



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)



Required Communications (AU-C 260)

- **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 | <u>\$ 136,090,000</u> | <u>\$ 66,829,000</u> | <u>\$ 202,919,000</u> |
| Deferred Outflows of Resources | <u>6,745,000</u> | <u>332,000</u> | <u>7,077,000</u> |
| Liabilities | <u>48,115,000</u> | <u>28,406,000</u> | <u>76,521,000</u> |
| Deferred Inflows of Resources | <u>11,218,000</u> | <u>158,000</u> | <u>11,376,000</u> |
| 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 | <u>8,807,000</u> | <u>15,050,000</u> | <u>23,857,000</u> |
| Total Net Position | <u>\$ 83,502,000</u> | <u>\$ 38,597,000</u> | <u>\$ 122,099,000</u> |

City of Hercules

Government-Wide Statement of Activities

For the Year Ended June 30, 2025

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

City of Hercules
Governmental Activities
Cost of Services to Tax Revenues
For the Years Ended June 30, 2025 and 2024

| | 2025 | 2024 |
|-------------------------|----------------------|----------------------|
| Cost of Services | <u>\$ 20,321,000</u> | <u>\$ 17,708,000</u> |
| 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 | <u>13,802,000</u> | <u>14,755,000</u> | <u>(953,000)</u> |
| Total Fund Balance | <u>\$ 32,732,000</u> | <u>\$ 34,948,000</u> | <u>\$ (2,216,000)</u> |

City of Hercules
General Fund Summary
Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2025 and 2024

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



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 | <u>(28,639,000)</u> | <u>(26,171,000)</u> |
| Net Pension Liability | <u><u>\$ 9,488,000</u></u> | <u><u>\$ 9,553,000</u></u> |
| Funding Ratio | <u><u>75%</u></u> | <u><u>73%</u></u> |
| Contibution Made During the Fiscal Year | <u><u>\$ 1,042,000</u></u> | <u><u>\$ 891,000</u></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><u>\$ 11,528,000</u></u> | <u><u>\$ 11,743,000</u></u> |
| Funding Ratio | 76% | 74% |
| Contibution Made During the Fiscal Year | <u><u>\$ 1,474,000</u></u> | <u><u>\$ 1,262,000</u></u> |

Net Pension Liability – PEHMCA Plan

| | 2025 | 2024 |
|---|----------------------------|----------------------------|
| Plan Total OPEB Liability | \$ 2,768,000 | \$ 2,618,000 |
| Plan Fiduciary Net Position | <u>(3,122,000)</u> | <u>(2,889,000)</u> |
| Net OPEB Asset | <u><u>\$ (354,000)</u></u> | <u><u>\$ (271,000)</u></u> |
| Funding Ratio | <u><u>113%</u></u> | <u><u>110%</u></u> |
| Contibution Made During the Fiscal Year | <u><u>\$ 88,000</u></u> | <u><u>\$ 87,000</u></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 | \$ 1,931,000 | \$ 1,905,000 |
| | | |
| Funding Ratio | 0% | 0% |
| | | |
| Contibution Made During the Fiscal Year | \$ 49,000 | \$ 49,000 |



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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