 513,200 |
| Totals | <u>\$33,235,000</u> | <u>\$14,245,225</u> |
| Plus unamortized premium | <u>3,496,159</u> | |
| Total Long-term debt principal, net | <u><u>36,731,159</u></u> | |

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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.

In November 2016, proceeds from the 2016 Tax Allocation Refunding Bonds were used to advance refund and defease the 2004 Tax Allocation Bonds.

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.

In November 2016, proceeds from the 2016 Tax Allocation Refunding Bonds were used to advance refund and defease the 2006 Tax Allocation Bonds.

2016 Tax Allocation Refunding Bonds

On November 29, 2016, the Successor Agency issued 2016 Tax Allocation Refunding Bonds in the amount of \$35,270,000. The proceeds of the Bonds were used to refund the 2004 Tax Allocation Bonds and 2006 Tax Allocation Bonds. 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 \$11,247,434. The net present value of the debt service savings is called an economic gain and amounted to \$4,771,267. 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 2.0% 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 2017, total tax increment calculated and available for distribution by the County Auditor-Controller was \$5,089,716, and the total received by the Successor Agency was \$5,089,716. The taxes available for distribution covered 100% of the \$2,382,642 of debt service.

CITY OF HAYWARD, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAYWARD
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 | 6/30/2016 |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service Cost | \$6,288,587 | \$5,922,880 | \$6,147,333 |
| Interest | 27,661,985 | 28,504,068 | 29,369,393 |
| Differences between expected and actual experience | | (3,128,990) | (1,584,352) |
| Changes in assumptions | | (6,628,461) | |
| Changes in benefits | | | |
| Benefit payments, including refunds of employee contributions | (19,351,565) | (21,117,520) | (22,169,235) |
| Net change in total pension liability | 14,599,007 | 3,551,977 | 11,763,139 |
| Total pension liability - beginning | 375,357,954 | 389,956,961 | 393,508,938 |
| Total pension liability - ending (a) | <u>\$389,956,961</u> | <u>\$393,508,938</u> | <u>\$405,272,077</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$7,412,951 | \$8,397,492 | \$9,973,051 |
| Contributions - employee | 3,116,188 | 3,176,411 | 3,159,686 |
| Net investment income | 42,388,729 | 6,280,326 | 1,454,000 |
| Benefit payments, including refunds of employee contributions | (19,351,565) | (21,117,520) | (22,169,235) |
| Plan to Plan Resource Movement | | 2,005 | (11,393) |
| Administrative Expense | | (311,784) | (168,838) |
| Net change in plan fiduciary net position | 33,566,303 | (3,573,070) | (7,762,729) |
| Plan fiduciary net position - beginning | 247,040,337 | 280,606,640 | 277,033,570 |
| Plan fiduciary net position - ending (b) | <u>\$280,606,640</u> | <u>\$277,033,570</u> | <u>\$269,270,841</u> |
| Net pension liability - ending (a)-(b) | <u>\$109,350,321</u> | <u>\$116,475,368</u> | <u>\$136,001,236</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 71.96% | 70.40% | 66.44% |
| Covered payroll | \$37,254,645 | \$37,577,455 | \$37,278,957 |
| Net pension liability as percentage of covered payroll | 293.52% | 309.96% | 364.82% |

Notes to Schedule:

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 percent.

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

Source: CalPERS Accounting Valuation

CITY OF HAYWARD
SCHEDULE OF CONTRIBUTIONS
Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

| Fiscal Year Ended June 30 | 2015 | 2016 | 2017 |
|---|--------------|--------------|--------------|
| Actuarially determined contribution | \$8,401,478 | \$10,026,685 | \$11,092,052 |
| Contributions in relation to the actuarially determined contributions | 8,401,478 | 10,026,685 | 11,092,052 |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 |
| Covered payroll | \$37,577,455 | \$37,278,957 | \$39,325,308 |
| Contributions as a percentage of covered payroll | 22.36% | 26.90% | 28.21% |

Notes to Schedule

| | | | |
|-----------------|-----------|-----------|-----------|
| Valuation date: | 6/30/2013 | 6/30/2014 | 6/30/2015 |
|-----------------|-----------|-----------|-----------|

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 using Scale AA published by the Society of Actuaries. |

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

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

CITY OF HAYWARD
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 | 6/30/2016 |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service Cost | \$4,037,733 | \$3,887,900 | \$4,145,914 |
| Interest | 17,319,964 | 18,049,868 | 19,111,623 |
| Differences between expected and actual experience | - | 763,164 | 5,499,415 |
| Changes in assumptions | - | (4,308,430) | |
| Changes in benefits | - | - | |
| Benefit payments, including refunds of employee contributions | (12,054,664) | (13,394,096) | (13,979,969) |
| Net change in total pension liability | 9,303,033 | 4,998,406 | 14,776,983 |
| Total pension liability - beginning | 234,941,316 | 244,244,349 | 249,242,755 |
| Total pension liability - ending (a) | \$244,244,349 | \$249,242,755 | \$264,019,738 |
| Plan fiduciary net position | | | |
| Contributions - employer | \$4,128,191 | \$4,969,514 | \$5,795,308 |
| Contributions - employee | 2,212,037 | 2,383,255 | 2,527,042 |
| Net investment income | 26,481,168 | 3,918,637 | 802,917 |
| Benefit payments, including refunds of employee contributions | (12,054,664) | (13,394,096) | (13,979,969) |
| Administrative Expense | - | (193,742) | (104,917) |
| Net change in plan fiduciary net position | 20,766,732 | (2,316,432) | (4,959,619) |
| Plan fiduciary net position - beginning | 153,701,396 | 174,468,128 | 172,151,696 |
| Plan fiduciary net position - ending (b) | \$174,468,128 | \$172,151,696 | \$167,192,077 |
| Net pension liability - ending (a)-(b) | \$69,776,221 | \$77,091,059 | \$96,827,661 |
| Plan fiduciary net position as a percentage of the total pension liability | 71.43% | 69.07% | 63.33% |
| Covered payroll | \$14,894,224 | \$15,304,881 | \$15,425,723 |
| Net pension liability as percentage of covered payroll | 468.48% | 503.70% | 627.70% |

Notes to Schedule:

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 percent.

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

Source: CalPERS Accounting Valuation

CITY OF HAYWARD
SCHEDULE OF CONTRIBUTIONS
 Fire Safety Plan - Agent Multiple-Employer Defined Pension Plan
 Last 10 Years*

| Fiscal Year Ended June 30 | 2015 | 2016 | 2017 |
|---|--------------|--------------|--------------|
| Actuarially determined contribution | \$4,879,642 | \$5,789,172 | \$6,383,503 |
| Contributions in relation to the actuarially determined contributions | 4,879,642 | 5,789,172 | 6,383,503 |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 |
| Covered payroll | \$15,304,881 | \$15,425,723 | \$16,579,674 |
| Contributions as a percentage of covered payroll | 31.88% | 37.53% | 38.50% |

Notes to Schedule

| | | | |
|-----------------|-----------|-----------|-----------|
| Valuation date: | 6/30/2013 | 6/30/2014 | 6/30/2015 |
|-----------------|-----------|-----------|-----------|

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 7.50%, net of pension plan investment expense, including inflation |
| Investment rate of return | |
| 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 using Scale AA published by the Society of Actuaries. |

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

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

CITY OF HAYWARD
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 | 6/30/2014 | 6/30/2015 | 6/30/2016 |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service Cost | \$6,810,663 | \$6,454,659 | \$6,807,555 |
| Interest | 22,705,717 | 23,663,122 | 25,023,071 |
| Differences between expected and actual experience | - | (823,804) | 4,712,282 |
| Changes in assumptions | - | (5,929,992) | - |
| Changes in benefits | - | - | - |
| Benefit payments, including refunds of employee contributions | (15,228,912) | (16,782,338) | (17,676,444) |
| Net change in total pension liability | 14,287,468 | 6,581,647 | 18,866,464 |
| Total pension liability - beginning | 306,952,014 | 321,239,482 | 327,821,129 |
| Total pension liability - ending (a) | \$321,239,482 | \$327,821,129 | \$346,687,593 |
| Plan fiduciary net position | | | |
| Contributions - employer | \$5,781,918 | \$7,594,532 | \$8,594,361 |
| Contributions - employee | 3,731,615 | 3,296,967 | 3,666,124 |
| Net investment income | 32,686,768 | 4,819,953 | 1,028,532 |
| Benefit payments, including refunds of employee contributions | (15,228,912) | (16,782,338) | (17,676,444) |
| Net Plan to Plan Resource Movement | - | - | 11,302 |
| Administrative Expense | - | (241,860) | (130,972) |
| Net change in plan fiduciary net position | 26,971,389 | (1,312,746) | (4,507,097) |
| Plan fiduciary net position - beginning | 189,244,302 | 216,215,691 | 214,902,945 |
| Plan fiduciary net position - ending (b) | \$216,215,691 | \$214,902,945 | \$210,395,848 |
| Net pension liability - ending (a)-(b) | \$105,023,791 | \$112,918,184 | \$136,291,745 |
| Plan fiduciary net position as a percentage of the total pension liability | 67.31% | 65.55% | 60.69% |
| Covered payroll | \$21,359,362 | \$22,033,138 | \$21,649,761 |
| Net pension liability as percentage of covered payroll | 491.70% | 512.49% | 629.53% |

Notes to Schedule:

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 percent.

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

Source: CalPERS Accounting Valuation

CITY OF HAYWARD
SCHEDULE OF CONTRIBUTIONS
Police Safety Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

| Fiscal Year Ended June 30 | 2015 | 2016 | 2017 |
|---|------------------|------------------|-------------------|
| Actuarially determined contribution | \$7,487,975 | \$8,650,555 | \$10,512,716 |
| Contributions in relation to the actuarially determined contributions | <u>7,487,975</u> | <u>8,650,555</u> | <u>10,512,716</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Covered payroll | \$22,033,138 | \$21,649,761 | \$22,884,077 |
| Contributions as a percentage of covered payroll | 33.99% | 39.96% | 45.94% |

Notes to Schedule

| | | | |
|-----------------|-----------|-----------|-----------|
| Valuation date: | 6/30/2013 | 6/30/2014 | 6/30/2015 |
|-----------------|-----------|-----------|-----------|

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 using Scale AA published by the Society of Actuaries. |

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

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

RETIREE MEDICAL BENEFITS (OPEB) SCHEDULE OF FUNDING PROGRESS

| Actuarial | | | Unfunded Accrued Liability | Funded Ratio | Covered Payroll | Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll |
|-------------------|--------------------|----------------------|----------------------------------|-----------------|--------------------|--|
| Valuation Date | 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, 2017

| | Budgeted Amounts | | Actual Amounts Budgetary Basis* | Variance with Adjusted Budget Positive (Negative) |
|--|------------------|---------------|------------------------------------|--|
| | Adopted | Adjusted | | |
| REVENUES: | | | | |
| Property taxes | \$46,004,970 | \$46,224,970 | \$47,195,566 | \$970,596 |
| Sales taxes | 46,068,896 | 46,462,636 | 48,848,674 | 2,386,038 |
| Utility user tax | 16,543,000 | 16,593,000 | 20,753,813 | 4,160,813 |
| Other tax | 23,778,000 | 23,808,000 | 26,820,222 | 3,012,222 |
| Licenses and permits | 5,608,810 | 6,058,810 | 7,765,527 | 1,706,717 |
| Fines and forfeitures | 2,014,251 | 2,039,251 | 2,428,970 | 389,719 |
| Investment and rental income | 614,000 | 614,000 | 466,521 | (147,479) |
| Intergovernmental | 8,038,172 | 7,116,916 | 6,558,579 | (558,337) |
| Fees and charges for services | 6,598,050 | 6,847,779 | 8,713,378 | 1,865,599 |
| Total Revenues | 155,268,149 | 155,765,362 | 169,551,250 | 13,785,888 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 13,159,052 | 14,345,802 | 13,182,512 | 1,163,290 |
| Public safety | 107,223,256 | 108,248,808 | 110,187,351 | (1,938,543) |
| Public works and transportation | 2,633,510 | 2,653,774 | 2,755,536 | (101,762) |
| Library and community services | 5,907,922 | 5,933,284 | 5,552,560 | 380,724 |
| Planning and building | 7,399,649 | 9,171,774 | 8,465,010 | 706,764 |
| Maintenance services | 7,500,897 | 7,510,524 | 6,857,236 | 653,288 |
| Total Expenditures | 143,824,286 | 147,863,966 | 147,000,205 | 863,761 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 11,443,863 | 7,901,396 | 22,551,045 | 14,649,649 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 2,560,053 | 2,615,053 | 2,627,118 | 12,065 |
| Transfers (out) | (11,404,427) | (14,127,533) | (29,535,499) | (15,407,966) |
| Total Other Financing Sources (Uses) | (8,844,374) | (11,512,480) | (26,908,381) | (15,395,901) |
| NET CHANGE IN FUND BALANCE | \$2,599,489 | (\$3,611,084) | (4,357,336) | (\$746,252) |
| BEGINNING FUND BALANCE | | | 44,059,093 | |
| ENDING FUND BALANCE | | | \$39,701,757 | |

* 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, 2017

| | <u>Original Budget</u> | <u>Adjusted Budget</u> | <u>Actual</u> | <u>Variance with Adjusted Budget Positive (Negative)</u> |
|--------------------------------------|------------------------|------------------------|---------------------|--|
| REVENUES: | | | | |
| Investment income | | | \$12,833 | \$12,833 |
| Intergovernmental | \$494,075 | \$571,771 | 791,396 | 219,625 |
| Fees and charges for services | | 23,000 | 108,044 | 85,044 |
| | <u>494,075</u> | <u>594,771</u> | <u>912,273</u> | <u>317,502</u> |
| Total Revenues | | | | |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works and transportation | 415,372 | 1,353,577 | 160,149 | 1,193,428 |
| | <u>415,372</u> | <u>1,353,577</u> | <u>160,149</u> | <u>1,193,428</u> |
| Total Expenditures | | | | |
| EXCESS OF REVENUES OVER | <u>78,703</u> | <u>(758,806)</u> | <u>752,124</u> | <u>1,510,930</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | | 350,000 | 350,000 | |
| | <u></u> | <u>350,000</u> | <u>350,000</u> | <u></u> |
| Total Other Financing Sources (Uses) | | | | |
| NET CHANGE IN FUND BALANCE | <u>\$78,703</u> | <u>(\$408,806)</u> | <u>1,102,124</u> | <u>\$1,510,930</u> |
| BEGINNING FUND BALANCE | | | <u>13,183,166</u> | |
| ENDING FUND BALANCE | | | <u>\$14,285,290</u> | |

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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Adjusted Budget Positive (Negative)</u> |
|--------------------------------------|------------------------|---------------------|---------------------|--|
| REVENUES: | | | | |
| Investment income | \$57,385 | \$57,385 | \$378,097 | \$320,712 |
| Other revenue | 74,562 | 74,562 | 328,360 | 253,798 |
| Total Revenues | <u>131,947</u> | <u>131,947</u> | <u>706,457</u> | <u>574,510</u> |
| EXPENDITURES: | | | | |
| Library and community services | <u>123,141</u> | <u>860,486</u> | <u>371,354</u> | <u>489,132</u> |
| Total Expenditures | <u>123,141</u> | <u>860,486</u> | <u>371,354</u> | <u>489,132</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers (out) | <u>(3,541)</u> | <u>(3,541)</u> | <u>(3,541)</u> | |
| Total Other Financing Sources (Uses) | <u>(3,541)</u> | <u>(3,541)</u> | <u>(3,541)</u> | |
| NET CHANGE IN FUND BALANCE | <u>\$5,265</u> | <u>(\$728,539)</u> | 331,562 | <u>\$1,060,101</u> |
| BEGINNING FUND BALANCE, AS RESTATED | | | <u>22,163,306</u> | |
| ENDING FUND BALANCE | | | <u>\$22,494,868</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, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Adjusted Budget Positive (Negative)</u> |
|---|------------------------------|-------------------------------|----------------------------|--|
| REVENUES: | | | | |
| Other taxes | | | \$688,970 | \$688,970 |
| Investment income | | | 329,569 | 329,569 |
| Intergovernmental | | | 7,395,094 | 7,395,094 |
| Fees and charges for services | | | 228 | 228 |
| Licenses and permits | | | 983 | 983 |
| Other revenue | | | 3,061,021 | 3,061,021 |
| | | | | |
| Total Revenues | | | 11,475,865 | 11,475,865 |
| EXPENDITURES: | | | | |
| Capital outlay | \$35,735,000 | \$100,509,881 | 38,878,656 | 61,631,225 |
| | | | | |
| Total Expenditures | 35,735,000 | 100,509,881 | 38,878,656 | 61,631,225 |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>(35,735,000)</u> | <u>(100,509,881)</u> | <u>(27,402,791)</u> | <u>73,107,090</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 1,039,000 | 1,739,000 | 24,319,707 | 22,580,707 |
| Transfers (out) | <u>(6,600,000)</u> | <u>(6,600,000)</u> | <u>(6,600,000)</u> | |
| | | | | |
| Total Other Financing Sources (Uses) | <u>(5,561,000)</u> | <u>(4,861,000)</u> | <u>17,719,707</u> | <u>22,580,707</u> |
| NET CHANGE IN FUND BALANCE | <u><u>(\$41,296,000)</u></u> | <u><u>(\$105,370,881)</u></u> | <u>(9,683,084)</u> | <u><u>\$95,687,797</u></u> |
| BEGINNING FUND BALANCE | | | <u>68,374,788</u> | |
| ENDING FUND BALANCE | | | <u><u>\$58,691,704</u></u> | |

COMBINING GENERAL FUND SCHEDULES

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CITY OF HAYWARD
GENERAL FUND
COMBINING BALANCE SHEETS
JUNE 30, 2017

| | General Fund | | |
|---|---------------------|------------------------------|---------------------|
| | General Purpose | Measure C District Sales Tax | Total |
| ASSETS: | | | |
| Cash and investments | \$26,319,801 | \$7,948,229 | \$34,268,030 |
| Accounts receivable, net | 1,830,543 | | 1,830,543 |
| Due from other governments | 4,907,972 | 2,101,200 | 7,009,172 |
| Due from other funds | 681,651 | | 681,651 |
| Long-term loans to the Private Purpose Trust Fund | 7,636,442 | | 7,636,442 |
| Deposits, parts, supplies and other | 18,559 | 2,000 | 20,559 |
| Total Assets | <u>\$41,394,968</u> | <u>\$10,051,429</u> | <u>\$51,446,397</u> |
| LIABILITIES: | | | |
| Accounts payable | \$1,417,575 | \$2,858 | \$1,420,433 |
| Accrued liabilities | 5,333,380 | 25,982 | 5,359,362 |
| Advances from other funds | 3,311,644 | | 3,311,644 |
| Refundable deposits | 1,653,201 | | 1,653,201 |
| Total Liabilities | <u>11,715,800</u> | <u>28,840</u> | <u>11,744,640</u> |
| FUND BALANCES: | | | |
| Nonspendable | 7,655,001 | 2,000 | 7,657,001 |
| Assigned | 256,170 | 10,020,589 | 10,276,759 |
| Unassigned | 21,767,997 | | 21,767,997 |
| Total Fund Balances (Deficit) | <u>29,679,168</u> | <u>10,022,589</u> | <u>39,701,757</u> |
| Total Liabilities and Fund Balances | <u>\$41,394,968</u> | <u>\$10,051,429</u> | <u>\$51,446,397</u> |

CITY OF HAYWARD
GENERAL FUND
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

| | General Fund | | |
|---|--------------|------------------------------|--------------|
| | General Fund | Measure C District Sales Tax | Total |
| REVENUES: | | | |
| Property taxes | \$47,195,566 | | \$47,195,566 |
| Sales taxes | 34,839,287 | \$14,009,387 | 48,848,674 |
| Utility users tax | 20,753,813 | | 20,753,813 |
| Other taxes | 26,820,222 | | 26,820,222 |
| Licenses and permits | 7,765,527 | | 7,765,527 |
| Fines and forfeitures | 2,428,970 | | 2,428,970 |
| Investment income | 260,227 | 180,220 | 440,447 |
| Rental income | 26,074 | | 26,074 |
| Intergovernmental | 6,558,579 | | 6,558,579 |
| Fees and charges for services | 5,679,408 | | 5,679,408 |
| Other revenue | 3,033,970 | | 3,033,970 |
| Total Revenues | 155,361,643 | 14,189,607 | 169,551,250 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 13,152,618 | 29,894 | 13,182,512 |
| Public safety | 108,394,217 | 1,793,134 | 110,187,351 |
| Public works and transportation | 2,755,536 | | 2,755,536 |
| Library and community services | 5,552,560 | | 5,552,560 |
| Planning and building | 8,465,010 | | 8,465,010 |
| Maintenance services | 6,285,131 | 572,105 | 6,857,236 |
| Total Expenditures | 144,605,072 | 2,395,133 | 147,000,205 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 10,756,571 | 11,794,474 | 22,551,045 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 2,627,118 | | 2,627,118 |
| Transfers (out) | (14,533,971) | (15,001,528) | (29,535,499) |
| Total Other Financing Sources (Uses) | (11,906,853) | (15,001,528) | (26,908,381) |
| CHANGE IN FUND BALANCES | (1,150,282) | (3,207,054) | (4,357,336) |
| BEGINNING FUND BALANCES (DEFICITS) | 30,829,450 | 13,229,643 | 44,059,093 |
| ENDING FUND BALANCES (DEFICITS) | \$29,679,168 | \$10,022,589 | \$39,701,757 |

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
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

| | SPECIAL REVENUE FUNDS | | | |
|---|-------------------------|---|-----------------------------------|------------------------------|
| | Special Gasoline Tax | Community Development Block Grant | Housing Mortgage Revenue Bonds | Park Dedication Ordinance |
| ASSETS: | | | | |
| Cash and investments | \$161,532 | \$1,120,164 | \$1,022,429 | \$5,733,694 |
| Cash and investments with fiscal agents | | | | |
| Accounts receivable, net | 118,669 | | | |
| Due from other governments | 274,286 | 527,205 | | |
| Interest receivable | | | 3,300 | |
| Loans receivable | | 4,706,250 | 221,836 | |
| Land held for resale | | | | |
| Total Assets | <u>\$554,487</u> | <u>\$6,353,619</u> | <u>\$1,247,565</u> | <u>\$5,733,694</u> |
| LIABILITIES: | | | | |
| Accounts payable | \$154,972 | \$104,859 | \$1,643 | |
| Accrued liabilities | | 7,387 | 1,368 | |
| Due to other funds | | | | |
| Unearned revenue | | | | |
| Refundable deposits | | | | \$1,500,000 |
| Total Liabilities | <u>154,972</u> | <u>112,246</u> | <u>3,011</u> | <u>1,500,000</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unavailable revenue - grants receivable | <u>118,669</u> | | | |
| Total Deferred Inflows of Resources | <u>118,669</u> | | | |
| FUND BALANCES: | | | | |
| Restricted | | | | |
| Public safety | | | | |
| Public works and transportation | 280,846 | | | |
| Planning and building | | | | 4,233,694 |
| Economic development | | 6,241,373 | 1,244,554 | |
| Debt service | | | | |
| Total Fund Balances | <u>280,846</u> | <u>6,241,373</u> | <u>1,244,554</u> | <u>4,233,694</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$554,487</u> | <u>\$6,353,619</u> | <u>\$1,247,565</u> | <u>\$5,733,694</u> |

SPECIAL REVENUE FUNDS

| Business Improvement | Donation | Recycling | Narcotics Asset Seizure | Park Maintenance District | Measure B Local Streets and Roads |
|----------------------|------------------|--------------------|-------------------------|---------------------------|-----------------------------------|
| \$160,796 | \$868,311 | \$1,624,162 | \$715,011 | \$3,154,133 | \$3,156,795 |
| 4,140 | 1,250 | | 66,153 | 6,151 | 365,055 |
| | 7,545 | 53,631 | | | |
| | | 1,111,118 | | | |
| <u>\$164,936</u> | <u>\$877,106</u> | <u>\$2,788,911</u> | <u>\$781,164</u> | <u>\$3,160,284</u> | <u>\$3,521,850</u> |
| \$22,297 | \$97,696 | \$50,609 | | \$58,823 | \$743,661 |
| | 400 | 4,170 | | 73 | |
| | 1,250 | | \$52,058 | | |
| <u>22,297</u> | <u>99,346</u> | <u>54,779</u> | <u>52,058</u> | <u>58,896</u> | <u>743,661</u> |
| <u>4,140</u> | | | | | |
| <u>4,140</u> | | | | | |
| | | | 729,106 | | |
| 138,499 | 777,760 | 2,734,132 | | 3,101,388 | 2,778,189 |
| <u>138,499</u> | <u>777,760</u> | <u>2,734,132</u> | <u>729,106</u> | <u>3,101,388</u> | <u>2,778,189</u> |
| <u>\$164,936</u> | <u>\$877,106</u> | <u>\$2,788,911</u> | <u>\$781,164</u> | <u>\$3,160,284</u> | <u>\$3,521,850</u> |

(Continued)

CITY OF HAYWARD
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2017

| | SPECIAL REVENUE FUNDS | | | |
|---|-------------------------|--------------------------|--------------------|--------------------|
| | Measure B Pedestrian | Measure B Paratransit | Measure BB | Measure F |
| ASSETS: | | | | |
| Cash and investments | \$711,683 | \$1,192,871 | \$3,738,575 | \$881,691 |
| Cash and investments with fiscal agents | | | | |
| Accounts receivable, net | | | | |
| Due from other governments | 75,315 | 135,557 | 506,997 | 139,144 |
| Interest receivable | | | | |
| Loans receivable | | | | |
| Land held for resale | | | | |
| Total Assets | <u>\$786,998</u> | <u>\$1,328,428</u> | <u>\$4,245,572</u> | <u>\$1,020,835</u> |
| LIABILITIES: | | | | |
| Accounts payable | \$4,172 | \$113,558 | \$143,969 | |
| Accrued liabilities | | 2,036 | | |
| Due to other funds | | | | |
| Unearned revenue | | | | |
| Refundable deposits | | | | |
| Total Liabilities | <u>4,172</u> | <u>115,594</u> | <u>143,969</u> | |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unavailable revenue - grants receivable | | | | |
| Total Deferred Inflows of Resources | | | | |
| FUND BALANCES: | | | | |
| Restricted | | | | |
| Public safety | | | | |
| Public works and transportation | 782,826 | 1,212,834 | 4,101,603 | \$1,020,835 |
| Planning and building | | | | |
| Economic development | | | | |
| Debt service | | | | |
| Total Fund Balances | <u>782,826</u> | <u>1,212,834</u> | <u>4,101,603</u> | <u>1,020,835</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$786,998</u> | <u>\$1,328,428</u> | <u>\$4,245,572</u> | <u>\$1,020,835</u> |

| SPECIAL REVENUE FUND | DEBT SERVICE FUND | CAPITAL PROJECTS FUNDS | | | |
|----------------------------|-------------------------|--------------------------------|--------------------------------------|-------------------------|---|
| Local Grants | | Traffic Signal Construction | Route 238 Corridor Improvement | Performance Deposits | Total Nonmajor Governmental Funds |
| \$49,378 | \$8,073,086 51,377 | \$238,590 | | \$374,312 | \$32,977,213 51,377 |
| | | 175,404 | \$198,421 | | 497,884 |
| 11,500 | | | | | 2,107,363 |
| | | | | | 10,845 |
| | | | | | 4,981,717 |
| | | | 2,741,113 | | 3,852,231 |
| <u>\$60,878</u> | <u>\$8,124,463</u> | <u>\$413,994</u> | <u>\$2,939,534</u> | <u>\$374,312</u> | <u>\$44,478,630</u> |
| \$39,315 | | \$42,790 | \$14,830 | | \$1,593,194 |
| | | | | \$2,572 | 18,006 |
| | | | 681,651 | | 681,651 |
| | | | 198,421 | | 251,729 |
| | | | | 360,504 | 1,860,504 |
| <u>39,315</u> | | <u>42,790</u> | <u>894,902</u> | <u>363,076</u> | <u>4,405,084</u> |
| | | 175,404 | | | 298,213 |
| | | 175,404 | | | 298,213 |
| | | | | | 729,106 |
| 21,563 | | 195,800 | 2,044,632 | 11,236 | 15,184,496 |
| | | | | | 8,251,341 |
| | | | | | 7,485,927 |
| | <u>\$8,124,463</u> | | | | <u>8,124,463</u> |
| <u>21,563</u> | <u>8,124,463</u> | <u>195,800</u> | <u>2,044,632</u> | <u>11,236</u> | <u>39,775,333</u> |
| <u>\$60,878</u> | <u>\$8,124,463</u> | <u>\$413,994</u> | <u>\$2,939,534</u> | <u>\$374,312</u> | <u>\$44,478,630</u> |

CITY OF HAYWARD
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

| | 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 | \$8,174 | \$42,622 | \$13,700 | \$55,092 |
| Intergovernmental | 3,039,924 | 964,711 | | |
| Fees and charges for services | 1,897 | | | |
| Other | 577 | 240,394 | 209,856 | 1,916,764 |
| Total Revenues | 3,050,572 | 1,247,727 | 223,556 | 1,971,856 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | | | | |
| Public works and transportation | | | 158,281 | |
| Library and community services | | | | |
| Economic development | | | | |
| Planning and building | | 32,385 | | |
| Maintenance services | | | | |
| Capital outlay | 2,857,766 | | | |
| Debt service: | | | | |
| Principal repayment | 256,987 | | | |
| Interest and fiscal charges | | | | |
| Bond issuance cost | | | | |
| Total Expenditures | 3,114,753 | 32,385 | 158,281 | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (64,181) | 1,215,342 | 65,275 | 1,971,856 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | | | |
| Transfers (out) | (587,000) | (13,468) | (19,790) | |
| Total Other Financing Sources (Uses) | (587,000) | (13,468) | (19,790) | |
| NET CHANGE IN FUND BALANCES | (651,181) | 1,201,874 | 45,485 | 1,971,856 |
| BEGINNING FUND BALANCES, as restated (Note 1) | 932,027 | 5,039,499 | 1,199,069 | 2,261,838 |
| ENDING FUND BALANCES | \$280,846 | \$6,241,373 | \$1,244,554 | \$4,233,694 |

SPECIAL REVENUE FUNDS

| Business Improvement | Donation | Recycling | Narcotics Asset Seizure | Park Maintenance District | Measure B Local Streets and Roads |
|----------------------|-------------|-------------|-------------------------|---------------------------|-----------------------------------|
| \$1,396 | | \$7,840 | | | |
| | | | \$70,994 | | |
| 2,061 | \$29,644 | 21,068 | 8,859 | \$1,026,071 | \$34,026 |
| | | 1,669,901 | | 36,985 | 2,362,645 |
| | 24,072 | | | | |
| | 178,109 | 6,507 | | 39,943 | |
| 3,457 | 231,825 | 1,705,316 | 79,853 | 1,102,999 | 2,396,671 |
| | | | | | |
| | 129,075 | | | | |
| | 141,399 | 582,230 | | | |
| 56,797 | | | | | |
| | | | | 854,032 | |
| | | | | | 1,911,263 |
| | | | | | |
| 56,797 | 270,474 | 582,230 | | 854,032 | 1,911,263 |
| (53,340) | (38,649) | 1,123,086 | 79,853 | 248,967 | 485,408 |
| | | | | | |
| | (6,800,000) | (44,824) | | | |
| | (6,800,000) | (44,824) | | | |
| (53,340) | (6,838,649) | 1,078,262 | 79,853 | 248,967 | 485,408 |
| 191,839 | 7,616,409 | 1,655,870 | 649,253 | 2,852,421 | 2,292,781 |
| \$138,499 | \$777,760 | \$2,734,132 | \$729,106 | \$3,101,388 | \$2,778,189 |

(Continued)

CITY OF HAYWARD
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

| | SPECIAL REVENUE FUNDS | | | |
|--|-------------------------|--------------------------|-------------|-------------|
| | Measure B Pedestrian | Measure B Paratransit | Measure BB | Measure F |
| REVENUES: | | | | |
| Other taxes | | | | |
| Fines and forfeitures | | | | |
| Special assessments | | | | |
| Investment income | \$7,423 | \$37,207 | \$39,915 | \$10,563 |
| Intergovernmental | 487,442 | 877,330 | 3,277,369 | 776,620 |
| Fees and charges for services | | | | |
| Other | | | | |
| Total Revenues | 494,865 | 914,537 | 3,317,284 | 787,183 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | | | | |
| Public works and transportation | | | 201,709 | 1,954 |
| Library and community services | | 754,994 | | |
| Economic development | | | | |
| Planning and building | | | | |
| Maintenance services | | | | |
| Capital outlay | 122,843 | | 2,205,742 | 810,693 |
| Debt service: | | | | |
| Principal repayment | | | | |
| Interest and fiscal charges | | | | |
| Bond issuance cost | | | | |
| Total Expenditures | 122,843 | 754,994 | 2,407,451 | 812,647 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 372,022 | 159,543 | 909,833 | (25,464) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | | | |
| Transfers (out) | | (58,885) | | |
| Total Other Financing Sources (Uses) | | (58,885) | | |
| NET CHANGE IN FUND BALANCES | 372,022 | 100,658 | 909,833 | (25,464) |
| BEGINNING FUND BALANCES, as restated (Note 1) | 410,804 | 1,112,176 | 3,191,770 | 1,046,299 |
| ENDING FUND BALANCES | \$782,826 | \$1,212,834 | \$4,101,603 | \$1,020,835 |

| 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 |
| | | | | | \$9,236 |
| | | | | | 70,994 |
| | | | | | 1,026,071 |
| \$358 | \$101,816 | \$5,412 | \$100,054 | \$4,292 | 559,271 |
| 139,966 | | 62,392 | | | 13,658,300 |
| | | | 75,532 | | 101,501 |
| 7,745 | | | 2,059,344 | | 4,659,239 |
| \$148,069 | 101,816 | 67,804 | 2,234,930 | 4,292 | 20,084,612 |
| 144,921 | | | | | 273,996 |
| | | | | | 1,085,573 |
| | | | | | 754,994 |
| | | | | | 56,797 |
| | | | | | 32,385 |
| | | | | | 854,032 |
| | | 703,056 | 1,482,261 | | 10,093,624 |
| | 2,304,061 | | | | 2,561,048 |
| | 3,303,835 | | | | 3,303,835 |
| | 2,972 | | | | 2,972 |
| 144,921 | 5,610,868 | 703,056 | 1,482,261 | | 19,019,256 |
| 3,148 | (5,509,052) | (635,252) | 752,669 | 4,292 | 1,065,356 |
| | 12,906,606 | 350,000 | | | 13,256,606 |
| | | | (455,000) | | (7,978,967) |
| | 12,906,606 | 350,000 | (455,000) | | 5,277,639 |
| 3,148 | 7,397,554 | (285,252) | 297,669 | 4,292 | 6,342,995 |
| 18,415 | 726,909 | 481,052 | 1,746,963 | 6,944 | 33,432,338 |
| \$21,563 | \$8,124,463 | \$195,800 | \$2,044,632 | \$11,236 | \$39,775,333 |

CITY OF HAYWARD
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| SPECIAL REVENUE FUNDS | | | | | |
|--|----------------------|------------------|------------------------------------|-----------------------------------|------------------------------------|
| | Special Gasoline Tax | | | Community Development Block Grant | |
| | Adjusted Budget | Actual | Variance Positive (Negative) | Adjusted Budget | Variance Positive (Negative) |
| REVENUES: | | | | | |
| Other taxes | | | | | |
| Fines and forfeitures | | | | | |
| Special assessments | | | | | |
| Investment income | | \$8,174 | \$8,174 | \$1,667 | \$42,622 |
| Intergovernmental | | 3,039,924 | 3,039,924 | 1,402,417 | 964,711 |
| Fees and charges for services | | 1,897 | 1,897 | | |
| Other | | 577 | 577 | 145,332 | 240,394 |
| Total Revenues | | 3,050,572 | 3,050,572 | 1,549,416 | 1,247,727 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Public safety | | | | | |
| Public works and transportation | | | | | |
| Library and community services | | | | 2,176,248 | 2,176,248 |
| Economic development | | | | | |
| Planning and building | | | | 941,152 | 32,385 |
| Maintenance services | | | | | 908,767 |
| Capital outlay | \$4,040,154 | 2,857,766 | 1,182,388 | | |
| Debt service | | | | | |
| Principal repayment | | 256,987 | (256,987) | | |
| Interest and fiscal charges | | | | | |
| Bond issuance cost | | | | | |
| Total Expenditures | 4,040,154 | 3,114,753 | 925,401 | 3,117,400 | 32,385 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (4,040,154) | (64,181) | 3,975,973 | (1,567,984) | 1,215,342 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | | | | | |
| Transfers (out) | (587,000) | (587,000) | | (13,468) | (13,468) |
| Total Other Financing Sources (Uses) | (587,000) | (587,000) | | (13,468) | (13,468) |
| NET CHANGE IN FUND BALANCES | <u>(\$4,627,154)</u> | <u>(651,181)</u> | <u>\$3,975,973</u> | <u>(\$1,581,452)</u> | <u>1,201,874</u> |
| BEGINNING FUND BALANCES, as restated (Note 1) | | 932,027 | | | 5,039,499 |
| ENDING FUND BALANCES | | <u>\$280,846</u> | | | <u>\$6,241,373</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) |
| | | | | | | | \$1,396 | \$1,396 |
| \$5,500 | \$13,700 | \$8,200 | | \$55,092 | \$55,092 | | 2,061 | 2,061 |
| 184,029 | 209,856 | 25,827 | \$2,235,906 | 1,916,764 | (319,142) | | | |
| 189,529 | 223,556 | 34,027 | 2,235,906 | 1,971,856 | (264,050) | | 3,457 | 3,457 |
| 312,453 | 158,281 | 154,172 | | | | | | |
| | | | 2,638,816 | | 2,638,816 | \$112,843 | 56,797 | 56,046 |
| 312,453 | 158,281 | 154,172 | 2,638,816 | | 2,638,816 | 112,843 | 56,797 | 56,046 |
| (122,924) | 65,275 | 188,199 | (402,910) | 1,971,856 | 2,374,766 | (112,843) | (53,340) | 59,503 |
| (19,790) | (19,790) | | | | | | | |
| (19,790) | (19,790) | | | | | | | |
| (\$142,714) | 45,485 | \$188,199 | (\$402,910) | 1,971,856 | \$2,374,766 | (\$112,843) | (53,340) | \$59,503 |
| | 1,199,069 | | | 2,261,838 | | | 191,839 | |
| | \$1,244,554 | | | \$4,233,694 | | | \$138,499 | |

(Continued)

CITY OF HAYWARD
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | SPECIAL REVENUE FUNDS | | | | | |
|--|-----------------------|-------------|------------------------------------|--------------------|-------------|------------------------------------|
| | Donation | | | Recycling | | |
| | Adjusted Budget | Actual | Variance Positive (Negative) | Adjusted Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | | | | |
| Other taxes | | | | \$10,000 | \$7,840 | (\$2,160) |
| Fines and forfeitures | | | | | | |
| Special assessments | | | | | | |
| Investment income | | \$29,644 | \$29,644 | 4,000 | 21,068 | 17,068 |
| Intergovernmental | | | | 1,528,793 | 1,669,901 | 141,108 |
| Fees and charges for services | \$24,073 | 24,072 | (1) | | | |
| Other | 152,363 | 178,109 | 25,746 | 2,500 | 6,507 | 4,007 |
| | | | | | | |
| Total Revenues | 176,436 | 231,825 | 55,389 | 1,545,293 | 1,705,316 | 160,023 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Public safety | 629,015 | 129,075 | 499,940 | | | |
| Public works and transportation | 166,301 | 141,399 | 24,902 | 2,549,707 | 582,230 | 1,967,477 |
| 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 | 795,316 | 270,474 | 524,842 | 2,549,707 | 582,230 | 1,967,477 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (618,880) | (38,649) | 580,231 | (1,004,414) | 1,123,086 | 2,127,500 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | | | | | | |
| Transfers (out) | | (6,800,000) | (6,800,000) | (44,824) | (44,824) | |
| | | | | | | |
| Total Other Financing Sources (Uses) | | (6,800,000) | (6,800,000) | (44,824) | (44,824) | |
| NET CHANGE IN FUND BALANCES | (\$618,880) | (6,838,649) | (\$6,219,769) | (\$1,049,238) | 1,078,262 | \$2,127,500 |
| BEGINNING FUND BALANCES, as restated (Note 1) | | 7,616,409 | | | 1,655,870 | |
| ENDING FUND BALANCES | | \$777,760 | | | \$2,734,132 | |

SPECIAL REVENUE FUNDS

| Narcotics Asset Seizure | | | Park Maintenance District | | | Measure B Local Streets and Roads | | |
|-------------------------|-----------|------------------------------------|---------------------------|-------------|------------------------------------|-----------------------------------|-------------|------------------------------------|
| Adjusted Budget | Actual | Variance Positive (Negative) | Adjusted Budget | Actual | Variance Positive (Negative) | Adjusted Budget | Actual | Variance Positive (Negative) |
| | \$70,994 | \$70,994 | | | | | | |
| | 8,859 | 8,859 | \$960,955 | \$1,026,071 | \$65,116 | | \$34,026 | \$34,026 |
| | | | | 36,985 | 36,985 | | 2,362,645 | 2,362,645 |
| | | | 39,943 | 39,943 | | | | |
| | 79,853 | 79,853 | 1,000,898 | 1,102,999 | 102,101 | | 2,396,671 | 2,396,671 |
| \$93,000 | | 93,000 | | | | | | |
| | | | 1,171,542 | 854,032 | 317,510 | \$4,727,525 | 1,911,263 | 2,816,262 |
| 93,000 | | 93,000 | 1,171,542 | 854,032 | 317,510 | 4,727,525 | 1,911,263 | 2,816,262 |
| (93,000) | 79,853 | 172,853 | (170,644) | 248,967 | 419,611 | (4,727,525) | 485,408 | 5,212,933 |
| | | | | | | | | |
| | | | | | | | | |
| (\$93,000) | 79,853 | \$172,853 | (\$170,644) | 248,967 | \$419,611 | (\$4,727,525) | 485,408 | \$5,212,933 |
| | 649,253 | | | 2,852,421 | | | 2,292,781 | |
| | \$729,106 | | | \$3,101,388 | | | \$2,778,189 | |

(Continued)

CITY OF HAYWARD
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | SPECIAL REVENUE FUNDS | | | | | |
|--|-----------------------|------------------|------------------------------------|-----------------------|--------------------|------------------------------------|
| | Measure B Pedestrian | | | Measure B Paratransit | | |
| | Adjusted Budget | Actual | Variance Positive (Negative) | Adjusted Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | | | | |
| Other taxes | | | | | | |
| Fines and forfeitures | | | | | | |
| Special assessments | | | | | | |
| Investment income | | \$7,423 | \$7,423 | | \$14,443 | \$14,443 |
| Intergovernmental | | 487,442 | 487,442 | \$845,183 | 877,330 | 32,147 |
| Fees and charges for services | | | | | | |
| Other | | | | 41,300 | 22,764 | (18,536) |
| Total Revenues | | 494,865 | 494,865 | 886,483 | 914,537 | 28,054 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Public safety | | | | | | |
| Public works and transportation | | | | | | |
| Library and community services | | | | 1,139,767 | 754,994 | 384,773 |
| Economic development | | | | | | |
| Planning and building | | | | | | |
| Maintenance services | | | | | | |
| Capital outlay | \$893,865 | 122,843 | 771,022 | | | |
| Debt service | | | | | | |
| Principal repayment | | | | | | |
| Interest and fiscal charges | | | | | | |
| Bond issuance cost | | | | | | |
| Total Expenditures | 893,865 | 122,843 | 771,022 | 1,139,767 | 754,994 | 384,773 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (893,865) | 372,022 | 1,265,887 | (253,284) | 159,543 | 412,827 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | | | | | | |
| Transfers (out) | | | | (58,885) | (58,885) | |
| Total Other Financing Sources (Uses) | | | | (58,885) | (58,885) | |
| NET CHANGE IN FUND BALANCES | <u>(\$893,865)</u> | 372,022 | <u>\$1,265,887</u> | <u>(\$312,169)</u> | 100,658 | <u>\$412,827</u> |
| BEGINNING FUND BALANCES, as restated (Note 1) | | 410,804 | | | 1,112,176 | |
| ENDING FUND BALANCES | | <u>\$782,826</u> | | | <u>\$1,212,834</u> | |

SPECIAL REVENUE FUNDS

| Measure BB | | | Measure F | | | Local Grants | | |
|-----------------------|-----------------------|------------------------------------|----------------------|---------------------|------------------------------------|--------------------|------------------|------------------------------------|
| Adjusted Budget | Actual | Variance Positive (Negative) | Adjusted Budget | Actual | Variance Positive (Negative) | Adjusted Budget | Actual | Variance Positive (Negative) |
| \$526,082 | \$39,915 3,277,369 | \$39,915 2,751,287 | | \$10,563 776,620 | \$10,563 776,620 | \$151,500 | \$358 139,966 | \$358 (11,534) |
| | | | | | | | 7,745 | 7,745 |
| 526,082 | 3,317,284 | 2,791,202 | | 787,183 | 787,183 | 151,500 | 148,069 | (3,431) |
| 342,410 | 201,709 | 140,701 | | 1,954 | (1,954) | 185,991 | 144,921 | 41,070 |
| 13,383,139 | 2,205,742 | 11,177,397 | \$1,733,189 | 810,693 | 922,496 | | | |
| 13,725,549 | 2,407,451 | 11,318,098 | 1,733,189 | 812,647 | 920,542 | 185,991 | 144,921 | 41,070 |
| (13,199,467) | 909,833 | 14,109,300 | (1,733,189) | (25,464) | 1,707,725 | (34,491) | 3,148 | 37,639 |
| | | | | | | | | |
| | | | | | | | | |
| <u>(\$13,199,467)</u> | 909,833 | <u>\$14,109,300</u> | <u>(\$1,733,189)</u> | (25,464) | <u>\$1,707,725</u> | <u>(\$34,491)</u> | 3,148 | <u>\$37,639</u> |
| | 3,191,770 | | | 1,046,299 | | | 18,415 | |
| | <u>\$4,101,603</u> | | | <u>\$1,020,835</u> | | | <u>\$21,563</u> | |

(Continued)

CITY OF HAYWARD
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | DEBT SERVICE FUND | | | CAPITAL PROJECTS FUNDS | | |
|--|-------------------------------|-------------|------------------------------------|-----------------------------|-----------|------------------------------------|
| | Certificates of Participation | | | Traffic Signal Construction | | |
| | Adjusted Budget | Actual | Variance Positive (Negative) | Adjusted Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | | | | |
| Other taxes | | | | | | |
| Fines and forfeitures | | | | | | |
| Special assessments | | | | | | |
| Investment income | \$3,000 | \$101,816 | \$98,816 | | \$5,412 | \$5,412 |
| Intergovernmental | | | | | 62,392 | 62,392 |
| Fees and charges for services | | | | | | |
| Other | | | | | | |
| Total Revenues | 3,000 | 101,816 | 98,816 | | 67,804 | 67,804 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Public safety | | | | | | |
| Public works and transportation | | | | | | |
| Library and community services | | | | | | |
| Economic development | | | | | | |
| Planning and building | | | | | | |
| Maintenance services | | | | | | |
| Capital outlay | | | | \$1,334,499 | 703,056 | 631,443 |
| Debt Service | | | | | | |
| Principal repayment | 2,628,029 | 2,304,061 | 323,968 | | | |
| Interest and fiscal charges | 3,678,976 | 3,303,835 | 375,141 | | | |
| Bond issuance cost | | 2,972 | (2,972) | | | |
| Total Expenditures | 6,307,005 | 5,610,868 | 696,137 | 1,334,499 | 703,056 | 631,443 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (6,304,005) | (5,509,052) | 794,953 | (1,334,499) | (635,252) | 699,247 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 12,906,606 | 12,906,606 | | 350,000 | 350,000 | |
| Transfers (out) | | | | | | |
| Total Other Financing Sources (Uses) | 12,906,606 | 12,906,606 | | 350,000 | 350,000 | |
| NET CHANGE IN FUND BALANCES | \$6,602,601 | 7,397,554 | \$794,953 | (\$984,499) | (285,252) | \$699,247 |
| BEGINNING FUND BALANCES, as restated (Note 1) | | 726,909 | | | 481,052 | |
| ENDING FUND BALANCES | | \$8,124,463 | | | \$195,800 | |

CAPITAL PROJECTS FUNDS

| Route 238 Corridor Improvement | | | Performance Deposits | | |
|--------------------------------|-------------|------------------------------------|----------------------|----------|------------------------------------|
| Adjusted Budget | Actual | Variance Positive (Negative) | Adjusted Budget | Actual | Variance Positive (Negative) |
| | \$100,054 | \$100,054 | | \$4,292 | \$4,292 |
| | 75,532 | 75,532 | | | |
| | 2,059,344 | 2,059,344 | | | |
| | 2,234,930 | 2,234,930 | | 4,292 | 4,292 |
| | | | | | |
| \$25,432,544 | 1,482,261 | 23,950,283 | | | |
| | | | | | |
| 25,432,544 | 1,482,261 | 23,950,283 | | | |
| (25,432,544) | 752,669 | 26,185,213 | | 4,292 | 4,292 |
| | | | | | |
| (455,000) | (455,000) | | | | |
| (455,000) | (455,000) | | | | |
| (\$25,887,544) | 297,669 | \$26,185,213 | | 4,292 | \$4,292 |
| | 1,746,963 | | | 6,944 | |
| | \$2,044,632 | | | \$11,236 | |

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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 ENTERPRISE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2017

| | <u>Stormwater</u> | <u>Airport</u> | <u>Totals</u> |
|--|-------------------|---------------------|---------------------|
| Current Assets: | | | |
| Cash and investments | \$4,678,772 | \$8,264,451 | \$12,943,223 |
| Accounts receivable, net | 121,267 | 464,322 | 585,589 |
| Due from other governments | 15,056 | | 15,056 |
| | <u>4,815,095</u> | <u>8,728,773</u> | <u>13,543,868</u> |
| Total Current Assets | | | |
| Noncurrent Assets: | | | |
| Deposits, parts, supplies and other | | 30,143 | 30,143 |
| Capital assets | | | |
| Land | | 244,302 | 244,302 |
| Construction in progress | | 1,223,714 | 1,223,714 |
| Depreciable capital assets, net | 1,360 | 14,839,103 | 14,840,463 |
| | <u>1,360</u> | <u>16,337,262</u> | <u>16,338,622</u> |
| Total Noncurrent Assets | | | |
| Total Assets | <u>4,816,455</u> | <u>25,066,035</u> | <u>29,882,490</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Related to pensions | 454,421 | 391,355 | 845,776 |
| | <u>454,421</u> | <u>391,355</u> | <u>845,776</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts payable | 15,595 | 84,759 | 100,354 |
| Accrued interest | | 6,452 | 6,452 |
| Accrued liabilities | 22,613 | 19,109 | 41,722 |
| Refundable deposits | | 102,087 | 102,087 |
| Compensated absences - due within one year | 64,896 | 74,831 | 139,727 |
| Long term debt - due within one year | | 125,960 | 125,960 |
| | <u>103,104</u> | <u>413,198</u> | <u>516,302</u> |
| Total Current Liabilities | | | |
| Noncurrent Liabilities: | | | |
| Compensated absences | 9,996 | 11,526 | 21,522 |
| Net pension liabilities | 1,746,572 | 1,504,181 | 3,250,753 |
| Long term debt - due in more than one year | | 984,873 | 984,873 |
| | <u>1,756,568</u> | <u>2,500,580</u> | <u>4,257,148</u> |
| Total Noncurrent Liabilities | | | |
| Total Liabilities | <u>1,859,672</u> | <u>2,913,778</u> | <u>4,773,450</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Related to pensions | 152,876 | 131,659 | 284,535 |
| | <u>152,876</u> | <u>131,659</u> | <u>284,535</u> |
| NET POSITION: | | | |
| Net investments in capital assets | 1,360 | 15,196,286 | 15,197,646 |
| Unrestricted | 3,256,968 | 7,215,667 | 10,472,635 |
| | <u>3,258,328</u> | <u>\$22,411,953</u> | <u>\$25,670,281</u> |
| Total Net Position | | | |

CITY OF HAYWARD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

| | Stormwater | Airport | Total |
|--|-------------|--------------|--------------|
| OPERATING REVENUES: | | | |
| Charges for services | \$3,064,276 | \$3,463,127 | \$6,527,403 |
| Miscellaneous | 1,799 | 697,875 | 699,674 |
| Total Operating Revenues | 3,066,075 | 4,161,002 | 7,227,077 |
| OPERATING EXPENSES: | | | |
| Salaries and related expenses | 1,630,721 | 1,570,271 | 3,200,992 |
| Materials, supplies and services | 784,532 | 3,012,122 | 3,796,654 |
| Repairs and maintenance | 34,560 | 224,638 | 259,198 |
| Depreciation | 275 | 1,541,302 | 1,541,577 |
| Total Operating Expenses | 2,450,088 | 6,348,333 | 8,798,421 |
| Operating Income (Loss) | 615,987 | (2,187,331) | (1,571,344) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Intergovernmental | | 1,162,390 | 1,162,390 |
| Investment income | 54,690 | 106,398 | 161,088 |
| Net Nonoperating Revenues (Expenses) | 54,690 | 1,268,788 | 1,323,478 |
| Income (Loss) Before Contributions and Transfers | 670,677 | (918,543) | (247,866) |
| TRANSFERS | | | |
| Transfers in | 172,805 | | 172,805 |
| Transfers (out) | (172,614) | (233,300) | (405,914) |
| Net Transfers | 191 | (233,300) | (233,109) |
| CHANGE IN NET POSITION | 670,868 | (1,151,843) | (480,975) |
| BEGINNING NET POSITION | 2,587,460 | 23,563,796 | 26,151,256 |
| ENDING NET POSITION | \$3,258,328 | \$22,411,953 | \$25,670,281 |

CITY OF HAYWARD
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

| | Stormwater | Airport | Total |
|--|-------------|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$3,077,959 | \$3,903,405 | \$6,981,364 |
| Payments to suppliers | (902,761) | (3,699,332) | (4,602,093) |
| Payments to employees | (1,706,217) | (1,433,507) | (3,139,724) |
| Net Cash Flows From Operating Activities | 468,981 | (1,229,434) | (760,453) |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Intergovernmental receipts | | 1,162,390 | 1,162,390 |
| Transfers in | 172,805 | | 172,805 |
| Transfers (out) | (172,614) | (233,300) | (405,914) |
| Net Cash Flows From Noncapital and Related Financing Activities | 191 | 929,090 | 929,281 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition of capital assets | | (784,099) | (784,099) |
| Principal payments on capital debt | | (123,219) | (123,219) |
| Net Cash Flows From Capital and Related Financing Activities | | (907,318) | (907,318) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment income | 54,690 | 107,033 | 161,723 |
| Net Cash Flows From Investing Activities | 54,690 | 107,033 | 161,723 |
| NET CASH FLOWS | 523,862 | (1,100,629) | (576,767) |
| CASH AND EQUIVALENTS AT BEGINNING OF PERIOD | 4,154,910 | 9,365,080 | 13,519,990 |
| CASH AND EQUIVALENTS AT END OF PERIOD | \$4,678,772 | \$8,264,451 | \$12,943,223 |
| RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$615,987 | (\$2,187,331) | (\$1,571,344) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 275 | 1,541,302 | 1,541,577 |
| Change in assets and liabilities: | | | |
| Receivables, net | (106,331) | (257,597) | (363,928) |
| Due from other governments | 118,215 | | 118,215 |
| Accounts payable and other accrued expenses | (83,669) | (463,701) | (547,370) |
| Refundable deposits | | 1,129 | 1,129 |
| Due to retirement system | (80,975) | 120,062 | 39,087 |
| Compensated absences | 5,479 | 16,702 | 22,181 |
| Net Cash Flows From Operating Activities | \$468,981 | (\$1,229,434) | (\$760,453) |

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, 2017

| | Workers' Compensation Insurance* | General Liability | Facilities Management |
|---|--|-------------------|--------------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and investments | \$12,248,368 | \$4,152,853 | \$739,963 |
| Cash and investments with fiscal agents | | | 83,263 |
| Accounts receivable, net | 204,612 | | 2,239 |
| Due from other governments | | | |
| Total Current Assets | 12,452,980 | 4,152,853 | 825,465 |
| Noncurrent Assets: | | | |
| Long-term loans to the Private Purpose Trust Fund | | 27,021 | |
| Land | | | 372,748 |
| Construction in progress | | | 506,271 |
| Depreciable capital assets, net | | | 1,894,961 |
| Total Noncurrent Assets | | 27,021 | 2,773,980 |
| Total Assets | 12,452,980 | 4,179,874 | 3,599,445 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Related to pensions | 178,214 | 90,512 | 372,330 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts payable | 57,015 | 407,208 | 262,139 |
| Accrued interest | | | 13,165 |
| Accrued liabilities* | 16,651,528 | 1,555,126 | 16,749 |
| Unearned revenue | | | 978 |
| Refundable deposits | | | 3,249 |
| Compensated absences | 13,314 | 7,611 | 96,813 |
| Long-term debt | | | 119,562 |
| Total Current Liabilities | 16,721,857 | 1,969,945 | 512,655 |
| Noncurrent Liabilities: | | | |
| Compensated absences | 1,224 | 700 | 8,900 |
| Net pension liabilities | 684,967 | 347,882 | 1,431,056 |
| Long-term debt | | | 887,590 |
| Total Noncurrent Liabilities | 686,191 | 348,582 | 2,327,546 |
| Total Liabilities | 17,408,048 | 2,318,527 | 2,840,201 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Related to pensions | 59,955 | 30,450 | 125,259 |
| NET POSITION: | | | |
| Net investments in capital assets | | | 1,766,828 |
| Restricted for debt service | | | 83,263 |
| Unrestricted | (4,836,809) | 1,921,409 | (843,776) |
| Total Net Position | (\$4,836,809) | \$1,921,409 | \$1,006,315 |

* 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> |
|-------------------------|----------------------------|--------------------------|---------------------|
| \$4,045,616 | \$2,859,751 | \$4,118,599 | \$28,165,150 |
| | | | 83,263 |
| 132,677 | 74,125 | | 413,653 |
| 36,319 | | | 36,319 |
| <u>4,214,612</u> | <u>2,933,876</u> | <u>4,118,599</u> | <u>28,698,385</u> |
| | | | 27,021 |
| | | | 372,748 |
| | 502,005 | | 1,008,276 |
| 15,718,312 | 5,305,268 | | 22,918,541 |
| 15,718,312 | 5,807,273 | | 24,326,586 |
| 19,932,924 | 8,741,149 | 4,118,599 | 53,024,971 |
| <u>385,508</u> | <u>1,057,742</u> | | <u>2,084,306</u> |
| | | | |
| 273,037 | 220,628 | 7,273 | 1,227,300 |
| 17,588 | 1,871 | | 32,624 |
| 18,004 | 35,446 | | 18,276,853 |
| 5,818 | | | 6,796 |
| | | | 3,249 |
| 57,100 | 192,535 | | 367,373 |
| 610,567 | 337,612 | | 1,067,741 |
| <u>982,114</u> | <u>788,092</u> | <u>7,273</u> | <u>20,981,936</u> |
| | | | |
| 5,249 | 17,700 | | 33,773 |
| 1,481,703 | 4,065,447 | | 8,011,055 |
| 2,011,679 | 346,044 | | 3,245,313 |
| <u>3,498,631</u> | <u>4,429,191</u> | | <u>11,290,141</u> |
| 4,480,745 | 5,217,283 | 7,273 | 32,272,077 |
| <u>129,692</u> | <u>355,844</u> | | <u>701,200</u> |
| | | | |
| 13,096,066 | 5,123,617 | | 19,986,511 |
| | | | 83,263 |
| 2,611,929 | (897,853) | 4,111,326 | 2,066,226 |
| <u>\$15,707,995</u> | <u>\$4,225,764</u> | <u>\$4,111,326</u> | <u>\$22,136,000</u> |

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

| | Workers' Compensation Insurance | General Liability | Facilities Management |
|--|---------------------------------------|---------------------------|---------------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$7,514,691 | \$1,378,492 | \$3,713,891 |
| Other | 18 | 39,846 | 193,225 |
| Total Operating Revenues | <u>7,514,709</u> | <u>1,418,338</u> | <u>3,907,116</u> |
| OPERATING EXPENSES | | | |
| Salaries and related expenses | 510,464 | 608,918 | 1,628,182 |
| Materials, supplies and services | 353,246 | 3,231,532 | 1,215,843 |
| Repairs and maintenance | | 28 | 1,120,028 |
| Self-funded insurance expense | 4,781,859 | 1,230,473 | |
| Depreciation | | | 70,346 |
| Total Operating Expenses | <u>5,645,569</u> | <u>5,070,951</u> | <u>4,034,399</u> |
| Operating Income (Loss) | <u>1,869,140</u> | <u>(3,652,613)</u> | <u>(127,283)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 138,081 | 39,435 | 9,461 |
| Interest (expense) | | | (52,349) |
| Gain on disposal of capital assets | | | |
| Total Nonoperating Revenues (Expenses) | <u>138,081</u> | <u>39,435</u> | <u>(42,888)</u> |
| Income (Loss) Before Transfers | <u>2,007,221</u> | <u>(3,613,178)</u> | <u>(170,171)</u> |
| CONTRIBUTIONS AND TRANSFERS | | | |
| Transfers in | | 5,460,455 | 115,000 |
| Transfers (out) | (10,101) | | (34,639) |
| Net Contributions and Transfers | <u>(10,101)</u> | <u>5,460,455</u> | <u>80,361</u> |
| CHANGE IN NET POSITION | 1,997,120 | 1,847,277 | (89,810) |
| BEGINNING NET POSITION | <u>(6,833,929)</u> | <u>74,132</u> | <u>1,096,125</u> |
| ENDING NET POSITION | <u><u>(\$4,836,809)</u></u> | <u><u>\$1,921,409</u></u> | <u><u>\$1,006,315</u></u> |

| <u>Fleet Management</u> | <u>Technology Services</u> | <u>Employee Benefits</u> | <u>Total</u> |
|-------------------------|----------------------------|--------------------------|---------------------|
| \$7,502,972 | \$6,225,516 | \$3,227,431 | \$29,562,993 |
| 70,059 | 635,419 | | 938,567 |
| <u>7,573,031</u> | <u>6,860,935</u> | <u>3,227,431</u> | <u>30,501,560</u> |
| 1,507,994 | 2,736,740 | | 6,992,298 |
| 966,469 | 1,574,420 | 711,311 | 8,052,821 |
| 907,205 | 2,116,651 | | 4,143,912 |
| | | 2,217,614 | 8,229,946 |
| <u>2,062,854</u> | <u>1,269,802</u> | | <u>3,403,002</u> |
| <u>5,444,522</u> | <u>7,697,613</u> | <u>2,928,925</u> | <u>30,821,979</u> |
| <u>2,128,509</u> | <u>(836,678)</u> | <u>298,506</u> | <u>(320,419)</u> |
| 54,427 | 34,874 | 48,918 | 325,196 |
| (88,775) | (25,956) | | (167,080) |
| <u>131,760</u> | <u>59,991</u> | | <u>191,751</u> |
| <u>97,412</u> | <u>68,909</u> | <u>48,918</u> | <u>349,867</u> |
| <u>2,225,921</u> | <u>(767,769)</u> | <u>347,424</u> | <u>29,448</u> |
| 45,000 | 980,000 | | 6,600,455 |
| <u>(50,520)</u> | <u>(78,996)</u> | | <u>(174,256)</u> |
| <u>(5,520)</u> | <u>901,004</u> | | <u>6,426,199</u> |
| 2,220,401 | 133,235 | 347,424 | 6,455,647 |
| <u>13,487,594</u> | <u>4,092,529</u> | <u>3,763,902</u> | <u>15,680,353</u> |
| <u>\$15,707,995</u> | <u>\$4,225,764</u> | <u>\$4,111,326</u> | <u>\$22,136,000</u> |

CITY OF HAYWARD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

| | Workers' Compensation Insurance | General Liability | Facilities Management |
|--|---------------------------------------|-----------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$7,616,804 | \$1,860,815 | \$3,907,273 |
| Payments to suppliers | (3,880,552) | (3,469,663) | (2,310,164) |
| Payments to employees | (513,489) | (561,638) | (1,385,381) |
| Cash Flows from Operating Activities | <u>3,222,763</u> | <u>(2,170,486)</u> | <u>211,728</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Payments to other funds | | | |
| Transfers in | | 5,460,455 | 115,000 |
| Transfers out | (10,101) | | (34,639) |
| Cash Flows from Noncapital Financing Activities | <u>(10,101)</u> | <u>5,460,455</u> | <u>80,361</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | | | (594,456) |
| Gain on disposal of capital leases | | | |
| Change in investment | | | (123) |
| Principal payments on capital debt | | | (115,093) |
| Interest paid on capital debt | | | (52,349) |
| Cash Flows from Capital and Related Financing Activities | | | <u>(762,021)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment income | 138,081 | 39,435 | 8,765 |
| Cash Flows from Investing Activities | <u>138,081</u> | <u>39,435</u> | <u>8,765</u> |
| Net increase (decrease) in cash and cash equivalents | 3,350,743 | 3,329,404 | (461,167) |
| Cash and cash equivalents at beginning of period | <u>8,897,625</u> | <u>823,449</u> | <u>1,201,130</u> |
| Cash and cash equivalents at end of period | <u><u>\$12,248,368</u></u> | <u><u>\$4,152,853</u></u> | <u><u>\$739,963</u></u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$1,869,140 | (\$3,652,613) | (\$127,283) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | | | 70,346 |
| Change in assets and liabilities: | | | |
| Receivables, net | 102,095 | 442,477 | 157 |
| Due from other governments | | | |
| Accounts and other payables | (4,722) | 162,363 | 71,984 |
| Other assets | | 1,500,375 | |
| Due to retirement system | (202,030) | 46,873 | 231,667 |
| Compensated absences | (3,025) | 407 | 11,134 |
| Other accrued expenses | 1,461,305 | (670,368) | (46,277) |
| Cash Flows from Operating Activities | <u><u>\$3,222,763</u></u> | <u><u>(\$2,170,486)</u></u> | <u><u>\$211,728</u></u> |

| Fleet Management | Technology Services | Employee Benefits | Total |
|---------------------|------------------------|----------------------|--------------|
| \$7,470,940 | \$6,864,794 | \$3,227,431 | \$30,948,057 |
| (1,992,594) | (1,913,749) | (2,928,925) | (16,495,647) |
| (1,336,457) | (2,992,251) | | (6,789,216) |
| 4,141,889 | 1,958,794 | 298,506 | 7,663,194 |
| (71,429) | | | (71,429) |
| 45,000 | 980,000 | | 6,600,455 |
| (50,520) | (78,996) | | (174,256) |
| (76,949) | 901,004 | | 6,354,770 |
| (4,746,906) | (2,381,386) | | (7,722,748) |
| 131,760 | 59,991 | | 191,751 |
| | | | (123) |
| (722,648) | (487,610) | | (1,325,351) |
| (88,775) | (25,956) | | (167,080) |
| (5,426,569) | (2,834,961) | | (9,023,551) |
| 49,529 | 33,294 | 48,918 | 318,022 |
| 49,529 | 33,294 | 48,918 | 318,022 |
| (1,312,100) | 58,131 | 347,424 | 5,312,435 |
| 5,357,716 | 2,801,620 | 3,771,175 | 22,852,715 |
| \$4,045,616 | \$2,859,751 | \$4,118,599 | \$28,165,150 |
| \$2,128,509 | (\$836,678) | \$298,506 | (\$320,419) |
| 2,062,854 | 1,269,802 | | 3,403,002 |
| (65,772) | 3,859 | | 482,816 |
| (36,319) | | | (36,319) |
| 90,583 | 206,899 | | 527,107 |
| | 1,699,356 | | 3,199,731 |
| 170,307 | (273,613) | | (26,796) |
| 1,230 | 18,102 | | 27,848 |
| (209,503) | (128,933) | | 406,224 |
| \$4,141,889 | \$1,958,794 | \$298,506 | \$7,663,194 |

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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, 2017

| | Balance | Additions | Deductions | Balance June 30, 2017 |
|--|--------------------|--------------------|--------------------|--------------------------|
| <u>Local Improvement Districts</u> | | | | |
| ASSETS: | | | | |
| Cash and investments | \$2,601,466 | \$3,472,928 | \$2,601,466 | \$3,472,928 |
| Cash and investments with fiscal agents | 353,897 | 354,125 | 353,897 | 354,125 |
| Accounts receivable | 7,222 | | 7,222 | |
| Due from other governments | 999,997 | 681,939 | 999,997 | 681,939 |
| Total Assets | <u>\$3,962,582</u> | <u>\$4,508,992</u> | <u>\$3,962,582</u> | <u>\$4,508,992</u> |
| LIABILITIES: | | | | |
| Due to bondholders | <u>\$3,962,582</u> | <u>\$4,508,992</u> | <u>\$3,962,582</u> | <u>\$4,508,992</u> |
| Total Liabilities | <u>\$3,962,582</u> | <u>\$4,508,992</u> | <u>\$3,962,582</u> | <u>\$4,508,992</u> |
| <u>South Hayward Bart Parking District JPA</u> | | | | |
| ASSETS: | | | | |
| Cash and investments | \$938,817 | \$336,092 | \$938,817 | \$336,092 |
| Accounts receivable | | 90,716 | | 90,716 |
| Total Assets | <u>\$938,817</u> | <u>\$426,808</u> | <u>\$938,817</u> | <u>\$426,808</u> |
| LIABILITIES: | | | | |
| Due to others | <u>\$938,817</u> | <u>\$426,808</u> | <u>\$938,817</u> | <u>\$426,808</u> |
| Total Liabilities | <u>\$938,817</u> | <u>\$426,808</u> | <u>\$938,817</u> | <u>\$426,808</u> |
| <u>Other Agency Funds</u> | | | | |
| ASSETS: | | | | |
| Cash and investments | <u>\$2,830,779</u> | <u>\$3,835,562</u> | <u>\$2,830,779</u> | <u>\$3,835,562</u> |
| Total Assets | <u>\$2,830,779</u> | <u>\$3,835,562</u> | <u>\$2,830,779</u> | <u>\$3,835,562</u> |
| LIABILITIES: | | | | |
| Refundable deposits | <u>\$2,830,779</u> | <u>\$3,835,562</u> | <u>\$2,830,779</u> | <u>\$3,835,562</u> |
| Total Liabilities | <u>\$2,830,779</u> | <u>\$3,835,562</u> | <u>\$2,830,779</u> | <u>\$3,835,562</u> |
| <u>Total</u> | | | | |
| ASSETS: | | | | |
| Cash and investments | \$6,371,062 | \$7,644,582 | \$6,371,062 | \$7,644,582 |
| Cash and investments with fiscal agents | 353,897 | 354,125 | 353,897 | 354,125 |
| Accounts receivable, net | 7,222 | 90,716 | 7,222 | 90,716 |
| Due from other governments | 999,997 | 681,939 | 999,997 | 681,939 |
| Total Assets | <u>\$7,732,178</u> | <u>\$8,771,362</u> | <u>\$7,732,178</u> | <u>\$8,771,362</u> |
| LIABILITIES: | | | | |
| Refundable deposits | <u>\$2,830,779</u> | <u>\$3,835,562</u> | <u>\$2,830,779</u> | <u>\$3,835,562</u> |
| Due to bondholders and others | <u>4,901,399</u> | <u>4,935,800</u> | <u>4,901,399</u> | <u>4,935,800</u> |
| Total Liabilities | <u>\$7,732,178</u> | <u>\$8,771,362</u> | <u>\$7,732,178</u> | <u>\$8,771,362</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:

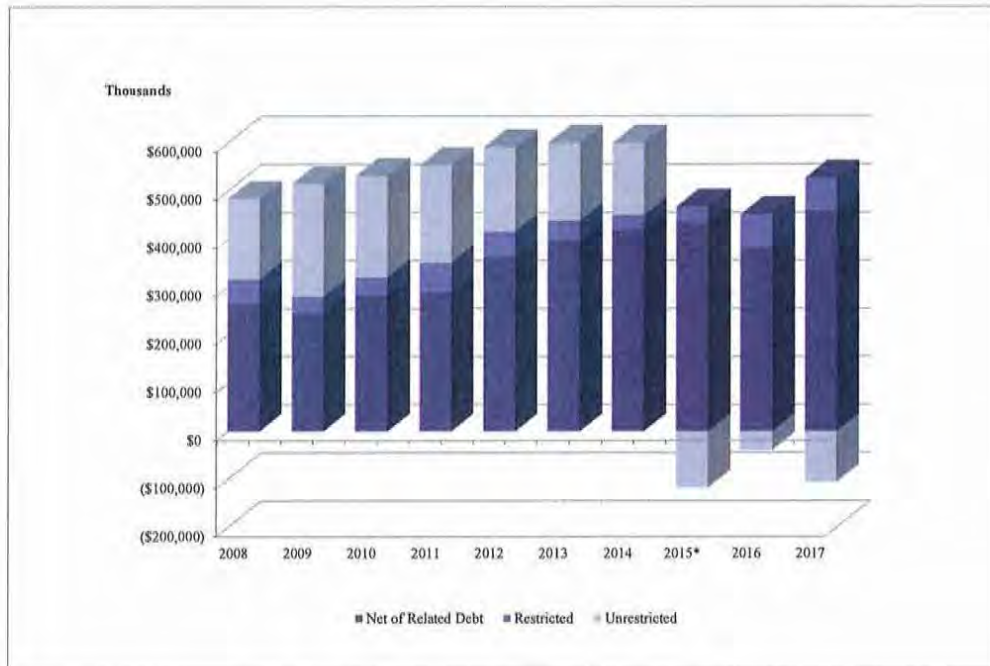
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

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.

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015* | 2016 | 2017 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$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 | \$324,056,697 |
| Restricted | 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 | 68,431,025 |
| Unrestricted | 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) | (266,000,254) |
| Total governmental activities net position | \$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 | \$126,487,468 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$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 | \$134,479,298 |
| Restricted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unrestricted | 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 | 160,313,212 |
| Total business-type activities net position | \$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 | \$294,792,510 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$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 | \$458,535,995 |
| Restricted | 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 | 68,431,025 |
| Unrestricted | 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) | (105,687,042) |
| Total primary government net position | \$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 | \$421,279,978 |

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

Attachment II

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Expenses | | | | |
| Governmental Activities: | | | | |
| General Government | \$15,432,428 | \$12,844,106 | \$12,526,820 | \$9,728,751 |
| Public Safety | 83,609,438 | 89,391,667 | 91,936,447 | 97,783,089 |
| Public Works and Transportation | 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 | | | | |
| Culture and Leisure | | | | |
| Nondepartmental | | | | |
| Interest on Long Term Debt | 6,060,020 | 4,175,089 | 4,073,192 | 4,486,345 |
| Total Governmental Activities Expenses | <u>139,064,363</u> | <u>134,054,555</u> | <u>138,905,230</u> | <u>150,548,202</u> |
| Business-Type Activities: | | | | |
| Sewer | 15,250,146 | 15,783,768 | 18,276,551 | 19,395,928 |
| Water | 25,585,042 | 27,602,545 | 28,336,545 | 29,807,045 |
| Airport | 2,644,168 | 3,568,997 | 3,008,282 | 3,124,022 |
| Centennial Hall Maintenance and Operation | 678,964 | 782,509 | 313,299 | |
| Stormwater | 2,049,493 | 1,908,290 | 2,227,090 | 2,326,729 |
| Total Business-Type Activities Expenses | <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>\$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 | \$817,256 | \$379,561 | \$190,261 | \$1,019,505 |
| Public Safety | 5,123,501 | 8,016,352 | 9,128,483 | 8,608,854 |
| Public Works and Transportation | 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 | | | | |
| Culture and Leisure | | | | |
| Nondepartmental | | | | |
| Operating Grants and Contributions | 15,332,573 | 14,294,205 | 17,196,527 | 12,904,598 |
| Capital Grants and Contributions | 2,856,295 | 22,570,080 | 18,885,041 | 30,675,031 |
| Total Government Activities Program Revenues | <u>31,825,126</u> | <u>52,855,838</u> | <u>51,246,023</u> | <u>59,458,350</u> |

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$9,417,144 | \$11,162,908 | \$11,989,512 | \$16,245,827 | \$14,192,819 | \$16,158,933 |
| 96,991,346 | 100,470,925 | 102,494,680 | 106,541,527 | 118,423,530 | 128,069,028 |
| 12,400,798 | 13,689,585 | 8,851,489 | 12,295,579 | 14,414,107 | 25,599,837 |
| 7,645,958 | 7,490,405 | 8,073,175 | 5,150,554 | 9,047,644 | 7,056,242 |
| 2,078,030 | 1,285,830 | 1,432,514 | 835,342 | 1,762,937 | 152,175 |
| 5,642,610 | 6,102,300 | 6,293,037 | 6,831,521 | 7,281,726 | 8,628,739 |
| 4,030,146 | 3,896,951 | 4,790,594 | 5,798,009 | 6,156,886 | 8,288,824 |
| 3,685,703 | 2,056,984 | 1,131,490 | 1,400,778 | 1,490,140 | 3,078,848 |
| 141,891,735 | 146,155,888 | 145,056,491 | 155,099,137 | 172,769,788 | 197,032,626 |
| 17,977,438 | 19,127,813 | 17,443,979 | 19,967,350 | 23,757,316 | 22,755,149 |
| 36,010,696 | 38,837,206 | 38,252,368 | 36,953,171 | 38,253,454 | 46,225,355 |
| 3,271,942 | 3,252,108 | 3,443,655 | 3,489,917 | 3,976,602 | 6,348,333 |
| 2,235,721 | 2,402,138 | 2,419,567 | 2,373,574 | 3,042,678 | 2,450,088 |
| 59,495,797 | 63,619,265 | 61,559,569 | 62,784,012 | 69,030,050 | 77,778,925 |
| \$201,387,532 | \$209,775,153 | \$206,616,060 | \$217,883,149 | \$241,799,838 | \$274,811,551 |
| \$2,162,950 | \$2,505,144 | \$3,348,209 | \$3,404,484 | \$3,513,507 | \$2,627,359 |
| 8,139,780 | 3,308,573 | 3,332,950 | 3,311,997 | 3,585,912 | 4,638,881 |
| 4,382,791 | 3,780,364 | 4,121,654 | 4,966,061 | 5,620,367 | 7,009,479 |
| 110,465 | 95,682 | 85,256 | 116,787 | 1,312,128 | 2,537,062 |
| 77,251 | | 2,749,344 | 1,292,172 | | |
| 4,312,438 | 3,541,420 | 5,026,469 | 4,536,430 | 6,060,654 | 6,926,489 |
| 399,721 | 710,653 | 1,243,660 | 1,504,197 | 1,088,664 | 1,488,851 |
| 25,163,445 | 6,998,650 | 7,634,799 | 10,587,001 | 13,611,989 | 11,984,727 |
| 32,561,709 | 26,479,205 | 9,066,354 | 5,807,599 | 31,255,350 | 1,463,593 |
| 77,310,550 | 47,419,691 | 36,608,695 | 35,526,728 | 66,048,571 | 38,676,441 |

CITY OF HAYWARD

Attachment II

Changes in Net Position

(continued)

Last Ten Fiscal Years

(Accrual Basis of Accounting)

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

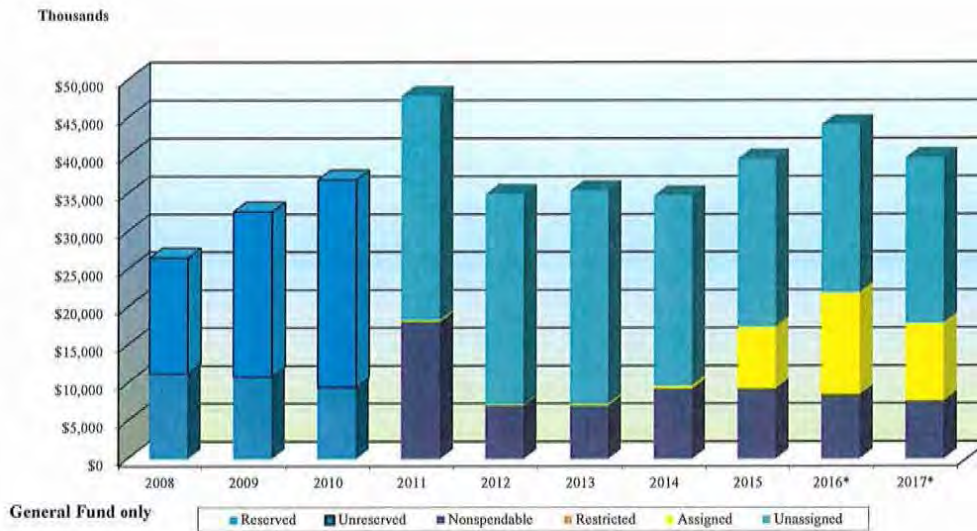
* Due to City of Hayward Departmental reorganization, Community Development, and Culture and Leisure Departments no longer exist.

Source: City of Hayward Comprehensive Annual Financial Report

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| 22,333,628 | 22,136,846 | 25,527,904 | 28,389,311 | 33,557,099 | 27,000,318 |
| 38,463,759 | 43,128,089 | 47,045,822 | 44,704,910 | 46,264,199 | 53,565,672 |
| 2,917,614 | 2,963,971 | 3,365,514 | 2,995,362 | 3,239,400 | 4,161,002 |
| 2,738,050 | 2,821,653 | 2,777,228 | 2,832,703 | 2,894,801 | 3,066,075 |
| 119,629 | 88,916 | | | | 1,162,390 |
| 66,572,680 | 71,139,475 | 78,716,468 | 78,922,286 | 85,955,499 | 88,955,457 |
| \$143,883,230 | \$118,559,166 | \$115,325,163 | \$114,449,014 | \$152,004,070 | \$127,631,898 |
| (\$64,581,185) | (\$98,736,197) | (\$108,447,796) | (\$119,572,409) | (\$106,721,218) | (\$158,356,185) |
| 7,076,883 | 7,520,210 | 17,156,899 | 16,138,274 | 16,925,449 | 11,176,532 |
| (\$57,504,302) | (\$91,215,987) | (\$91,290,897) | (\$103,434,135) | (\$89,795,769) | (\$147,179,653) |
| (\$57,504,302) | (\$91,215,987) | (\$91,290,897) | (\$103,434,135) | (\$89,795,769) | (\$147,179,653) |
| \$35,715,527 | \$39,297,973 | \$39,456,863 | \$42,740,159 | \$44,750,688 | \$48,768,731 |
| 4,721,491 | | | | | |
| 817,210 | | | | | |
| 26,346,354 | 29,197,989 | 31,019,079 | 39,148,631 | 46,495,377 | 48,848,674 |
| 14,796,979 | 14,939,639 | 15,761,544 | 15,680,721 | 22,040,616 | 20,753,813 |
| 4,777,989 | 4,595,640 | 4,878,857 | 5,710,272 | 7,849,464 | 8,349,727 |
| 9,891,601 | 9,687,980 | 9,488,631 | 10,127,647 | 10,139,140 | 9,646,261 |
| 2,483,442 | 2,548,248 | 2,649,279 | 2,634,539 | 2,603,305 | 3,664,550 |
| 1,742,210 | 1,868,695 | 1,694,229 | 2,142,691 | 3,782,330 | 2,226,200 |
| 944,268 | 5,820,346 | 6,748,616 | 6,314,878 | 5,774,001 | 5,607,637 |
| 75,744 | 78,484 | 64,954 | 62,743 | 61,688 | 71,223 |
| 369,203 | 534,927 | 424,910 | 349,196 | 523,123 | 1,470,868 |
| (9,687) | | | (352,880) | 882,491 | 121,761 |
| 685,054 | 3,192,697 | 3,473,568 | 2,996,956 | 5,505,290 | 5,130,121 |
| 2,167,125 | 2,889,691 | 2,458,989 | 2,618,309 | 2,801,309 | 2,861,623 |
| (9,342,122) | | | | | |
| 96,182,388 | 114,652,309 | 118,119,519 | 130,173,862 | 153,208,822 | 157,521,189 |
| 549,982 | 269,873 | 650,066 | 533,521 | 1,019,170 | 1,920,919 |
| (2,167,125) | (2,889,691) | (2,458,989) | (2,618,309) | (2,801,309) | (2,861,623) |
| (1,617,143) | (2,619,818) | (1,808,923) | (2,084,788) | (1,782,139) | (940,704) |
| \$94,565,245 | \$112,032,491 | \$116,310,596 | \$128,089,074 | \$151,426,683 | \$156,580,485 |
| \$31,601,203 | \$15,916,112 | \$9,671,723 | \$10,601,453 | \$46,487,604 | (\$834,996) |
| 5,459,740 | 4,900,392 | 15,347,976 | 14,053,486 | 15,143,310 | 10,235,828 |
| \$37,060,943 | \$20,816,504 | \$25,019,699 | \$24,654,939 | \$61,630,914 | \$9,400,832 |

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



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016* | 2017* |
|------------------------------------|--------------|--------------|--------------|------------------|--------------|--------------|--------------|--------------|---------------|---------------|
| General Fund | | | | | | | | | | |
| Reserved | \$11,213,927 | \$10,827,978 | \$9,434,579 | | | | | | | |
| Unreserved | 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 | \$7,657,001 |
| Restricted | | | | | | | | | | |
| Assigned | | | | 256,170 (b) | 133,571 | 256,170 | 459,100 | 8,150,187 | 13,485,813 | 10,276,759 |
| Unassigned | | | | 29,550,120 (b) | 27,763,993 | 28,115,304 | 25,052,543 | 22,134,362 | 22,098,817 | 21,767,997 |
| Total General Fund (a) | \$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 | \$39,701,757 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$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 | 18,065,349 | 15,211,686 | 16,022,583 | | | | | | | |
| Capital project funds | 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 | \$76,555,491 |
| Assigned | | | | 5,568,584 (b) | 7,460,751 | 2,646,543 | 7,670,060 | | 68,374,788 | 58,691,704 |
| Unassigned | | | | (5,102,162) (b) | 77,273 | (724,802) | | (2,508,938) | | |
| Total all other governmental funds | \$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 | \$135,247,195 |

* 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.

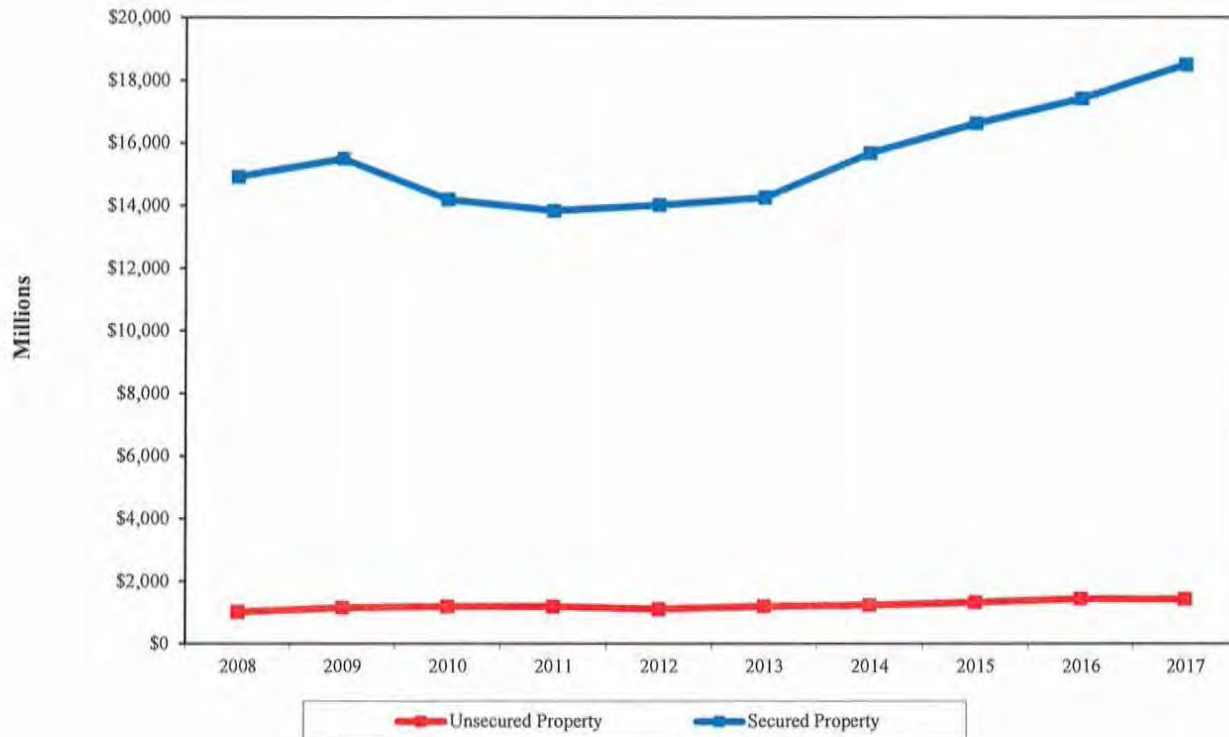
(b) Starting Fiscal Year ending June 30, 2011, the City's fund balances are classified in accordance with GASB54 which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends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

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

| | Fiscal Years Ended June 30, | | | |
|--|------------------------------|-----------------------------|------------------------------|-------------------------|
| | 2008 | 2009 | 2010 | 2011 |
| Revenues | | | | |
| Property Taxes | \$39,135,339 | \$41,221,852 | \$37,292,466 | \$35,725,967 |
| Property Tax Increment | 12,082,986 | 12,630,213 | 10,180,653 | 10,351,054 |
| Special Assessments | 1,051,269 | 741,098 | 610,058 | 714,015 |
| Sales Taxes | 29,233,148 | 26,341,473 | | 25,491,532 |
| Utility Users Taxes | | | 10,927,290 | 14,699,792 |
| Other Taxes | 22,941,172 | 21,419,990 | 20,996,991 | 18,729,085 |
| Licenses and permits | 4,712,325 | 4,650,694 | 3,084,964 | 3,259,291 |
| Fines and forfeitures | 985,858 | 1,657,789 | 2,042,460 | 2,756,632 |
| Use of money and property | 5,517,114 | 3,239,537 | 1,471,396 | 1,153,359 |
| Intergovernmental revenues | 10,914,969 | 32,634,889 | 25,004,880 | 36,952,595 |
| Fees and charges for services | 6,244,187 | 8,428,414 | 8,807,886 | 9,262,348 |
| Reimbursement from Developer | 1,813,604 | 381,868 | 484,205 | 1,064,680 |
| Other | 3,782,765 | 1,781,740 | 2,559,991 | 7,787,702 |
| Total Revenues | 138,414,736 | 155,129,557 | 123,463,240 | 167,948,052 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 11,639,480 | 10,421,821 | 8,564,302 | 7,930,669 |
| Public safety | 79,941,250 | 79,537,953 | 82,051,155 | 88,980,339 |
| Public works and transportation | 6,186,587 | 9,558,688 | 6,152,137 | 9,225,588 |
| Library and community services | 8,511,524 | 8,771,317 | 7,986,000 | 7,884,539 |
| Economic development | 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 | | | | |
| Capital outlay | 32,072,854 | 29,560,203 | 15,712,302 | 28,216,666 |
| Debt service: | | | | |
| Principal | 3,026,920 | 3,094,025 | 2,940,621 | 3,071,058 |
| Interest and fiscal charges | 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 | 166,218,633 | 159,619,232 | 148,963,023 | 167,013,037 |
| Excess (deficiency) of revenues over (under) expenditures | <u>(27,803,897)</u> | <u>(4,489,675)</u> | <u>(25,499,783)</u> | <u>935,015</u> |
| 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) | 1,342,011 | | | 200,000 |
| Contributions from assessment district | | | | |
| Transfers in (refer to CAFR Footnote 4) | 21,111,234 | 22,583,520 | 26,352,391 | 35,397,325 |
| Transfers out (refer to CAFR Footnote 4) | (19,687,595) | (21,476,956) | (33,068,855) | (36,133,801) |
| Total other financing sources (uses) | 3,401,167 | 3,407,884 | (6,716,464) | (518,515) |
| Extraordinary Item (Refer to CAFR Footnote 19) | | | | |
| Net Change in fund balances | <u>(\$24,402,730)</u> | <u>(\$1,081,791)</u> | <u>(\$32,216,247)</u> | <u>\$416,500</u> |
| Debt service as a percentage of noncapital expenditures | 6.5% | 5.8% | 5.7% | 5.9% |

| Fiscal Years Ended June 30, | | | | | |
|-----------------------------|----------------|--------------|---------------|--------------|---------------|
| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| \$35,715,527 | \$39,180,750 | \$38,971,067 | \$42,128,306 | \$44,159,430 | \$47,195,566 |
| 4,721,491 | | | | | |
| 817,210 | 891,037 | 972,339 | 980,329 | 1,166,399 | 1,026,071 |
| 26,346,354 | 29,197,989 | 31,019,079 | 39,148,631 | 46,495,377 | 48,848,674 |
| 14,796,979 | 14,939,639 | 15,761,544 | 15,680,721 | 22,040,616 | 20,753,813 |
| 20,748,138 | 20,630,166 | 21,310,770 | 23,424,572 | 26,554,046 | 27,518,428 |
| 3,177,816 | 3,605,753 | 4,078,392 | 5,031,300 | 6,316,823 | 7,766,510 |
| 2,951,068 | 2,938,106 | 2,285,486 | 2,549,034 | 2,341,565 | 2,499,964 |
| 1,098,574 | 756,670 | 635,092 | 357,388 | 561,895 | 1,746,291 |
| 55,173,561 | 28,617,999 | 33,839,482 | 22,647,381 | 37,101,458 | 28,403,369 |
| 8,851,474 | 8,377,718 | 8,172,604 | 7,639,834 | 9,885,890 | 5,889,181 |
| 344,375 | 109,677 | 252,910 | | | |
| 6,565,952 | 1,934,141 | 2,402,380 | 5,002,806 | 7,909,582 | 11,082,590 |
| 181,308,519 | 151,179,645 | 159,701,145 | 164,590,302 | 204,533,081 | 202,730,457 |
| 8,034,218 | 9,841,308 | 10,551,378 | 13,702,855 | 12,675,974 | 13,182,512 |
| 90,190,936 | 90,696,723 | 91,851,849 | 96,719,824 | 105,164,624 | 110,461,347 |
| 10,994,660 | 10,498,047 | 3,764,567 | 6,623,943 | 3,850,989 | 4,001,258 |
| 6,926,851 | 6,531,206 | 7,004,537 | 6,748,325 | 8,371,078 | 6,678,908 |
| 4,396,669 | 1,847,619 | 2,017,787 | 763,285 | 1,984,194 | 56,797 |
| 5,346,481 | 5,806,741 | 5,981,108 | 6,495,171 | 7,382,233 | 8,497,395 |
| 3,827,181 | 3,685,853 | 4,591,395 | 5,581,077 | 6,279,365 | 7,711,268 |
| 30,601,040 | 36,797,417 | 22,587,661 | 30,819,943 | 39,864,835 | 48,972,280 |
| 1,751,366 | 1,854,870 | 2,216,033 | 2,156,489 | 2,397,381 | 2,561,048 |
| 3,355,010 | 2,040,992 | 1,093,538 | 1,158,708 | 1,055,901 | 3,303,835 |
| | | | | 1,054,619 | 2,972 |
| 1,546 | | | | | |
| 165,425,958 | 169,600,776 | 151,659,853 | 170,769,620 | 190,081,193 | 205,429,620 |
| 15,882,561 | (18,421,131) | 8,041,292 | (6,179,318) | 14,451,888 | (2,699,163) |
| | | | | 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 | 40,553,431 |
| (15,548,463) | (12,689,762) | (22,375,934) | (12,188,316) | (27,899,357) | (44,118,007) |
| (1,029,736) | (1,384,807) | (3,540,759) | 2,323,863 | 70,657,487 | (3,564,576) |
| (8,009,396) | | | | | |
| \$6,843,429 | (\$19,805,938) | \$4,500,533 | (\$3,855,455) | \$85,109,375 | (\$6,263,739) |
| 3.9% | 3.0% | 2.6% | 2.4% | 2.4% | 3.9% |

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



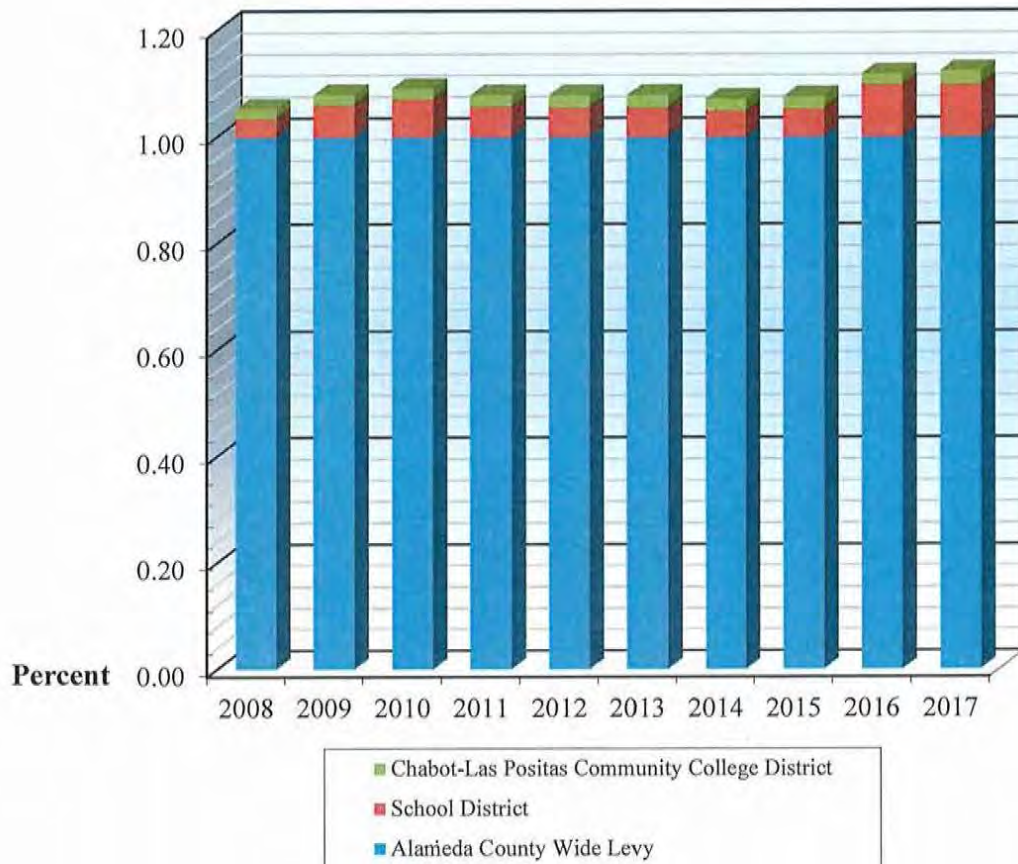
| Fiscal Year | Total Secured Property | Total Unsecured Property | Total Assessed (c) | Estimated Full Market (a) | Direct Tax Rate (b) |
|-------------|------------------------|--------------------------|----------------------|-----------------------------|-----------------------|
| 2008 | \$14,934,382,599 | \$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% |
| 2017 | 18,505,587,803 | 1,439,106,697 | 19,944,694,500 | 19,944,694,500 | 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> |
|--------------------|---------------------------------|------------------------|--|--|--------------------------------------|-------------------------------|--------------|
| 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 |
| 2017 | 1.0000 | 0.0018 | 0.0974 | 0.0246 | 0.0080 | 0.0032 | 1.1350 |

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

| Employer | FY 2017 | | | FY 2008 | | |
|---|------------------------|------|---|------------------------|------|---|
| | 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 | \$506,773,868 | 1 | 2.54% | | | |
| PSB Northern Calif Industrial Portfolio LLC | 204,262,031 | 2 | 1.02% | | | |
| Southland Mall LP | 171,297,306 | 3 | 0.86% | \$142,131,910 | 2 | 0.85% |
| Hayward 544 LLC | 158,180,000 | 4 | 0.79% | | | |
| Hayward Point Eden I LP | 102,032,580 | 5 | 0.51% | 92,900,000 | 4 | 0.56% |
| Hayward Industrial Park Associates | 95,920,595 | 6 | 0.48% | | | |
| SCI Limited Partnership I | 82,976,107 | 7 | 0.42% | 82,401,854 | 5 | 0.49% |
| Impax Laboratories Inc. | 78,155,758 | 8 | 0.39% | 74,646,044 | 6 | 0.45% |
| Bottling Group LLC | 79,475,722 | 9 | 0.40% | 72,968,107 | 7 | 0.44% |
| Target Corporation | 62,842,008 | 10 | 0.32% | | | |
| Northern Cal Industrial Portfolio | | | | 178,467,647 | 1 | 1.07% |
| Berkeley Farm Inc. | | | | 129,207,160 | 3 | 0.77% |
| North 3 Holding LLC | | | | 66,500,000 | 8 | 0.40% |
| Deutsche Bank National Trust | | | | 64,841,028 | 9 | 0.39% |
| Eden Shores Associates 1 LLC | | | | 28,007,466 | 10 | 0.17% |
| Subtotal | \$1,541,915,975 | | 7.73% | \$932,071,216 | | 5.59% |

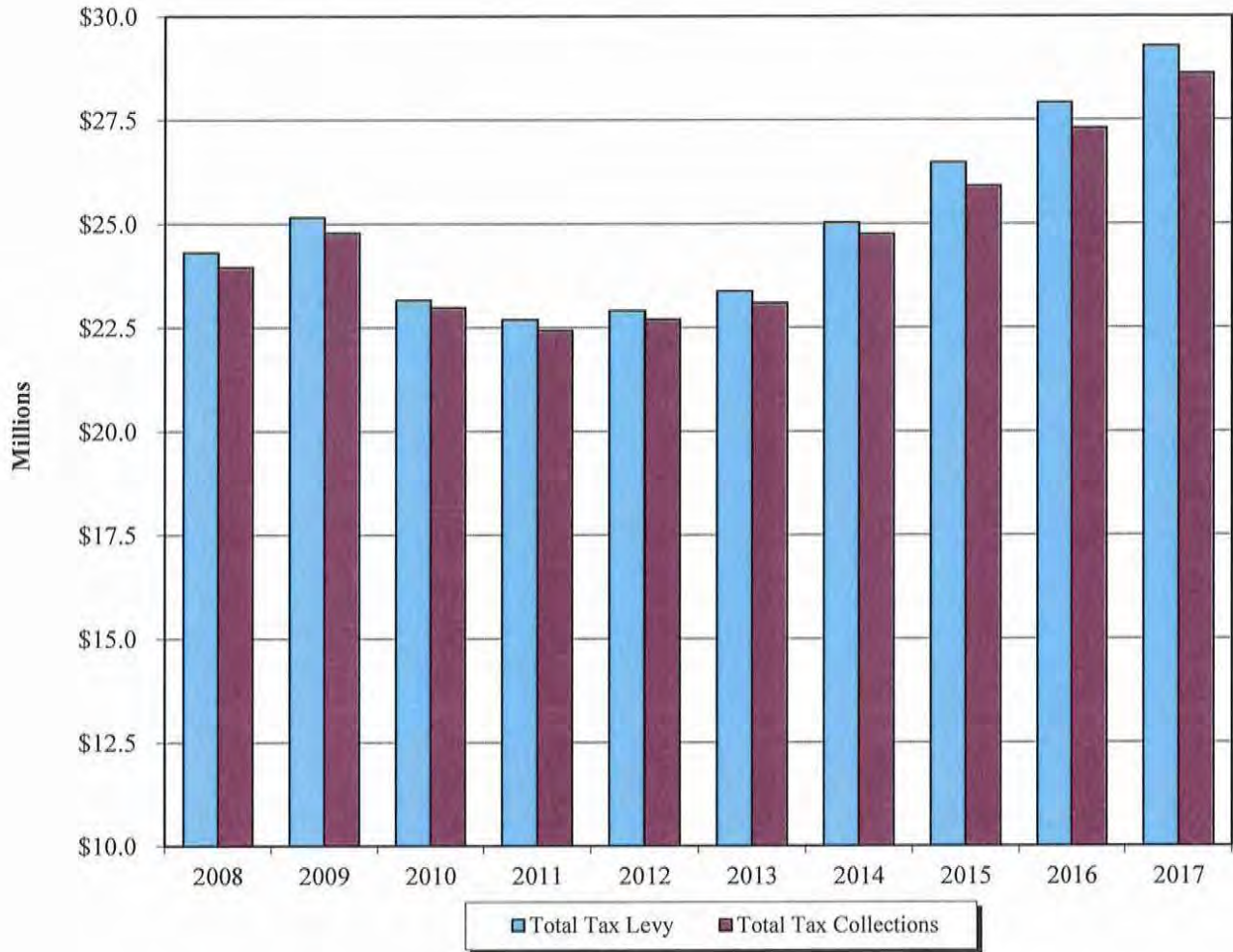
Total Assessed Valuation:

Fiscal Year 2016/2017 \$19,944,694,500

Fiscal Year 2007/2008 16,674,188,376

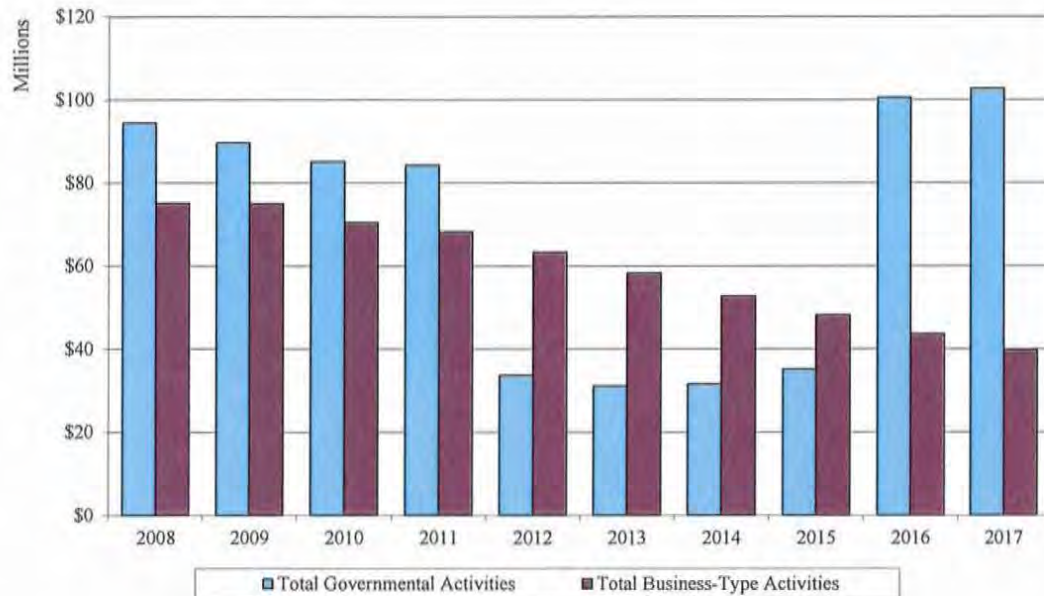
Source: Alameda County Assessor Fiscal Year Combined Tax Rolls

**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 |
|-------------|----------------|-------------------------|---------------------------|----------------------------|-----------------------|--|
| 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% |
| 2017 | 29,275,215 | 28,172,161 | 96.23% | 448,808 | 28,620,970 | 97.77% |

CITY OF HAYWARD
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS



| Fiscal Year | Governmental Activities | | | | Total |
|-------------|-------------------------|-------------------------------|---------------|---------------------------|--------------|
| | Tax Allocation Bonds | Certificates of Participation | Revenue Bonds | Capital Lease Obligations | |
| 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 |
| 2017 | 0 (a) | 91,613,001 | 2,044,350 | 9,050,057 | 102,707,408 |

| Fiscal Year | Business-Type Activities | | | Total Government | Government Debt Per Capita (b) |
|-------------|--------------------------|---------------------|--------------|------------------|--------------------------------|
| | Water Revenue Bonds | Sewer Revenue Bonds | Total | | |
| 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 |
| 2017 | 4,980,000 | 34,755,949 | 39,735,949 | 142,443,357 | 884.52 |

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.

**CITY OF HAYWARD
COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

| | |
|--------------------------------------|------------------------|
| 2016-17 Assessed Valuation: | \$ 19,568,323,306 |
| Redevelopment Incremental Valuation: | <u>(2,302,917,593)</u> |
| Adjusted Assessed Valuation: | \$ 17,265,405,713 |

| | Total Debt 6/30/2017 | % Applicable (1) | City's Share of Debt 6/30/2017 | | |
|--|-------------------------|--------------------|-----------------------------------|-----------------------|----------------------------------|
| <u>DIRECT DEBT:</u> | | | | | |
| City of Hayward General Fund Obligations | \$ 102,707,408 | 100.000% | <u>\$ 102,707,408</u> | <u>\$ 102,707,408</u> | <u>\$ 102,707,408</u> |
| Total Direct Debt | | | | | \$ 102,707,408 |
| <u>OVERLAPPING DEBT:</u> | | | | | |
| Overlapping Tax and Assessment Debt: | | | | | |
| Bay Area Rapid Transit District | \$ 891,135,000 | 3.029% | \$ 26,992,479 | | |
| Chabot-Las Positas Community College District | 536,465,000 | 17.726% | 95,093,786 | | |
| Castro Valley Unified School District | 108,470,000 | 0.119% | 129,079 | | |
| Hayward Unified School District | 423,916,221 | 85.763% | 363,563,269 | | |
| New Haven Unified School District | 211,939,413 | 13.656% | 28,942,446 | | |
| Pleasanton Unified School District | 19,919,976 | 0.032% | 6,374 | | |
| San Lorenzo Unified School District | 115,340,000 | 15.323% | 17,673,548 | | |
| Washington Township Healthcare District | 333,525,000 | 1.934% | 6,450,374 | | |
| Hayward Area Recreation and Park District | 125,000,000 | 54.663% | 68,328,750 | | |
| East Bay Regional Park District | 123,590,000 | 4.672% | 5,774,125 | | |
| City of Hayward Community Facilities District No. 1 | 6,148,070 | 100.000% | 6,148,070 | | |
| City of Hayward 1915 Act Bonds | 630,000 | 100.000% | 630,000 | | |
| Subtotal Overlapping Tax and Assessment Debt | | | | <u>\$ 619,732,300</u> | |
| Ratios to 2016-17 Assessed Valuation: | | | | | |
| Subtotal Overlapping Tax and Assessment Debt | 3.59% | | | | |
| <u>OVERLAPPING GENERAL FUND DEBT:</u> | | | | | |
| Alameda County General Fund Obligations | \$ 856,742,500 | 7.701% | \$ 65,977,740 | | |
| Alameda County Pension Obligation Bonds | 27,719,489 | 7.701% | 2,134,678 | | |
| Alameda-Contra Costa Transit District Certificates of Participation | 17,625,000 | 9.121% | 1,607,576 | | |
| Hayward Unified School District Certificates of Participation | 18,631,292 | 85.763% | 15,978,755 | | |
| San Lorenzo Unified School District Certificates of Participation | 7,950,000 | 15.323% | 1,218,179 | | |
| Castro Valley and Pleasanton Unified School District Certificates of Participation | 20,845,000 | 0.119% & 0.032% | 11,121 | | |
| Subtotal Overlapping General Fund Debt | | | | <u>\$ 86,928,048</u> | |
| <u>OVERLAPPING TAX INCREMENT DEBT(Successor Agencies):</u> | \$ 60,460,000 | 16.157% & 100.000% | <u>\$ 37,633,743</u> | <u>\$ 37,633,743</u> | |
| Total Overlapping Debt | | | | | <u>\$ 744,294,091</u> |
| Grand Total Direct and Overlapping Debt | | | | | <u>\$ 847,001,499</u> (2) |
| Combined Total Direct and Overlapping Debt | | | | | <u>\$ 847,001,499</u> (2) |
| <u>Ratio to 2016-17 Assessed Valuation:</u> | | | | | |
| Combined Total Direct and Overlapping Tax and Assessment Debt | 4.91% | | | | |

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 | \$19,944,694,500 |
|---|------------------|

| | |
|--|-----------------|
| BONDED DEBT LIMIT (15.% OF ASSESSED VALUE) | \$2,991,704,175 |
|--|-----------------|

AMOUNT OF DEBT SUBJECT TO LIMIT:

| | |
|-------------------|---------------|
| Total Bonded Debt | \$102,707,408 |
|-------------------|---------------|

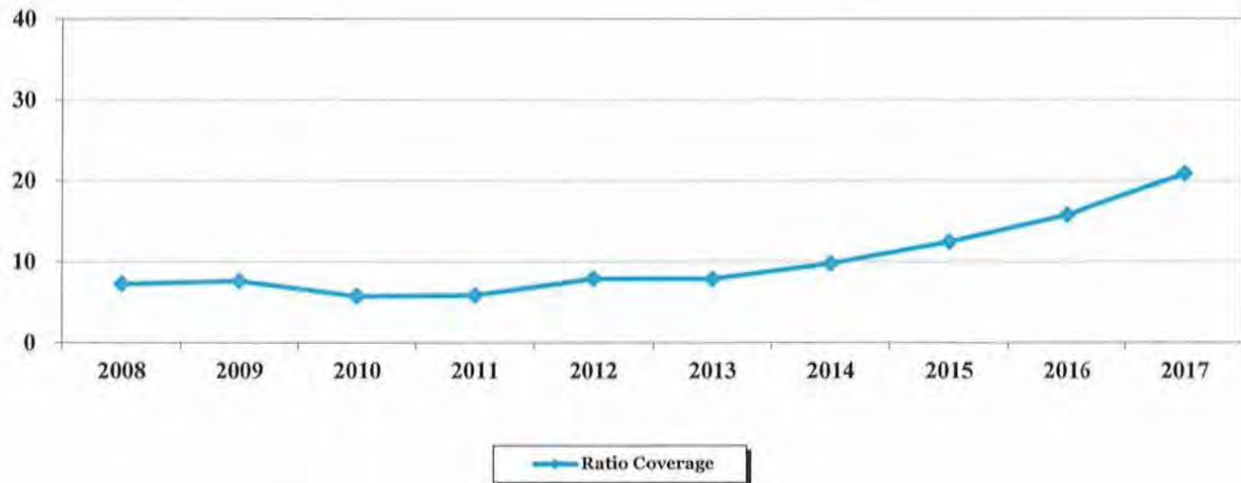
| | |
|---|-------------|
| Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit | 102,707,408 |
|---|-------------|

| | |
|---------------------------------|---|
| Amount of debt subject to limit | 0 |
|---------------------------------|---|

| | |
|--------------------------|-----------------|
| LEGAL BONDED DEBT MARGIN | \$2,991,704,175 |
|--------------------------|-----------------|

| 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 |
|----------------|-----------------|--|-------------------------|---|
| 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% |
| 2017 | 2,991,704,175 | 0 | 2,991,704,175 | 0.00% |

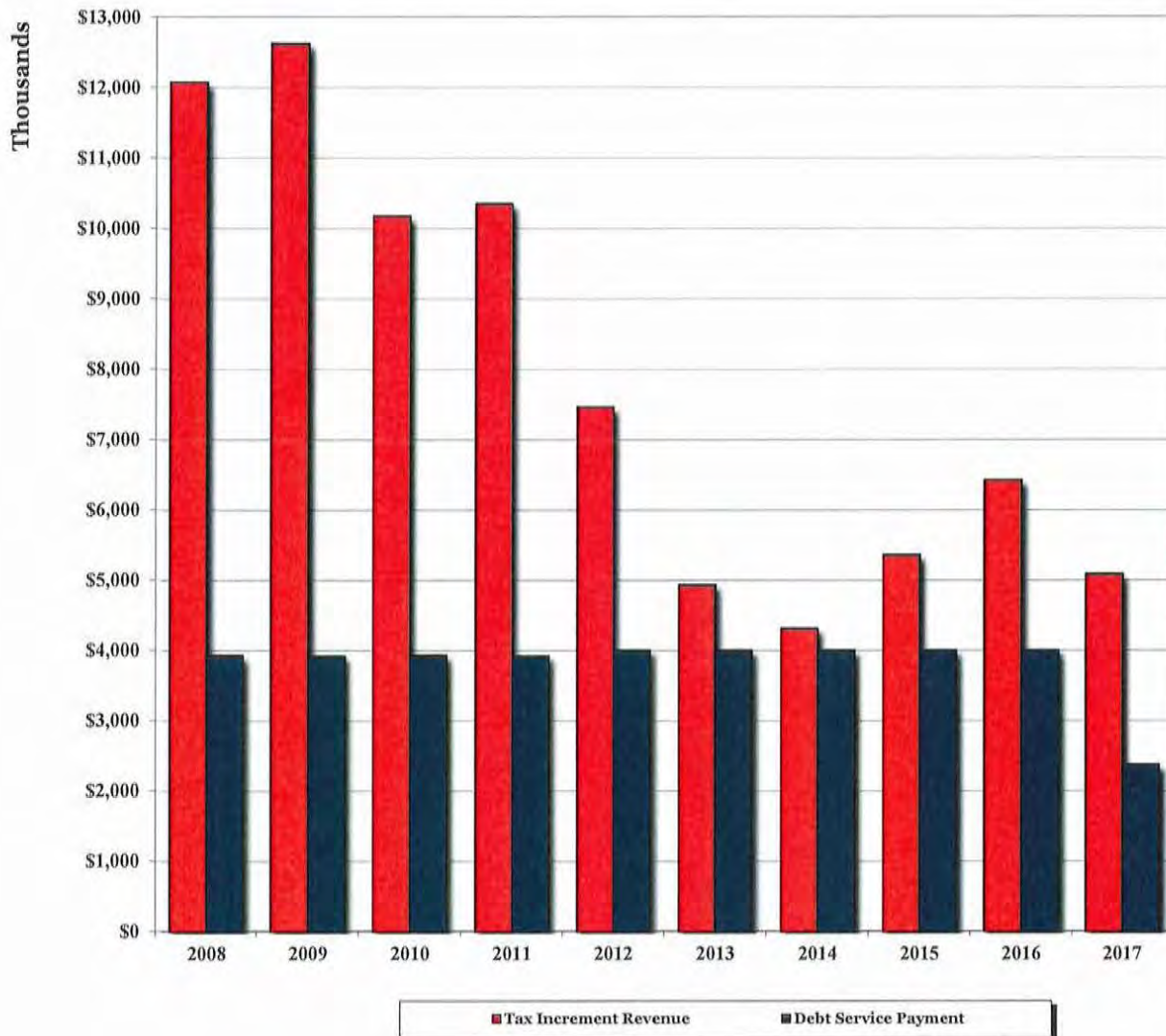
**CITY OF HAYWARD
REVENUE BOND COVERAGE
WASTEWATER REVENUE BONDS
LAST TEN FISCAL YEARS**



| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements | | | Ratio Coverage |
|-------------|-------------------|------------------------|--|---------------------------|-----------|-------------|----------------|
| | | | | Principal | Interest | Total | |
| 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 |
| 2017 | 82,325,821 | 60,602,745 | 21,723,076 | 886,781 | 151,341 | 1,038,122 | 20.93 |

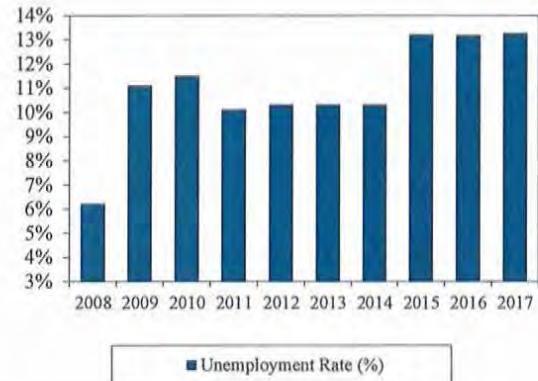
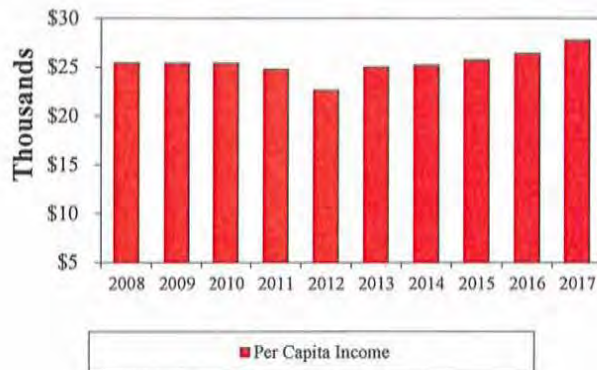
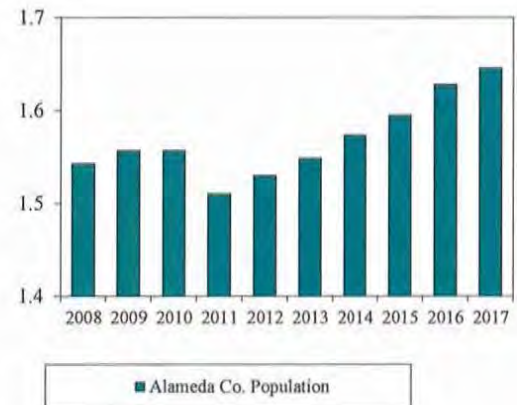
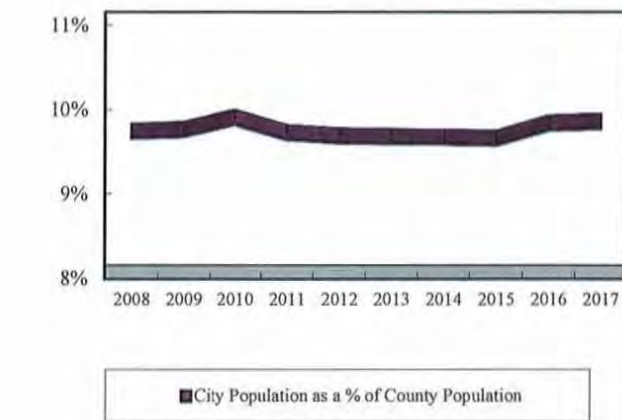
Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue
 (2) Includes all Wastewater Operating Expenses less Depreciation and Interest

**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 | |
| 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 |
| 2017 | 5,089,716 | 2,035,000 | 347,642 | 2,382,642 | 2.14 |

CITY OF HAYWARD
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



| Fiscal Year | City Population | Per Capita Income | City Unemployment Rate | Alameda Co. Population | City Population % of County |
|-------------|-----------------|-------------------|------------------------|------------------------|-----------------------------|
| 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 | 25,208 | 10.3% | 1,573,254 | 9.60% |
| 2015 | 152,889 | 25,770 | 13.2% | 1,594,569 | 9.59% |
| 2016 | 158,985 | 26,405 | 13.2% | 1,627,865 | 9.77% |
| 2017 | 161,040 | 27,774 | 13.3% | 1,645,359 | 9.79% |

* 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 2017</u> | <u>FY 2008</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 | 7 | 0.4% |
| California State University East Bay | * | 1,600 | 3 | 1.1% |
| Chabot Community College | * | | | |
| Fremont Bank Operations Center | * | | | |
| Hayward Unified School District | * | 1,800 | 2 | 1.2% |
| Gillig Corporation | * | 475 | 8 | 0.3% |
| Impax Laboratories, Inc. | * | | | |
| Illumina | * | | | |
| Platikon Industries, Inc. | * | | | |
| Pentagon Technologies | * | | | |
| Siemens Building Tech | * | | | |
| St. Rose Hospital | * | 950 | 5 | 0.6% |
| Kaiser Permanente Medical Center ** | | 2,200 | 1 | 1.5% |
| Mervyn's *** | | 1,300 | 4 | 0.9% |
| City of Hayward | | 847 | 6 | 0.6% |
| Alameda Newspaper Group | | 405 | 9 | 0.3% |
| Pepsi Cola | | 400 | 10 | 0.3% |
| Subtotal | | <u>8,965</u> | | <u>6.0%</u> |
| Total City Population Using Census Data | | <u>149,205</u> | | |

Source: City of Hayward Adopted Operating Budget FY17

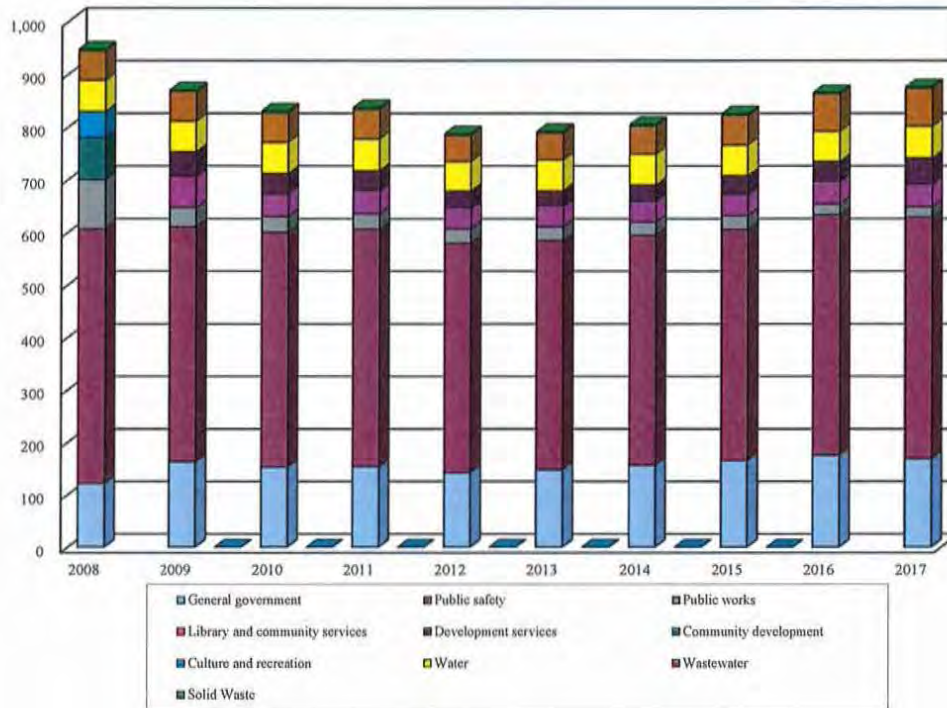
Note: FY17 data not available for ranking or total employment.

* 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



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Function | | | | | | | | | | |
| General government | 121.00 | 162.50 | 152.50 | 153.50 | 142.00 | 146.90 | 156.00 | 165.00 | 175.00 | 168.50 |
| Public safety | 484.70 | 446.70 | 446.70 | 452.20 | 436.50 | 436.50 | 437.50 | 439.50 | 457.00 | 459.00 |
| Public works | 92.75 | 36.50 | 29.75 | 29.00 | 27.00 | 26.10 | 25.00 | 26.00 | 20.50 | 19.56 |
| Library and community services | | 59.85 | 43.45 | 43.45 | 39.10 | 38.55 | 38.55 | 40.20 | 42.20 | 42.80 |
| Development services | | 46.50 | 38.50 | 38.50 | 33.25 | 30.00 | 32.00 | 36.00 | 39.00 | 50.00 |
| Community development | 80.50 | * | * | * | * | * | * | * | * | * |
| Culture and recreation | 49.85 | * | * | * | * | * | * | * | * | * |
| Water | 59.00 | 58.25 | 59.25 | 60.00 | 56.00 | 58.40 | 58.50 | 58.50 | 57.30 | 60.61 |
| Wastewater | 55.50 | 55.50 | 55.50 | 55.50 | 49.50 | 51.00 | 53.00 | 56.00 | 70.40 | 71.58 |
| Solid Waste | 3.00 | 3.00 | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 | 2.80 | 2.75 |
| Total | 946.30 | 868.80 | 829.65 | 836.15 | 786.35 | 790.45 | 803.55 | 824.20 | 864.20 | 874.80 |

Source: City of Hayward Adopted Operating Budget

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

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

| Function/Program | 2014 | 2015 | 2016 | 2017 |
|---|-------------|-------------|-------------|-------------|
| Public safety: | | | | |
| Fire alarms | 16,571 | 16,437 | 17,463 | 17,989 |
| Police: (Uniform Crime Reporting Statistics) | | | | |
| Property crime calls | 4,773 | 4,869 | 4,430 | 4,925 |
| Violent crime calls (a) | 584 | 610 | 560 | 593 |
| Arson calls | 37 | 30 | 19 | 27 |
| Public works | | | | |
| Pavement Condition Index (PCI)* | 68 | 68 | 67 | 68 |
| *Industry measure of street condition with 100 ideal score | | | | |
| Annual pavement improvement projects | 11 | 11 | 12 | 14 |
| Airport operations count/flights | 111,293 | 117,985 | 112,274 | 108,680 |
| Airport reported based aircraft | 402 | 426 | 427 | 436 |
| Library and Community Services | | | | |
| Social Services Projects Funded | 16 | 15 | 13 | 17 |
| Facilities Projects Funded | 4 | 7 | 5 | 4 |
| Economic Development Projects Funded | 2 | 2 | 5 | 3 |
| New Housing/Rehab Projects Funded | 1 | 1 | 1 | 1 |
| Public Services Projects Funded | 9 | 8 | 4 | 2 |
| Planning | | | | |
| Active Subdivisions | 43 | 50 | 41 | 32 |
| Active Parcel Maps | 5 | 4 | 9 | 5 |
| Building Permits | 3,838 | 4,037 | 4,420 | 4,882 |
| Residential Rental Inspections | 3,768 | 1,510 | 1,518 | 1,435 |
| Library and neighborhood services | | | | |
| Library Materials in Collection | 169,870 | 168,659 | 165,542 | 161,708 |
| Library Circulation (Items checked out) | 889,014 | 880,483 | 808,116 | 824,788 |
| Community Preservation Cases | 2,867 | 3,959 | 3,735 | 3,501 |
| Water | | | | |
| Water service connections | 33,450 | 33,950 | 34,340 | 35,600 |
| Water main breaks | 26 | 20 | 35 | 23 |
| Average daily consumption (thousands of gallons) | 15,170 | 13,600 | 12,255 | 12,870 |
| Wastewater | | | | |
| Sewer service connections | 31,950 | 32,260 | 32,610 | 32,520 |
| Average daily treatment (thousands of gallons) | 11,200 | 10,970 | 10,840 | 11,810 |
| Solid Waste | | | | |
| Landfilled waste recycled and diversion rate* | 76% | 73% | 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

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

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

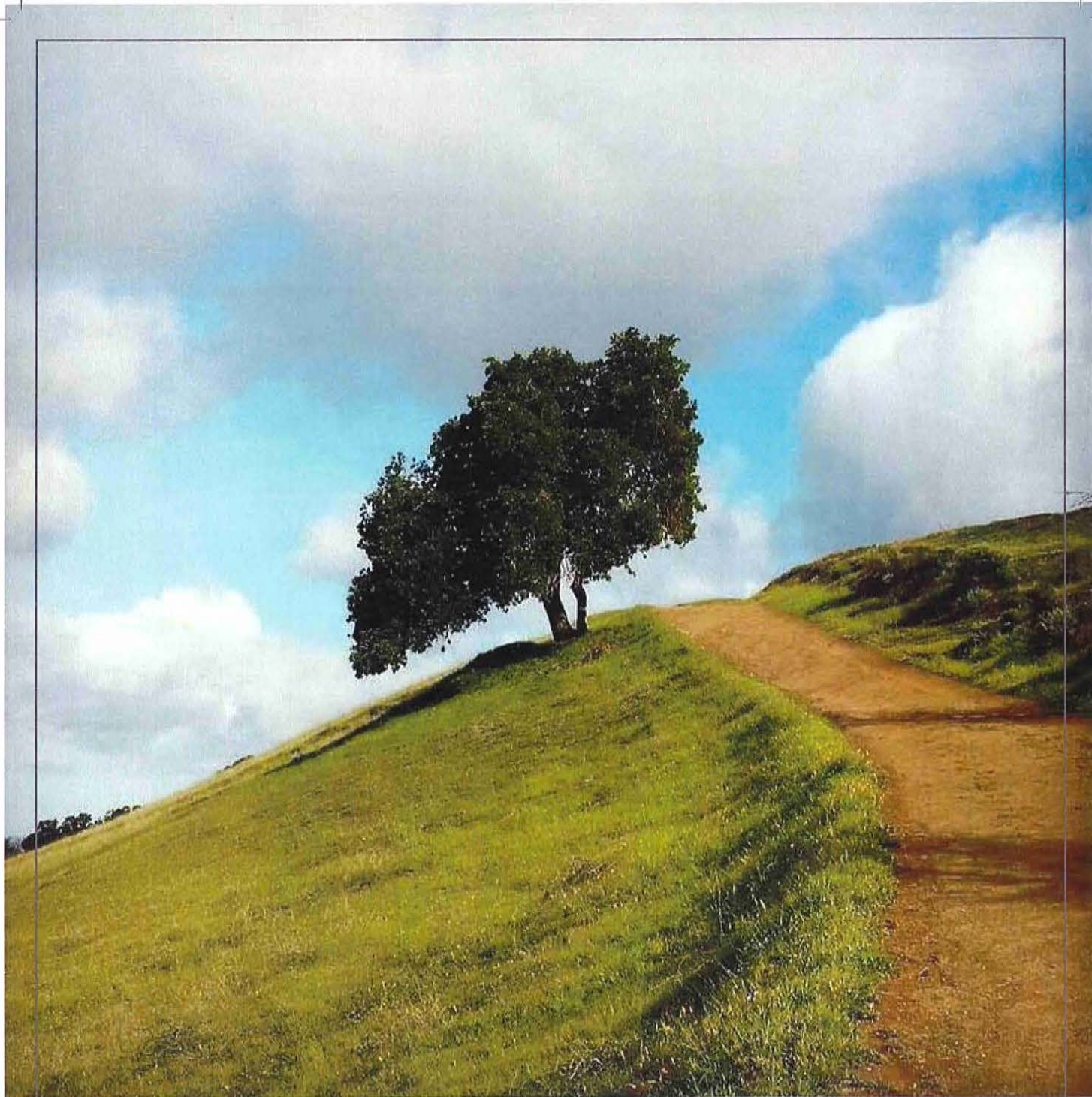
(a) Includes Fairview Fire District Station under contract

(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

| Fiscal Year Ended June 30, | | | | | |
|----------------------------|------------|------------|------------|------------|------------|
| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| 9 | 9 | 9 | 9 | 9 | 9 |
| 118 | 115 | 127 | 118 | 118 | 114 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 197 | 189 | 199 | 177 | 186 | 194 |
| 266 | 266 | 266 | 266 | 283 | 283 |
| 8,143 | 8,143 | 8,161 | 8,178 | 8,273 | 8,288 |
| 134 | 135 | 135 | 134 | 134 | 136 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 140,000 | 140,000 | 150,000 | 150,000 | 150,000 | 155,000 |
| 15,600,000 | 15,500,000 | 15,200,000 | 13,600,000 | 12,255,000 | 12,870,000 |
| 350 | 370 | 380 | 385 | 385 | 385 |
| 29,350,000 | 29,350,000 | 29,350,000 | 29,350,000 | 29,350,000 | 30,550,000 |
| 320 | 320 | 325 | 325 | 325 | 325 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 18,500,000 | 18,500,000 | 18,500,000 | 18,500,000 | 18,500,000 | 18,500,000 |

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