CITY OF HAYWARD

MEASURE B PROGRAM
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

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CITY OF HAYWARD

MEASURE B PROGRAM
Financial Statements
For the Year Ended June 30, 2018

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Alameda County Transportation Commission Measure B Program of the City of Hayward (City), California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Measure B Program'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 Measure B 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 B 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B Program as of June 30, 2018, 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 Matter

As discussed in Note 1, the financial statements present only the Measure B Program and do not purport to, and do not present fairly the financial position of the City as of June 30, 2018, the changes in the financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure B Program's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 14, 2018

CITY OF HAYWARD
MEASURE B PROGRAM - BALANCE SHEET
JUNE 30, 2018

	Paratransit	Local Streets and Roads	Bike and Pedestrian	Totals
ASSETS				
Cash and Investments (Note 2)	$1,475,741	$688,030	$1,052,661	$3,216,432
Direct local distribution program receivable - Measure B	150,206	396,644	83,318	630,168
Interest receivable	525	277	376	1,178
Total Assets	$1,626,472	$1,084,951	$1,136,355	$3,847,778
LIABILITIES				
Accounts payable and accrued liabilities	$176,691	$153,620	$628	$330,939
Total Liabilities	176,691	153,620	628	330,939
FUND BALANCE				
Restricted for Measure B Programs	1,449,781	931,331	1,135,727	3,516,839
Total Fund Balance	1,449,781	931,331	1,135,727	3,516,839
Total Liabilities and Fund Balance	$1,626,472	$1,084,951	$1,136,355	$3,847,778

See accompanying notes to financial statements

CITY OF HAYWARD
MEASURE B PROGRAM - STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Paratransit	Local Streets and Roads	Bike and Pedestrian	Totals
REVENUES				
Intergovernmental				
Measure B direct local distribution funds allocation	$951,835	$2,513,477	$527,971	$3,993,283
Interest income	22,959	11,184	4,592	38,735
Total Revenues	974,794	2,524,661	532,563	4,032,018
EXPENDITURES				
Community services	737,847			737,847
Capital outlay		4,371,519	179,662	4,551,181
Total Expenditures	737,847	4,371,519	179,662	5,289,028
Net Change in Fund Balance	236,947	(1,846,858)	352,901	(1,257,010)
Beginning Fund Balance	1,212,834	2,778,189	782,826	4,773,849
Ending Fund Balance	$1,449,781	$931,331	$1,135,727	$3,516,839

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Alameda County Transportation Commission (ACTC) - Measure B Funds (Measure B Program) 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 Program is 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 Program 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 deferred outflows of resources, and current liabilities, and deferred inflows of resources, 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.

E. Cash and Investments

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 B 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.

NOTE 2 – 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. Treasury or its agencies, money market funds investing in such obligations, negotiable certificates of deposit, commercial paper and medium term corporate notes that meet specified rating requirements, mutual funds, guaranteed investment contracts, repurchase agreements, reverse repurchase agreements when authorized by the City's Council, the State Treasurer's investment pool (Local Agency Investment Fund), and banker's acceptances. 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 are 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.

NOTE 3 – MEASURE B PROGRAM

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 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.

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

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

NOTE 4 – COMMITMENTS AND CONTINGENCIES

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

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INDEPENDENT AUDITOR'S

REPORT ON MEASURE B COMPLIANCE

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

Report on Compliance for Measure B 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 Measure B Program of the City of Hayward (City), California, as of and for the year ended June 30, 2018 and the related notes to the financial statements, and have issued our report thereon dated December 14, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Measure B 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 B 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 B program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Measure B Program

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 B Program for the year ended June 30, 2018.

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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 City's internal control over compliance with the types of requirements that could have a direct and material effect on the Measure B Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Measure B 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 City'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 B 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 the Measure B 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 B 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 over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We have also issued a separate Memorandum on Internal Control dated December 14, 2018 which is an integral part of our audits and should be read in conjunction with 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 the Alameda County Transportation Commission. Accordingly, this report is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
December 14, 2018