

CITY OF HAYWARD, CALIFORNIA

ALAMEDA COUNTY
VEHICLE REGISTRATION FEE (VRF)
MEASURE F PROGRAM
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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CITY OF HAYWARD, CALIFORNIA

**ALAMEDA COUNTY VEHICLE REGISTRATION FEE (VRF)
MEASURE F PROGRAM
FINANCIAL STATEMENTS**

For The Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the financial statements of the Alameda County Vehicle Registration Fee (VRF) Measure F Program (Measure F Program) of the City of Hayward, (City) California, as of and for the year ended June 30, 2016, and the related notes to the 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 Measure F Program'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 Measure F Program'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 financial position of the Measure F Program's as of June 30, 2016, and the change in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 the financial statements present only the Measure F Program and do not purport to, and do not present fairly the financial position of the City as of June 30, 2016, the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Management adopted the provisions of the Governmental Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the Measure F Program'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 Measure F Program's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
December 5, 2016

CITY OF HAYWARD
MEASURE F PROGRAM - BALANCE SHEET
JUNE 30, 2016

	<u>Local Road Improvement Repair Program</u>
ASSETS	
Cash and Investments (Note 3)	\$908,228
Due from other governments - VRF	<u>138,071</u>
Total Assets	<u><u>\$1,046,299</u></u>
FUND BALANCE	
Restricted for Measure F Programs	<u>\$1,046,299</u>
Total Fund Balance	<u>1,046,299</u>
Total Liabilities and Fund Balance	<u><u>\$1,046,299</u></u>

See accompanying notes to financial statements

CITY OF HAYWARD
 MEASURE F PROGRAM - STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Local Road Improvement Repair Program</u>
REVENUES	
Intergovernmental	
Measure F allocations	\$759,607
Interest income	<u>4,852</u>
Total Revenues	<u>764,459</u>
EXPENDITURES	
Public works and transportation	2,195
Capital outlay	<u>174,744</u>
Total Expenditures	<u>176,939</u>
Net Change in Fund Balance	587,520
Beginning Fund Balance	<u>458,779</u>
Ending Fund Balance	<u><u>\$1,046,299</u></u>

See accompanying notes to financial statements

CITY OF HAYWARD, CALIFORNIA

ALAMEDA COUNTY VEHICLE REGISTRATION FEE (VRF) MEASURE F PROGRAM

Notes to the Financial Statements

For The Year Ended June 30, 2016

NOTE 1 - BACKGROUND

Measure F Program - Alameda County Vehicle Registration Fee Measure F (Measure F Program) was approved by the voters in November 2010, with 63 percent of the vote. The fee will generate about \$10.7 million per year by a \$10 per year vehicle registration fee. The collection of the \$10 per year vehicle registration fee started in the first week of May 2011. The goal of the VRF Program is to sustain the County's transportation network and reduce traffic congestion and vehicle related pollution. The program includes four categories of projects:

- Local Road Improvement and Repair Program (60 percent)
- Transit for Congestion Relief (25 percent)
- Local Transportation Technology (10 percent)
- Pedestrian and Bicyclist Access and Safety Program (5 percent)

The Alameda County Transportation Commission administers the program and distributes an equitable share of the funds among the four planning areas of the county over successive five year cycles. Geographic equity will be measured by a formula, weighted 50 percent by population of the planning area and 50 percent of registered vehicles of the planning area.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Reporting Entity – All transactions of the Measure F Program of the City of Hayward, California (City), are included as a separate Special Revenue fund in the basic financial statements of the City.

The accompanying financial statements include the Measure F Program only and are not intended to fairly present the financial position, results of operations and cash flows of the City in conformity with accounting principles generally accepted in the United States of America.

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

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

Description of Funds – The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts.

Special Revenue Fund – to account for the proceeds of specific revenues (other than for capital projects) that are legally restricted to be expended for specified purposes.

CITY OF HAYWARD, CALIFORNIA

ALAMEDA COUNTY VEHICLE REGISTRATION FEE (VRF) MEASURE F PROGRAM

**Notes to the Financial Statements
For The Year Ended June 30, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Cash and Investments - The Fund's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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 Measure F Program 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.

Use of Estimates - Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

The investment fair value measurements within the fair value hierarchy are 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.

Cash and investments are maintained on a pooled basis with those of other funds of the City. Pooled cash and investments consist of U.S. government securities, bankers' acceptances, commercial paper, medium term notes, repurchase agreements, deposits with banks, and participation in the California Local Agency Investment Fund. All investments are stated at fair value. Pooled investment earnings are allocated monthly based on the average monthly cash and investment balances of the various funds and related entities of the City.

CITY OF HAYWARD, CALIFORNIA

ALAMEDA COUNTY VEHICLE REGISTRATION FEE (VRF) MEASURE F PROGRAM

Notes to the Financial Statements

For The Year Ended June 30, 2016

NOTE 3 – CASH AND INVESTMENTS (Continued)

See the City's Comprehensive Annual Financial Report (CAFR) for disclosures related to cash and investments as prescribed by Governmental Accounting Standards Board Statement No. 40. The CAFR may be obtained from the City of Hayward, 777 B St., Hayward, California 94541-5007.

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**INDEPENDENT AUDITOR'S
REPORT ON VEHICLE REGISTRATION FEE (VRF)
MEASURE F COMPLIANCE**

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

Report on Compliance for Measure F Program

We have audited, in accordance with the 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, the basic financial statements of the Alameda County Transportation Commission Vehicle Registration Fee (Measure F Program) of the City of Hayward, California, (City), as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated December 5, 2016. Our report included emphasis of matters paragraph disclosing the implementation of new accounting principles.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants specified in the *Master Programs Funding Agreement*, between the City and Alameda County Transportation Commission.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Measure F Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and requirements specified in the *Master Programs Funding Agreement* between the City and the Alameda County Transportation Commission. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Measure F Program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Measure F Program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Measure F Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Measure F Program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Measure F Program's internal control over compliance with the types of requirements that could have a direct and material effect on Measure F Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Measure F Program and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Measure F Program's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Measure F Program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of Measure F Program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Measure F Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated December 5, 2016, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements specified in the Master Programs Funding Agreement between the City and Alameda County Transportation Commission. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for information and use of the Alameda County Transportation Commission management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mase & Associates

Pleasant Hill, California
December 5, 2016