

**CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION
IMPROVEMENT AUTHORITY MEASURE B FUNDS**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2010

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**CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION
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FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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Honorable Mayor and City Council
City of Hayward, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds of the City of Hayward), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Hayward. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Hayward for the year ended June 30, 2009, and in our report dated November 30, 2009, and we expressed an unqualified opinion on those financial statements.

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

As discussed in Note 1, the financial statements present only the Alameda County Transportation Improvement Authority - Measure B Funds of the City of Hayward and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2010 and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alameda County Transportation Improvement Authority - Measure B Funds of the City of Hayward as of June 30, 2010 and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and City Council
City of Hayward
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010 on our consideration of the City of Hayward's internal control over financial reporting for the Alameda County Transportation Improvement Authority - Measure B Funds of the City of Hayward and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 3, 2010

CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY - MEASURE B FUNDS
BALANCE SHEET
JUNE 30, 2010
(with comparative totals)

	2010				2009
	Measure B 2000 Programs and Projects			Total	Total
	Paratransit	Local Streets and Roads	Bike and Pedestrian	Total	Total
ASSETS:					
Cash and investments (note 2)	\$ 159,844	1,843,942	504,474	2,508,260	1,708,521
Due from other governments	146,423	409,522	83,775	639,720	613,901
Other receivables	<u>570</u>	<u>4,609</u>	<u>1,248</u>	<u>6,427</u>	<u>11,147</u>
Total assets	<u>\$ 306,837</u>	<u>2,258,073</u>	<u>589,497</u>	<u>3,154,407</u>	<u>2,333,569</u>
LIABILITIES:					
Accounts payable and accrued expenses	\$ 35,376	<u>1,590</u>	<u>376</u>	<u>37,342</u>	<u>313,275</u>
Total liabilities	<u>35,376</u>	<u>1,590</u>	<u>376</u>	<u>37,342</u>	<u>313,275</u>
FUND BALANCE					
Reserved for Measure B programs	<u>271,461</u>	<u>2,256,483</u>	<u>589,121</u>	<u>3,117,065</u>	<u>2,020,294</u>
Total fund balance	<u>271,461</u>	<u>2,256,483</u>	<u>589,121</u>	<u>3,117,065</u>	<u>2,020,294</u>
Total liabilities and fund balance	<u>\$ 306,837</u>	<u>2,258,073</u>	<u>589,497</u>	<u>3,154,407</u>	<u>2,333,569</u>

See accompanying notes to financial statements

CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY - MEASURE B FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

(with comparative totals)

	2010				
	Measure B 2000 Programs and Projects			Total	2009 Total
	Paratransit	Local Streets and Roads	Bike and Pedestrian		
REVENUES:					
Intergovernmental					
Measure B allocation	\$ 573,034	1,602,681	327,858	2,503,573	2,610,960
Other - ACTIA gap paratransit services	257,046	-	-	257,046	-
Investment income	3,082	6,394	2,745	12,221	81,750
Other revenues	<u>54</u>	<u>18,496</u>	<u>327,014</u>	<u>345,564</u>	<u>447,994</u>
Total revenues	<u>833,216</u>	<u>1,627,571</u>	<u>657,617</u>	<u>3,118,404</u>	<u>3,140,704</u>
EXPENDITURES:					
Library and neighborhood services	677,297	-	-	677,297	764,719
Public works and transportation	<u>-</u>	<u>863,110</u>	<u>469,395</u>	<u>1,332,505</u>	<u>4,091,523</u>
Total expenditures	<u>677,297</u>	<u>863,110</u>	<u>469,395</u>	<u>2,009,802</u>	<u>4,856,242</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>155,919</u>	<u>764,461</u>	<u>188,222</u>	<u>1,108,602</u>	<u>(1,715,538)</u>
OTHER FINANCING SOURCES (USES)					
Transfers to the City	(11,831)	-	-	(11,831)	-
Transfers from the City	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,000</u>
Total other financing sources (uses)	<u>(11,831)</u>	<u>-</u>	<u>-</u>	<u>(11,831)</u>	<u>377,000</u>
NET CHANGE IN FUND BALANCE	144,088	764,461	188,222	1,096,771	(1,338,538)
BEGINNING FUND BALANCE	<u>127,373</u>	<u>1,492,022</u>	<u>400,899</u>	<u>2,020,294</u>	<u>3,358,832</u>
ENDING FUND BALANCE	<u>\$ 271,461</u>	<u>2,256,483</u>	<u>589,121</u>	<u>3,117,065</u>	<u>2,020,294</u>

See accompanying notes to financial statements

**CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION
IMPROVEMENT AUTHORITY MEASURE B FUNDS**

**NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2010**

(1) Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

C. Description of Funds

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

D. Capital Assets

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

**CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION
IMPROVEMENT AUTHORITY MEASURE B FUNDS**

NOTES TO FINANCIAL STATEMENTS

(2) Cash and Investments

Cash and investments are maintained on a pooled basis with those of other funds of the City. All investments are stated at fair value. Pooled investment earnings are allocated quarterly based on the average quarterly cash and investment balances of the various funds and related entities of the City.

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

(3) Measure B Funds

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

Projects funded by Measure B 2000 were as follows:

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

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

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

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

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

**CITY OF HAYWARD
ALAMEDA COUNTY TRANSPORTATION
IMPROVEMENT AUTHORITY MEASURE B FUNDS**

NOTES TO FINANCIAL STATEMENTS

(3) Measure B Funds, (Continued)

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

(4) Commitments and Contingencies

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

(5) Interfund Transfers

The Paratransit program made a transfer out of \$11,831 to the City's General Fund and Liability Insurance Fund for the year ended June 30, 2010.



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Honorable Mayor and City Council
City of Hayward, California

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds of the City of Hayward), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure B Funds financial statements of the City of Hayward are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. In our opinion, the City of Hayward complied, in all material respects, with the requirements referred to above that are applicable to its Measure B Funds for the year ended June 30, 2010. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hayward's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Measure B Funds financial statements and not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's control over financial reporting.

Honorable Mayor and City Council
City of Hayward, California
Page Two

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

We noted certain other matters we reported to the management of the City of Hayward in a separate letter dated December 3, 2010.

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

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

Mayer Hoffman McCann P.C.

Irvine, California
December 3, 2010