

CITY OF HERCULES

**Presentation to the City Council
For the Fiscal Year Ended June 30, 2025**

January 27, 2026



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Scope Of Work



Scope Of Work

- Audit of the Annual Comprehensive Financial Report
- Audit of the Hercules Wastewater Fund
- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*
- Agreed Upon Procedures:
 - GANN Limit
 - Measure B – Transactions and Use Tax Revenues
 - Measure N – Utility Users Tax Rate Revenues

Required Communications (AU-C 260)

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- **Ethics and Independence**
 - Complied with ALL relevant ethical requirements regarding independence
- **Significant Accounting Policies**
 - The District disclosed all significant accounting policies in Note 1 to the financial statements.
- **Significant Estimates**
 - Investment fair value
 - Depreciation and amortization on capital assets
 - Net pension liability
 - Net other postemployment benefits (“OPEB”) liability
 - Compensated absences (GASB No. 101)

Required Communications (AU-C 260)

- **Sensitive Disclosures**
 - Note 1 - Summary of Significant Accounting Policies
 - Note 8 – Retirement Plans
 - Note 10 – Other Postemployment Benefits
 - Note 12 – Commitments and Contingencies
 - Note 14 – Stewardship, Compliance, and Accountability
 - Note 17 – Restatement
- **Misstatements**
 - There were no material uncorrected misstatement.

Required Communications (AU-C 260)

- **Consultation with Other Accountants**
 - Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and other matters.
- **Significant Difficulties**
 - We encountered no significant difficulties in dealing with management.
- **Disagreement with Management**
 - We did not have any disagreement with management in terms of accounting treatments nor audit procedures performed.

Overview Of The Financial Statements and Financial Indicators

City of Hercules

Government-Wide Statement of Net Position

June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets	\$ 136,090,000	\$ 66,829,000	\$ 202,919,000
Deferred Outflows of Resources	6,745,000	332,000	7,077,000
Liabilities	48,115,000	28,406,000	76,521,000
Deferred Inflows of Resources	11,218,000	158,000	11,376,000
Net Position:			
Net investment in capital assets	58,085,000	23,530,000	81,615,000
Restricted	16,610,000	17,000	16,627,000
Unrestricted	8,807,000	15,050,000	23,857,000
Total Net Position	\$ 83,502,000	\$ 38,597,000	\$ 122,099,000

City of Hercules

Government-Wide Statement of Activities

For the Year Ended June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Program Revenues	\$ 10,745,000	\$ 6,330,000	\$ 17,075,000
Expenses	31,066,000	5,487,000	36,553,000
Net Cost of Services	(20,321,000)	843,000	(19,478,000)
General Revenues	19,930,000	905,000	20,835,000
Changes in Net Position	\$ (391,000)	\$ 1,748,000	\$ 1,357,000

City of Hercules

Governmental Activities

Cost of Services to Tax Revenues

For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cost of Services	\$ 20,321,000	\$ 17,708,000
Tax Revenues	<u>14,277,000</u>	<u>13,343,000</u>
Ratio	<u>142%</u>	<u>133%</u>

City of Hercules

General Fund Summary

Fund Balance

June 30, 2025 and 2024

	2025	2024	Change
Fund Balance:			
Nonspendable	\$ 1,263,000	\$ 1,322,000	\$ (59,000)
Restricted	2,643,000	2,392,000	251,000
Committed	7,885,000	7,884,000	1,000
Assigned	7,139,000	8,595,000	(1,456,000)
Unassigned	13,802,000	14,755,000	(953,000)
Total Fund Balance	\$ 32,732,000	\$ 34,948,000	\$ (2,216,000)

City of Hercules

General Fund Summary

Revenues, Expenditures and Changes in Fund Balance

For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Revenues	\$ 21,780,000	\$ 20,329,000	\$ 1,451,000
Expenditures	<u>(20,668,000)</u>	<u>(18,245,000)</u>	<u>(2,423,000)</u>
Revenues over Expenditures	1,112,000	2,084,000	(972,000)
Other Financing Sources (Uses)	<u>(3,328,000)</u>	<u>(1,014,000)</u>	<u>(2,314,000)</u>
Change in Fund Balance	<u>\$ (2,216,000)</u>	<u>\$ 1,070,000</u>	<u>\$ (3,286,000)</u>

City of Hercules

General Fund

Unassigned Fund Balance to Annual Expenditures For the Years Ended June 30, 2025 and 2024

	2025	2024
Unassigned Fund Balance	<u>\$ 13,802,000</u>	<u>\$ 14,755,000</u>
Annual Expenditures	<u>20,668,000</u>	<u>18,245,000</u>
Ratio	<u>67%</u>	<u>81%</u>
Committed/Assigned/Unassigned Fund Balance	<u>\$ 28,825,000</u>	<u>\$ 31,234,000</u>
Ratio	<u>139%</u>	<u>171%</u>

Key Pension and OPEB Information

Net Pension Liability – Misc. Plan

	2025	2024
Plan Total Pension Liability	\$ 38,127,000	\$ 35,724,000
Plan Fiduciary Net Position	(28,639,000)	(26,171,000)
Net Pension Liability	<u>\$ 9,488,000</u>	<u>\$ 9,553,000</u>
Funding Ratio	<u>75%</u>	<u>73%</u>
Contribution Made During the Fiscal Year	<u>\$ 1,042,000</u>	<u>\$ 891,000</u>

Net Pension Liability – Safety Plan

	2025	2024
Plan Total Pension Liability	\$ 47,839,000	\$ 45,007,000
Plan Fiduciary Net Position	(36,311,000)	(33,264,000)
Net Pension Liability	<u>\$ 11,528,000</u>	<u>\$ 11,743,000</u>
Funding Ratio	<u>76%</u>	<u>74%</u>
Contribution Made During the Fiscal Year	<u>\$ 1,474,000</u>	<u>\$ 1,262,000</u>

Net Pension Liability – PEHMCA Plan

	2025	2024
Plan Total OPEB Liability	\$ 2,768,000	\$ 2,618,000
Plan Fiduciary Net Position	(3,122,000)	(2,889,000)
Net OPEB Asset	<u>\$ (354,000)</u>	<u>\$ (271,000)</u>
Funding Ratio	<u>113%</u>	<u>110%</u>
Contribution Made During the Fiscal Year	<u>\$ 88,000</u>	<u>\$ 87,000</u>

Net Pension Liability – SOMAR Plan

	2025	2024
Plan Total OPEB Liability	\$ 1,931,000	\$ 1,905,000
Plan Fiduciary Net Position	-	-
Net OPEB Liability	<u>\$ 1,931,000</u>	<u>\$ 1,905,000</u>
Funding Ratio	<u>0%</u>	<u>0%</u>
Contribution Made During the Fiscal Year	<u>\$ 49,000</u>	<u>\$ 49,000</u>



Financial Audit Results



Audit Results

- **Financial Statements**
 - **Unmodified Opinion**
 - Financial Statements are fairly presented in all material respects
 - Significant accounting policies have been consistently applied
 - Estimates are reasonable
 - Disclosures are properly reflected in the financial statements
 - **Agreed Upon Procedures – GANN, Measure B, and Measure N**
 - No exceptions were noted
- **Other Results**
 - No disagreements with management
 - No material weaknesses in internal controls over financial reporting were reported
 - No accounting issues



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