



FISCAL YEAR

2023-2024

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

CITY OF HERCULES, CALIFORNIA



CITY OF HERCULES, CALIFORNIA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**WITH REPORTS ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED
JUNE 30, 2024**

Prepared by:
The Finance Department

City of Hercules
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024
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CITY OF HERCULES

111 CIVIC DRIVE, HERCULES CA 94547
PHONE: (510) 799-8200

December 19, 2024

To the Honorable Mayor, Members of the City Council and Citizens of the City of Hercules, California:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) for the City of Hercules, California (the “City”) for the fiscal year ended June 30, 2024. The Finance Department has diligently prepared this report in accordance with the comprehensive financial reporting principles and standards established by the Governmental Accounting Standards Board (GASB). The City takes full responsibility for the accuracy of the financial data and the integrity of the presentation, including all necessary disclosures. The information contained herein accurately reflects the City’s financial condition and the outcomes of its operations as measured by the various financial activities of its funds. Additionally, the disclosures are designed to provide readers with a thorough understanding of the City's financial dynamics.

The core financial statements of the City have undergone a comprehensive audit by The Pun Group, LLC, a reputable and licensed public accounting firm qualified to conduct audits for California’s state and local governments. The primary aim of this independent audit was to provide reasonable assurance that the City’s basic financial statements for the fiscal year ended June 30, 2024, are free of material misstatements. The findings of the independent auditors are included as the first component of the financial section of this report, thereby establishing a foundation of trust and credibility.

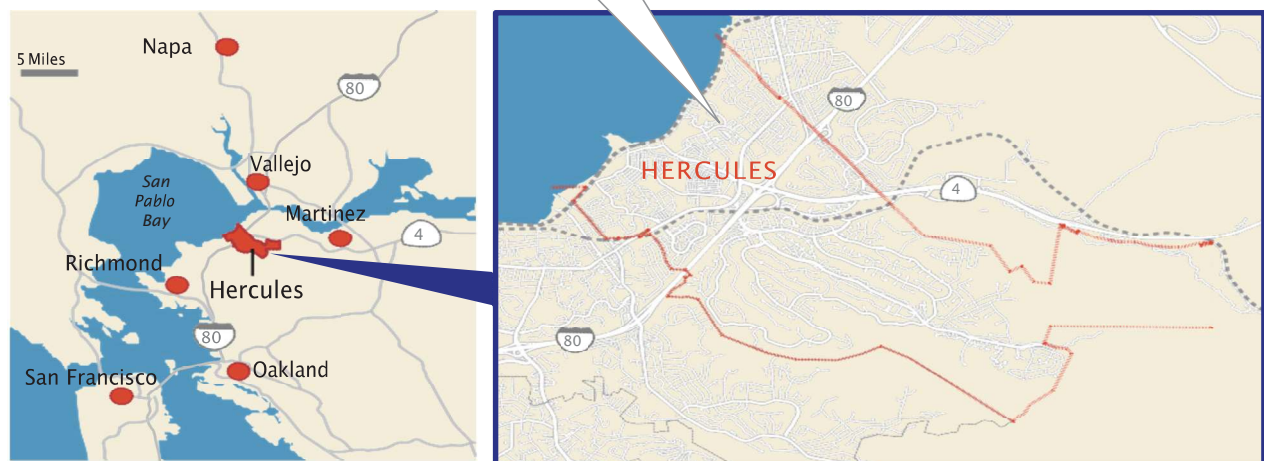
In accordance with generally accepted accounting principles (GAAP), management is required to furnish a narrative introduction, overview, and analysis to accompany the basic financial statements in the Management's Discussion and Analysis (MD&A). This informative section is located immediately following the independent auditors’ report. The letter of transmittal presented here complements MD&A and should be considered alongside it for a comprehensive understanding of the City’s financial landscape.

CITY PROFILE

The City of Hercules's distinctive history has facilitated its transformation from a small company town into a vibrant and dynamic community. In the late 1800s, the Industrial Revolution significantly altered the business landscape throughout the nation. The California Powder Works company played an essential role in this revolution and established the City, now recognized as Hercules.

Hercules was officially organized, formed, and incorporated according to the laws of the State of California on December 15, 1900. The City is located in western Contra Costa County, on the northeastern shore of San Pablo Bay. It is ideally situated along the I-80 corridor, providing convenient access to San Francisco and Napa. The community is characterized by a diverse population representing various ethnic groups, primarily comprising a suburban, family-oriented demographic, with an emerging New-Urbanist transit-oriented area along the bayfront.

The City of Hercules is located along the I-80 corridor and within minutes of both San Francisco and Napa. Hercules is in Contra Costa County in the San Francisco Bay Area.



The City operates under a "Council-Manager" form of government, wherein the City Council appoints a City Manager to serve as the Chief Executive Officer of the municipal corporation. The Council functions as the board of directors and conducts its business openly and transparently, encouraging citizen participation in the governmental process. Comprising five members elected at large, the City Council members serve staggered, non-partisan four-year terms. Annually, in December, the Council reorganizes and selects a Mayor and Vice Mayor, each serving one-year terms.

Hercules employs 61 full-time staff members and serves an estimated population of 26,000 residents within a land area of 19.99 square miles. The City offers a comprehensive range of municipal services, including public safety (police), street maintenance, public works infrastructure, urban planning, building inspection, parks and recreation, and general administrative functions.

This report outlines the organizations and activities for which the elected City officials are financially responsible. The notes accompanying the financial statements provide further insights into the City as a comprehensive financial reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The City has made significant progress on each of the adopted strategic priorities. The City has adopted a balanced budget, successfully implemented business assistance programs, and made strides to further the vision of the Hercules Hub.

Furthermore, Hercules has made significant strides in restoring the Parks & Recreation programs that were closed due to the mandatory closure in 2020, addressing both immediate needs and medium to long term fiscal sustainability through community engagement and voter approval of Measure N, which removed the sunset provision that would have caused the expiration of the Utility User's Tax (UUT) in January 2025.

MAJOR INITIATIVES

The City is actively pursuing various significant initiatives, as its annual budget documents extensively outlined. For the fiscal year 2023-2024, a primary focus is enhancing infrastructure to support community growth and connectivity. One of the standout projects in this effort is the Hercules Hub (The HUB), an ambitious development set to transform the waterfront landscape overlooking the picturesque San Pablo Bay.

The HUB is designed as a vibrant, state-of-the-art community that integrates housing and transportation seamlessly. It will connect thousands of residential units to a new train stop along the bustling Capitol Corridor, making commuting more convenient. In addition to the train service, the project will feature well-planned bicycle and pedestrian pathways, efficient bus routes, carpool options, and even a ferry service, all aimed at promoting sustainable transportation.

To date, this transformative facility has already garnered \$46 million in capital improvements, showcasing the City's commitment to excellence in urban development. The City is fully dedicated to securing additional funding to finalize the design and construction of the remaining infrastructure, which will ultimately enable the Capitol Corridor train to efficiently serve the HUB and enhance accessibility for all residents and visitors.

Other key public works projects included:

- Streets – Annual Sidewalk Repair Program, Annual Restriping Project, Pedestrian Sidewalk Improvement at Willow and Palm Street, ADA Transition Plan and Countywide Smart Signals.
- Sewer – Sycamore Avenue Lower and Upper Sewer Trunk Main Projects.
- Buildings & Facilities – Building Facilities Plan and ADA Assessment Improvement.
- Parks – Park Improvement Projects, Tree Mitigation and Replacement Program, and Lupine Hill Stabilization.

BUDGETARY CONTROL

The City maintains robust budgetary controls through the annual budget adopted by the City Council. These controls ensure adherence to the legal provisions established in the approved appropriated budget. Each year, departments collaborate with the City Manager and the Finance Department to formulate operating budget requests. The City Manager and the Finance Director thoroughly review these requests and subsequently provide recommendations to the City Council regarding the overall budget.

While budgetary control is primarily exercised at the fund level, the City has instituted appropriation and transfer procedures to enhance internal controls, foster accountability, and promote administrative responsiveness. All budgetary transfers require review and approval from the Finance Director or their designee. Furthermore, transfers that impact salaries and benefits necessitate the City Manager's or their designee's review and approval.

Budgetary control operates at several levels:

- a) General Fund – at the department level;
- b) Other Funds – at the fund level;
- c) Capital Projects – at the project level, the City Manager's signature is required for approval.

The City Manager can approve line-item budget transfers within a General Fund department or other funds by the budget resolution. Additionally, the City employs encumbrance accounting as a strategic method for maintaining budgetary control. An encumbrance reflects a commitment to future expenditures designated for specific purposes, thereby reducing the amount of budgetary authority available for general spending.

After the fiscal year, encumbered appropriations, uncompleted capital appropriations, Participatory Budgeting allocations, and grant projects are carried over into the subsequent year's budget, while unencumbered appropriations expire.

The City remains committed to achieving sound financial management, as demonstrated by the statements and schedules included in the financial section of this report.

INTERNAL CONTROL

The management of the City holds the responsibility of establishing and maintaining internal controls designed to protect the City's assets from loss, theft, or misuse. Additionally, these controls ensure the compilation of adequate accounting data necessary for the preparation of financial statements in compliance with Generally Accepted Accounting Principles (GAAP).

Internal controls are structured to provide reasonable assurance, though not absolute, that these objectives are achieved. The principle of reasonable assurance recognizes that the costs associated with a control should not exceed the anticipated benefits. The evaluation of these costs and benefits involves careful estimates and judgments made by management.

All assessments of internal controls are conducted within this established framework. City management is confident that the internal accounting controls in place sufficiently safeguard assets and provide reasonable assurance regarding the accurate recording of financial transactions.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) has recognized the City with a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This award represents the highest standard in governmental accounting and financial reporting.

In order to receive this esteemed recognition, the City is required to produce an ACFR that is both clear and well-structured, fulfilling all necessary program standards. The report must comply with Generally Accepted Accounting Principles (GAAP) and adhere to relevant legal requirements. It is pertinent to note that the Certificate of Achievement is awarded for a term of one year.

We are confident that our current annual comprehensive financial report meets the criteria set forth by the Certificate of Achievement Program. As such, we are submitting it to the GFOA for evaluation to assess its eligibility for renewal of this prestigious certificate.

ACKNOWLEDGEMENTS

The preparation and publication of this Comprehensive Annual Financial Report have been made possible through the exceptional efforts, dedication, and teamwork exhibited by the entire Finance Department, alongside the invaluable cooperation and assistance provided by all City departments.

We wish to express our sincere appreciation to our Finance staff: Deysi Ortega, Senior Accountant; Nahid Vafadari, Accounts Payable Technician; and Steve Fox, Payroll Technician, for their diligent collaboration with our auditors in finalizing this report. We also extend our gratitude to The Pun Group, LLP, the City's audit firm, for their professional support and guidance throughout the process.

Furthermore, we acknowledge and appreciate the vision and continued support of the Honorable Mayor and the members of the City Council as they lead our efforts toward economic viability and the pursuit of long-term fiscal stability.

Respectfully submitted,



Danto Hall
City Manager



Edwin Gato
Finance Director



CITY COUNCIL



DAN ROMERO

Mayor



DION BAILEY

Vice Mayor



**ALEXANDER WALKER-
GRIFFIN**

Council Member



CHRIS KELLEY

Council Member



TIFFANY GRIMSLEY

Council Member

DEPARTMENT HEADS

Dante Hall, City Manager

Patrick Tang, City Attorney

Eibleis Melendez, City Clerk

Michael Roberts, Public Works Director

Joseph Vasquez, Police Chief

Edwin Gato, Finance Director

Christopher Roke, Parks & Recreation Director

Timothy Rood, Community Development Director

FINANCE COMMITTEE

Edward Ulle, Chair

Dennis Esselsagoe, Vice Chair

Cedric Whigham, Commissioner

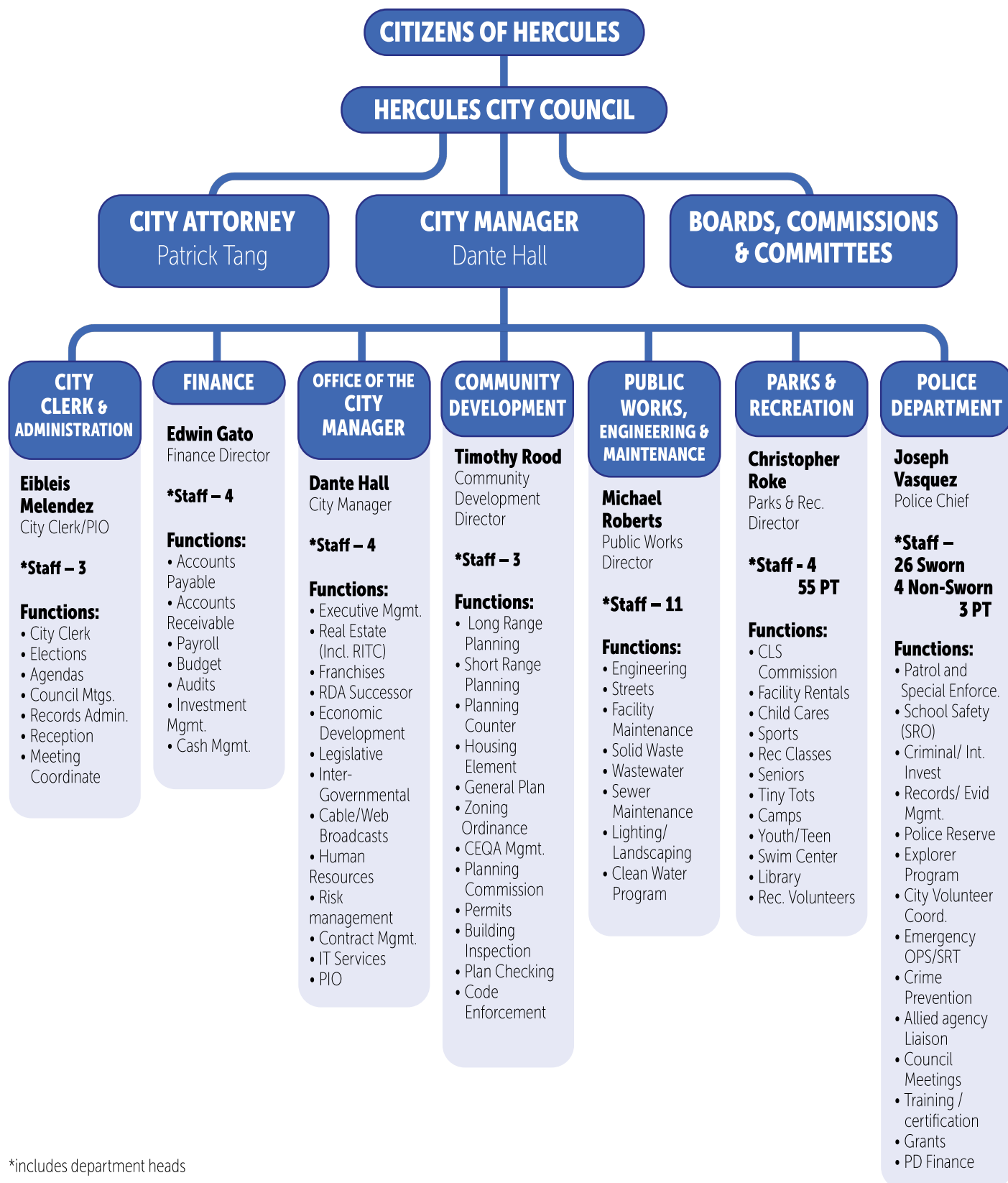
Vacant, Commissioner

Vacant, Commissioner



FY 2023-24 CITY OF HERCULES

ORGANIZATION CHART SENIOR MANAGEMENT





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hercules
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and the Members of the City Council
of the City of Hercules
Hercules, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hercules, California (the "City") as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedules – General Fund and Major Special Revenue Funds, the Schedules of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios, the Schedules of Contributions – Pensions, the Schedules of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedules of Contributions – Other Postemployment Benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2024, 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 solely 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 effectiveness of the City's 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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 19, 2024



**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**



CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2024

In this specific segment of the City of Hercules', California (the "City") annual financial report, the management team offers a detailed narrative discussion and analysis of the City's financial activities for the fiscal year that concluded on June 30, 2024. This analysis aims to provide insights into the City's financial performance, highlighting key developments and trends. Unless specified otherwise, the discussion concentrates on the primary governmental activities of the City, intentionally excluding any separately reported component units such as affiliated organizations or special districts. Readers are strongly encouraged to consider the detailed information presented in conjunction with the accompanying financial statements and disclosures that follow this narrative, as they provide essential context and supporting details for the overall financial position and operations of the City.

FINANCIAL HIGHLIGHTS

- As of the end of the most recent fiscal year, the City's financial position is strong, with total assets and deferred outflows exceeding liabilities and deferred inflows by \$121,296,435. This favorable net position reflects the City's fiscal health and its ability to meet future obligations. Of this total, \$13,368,313 is allocated for specific purposes, categorized as restricted net position, ensuring that these funds are dedicated to designated projects or needs within the community. Additionally, \$80,773,682 represents the City's net investment in capital assets. The unrestricted net position amounts to \$27,154,440. This portion is particularly significant, as it provides the City with the flexibility to address various operational needs and fulfill ongoing commitments to residents and creditors, demonstrating the City's dedication to responsible financial management.
- The City's governmental funds have reported a total ending fund balance of \$44,807,554. Within this total, a portion amounting to \$13,831,036 is specifically designated as available to address the City's immediate and forthcoming financial requirements. This available balance represents a crucial resource for supporting various public services and initiatives aimed at enhancing the community's well-being.
- The General Fund committed a total of \$7,884,421 specifically to repay loans and support various capital projects essential for community development. Additionally, the fund assigned \$8,595,020 reserved for insurance purposes and earmarked by the Council to address economic uncertainties and manage any potential short-term structural deficits that may arise in the future. This careful financial planning ensures the community is prepared for current obligations and unforeseen challenges.
- The total value of capital assets, after deducting depreciation and amortization, has risen to \$126,424,507, compared to the previous total of \$118,402,522. This increase reflects significant investments in various capital projects and includes infrastructure developments that meet the reporting standards set forth by GASB 34.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components 1) Government-wide financial statements; 2) Fund financial statements and 3) Notes to the basic financial statements. This report also contains other Supplementary Information in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024

- The *statement of net position* presents information on all City assets and deferred outflows and liabilities, and deferred inflows, with the difference between them, reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.
- The *statement of activities* presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish the functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and public works, parks and recreation, and community development. The business-type activities of the City consist of the Wastewater Fund. Fiduciary activities are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial report includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Most of these legally separated organizations operate like City departments, serve as financing vehicles for City services (revenue bond issuers), or are governed by a board that is substantively identical to the City's board. An example of this is the Hercules Public Finance Authority, which while legally separate is in substance an extension of the City operations.

Financial data for the Hercules Public Finance Authority are combined with the presentation of the primary government's financial data and thus it is referred to as a "blended" component unit. A "discretely presented" component unit is one that is presented separately in the financial statements to emphasize its independence from the primary government. Hercules City has no discretely presented component units.

Fund Financial Statements Like other state and local governments, the City uses fund accounting to ensure and demonstrate finance-related legal compliance. A fund is a grouping of related accounts used to control resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into three categories: *governmental, proprietary, and fiduciary*.

Governmental funds account for the same functions as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources and on balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. *Governmental funds* use current financial resources measurement focus and modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, comparing the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements is useful. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024**

The City maintains individual governmental funds. Information is presented separately in the governmental fund's balance sheet and the governmental fund's statement of revenues, expenditures, and changes in fund balances for the General Fund, Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund, Hercules Debt Service Fund, and the other governmental funds combined into a single, aggregated column. Governmental Accounting Standards Board (GASB) Statement No. 34 defines major governmental funds as those with revenues, expenditures, assets, and deferred outflows or liabilities and deferred inflows that make up at least 10% of the total fund category or type (governmental or business type) and at least 5% of the aggregate amount of all governmental and enterprise funds.

Proprietary funds are maintained in two ways. The City uses enterprise fund to account for the operations of the Wastewater Fund. *Enterprise funds* report the same functions presented as *business-type activities* in government-wide financial statements. *Internal services funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses three internal service funds to account for its vehicle replacement, IT equipment replacement, and facilities maintenance functions. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. As of February 1, 2012, the activities of the Successor Agency to the former Hercules Redevelopment Agency are reported with the City's Fiduciary Fund as a Private Purpose Trust Fund because they are under the control of an Oversight Board.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information provides the schedule of funding progress for the City Employees Retirement Plan and Other Postemployment Benefits other than pensions. Also presented are the budgetary comparison schedules for the City's General Fund and Major Special Revenue Funds, and notes to required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position serves as an important indicator of a government's financial stability over time. For the City, at the conclusion of the most recent fiscal year, the total value of assets and deferred outflows exceeded the total of liabilities and deferred inflows by a significant amount of \$121,296,435. This figure reflects the City's overall financial health. Breaking this down further, 67% of the combined net position is attributed to the City's investment in capital assets, such as buildings, infrastructure, and equipment, after deducting the associated debt obligations. This indicates a strong commitment to maintaining and enhancing physical assets for public benefit. Furthermore, another 11% of the City's net position is restricted externally, meaning it is earmarked for specific purposes and cannot be utilized freely. These restrictions underscore the importance of accountability in the City's financial management.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024

Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$ 59,060,202	\$ 56,557,455	\$ 17,314,937	\$ 27,170,223	\$ 76,375,139	\$ 83,727,678
Capital assets	76,635,566	78,023,165	49,788,941	40,379,357	126,424,507	118,402,522
Total assets	135,695,768	134,580,620	67,103,878	67,549,580	202,799,646	202,130,200
Deferred Outflows of Resources						
Related to OPEB	932,643	1,227,100	48,240	69,460	980,883	1,296,560
Related to pensions	7,675,747	7,924,273	400,110	445,145	8,075,857	8,369,418
Total Deferred Outflows of Resources	8,608,390	9,151,373	448,350	514,605	9,056,740	9,665,978
Liabilities						
Long-term Liabilities	42,672,778	42,024,289	27,236,668	28,792,835	69,909,446	70,817,124
Other Liabilities	5,159,088	4,875,776	3,243,022	3,609,306	8,402,110	8,485,082
Total Liabilities	47,831,866	46,900,065	30,479,690	32,402,141	78,311,556	79,302,206
Deferred Inflows of Resources						
Related to OPEB	2,008,555	2,191,984	103,891	124,078	2,112,446	2,316,062
Related to pensions	1,539,203	2,606,624	85,610	136,612	1,624,813	2,743,236
Leases	8,511,136	8,888,272	-	-	8,511,136	8,888,272
Total Deferred Inflows of Resources	12,058,894	13,686,880	189,501	260,690	12,248,395	13,947,570
Net Position:						
Net Investment in Capital Assets	59,889,211	60,790,322	20,884,471	19,602,539	80,773,682	80,392,861
Restricted	13,368,313	10,730,230	-	-	13,368,313	10,730,230
Unrestricted	11,155,874	11,624,496	15,998,566	15,798,815	27,154,440	27,423,311
Total Net Position	\$ 84,413,398	\$ 83,145,048	\$ 36,883,037	\$ 35,401,354	\$ 121,296,435	\$ 118,546,402

A substantial part of the City's net position, amounting to \$80,773,682, represents the value of its capital assets. These assets encompass a range of items such as land, easements, buildings, improvements, infrastructure, and various types of equipment. This figure is calculated after subtracting any outstanding debt that was incurred to acquire these assets. The City relies on these capital assets to provide essential services to its residents, which means they are not available for discretionary spending or future projects.

It's also crucial to understand that although the City reports its investment in capital assets after accounting for related debt, the funds necessary to repay this debt must be sourced from separate financial channels. This is because the capital assets themselves cannot be liquidated to cover these liabilities, emphasizing the importance of prudent financial management to ensure that obligations can be met.

The City's net position is divided into two portions: restricted and unrestricted. The restricted portion amounts to \$13,368,313, representing resources that have external restrictions imposed by grantors and other governments.

Meanwhile, the unrestricted portion of the City's net position is \$27,154,440. It's important to note that GASB 34 includes long-term payroll liabilities in the unrestricted category. These reclassified liabilities encompass pensions, other post-employment benefits (OPEB), and compensated absences. They can accumulate over decades as part of the City's employment agreements, and their timing for being recognized as current-year expenses is not straightforward or easily predictable.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Fees, Fines and Charges for						
Services	\$ 3,388,496	\$ 3,025,155	\$ 5,891,836	\$ 5,922,758	\$ 9,280,332	\$ 8,947,913
Operating Grants/Contributions	6,413,314	8,894,994	-	-	6,413,314	8,894,994
Capital Grants/Contributions	1,909,108	67,428	-	-	1,909,108	67,428
General revenues						
Property taxes	1,653,626	1,638,449	-	-	1,653,626	1,638,449
Sales taxes	5,753,278	6,192,500	-	-	5,753,278	6,192,500
Franchise taxes	972,391	988,108	-	-	972,391	988,108
Utility users taxes	4,011,166	3,996,274	-	-	4,011,166	3,996,274
Other taxes	952,561	650,136	-	-	952,561	650,136
Motor Vehicles Taxes In-Lieu	2,556,520	2,456,900	-	-	2,556,520	2,456,900
Interest and Investment Income	3,076,628	1,860,327	851,980	294,199	3,928,608	2,154,526
Total revenues	<u>30,687,088</u>	<u>29,770,271</u>	<u>6,743,816</u>	<u>6,216,957</u>	<u>37,430,904</u>	<u>35,987,228</u>
Expenses						
General Government	5,378,751	4,929,390	-	-	5,378,751	4,929,390
Public Safety	10,027,823	7,556,734	-	-	10,027,823	7,556,734
Streets and Public Works	8,736,149	8,220,052	-	-	8,736,149	8,220,052
Parks and Recreation	2,955,545	2,503,805	-	-	2,955,545	2,503,805
Community Development	1,297,680	483,875	-	-	1,297,680	483,875
Interest on Long-Term Debt	1,022,790	905,708	-	-	1,022,790	905,708
Wastewater	-	-	5,262,133	5,086,004	5,262,133	5,086,004
Total expenses	<u>29,418,738</u>	<u>24,599,564</u>	<u>5,262,133</u>	<u>5,086,004</u>	<u>34,680,871</u>	<u>29,685,568</u>
Increase (Decrease) in Net Position	1,268,350	5,170,707	1,481,683	1,130,953	2,750,033	6,301,660
Net Position - Beginning	83,145,048	77,974,341	35,401,354	34,270,401	118,546,402	112,244,742
Net Position - Ending	<u>\$ 84,413,398</u>	<u>\$ 83,145,048</u>	<u>\$ 36,883,037</u>	<u>\$ 35,401,354</u>	<u>\$ 121,296,435</u>	<u>\$ 118,546,402</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As described earlier, the City uses ***fund accounting*** to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General, Special Revenue, and Debt Service Funds. The focus of the City's ***governmental funds*** is to provide information on near-term inflows, outflows, and balances of ***spendable*** resources. Such information is useful in assessing the City's financing requirements.

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024**

As of June 30, 2024, the City's governmental funds reported combined fund balances totaling \$44,807,554, marking an increase of \$2,527,404. This growth can be primarily attributed to the continued robust economic recovery following the financial challenges posed by the COVID-19 pandemic, which led to the temporary closure of many Parks and Recreation programs, significantly affecting the department's program revenues.

Several key factors contributed to this improvement, including enhanced revenues from the Utility User Tax (UUT), increased investment income, and the successful reopening of Parks and Recreation programs. It is essential to highlight that the City is adopting a prudent approach to budgeting, considering potential economic uncertainties that may lead to a recession. This careful strategy ensures financial stability and preparation for future challenges. Notably, \$13,831,036 of the combined fund balances is classified as an unassigned fund balance, available to address the City's current and future financial needs.

The General Fund serves as the City's primary operating fund. As of June 30, 2024, the unassigned fund balance was \$14,754,596, with a total fund balance of \$34,947,780. Analyzing the unassigned and total fund balances in relation to total fund expenditure provides insight into the General Fund's liquidity. The unassigned fund balance accounts for 81% of total General Fund expenditures, while the total fund balance equals 192%.

The fund balance for Landscape & Lighting Assessment District (LLAD) No. 83-2 increased by \$325,350, which will be directed towards the ongoing maintenance of landscaping and operational streetlights along public streets and fire breaks adjacent to open spaces.

Furthermore, the Hercules Debt Service Fund recorded an increase in its fund balance of \$103,330, ensuring sufficient funds were allocated from various sources to meet upcoming debt service obligations.

Additionally, other governmental funds experienced a combined increase of \$1,028,636 in their fund balances, which will primarily support capital projects.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

Revenues Classified by Source Governmental Funds

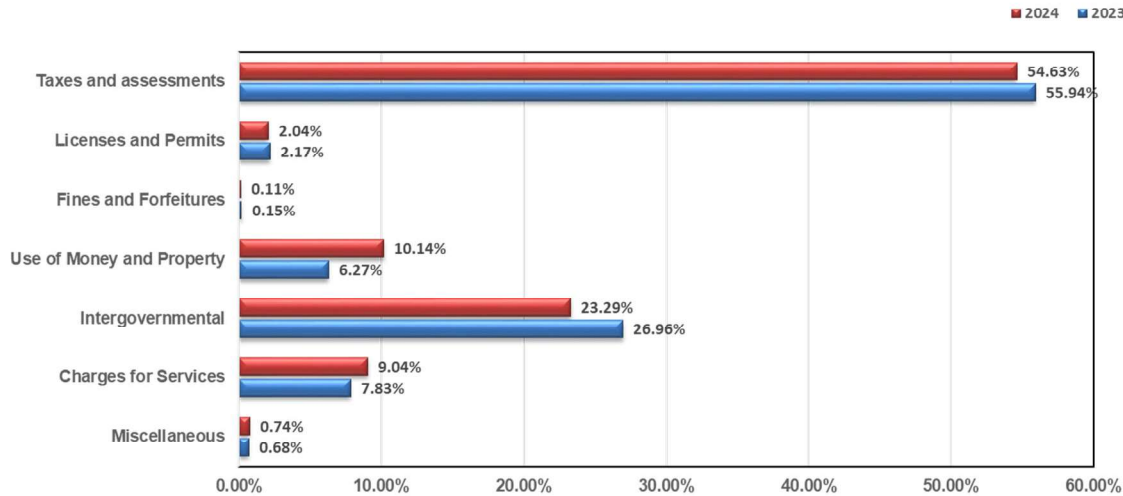
	2024		2023		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes and assessments	\$ 16,617,812	54.63%	\$ 16,705,743	55.94%	\$ (87,931)	-0.53%
Licenses and Permits	621,826	2.04%	647,374	2.17%	(25,548)	-3.95%
Fines and Forfeitures	34,409	0.11%	46,057	0.15%	(11,648)	-25.29%
Use of Money and Property	3,085,819	10.14%	1,871,556	6.27%	1,214,263	64.88%
Intergovernmental	7,085,810	23.29%	8,052,573	26.96%	(966,763)	-12.01%
Charges for Services	2,750,986	9.04%	2,339,112	7.83%	411,874	17.61%
Miscellaneous	223,696	0.74%	203,170	0.68%	20,526	10.10%
	<u>\$ 30,420,358</u>	100.00%	<u>\$ 29,865,585</u>	100.00%	<u>\$ 554,773</u>	1.86%

Total revenue for governmental funds increased by \$554,773, which represents a growth of 1.86%. This positive change was primarily driven by a significant rise in the return on cash investments, which jumped by an impressive 64.88% compared to the previous year. However, this gain was somewhat offset by a decline in intergovernmental revenues, mainly due to reduced grant reimbursements as capital projects came to an end. Consequently, while the overall revenue figures indicate a favorable trend, the decrease in grant-related funding has moderated the benefits of the increased investment returns.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024

The following graph shows an illustrative picture of where the City funds come from.

Revenue by Source – Governmental Funds



The following table presents expenditures by function compared to prior year amounts.

Expenditures Classified by Function
Governmental Funds

	2024		2023		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General Government	\$ 4,768,426	17.08%	\$ 4,538,391	16.87%	\$ 230,035	5.07%
Public Safety	9,184,101	32.91%	8,499,781	31.60%	684,320	8.05%
Streets and Public Works	5,503,214	19.72%	5,486,683	20.40%	16,531	0.30%
Parks and Recreation	2,677,208	9.59%	2,408,849	8.95%	268,359	11.14%
Community Development	1,285,428	4.61%	537,341	2.00%	748,087	139.22%
Debt Service	1,950,588	6.99%	2,466,004	9.17%	(515,416)	-20.90%
Capital Outlay	2,541,812	9.11%	2,962,714	11.01%	(420,902)	-14.21%
	<u>\$ 27,910,777</u>	<u>100.00%</u>	<u>\$ 26,899,763</u>	<u>100.00%</u>	<u>\$ 1,011,014</u>	<u>3.76%</u>

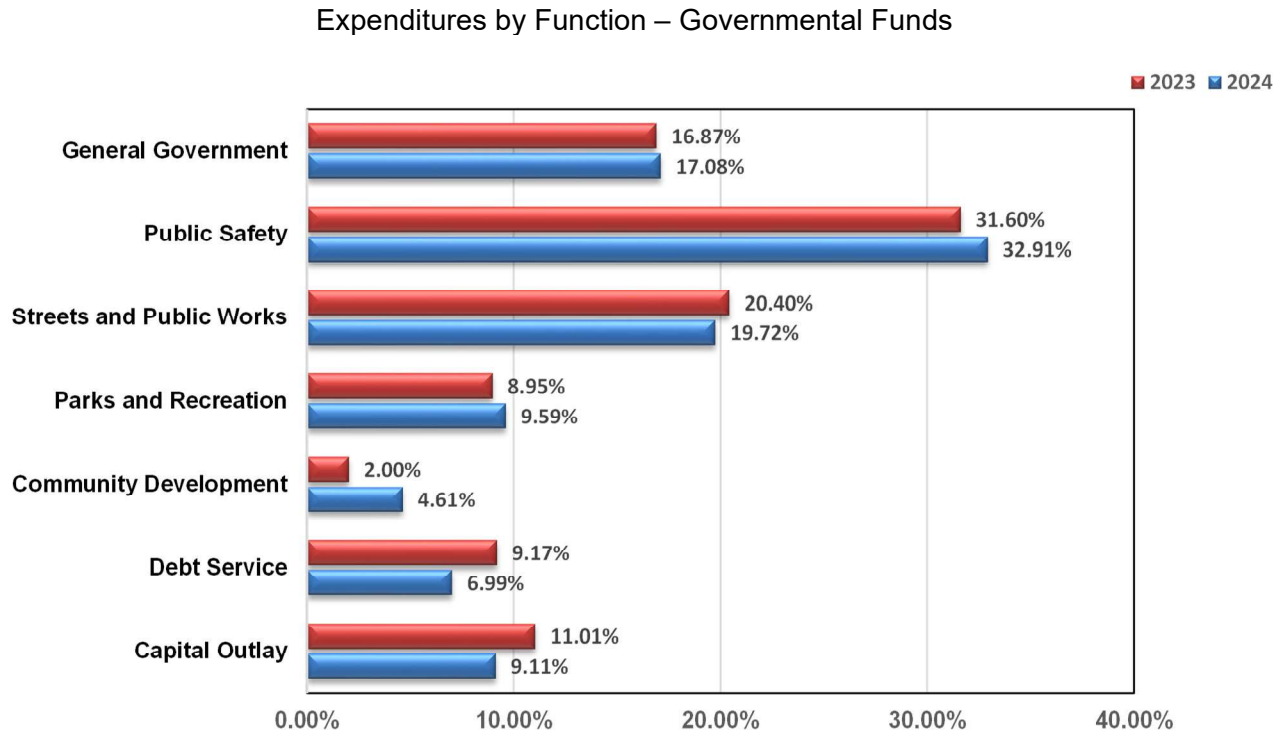
During the last fiscal year, total expenditure saw a notable increase of \$1,011,014, translating to a 3.76% rise compared to the previous year. This growth can be attributed to several key factors. First, adjustments in employee salaries played a significant role, reflecting a commitment to fair compensation. In addition, the gradual reopening of Parks and Recreation programs welcomed back community activities, further contributing to the overall increase in spending.

Moreover, the scheduling of various planned projects added to the expenditure, showcasing the organization's dedication to infrastructure and community development. It is also important to note the variations in costs that arose from normal operational fluctuations, which can influence budgeting in unpredictable ways.

A major highlight was the substantial surge in development projects, which alone accounted for an impressive \$748,087, marking a staggering increase of 139.22% compared to the prior fiscal year. This significant rise underscores a vibrant development environment and an ambitious agenda for growth.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024

The following graph shows an illustrative picture of how City funds were spent.



Proprietary funds reporting focuses on determining operating income, changes in net position (or cost recovery), financial position, and cash flow using the full accrual basis of accounting.

Enterprise funds serve as a financial tool to report on the City's business-type activities, particularly focusing on the operations of the Wastewater Fund. On January 23, 2001, the cities of Hercules and Pinole entered into a collaborative agreement concerning the operation and ownership of the Pinole/Hercules Wastewater Treatment Plant. This joint agreement delineates that the City of Hercules holds a 50% undivided ownership stake in the Plant, while the City of Pinole is entrusted with the crucial responsibility of managing and operating the facility.

In addition to its ownership interest in the treatment plant, the City of Hercules is tasked with the operation and maintenance of its extensive wastewater collection system. This system is comprised of over 60 miles of underground piping, augmented by five strategically placed lift stations designed to facilitate the efficient transportation of wastewater. Meanwhile, the City of Pinole meticulously maintains the records and accounts for all financial transactions associated with the operations of the wastewater treatment plant, ensuring transparency and accuracy.

At the conclusion of the fiscal year, the enterprise fund reported a significant net investment in capital assets amounting to \$20,884,471. Additionally, the fund reflected a robust unrestricted net position of \$15,998,566, indicating a solid financial standing that supports ongoing operations and future investments.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024

Internal service funds act as a financial mechanism for the City, designed to gather and distribute costs among its various operational functions. These funds play a crucial role in managing expenses related to essential services, including the replacement of vehicles, upgrades to information technology, and ongoing maintenance of city facilities.

As of the close of the fiscal year, the total net position of the internal service funds stood at \$1,888,366. This figure includes \$841,295 that has been strategically invested in capital assets, such as vehicles and technological infrastructure. However, it is important to note that the net position witnessed a decrease of \$344,798 compared to the previous fiscal year. This decline can be primarily attributed to significant expenditures associated with the replacement of aging vehicles and equipment, reflecting the City's commitment to maintaining its operational efficiency and service quality.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found on page 110 of this report.

During the fiscal year 2024, the General Fund revenues impressively surpassed initial projections by \$1.9 million. This positive financial development can be attributed to several significant factors. Notably, there was a substantial rise in Utility User Tax (UUT) revenues, which contributed strongly to the overall increase. Additionally, the City saw a boost in investment income, reflecting favorable market conditions.

Moreover, the successful reopening of Parks and Recreation programs not only revitalized community engagement but also generated additional revenue for the City.

As we navigate a backdrop of economic uncertainties that may signal a potential recession, it is crucial to emphasize that the City is adopting a cautious and prudent approach to budgeting. This strategic mindset is designed to safeguard our financial stability and equip us to effectively address any challenges that may arise in the future.

Total expenditure reached \$18.2 million, \$193,375 lower than the budgeted amount. The most significant negative variances were observed in two key areas: Public Safety and Parks and Recreation. Both departments faced challenges due to various factors.

In Parks and Recreation, the successful reopening of several recreational programs resulted in costs that exceeded initial expectations. However, these increased expenses are offset by higher program revenues.

On the other hand, Public Safety experienced a notable rise in police-related projects, which required additional funding and several emergency services stemming from police activities. These factors significantly contributed to the overall overspending in these departments.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024

CAPITAL ASSETS

As of June 30, 2024, the City has made a substantial investment in capital assets for both its governmental and business-type activities, amounting to \$126,424,507 after accounting for accumulated depreciation and amortization. This significant investment reflects the City's commitment to maintaining and enhancing its infrastructure and facilities, which include a variety of essential components. The capital assets encompass valuable land holdings, various structures and improvements that support community functions, leasehold improvements that enhance operational facilities, a range of equipment necessary for effective service delivery, and critical infrastructure such as roads and bridges that facilitate transportation and connectivity throughout the City.

The following table shows the City's total investment in capital assets for governmental and proprietary funds.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 5,081,587	\$ 5,081,587	\$ 191,700	\$ 191,700	\$ 5,273,287	\$ 5,273,287
Construction in progress	1,565,252	1,560,376	13,642,030	3,264,814	15,207,282	4,825,190
Land Improvements	16,001,080	15,911,314	-	-	16,001,080	15,911,314
Buildings & Improvements	26,792,183	26,792,183	38,325,271	38,325,271	65,117,454	65,117,454
Equipment	7,892,230	7,747,692	250,345	250,345	8,142,575	7,998,037
Infrastructure	115,367,125	113,444,645	14,945,319	14,945,319	130,312,444	128,389,964
Intangible - Right to Use Assets	99,859	125,280	-	-	99,859	125,280
Total	172,799,316	170,663,077	67,354,665	56,977,449	240,153,981	227,640,526
Accumulated Depreciation and Amortization	(96,163,750)	(92,639,912)	(17,565,724)	(16,598,092)	(113,729,474)	(109,238,004)
Net Capital Assets	\$ 76,635,566	\$ 78,023,165	\$ 49,788,941	\$ 40,379,357	\$ 126,424,507	\$ 118,402,522

Additional information regarding capital assets is presented in note 6.

DEBT ADMINISTRATION

As of the conclusion of the current fiscal year, the City has a total of \$49,803,696 in outstanding long-term obligations. This amount encompasses \$20,446,619 in bonds that are secured by the City's lease rental payments and other dedicated revenue sources. These financial instruments reflect the City's commitment to funding essential projects while managing its debt obligations through consistent revenue streams.

The following table shows the composition of the City's bonds and notes outstanding for governmental and proprietary funds.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024

Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Bonds Payable	\$ 12,716,619	\$ 13,420,180	\$ 7,730,000	\$ 8,095,000	\$ 20,446,619	\$ 21,515,180
Unamortized Discount/Refunding	(242,144)	(259,441)	-	-	(242,144)	(259,441)
Lease Payable	3,878,809	4,015,168	-	-	3,878,809	4,015,168
Subscription Liability	33,133	56,936	-	-	33,133	56,936
Loans Payable	5,037,588	5,113,521	19,856,034	21,009,706	24,893,622	26,123,227
Compensated Absences	737,611	729,432	56,046	52,166	793,657	781,598
Total	22,161,616	23,075,796	27,642,080	29,156,872	49,803,696	52,232,668
Less Current Portion	(1,504,863)	(1,495,913)	(1,590,320)	(1,557,797)	(3,095,183)	(3,053,710)
Net Long-Term Obligations	\$ 20,656,753	\$ 21,579,883	\$ 26,051,760	\$ 27,599,075	\$ 46,708,513	\$ 49,178,958

Other obligations include compensated absences (accrued vacation and sick leave). More detailed information about the City's long-term liabilities is presented in note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On June 11, 2024, the City Council approved a balanced budget of \$41 million for the fiscal year 2024-25. This budget reflects the City Council's commitment to key priorities, including prudent financial management, traffic, transportation and infrastructure, public safety, quality of life, and future planning and policy initiatives. The primary objectives for FY 2024-25 encompass several multiyear goals:

- Development of a multimodal station (Hercules HUB).
- Expansion of retail and commercial development to better serve the community.
- Establishment of a long-term financial plan.

In setting annual goals and objectives, the City Council reaffirmed its dedication to maintaining sound and conservative financial practices. These practices ensure the City's ability to provide a safe and enriching environment, enhance communication with the community, deliver cost-effective and efficient services to the public, and foster a positive atmosphere for new businesses and business retention.

For FY 2024-25, the budget for employee services has increased by 3%. This adjustment accommodates cost-of-living increases, rising healthcare costs, and retirement benefits. The City remains committed to meeting its actuarially required contributions toward its pension plan with CalPERS.

General fund expenditures and transfers are projected to reach \$19 million in FY 2024-25, reflecting a modest increase compared to the FY 2023-24 budget. This rise is primarily attributable to salary cost-of-living adjustments (COLA), inflationary increases, and targeted adjustments aimed at enhancing organizational efficiency and effectiveness.

The City strategically plans and pre-funds certain Capital Improvement Projects (CIP) over a five-year period, ensuring that funding is readily available when projects are scheduled to begin. Several major capital initiatives are planned for FY 2024-25, with a total estimated cost of \$6 million, which includes:

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2024

- Hercules Hub – As a top priority, the development of Hercules Hub aims to transform the Hercules Bayfront into a model transit-oriented community for the Bay Area and beyond. This hub will connect numerous residences with a new train stop along the Capitol Corridor, as well as bicycle and pedestrian pathways, bus routes, carpool options, and a future ferry service. The project is designed to alleviate congestion on I-80 and to reduce vehicle miles traveled (VMT) along with greenhouse gas emissions.
- Major Sewer system Improvements – This initiative focuses on continuing the advancements outlined in the City's adopted Sewer Master Plan, which includes enhancements to Sycamore Avenue's Lower and Upper Trunk Mains, among other projects.
- Parks Projects – This initiative includes the construction of a picnic area and shade structure at Refugio Park, completion of the final design for Beechnut Park, resurfacing of the Foxboro Basketball Court, and repairs to the Bay Trail Wall.

In summary, despite challenges presented by record inflation and international instabilities, several key revenue sources within the City have performed better than anticipated. During the upcoming annual strategic planning session, staff will continue to provide essential services to residents through technology upgrades and enhancements to both internal and public-facing city operations. Through diligent fiscal management, the City's financial position remains robust, reinforcing its commitment to sound and conservative financial practices.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance at 111 Civic Drive, Hercules, California, 94547.

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Hercules
Statement of Net Position
June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 40,777,509	\$ 17,298,713	\$ 58,076,222
Cash and investments with fiscal agent	2,176,241	2,888	2,179,129
Cash and investments held in trust	2,391,824	-	2,391,824
Accounts receivable	3,604,884	-	3,604,884
Prepaid items	8,591	-	8,591
Loan receivable	1,313,328	-	1,313,328
Lease receivable	8,530,001	-	8,530,001
Net other postemployment benefits ("OPEB") assets - PEHMCA	257,824	13,336	271,160
Capital Assets:			
Nondepreciable	6,646,839	13,833,730	20,480,569
Depreciable and amortizable, net	69,988,727	35,955,211	105,943,938
Total assets	135,695,768	67,103,878	202,799,646
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows of resources	7,675,747	400,110	8,075,857
OPEB-related deferred outflows of resources (PEHMCA)	369,478	19,111	388,589
OPEB-related deferred outflows of resources (SOMAR)	563,165	29,129	592,294
Total deferred outflows of resources	8,608,390	448,350	9,056,740
LIABILITIES			
Accounts payable	1,116,968	1,055,480	2,172,448
Retention Payable	80,215	569,264	649,479
Salaries and benefits payable	251,448	12,627	264,075
Accrued interest payable	512,805	15,331	528,136
Deposit payable	1,197,343	-	1,197,343
Claims payable, due in one year	495,446	-	495,446
Long-term debt:			
Due within one year	1,504,863	1,590,320	3,095,183
Due in more than one year	20,656,753	26,051,760	46,708,513
Net aggregate pension liabilities	20,204,442	1,091,205	21,295,647
Net OPEB liabilities - SOMAR	1,811,583	93,703	1,905,286
Total liabilities	47,831,866	30,479,690	78,311,556
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	1,539,203	85,610	1,624,813
OPEB-related deferred inflows of resources (PEHMCA)	1,431,849	74,061	1,505,910
OPEB-related deferred inflows of resources (SOMAR)	576,706	29,830	606,536
Leases	8,511,136	-	8,511,136
Total deferred inflows of resources	12,058,894	189,501	12,248,395
NET POSITION			
Net investment in capital assets	59,889,211	20,884,471	80,773,682
Restricted for:			
Public safety	243,188	-	243,188
Streets and roads	4,929,254	-	4,929,254
Development	3,632,277	-	3,632,277
Debt service	2,171,770	-	2,171,770
Pension	2,391,824	-	2,391,824
Total restricted	13,368,313	-	13,368,313
Unrestricted	11,155,874	15,998,566	27,154,440
Total net position	\$ 84,413,398	\$ 36,883,037	\$ 121,296,435

City of Hercules
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities:					
General government	\$ 5,378,751	\$ 767,385	\$ -	\$ -	\$ 767,385
Public safety	10,027,823	109,122	432,230	-	541,352
Streets and public works	8,736,149	547,178	5,980,486	1,909,108	8,436,772
Parks and recreation	2,955,545	1,649,166	-	-	1,649,166
Community development	1,297,680	315,645	598	-	316,243
Interest	1,022,790	-	-	-	-
Total governmental activities	29,418,738	3,388,496	6,413,314	1,909,108	11,710,918
Business-Type Activities:					
Wastewater	5,262,133	5,891,836	-	-	5,891,836
Total business-type activities	5,262,133	5,891,836	-	-	5,891,836
Total primary government	34,680,871	9,280,332	6,413,314	1,909,108	17,602,754

City of Hercules
Statement of Activities (Continued)
For the Year Ended June 30, 2024

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary Government			
Governmental Activities:			
General government	\$ (4,611,366)	\$ -	\$ (4,611,366)
Public safety	(9,486,471)	-	(9,486,471)
Streets and public works	(299,377)	-	(299,377)
Parks and recreation	(1,306,379)	-	(1,306,379)
Community development	(981,437)	-	(981,437)
Interest	(1,022,790)	-	(1,022,790)
Total governmental activities	<u>(17,707,820)</u>	<u>-</u>	<u>(17,707,820)</u>
Business-Type Activities:			
Wastewater	-	629,703	629,703
Total business-type activities	<u>-</u>	<u>629,703</u>	<u>629,703</u>
Total primary government	<u>(17,707,820)</u>	<u>629,703</u>	<u>(17,078,117)</u>
General Revenues:			
Property taxes	1,653,626	-	1,653,626
Sales and use taxes	5,753,278	-	5,753,278
Franchise taxes	972,391	-	972,391
Utility users taxes	4,011,166	-	4,011,166
Other taxes	952,561	-	952,561
Unrestricted motor vehicle taxes in-lieu	2,556,520	-	2,556,520
Use of money and property	3,076,628	851,980	3,928,608
Total general revenues	<u>18,976,170</u>	<u>851,980</u>	<u>19,828,150</u>
Changes in net position	<u>1,268,350</u>	<u>1,481,683</u>	<u>2,750,033</u>
Net Position:			
Beginning of year	83,145,048	35,401,354	118,546,402
End of year	<u>\$ 84,413,398</u>	<u>\$ 36,883,037</u>	<u>\$ 121,296,435</u>



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - This fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police, planning, engineering, public works, operations and maintenance, and legal and administrative services.

Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund - This fund accounts for special assessments on property withindistrict boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Hercules Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on various Lease Revenue Bonds issued to cover the refinancing of the original City Hall debt issue and to generate additional resources to assist in the construction of a new library building and other general government projects.

Other Governmental Funds - These funds are special revenue funds or capital project funds that have not been determined to be major funds, as defined by GASB Statement No. 34.



City of Hercules
Balance Sheet
Governmental Funds
June 30, 2024

	Major Funds				
	Landscape & Lighting Assessment			Other	
	General Fund	District (LLAD) No. 83-2	Hercules Debt Service Fund	Governmental Funds	Total
ASSETS					
Cash and investments	\$ 30,056,991	\$ 938,569	\$ -	\$ 7,904,290	\$ 38,899,850
Cash and investments with fiscal agent	-	-	2,176,241	-	2,176,241
Cash and investments held in trust	2,391,824	-	-	-	2,391,824
Accounts receivable	1,659,814	-	-	1,945,070	3,604,884
Prepaid items	8,591	-	-	-	8,591
Due from other funds	1,482,018	-	-	-	1,482,018
Advances to other funds	521,703	-	-	-	521,703
Loans receivable	1,313,328	-	-	-	1,313,328
Lease receivable	408,855	-	8,121,146	-	8,530,001
Total assets	37,843,124	938,569	10,297,387	9,849,360	58,928,440
LIABILITIES					
Accounts payable	609,517	79,808	-	385,513	1,074,838
Retention Payable	-	-	-	80,215	80,215
Accrued wages	217,009	8,451	-	15,277	240,737
Deposit payable	1,158,545	-	-	38,798	1,197,343
Claims payable	495,446	-	-	-	495,446
Due to other funds	-	-	4,471	1,477,547	1,482,018
Advances from other funds	-	418,803	-	102,900	521,703
Total liabilities	2,480,517	507,062	4,471	2,100,250	5,092,300
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	24,837	-	-	492,613	517,450
Leases	389,990	-	8,121,146	-	8,511,136
Total deferred inflows of resources	414,827	-	8,121,146	492,613	9,028,586
FUND BALANCES					
Nonspendable	1,321,919	-	-	-	1,321,919
Restricted	2,391,824	431,507	2,171,770	7,855,762	12,850,863
Committed	7,884,421	-	-	324,295	8,208,716
Assigned	8,595,020	-	-	-	8,595,020
Unassigned (deficit)	14,754,596	-	-	(923,560)	13,831,036
Total fund balances (deficit)	34,947,780	431,507	2,171,770	7,256,497	44,807,554
Total liabilities, deferred inflows of resources and fund balances	\$ 37,843,124	\$ 938,569	\$ 10,297,387	\$ 9,849,360	\$ 58,928,440

City of Hercules
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2024

Total fund balances of governmental funds	\$ 44,807,554
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position	76,635,566
Less: Amount reported in Internal Service Funds	(865,243)
Interest payable on long-term debt does not require current financial resources, Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	
	(512,805)
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	
	517,450
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:	
Compensated absences, net of Internal Service Funds of \$48,682	(688,929)
Loans, leases, and bonds	(21,400,057)
Net pension liability and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as governmental funds' liabilities. They are reported in the Statement of Net Position.	
Pension-related deferred outflows of resources, net of Internal Service Funds of \$305,500	7,370,247
Net pension liability, net of Internal Service Funds of \$833,179	(19,371,263)
Pension-related deferred inflows of resources, net of Internal Service Funds of \$65,367	(1,473,836)
Net OPEB liability and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as governmental funds' liabilities. They are reported in the Statement of Net Position.	
OPEB-related deferred outflows of resources (PEHMCA), net of Internal Service Funds of \$19,111	350,367
OPEB-related deferred outflows of resources (SOMAR), net of Internal Service Funds of \$29,129	534,036
Net OPEB assets - PEHMCA, net of Internal Service Funds of \$13,335	244,489
Net OPEB liability - SOMAR, net of Internal Service Funds of \$93,703	(1,717,880)
OPEB-related deferred inflows of resources (PEHMCA), net of Internal Service Funds of \$74,061	(1,357,788)
OPEB-related deferred inflows of resources (SOMAR), net of Internal Service Funds of \$29,830	(546,876)
Internal Service Fundss are used by the City to charge the cost of its vehicle replacement, IT services and facilities maintenance activities to individual funds. The assets and liabilities of the Internal Service Fundss are included in governmental activities in the statement of net position.	
	1,888,366
Net position of governmental activities	<u><u>\$ 84,413,398</u></u>

City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	Major Funds				
	Landscape & Lighting Assessment			Other	
	General Fund	District (LLAD) No. 83-2	Hercules Debt Service Fund	Governmental Funds	Total
REVENUES:					
Taxes and assessments	\$ 12,992,128	\$ 2,218,229	\$ -	\$ 1,407,455	\$ 16,617,812
Licenses and permits	445,620	-	-	176,206	621,826
Fines and forfeitures	34,409	-	-	-	34,409
Use of money and property	1,623,561	57,927	1,014,960	389,371	3,085,819
Intergovernmental	2,666,458	-	-	4,419,352	7,085,810
Charges for services	2,412,068	-	-	338,918	2,750,986
Other revenues	154,757	-	-	68,939	223,696
Total revenues	20,329,001	2,276,156	1,014,960	6,800,241	30,420,358
EXPENDITURES:					
Current:					
General government	4,768,426	-	-	-	4,768,426
Public safety	9,154,124	-	-	29,977	9,184,101
Streets and public works	571,231	1,600,464	-	3,331,519	5,503,214
Parks and public works	2,677,208	-	-	-	2,677,208
Community development	811,819	-	-	473,609	1,285,428
Capital outlay	21,984	116,319	-	2,403,509	2,541,812
Debt services:					
Principal	114,945	-	703,561	127,479	945,985
Interest and fiscal agent fee	124,801	-	771,385	108,417	1,004,603
Total expenditures	18,244,538	1,716,783	1,474,946	6,474,510	27,910,777
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,084,463	559,373	(459,986)	325,731	2,509,581
OTHER FINANCING SOURCES (USES)					
Inception of subscription liability	17,823	-	-	-	17,823
Transfers in	406,727	31,037	563,316	1,342,551	2,343,631
Transfers (out)	(1,438,925)	(265,060)	-	(639,646)	(2,343,631)
Total other financing sources (uses)	(1,014,375)	(234,023)	563,316	702,905	17,823
NET CHANGES IN FUND BALANCES	1,070,088	325,350	103,330	1,028,636	2,527,404
FUND BALANCES:					
Beginning of year	33,877,692	106,157	2,068,440	6,227,861	42,280,150
End of year	\$ 34,947,780	\$ 431,507	\$ 2,171,770	\$ 7,256,497	\$ 44,807,554

City of Hercules
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds:	\$ 2,527,404
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expenses. This is the amount by which capital expenditures exceeded depreciation in the current period:

Capital outlay expenditures, net of \$175,680 reported in Internal Service Funds	\$ 2,017,122	
Depreciation and amortization expenses, net of \$247,391 reported in Internal Service Funds	(3,333,010)	(1,315,888)

Revenues that are measurable but not available and are reported as unavailable revenue under the modified accrual basis of accounting in the governmental funds.	266,725
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Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Inception of subscription liability		(17,823)
Principal repayment of loans, leases, subscription liability and bonds		945,985

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in accrued interest expense		(890)
Amortization of bond discount		(17,297)
Change in compensated absences, net of Internal Service Funds of \$3,620		(4,559)
Pension expense of CalPERS Plan, net of pension contribution made after measurement date in the amount of \$2,051,741		(666,146)
OPEB (PEHMCA) credit		14,802
OPEB (SOMAR) expense		(119,165)

Internal service funds are used by management to charge the costs of certain activities, such as fleet repair and maintenance, central stores and printing services to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.

	(344,798)
Change in net position of governmental activities	\$ 1,268,350

PROPRIETARY FUND FINANCIAL STATEMENTS

Wastewater Fund – This fund accounts for wastewater treatment to the cities of Hercules and Pinole and for the maintenance of the City's sewer lines and related facilities. It is a self-supporting activity which provides services on a user charge basis to residences and businesses.

Internal Service Funds – These funds account for activities related to vehicle replacement, IT equipment replacement, and facilities maintenance.



City of Hercules
Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-Type Activities Enterprise Fund Wastewater Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 17,298,713	\$ 1,877,659
Cash and investments with fiscal agent	2,888	-
Total current assets	17,301,601	1,877,659
Noncurrent assets:		
Net OPEB assets - PEHMCA	13,336	13,335
Capital assets:		
Nondepreciable	13,833,730	-
Depreciable and amortizable, net	35,955,211	865,243
Total noncurrent assets	49,802,277	878,578
Total assets	67,103,878	2,756,237
DEFERRED OUTFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	400,110	305,500
OPEB-related deferred outflows of resources (PEHMCA)	19,111	19,111
OPEB-related deferred outflows of resources (SOMAR)	29,129	29,129
Total deferred outflows of resources	448,350	353,740
LIABILITIES		
Current liabilities:		
Accounts payable	1,055,480	42,130
Retention Payable	569,264	-
Salaries and benefits payable	12,627	10,711
Accrued interest payable	15,331	-
Long-term debt - due within one year	1,590,320	48,006
Total current liabilities	3,243,022	100,847
Noncurrent liabilities:		
Long-term debt - due in more than one year	26,051,760	24,624
Net pension liabilities	1,091,205	833,179
Net OPEB liabilities - SOMAR	93,703	93,703
Total noncurrent liabilities	27,236,668	951,506
Total liabilities	30,479,690	1,052,353
DEFERRED INFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	85,610	65,367
OPEB-related deferred outflows of resources (PEHMCA)	74,061	74,061
OPEB-related deferred outflows of resources (SOMAR)	29,830	29,830
Total deferred inflows of resources	189,501	169,258
NET POSITION		
Net investment in capital assets	20,884,471	841,295
Unrestricted	15,998,566	1,047,071
Total net position	\$ 36,883,037	\$ 1,888,366



City of Hercules
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Wastewater Fund	
OPERATING REVENUES:		
Charges for services	\$ 5,891,836	\$ 2,105,798
Other operating revenues	-	27,758
Total operating revenues	<u>5,891,836</u>	<u>2,133,556</u>
OPERATING EXPENSES:		
Salaries and benefits	749,431	657,273
Services and supplies	2,959,916	1,572,892
Depreciation	967,632	247,391
Total operating expenses	<u>4,676,979</u>	<u>2,477,556</u>
Operating income	1,214,857	(344,000)
NONOPERATING REVENUES (EXPENSES)		
Interest income	851,980	-
Interest (expenses)	(544,759)	(798)
Loss on capital asset disposal	(40,395)	-
Total nonoperating revenues (expenses)	<u>266,826</u>	<u>(798)</u>
CHANGES IN NET POSITION	1,481,683	(344,798)
NET POSITION:		
Beginning of year	35,401,354	2,233,164
End of year	<u>\$ 36,883,037</u>	<u>\$ 1,888,366</u>

City of Hercules
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Wastewater Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 5,891,836	\$ -
Cash receipts from internal services provided	-	2,133,556
Cash paid to suppliers for goods and services	(3,831,626)	(1,570,612)
Cash paid to employees for services	(756,690)	(599,455)
Net cash provided by (used in) operating activities	<u>1,303,520</u>	<u>(36,511)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments related to the acquisition of capital assets	(9,947,835)	(175,680)
Principal repayments related to capital purposes	(1,518,672)	(11,494)
Interest repayments related to capital purposes	(545,483)	(798)
Net cash (used in) capital and related financing activities	<u>(12,011,990)</u>	<u>(187,972)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	851,980	-
Net cash provided by investing activities	<u>851,980</u>	<u>-</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	(9,856,490)	(224,483)
CASH AND CASH EQUIVALENTS:		
Beginning of year	27,158,091	2,102,142
End of year	<u>\$ 17,301,601</u>	<u>\$ 1,877,659</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and investments	\$ 17,298,713	\$ 1,877,659
Cash and investments with fiscal agent	2,888	-
Total cash and cash equivalents	<u>\$ 17,301,601</u>	<u>\$ 1,877,659</u>

(Continued)

City of Hercules
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income	\$ 1,214,857	\$ (344,000)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	967,632	247,391
(Increase) Decrease in Assets and Deferred Outflows		
Pensions-related deferred outflows	45,035	(1,330)
OPEB-related deferred outflows	21,220	21,220
Increase (Decrease) in Liabilities and Deferred Inflows		
Accounts payable	(871,710)	2,280
Salaries and benefits payable	3,851	4,447
Net pension liability	(1,680)	86,404
Net OPEB liability	(8,376)	(7,172)
Pensions-related deferred inflows	(51,002)	(27,981)
OPEB-related deferred inflows	(20,187)	(21,390)
Compensated absences	3,880	3,620
Total adjustments	88,663	307,489
Net cash provided by (used in) operating activities	\$ 1,303,520	\$ (36,511)
NONCASH ITEMS		
Loss on disposal of capital assets	\$ (40,395)	\$ -
		(Concluded)



FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Fund - is a fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Hercules Redevelopment Successor Agency. The sole purpose of this fund is to retire debt of the former redevelopment agency.

Custodial Funds - are used to account for assets held by the government in a trustee capacity. Custodial funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.



City of Hercules
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and investments	\$ 9,443,833	\$ 431,725
Cash and investments with fiscal agent	-	55,798
Prepaid items	464,072	-
Loans receivable, net	8,010,061	-
Capital Assets:		
Nondepreciable	14,090,684	-
Depreciable, net	7,116,850	-
Total assets	39,125,500	487,523
LIABILITIES		
Accounts payable	131,482	-
Unearned revenue	891,798	-
Long-term debt:		
Due within one year	455,000	-
Due in more than one year	80,711,935	-
Total liabilities	82,190,215	-
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	757,667	-
Total deferred inflows of resources	757,667	-
NET POSITION (DEFICIT)		
Held in trust (deficit)	(43,822,382)	-
Individuals, organization, and other government	-	487,523
Total net position (deficit)	\$ (43,822,382)	\$ 487,523

City of Hercules
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2024

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Redevelopment property tax trust fund	\$ 6,910,188	\$ 228,616
Investment income (loss)	575,799	21,356
Other revenue	838,438	-
Total additions	<u>8,324,425</u>	<u>249,972</u>
DEDUCTIONS:		
Community development	4,597,218	-
Administration	38,195	6,885
Depreciation	668,591	-
Interest expenses	3,605,166	55,695
Principal payment to refunding escrow	-	164,943
Total deductions	<u>8,909,170</u>	<u>227,523</u>
CHANGES IN FIDUCIARY NET POSITION	(584,745)	22,449
FIDUCIARY NET POSITION (DEFICIT):		
Beginning of year	(43,237,637)	465,074
End of year	<u>\$ (43,822,382)</u>	<u>\$ 487,523</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Hercules
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For the Year Ended June 30, 2024

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For the Year Ended June 30, 2024

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City of Hercules
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Hercules, California, (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City’s significant policies:

A. Financial Reporting Entity

The City was incorporated under the General Laws of the state of California and enjoys all the rights and privileges pertaining to such “General Law” cities. The City uses the City Council/Manager form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units:

Management determined that the following entities should be reported as blended component units based on the criteria above. Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

The Hercules Public Financing Authority – The Hercules Public Financing Authority (the “Authority”) was established July 24, 2001, by and between the City and the Authority, pursuant to the state of California Government Code. The purpose of the Authority is to finance the acquisition, construction, and improvement of public capital improvements, working capital requirements, or insurance programs. Separate detailed financial statements are available from the City’s Finance Department.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements

The government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. In the statement of activities, internal service fund transactions have been included in the governmental activities. The following interfund activities have been eliminated:

- Due from and to other funds, which are short-term loans within the primary government.
- Advances to and from other funds, which are long-term loans within the primary government.
- Transfers in and out, which are flows of assets between funds without the requirement for repayment.

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, intergovernmental revenues and other taxes. Business license fees are recorded as received, except at year-end when they are accrued pursuant to the modified accrual basis of accounting. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

The City reports the following major Governmental Funds:

General Fund accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police, planning, engineering, public works, operations and maintenance, and legal and administrative services.

Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Hercules Debt Service Fund accounts for the accumulation of resources for, and the payment of, principal and interest on the Lease Revenue Bonds, Series 2003A issued to cover capital costs for the Hercules Municipal Utility and principal and interest on the Lease Revenue Bonds, Series 2003B issued to cover the financing of the original City Hall debt issue and to generate additional resources to assist in the construction of a new library building, Series 2009 issued for the purpose of financing the acquisition of certain commercial condominium property (Bio-Rad).

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds include three individual funds that provide services directly to other City funds. These services include vehicle replacement, technology services, and facilities maintenance.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major Proprietary Fund:

Wastewater Fund accounts for wastewater treatment to the cities of Hercules and Pinole and for the maintenance of the City's sewer lines and related facilities. It is a self-supporting activity which provides services on a user charge basis to residences and businesses.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Internal service funds are presented in the proprietary fund financial statements. Internal service funds account for activities related to vehicle replacement, technology services, and facilities maintenance. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent custodial funds and private purpose trust funds. Both custodial funds and the private purpose trust funds are accounted for an "*economic resources*" measurement focus on the full accrual basis of accounting.

The City reports the following fiduciary funds:

Private-Purpose Trust Fund – This fund is used to account for the balances and transactions of the Successor Agency to the former Hercules Redevelopment Agency.

Custodial Funds – These funds account for resources held by the City in custodial capacity for special assessment collected for Reassessment District 05-01 debt service payments, affordable housing set-aside funds, and for waste management service. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

C. Cash and Investments

The City's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. All cash and investments of proprietary funds are held in the City's investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for statement of cash flows purposes.

Investments are stated at fair value (quoted market price or best available estimate thereof).

D. Cash and Investments with Fiscal Agents

Cash and investments are held by fiscal agents for the redemption of bonded debt and maintaining required reserves.

E. Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Fair Value Measurements (Continued)

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

F. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans).

G. Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended using the purchase method.

H. Capital Assets

In the government-wide financial statements, capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are valued at their estimated acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets with an initial, individual cost of more than \$2,500 for general capital assets and \$5,000 for infrastructure capital assets, and an estimated useful life of one year or more.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include:

- Street system
- Site amenities such as parking and landscaped areas used by the City in conduct of its business.

Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signals), and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives used for depreciation purposes are as follows:

Building and improvements	15-50 Years
Land improvements	20 Years
Machinery and equipment	5-20 Years
Infrastructure	15-50 Years

I. Leases

Lessee

The City has a policy to recognize a lease liability and a right-to-use asset (lease asset) in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right to use the lease assets are reported as intangible assets along with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Leases (Continued)

Lessor

The City is a lessor for leases of buildings and land and recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The City uses the incremental borrowing rate (IBR) provided by our financial institution at July 1, 2021 for existing leases or the current rate at the time a new lease is executed.

- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The City has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in the financial statements with an initial, individual value of \$5,000 or more with a subscription term greater than one year. At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using the City's incremental borrowing rate and the City recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

J. Subscription Based Information Technology Arrangements (“SBITA”) Asset and Liabilities

The City has a policy to recognize a SBITA liability and a right-to-use asset (SBITA asset) in the financial statements with an initial, individual value of \$5,000 or more with a contract term greater than one year. SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Subscription Based Information Technology Arrangements (“SBITA”) Asset and Liabilities (Continued)

Key estimates and judgments related to SBITAs include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the period during which the City has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that the Authority is reasonably certain to exercise. The Authority monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

K. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term debts are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Unearned and Unavailable Revenue

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the government-wide financial statements are cell phone site license lease payments received in advance, prepaid charges for services and facility rentals paid in advance.

In the governmental fund financial statements, unearned and unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unearned revenue for transactions for which revenues have not been earned, and unavailable revenue when funds are not available to meet current financial obligations. Typical transactions for which unearned or unavailable revenue is recorded are lease payments, quarterly encroachment fees and advance registration for recreation classes which were not yet earned.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Compensated Absences

City employees have vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and all or a portion of sick pay when an employee retires or terminates. The long-term amount is included as a liability in the governmental activities of the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is typically used to liquidate compensated absences. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

N. Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. The County of Contra Costa levies, bills and collects property taxes and special assessments for the City and remits the full assessment regardless of the amounts received under a Teeter plan arrangement.

	Secured	Unsecured
Lien Date	January 1 preceding fiscal year	January 1 preceding fiscal year
Due Date	November 1 & February 1	August 31
Delinquent Date	December 10 & April 10	September 1

O. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., current portion of interfund loans).

P. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" ("IBNR") claims. There is no fixed payment schedule to pay these liabilities.

Q. Pensions

For purposes of measuring the aggregate net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Pensions (Continued)

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 - June 30, 2023

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The General Fund is typically used to pay pension benefits. In proprietary funds, pension benefits are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

R. Other Postemployment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the plan (Note 10). For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

<u>OPEB</u>	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 - June 30, 2024

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

S. *Deferred Outflows of Resources and Deferred Inflows of Resources*

The Statement of Net Position and the Balance Sheet – Governmental Funds report separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

T. *Net Position*

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by any debt outstanding and any deferred outflows/inflows of resources related to such borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is offset by unspent proceeds.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

U. *Use of Estimates*

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

V. *Fund Balances*

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as loans receivable or inventory, or because resources legally or contractually must remain intact.

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

V. Fund Balances (Continued)

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. City Council adoption of a resolution is required to commit resources or to rescind the commitment.

Assigned – Assigned fund balances are limitations imposed by management based on the intended use of the funds. Modifications or rescissions of the constraints can be removed by the same type of action that limited the use of the funds. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager for that purpose.

Unassigned – Unassigned fund balances represent the residual net resources in excess of the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

W. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order, except for instances wherein an ordinance specifies the fund balance:

- Committed
- Assigned
- Unassigned

X. Implementation of New GASB Pronouncements

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2024.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Y. Upcoming New GASB Pronouncements

The City is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for the City’s fiscal year ending June 30, 2025.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Disclosure of Certain Capital Assets*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement is effective for the City’s fiscal year ending June 30, 2025.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Application of this statement is effective for the City’s fiscal year ending June 30, 2026.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosures of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. Application of this statement is effective for the City’s fiscal year ending June 30, 2026.

Note 2 – Cash and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds.

The City had the following cash and investments at June 30, 2024:

	Primary Government		Fiduciary	
	Governmental	Business-type	Funds	Total
	Activities	Activities		
Cash and investments	\$ 40,777,509	\$ 17,298,713	\$ 9,875,558	\$ 67,951,780
Cash and investments with fiscal agent	2,176,241	2,888	55,798	2,234,927
Cash and investments held in trust	2,391,824	-	-	2,391,824
Total	\$ 45,345,574	\$ 17,301,601	\$ 9,931,356	\$ 72,578,531

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

The City's cash and investments at June 30, 2024 in more detail:

Cash on hand	\$ 2,005
Deposits with financial institutions	7,077,060
Deposits with trust	2,391,824
Investments	63,107,642
Total	\$ 72,578,531

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$7,077,060 at June 30, 2024. Bank balances at that date were \$7,350,733 and the total amount of which was insured or collateralized with accounts held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). The City, however, has not waived the collateralization requirements.

B. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$50 Million	\$50 Million
U.S. Treasury Obligations	5 Years	None	None
U.S. Government Agency Issues	5 Years	None	None
Insured Deposits with Banks and Savings and Loans	N/A	None	None
Bankers Acceptance (Must be Dollar Denominated)	180 Days	40%	30%
Commercial Paper	270 Days	15%	10%
Negotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Nonnegotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Federally Issued Time Deposits	5 Years	None	\$100,000
Repurchase Agreements	30 Days	None	10%
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	15%
Money Market Mutual Funds	N/A	20%	10%
Insured or Passbook Savings Accounts	N/A	None	\$100,000

**The table is based on state law requirements or investment policy requirements, whichever is more restrictive.*

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$50 Million	\$50 Million
U.S. Treasury Obligations	30 Years	20%	None
U.S. Government Agency Issues	30 Years	20%	None
Insured Deposits with Banks and Savings and Loans	N/A	None	None
Bankers Acceptance (Must be Dollar Denominated)	6 Months	40%	30%
Commercial Paper	6 Months	15%	10%
Negotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Nonnegotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Federally Issued Time Deposits	1 Years	20%	None
Repurchase Agreements	30 Days	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	15%
Mutual Funds	N/A	20%	None
Money Market Funds	N/A	None	None
Insured or Passbook Savings Accounts	N/A	None	\$100,000
Guaranteed Investment Contract	N/A	None	None

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Disclosures Relating to Interest Rate Risk

Investment Type	Total	Maturity 12 Months or Less
Investments:		
Local Agency Investment Fund	\$ 60,872,715	\$ 60,872,715
Investments with fiscal agents:		
Money Market Mutual Funds	2,234,927	2,234,927
Total	\$ 63,107,642	\$ 63,107,642

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio, not to exceed three years.

As a means of maintaining liquidity and minimizing interest rate risk, the City's investment policy limits are as follows:

Maturity	Percentage of Portfolio
Up to One Year	10% Minimum
One Year to Five Years	60% Maximum
More Than Five Years	30% Maximum

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Total	Minimum Legal Rating	S&P Rating as of Fiscal Year Ended	
			AAA	Not Rated
Investments:				
Local Agency Investment Fund	\$ 60,872,715	N/A	\$ -	\$ 60,872,715
Investments with fiscal agents:				
Money Market Mutual Funds	2,234,927	N/A	2,234,927	-
Total	\$ 63,107,642		\$ 2,234,927	\$ 60,872,715

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City has no investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits as disclosed in Note 2A.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

E. Investment in Local Agency Investment Fund (“LAIF”)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. As of June 30, 2024, the City had \$60,872,715 invested in LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized cost, which approximates fair value.

F. Investment in Money Market Mutual Funds

At June 30, 2024, investments in money market mutual funds are reported at fair value. The City values investments in money market mutual funds at the amortized cost. The funds investment objectives seek preservation of capital, daily liquidity and maximum current income. The portfolios consist of liquid, high-quality debt securities issued by the U.S. Government. The funds offer same day liquidity and as of June 30, 2024 the City had \$2,234,927 invested in Money Market Mutual Funds.

Note 3 – Loans Receivable

A. Governmental Activities

At June 30, 2024, loans receivable consisted of the following:

Bio-Rad Loan	\$ 1,313,328
Total	<u>\$ 1,313,328</u>

Bio-Rad Loan

The City advanced Bio-Rad Laboratories, Inc. \$2,000,000 to construct various tenant improvements in one or more of the buildings located at 203-295 Linus Pauling Drive. The terms of the loan call for monthly payments of \$10,418, at an interest rate of 4.5% per annum, with repayments commencing May 15, 2010, through September 14, 2038. The balance outstanding as of June 30, 2024 was \$1,313,328.

B. Fiduciary Fund Financial Statements

At June 30, 2024, loans receivable consisted of the following:

Business Development Loans	\$ 1,303,012
Bridge Housing Corporation	2,290,561
Home Emergency Loan	8,293
First Time Homebuyers	765,466
Homeowner Retention/Loss Mitigation	2,424,436
Revitalization and Beautification	178,195
Other Assistance Programs	<u>1,040,098</u>
Total	<u>\$ 8,010,061</u>

Amounts shown above are net of an allowance for uncollectible accounts of \$335,016 for Housing Program Loans.

The Successor Agency to the Redevelopment Agency of the City of Hercules, a private purpose trust fund continues to administer the above listed outstanding loans receivable as it winds down the activities of the former Redevelopment Agency.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 4 – Lease Receivable

At June 30, 2024, lease receivable consisted of the following:

Bio-Rad Laboratories, Inc.	\$ 8,121,146
Other lease receivable	408,855
Total	<u>\$ 8,530,001</u>

A. Bio-Rad Laboratories Lease Receivable

On August 14, 2008, the City and Bio-Rad Laboratories, Inc. entered in to a lease agreement, which Bio-Rad agreed to lease from the City, the premises, consisting of the land located in the City of Hercules, County of Contra Costa, state of California, commonly known as the Venture Commerce Center located at 203-295 Linus Pauling Drive, including five (5) buildings consisting of approximately 96,847 rentable square feet, together with the parking lot and associated improvements serving the buildings.

The term of this lease shall be for thirty (30) years, commencing on September 15, 2008 and ending on September 14, 2038, or terminated sooner pursuant to the terms of this lease. Bio-Rad Laboratories, Inc. has the option to terminate this lease anytime on or after the fifteenth (15th) anniversary date as to a portion or the entire premises by delivering to the City not later than three (3) months prior to said fifteenth (15th) anniversary date or any applicable later termination date, a notice of such election.

The City granted to Bio-Rad Laboratories, Inc. the option to purchase the premises, Bio-Rad Laboratories, Inc. may elect to exercise the Purchase Option by delivering to the City written notice of such election within 30 days prior to either of the following dates: (i) the fifteenth (15th) anniversary date; (ii) the twentieth (20th) anniversary date; or (iii) the twenty-fifth (25th) anniversary date, If Bio-Rad Laboratories, Inc. has not elected to exercise the Purchase Option during the time period said above, then the Purchase Option shall automatically be deemed elected by Bio-Rad Laboratories, Inc. as of the expiration date unless Bio-Rad Laboratories, Inc., provides prior written notice to the City of Hercules within fifteen (15) days prior to the expiration date electing not to pursue the Purchase Option, If Bio-Rad Laboratories, Inc. elects to exercise the Purchase Option on the expiration date, the purchase price for the premises shall be one dollar (\$1.00).

Total lease revenue of \$26,723,100 will be received from the Bio-Rad Laboratories, Inc. during the term of lease. The interest rate on the lease payments is 8.0381%. Monthly lease payments vary from \$55,300 to \$83,699 will be received on the first day of each month without notice, offset, deduction, or demand, in advance, during the lease term. For the year ended June 30, 2024, the City recognized \$253,325 in lease revenue and \$667,653 in interest revenue.

The outstanding receivable is in the amount of \$8,121,146. The future required payments for this lease, including interest, is as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 281,064	\$ 646,166	\$ 927,230
2026	311,131	622,351	933,482
2027	343,720	596,014	939,734
2028	379,042	566,943	945,985
2029	423,101	534,737	957,838
2030-2034	2,860,709	2,053,161	4,913,870
2035-2039	3,522,379	639,693	4,162,072
	<u>\$ 8,121,146</u>	<u>\$ 5,659,065</u>	<u>\$ 13,780,211</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 4 – Lease Receivable (Continued)

B. Other Lease Receivable

Lease receivables consist of agreements with others for the right-to-use of the underlying assets for land and building owned by the City at various locations. The remaining terms of the agreements range from 1 to 10 years. The incremental borrowing rates used ranged from 2.38%. For the year ended June 30, 2024, the City recognized \$123,812 in lease revenue and \$11,222 in interest revenue. The outstanding receivables are in the amounts of \$408,855. The future required payments for these leases, including interest, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 91,726	\$ 8,737	\$ 100,463
2026	95,028	6,518	101,546
2027	91,306	4,226	95,532
2028	48,458	2,500	50,958
2029	19,856	1,744	21,600
2030-2032	62,481	2,319	64,800
	<u>\$ 408,855</u>	<u>\$ 26,044</u>	<u>\$ 434,899</u>

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2024, the City's Due to and from Other Funds are as follows:

Due From Other Funds (Receivable)	Due To Other Funds (Payable)	Amount
General Fund	Hercules Debt Service Fund	\$ 4,471
General Fund	Nonmajor Governmental Funds	1,477,547
	Total	<u>\$ 1,482,018</u>

The due to/from other funds are to provide cash flow for the funds with negative cash and for other short-term borrowings between funds.

B. Advances To and From Other Funds

At June 30, 2024, the City's Advances To and From Other Funds are as follows:

Advance To Other Funds (Receivable)	Advances From Other Funds (Payable)	Amount
General Fund	Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	\$ 418,803
General Fund	Nonmajor Governmental Funds	102,900
	Total	<u>\$ 521,703</u>

The advances were for the City Council approved capital improvements.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 5 – Interfund Transactions (Continued)

C. Transfers In and Out

The City had the following transfers for the year ended June 30, 2024:

Transfer In	Transfer Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 406,727
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	Nonmajor Governmental Funds	31,037
Hercules Debt Service Fund	General Fund	563,316
Nonmajor Governmental Funds	General Fund	875,609
Nonmajor Governmental Funds	Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	265,060
Nonmajor Governmental Funds	Nonmajor Governmental Funds	201,882
	Total	<u>\$ 2,343,631</u>

\$406,727 transferred to the General Fund from the Nonmajor Special Revenue Funds were for the capital related expenditures and the public safety related expenditures in the amounts of \$250,000 and \$156,727, respectively.

\$31,027 transfers to the Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund from the Nonmajor Governmental Funds was for the City's general benefit contributions.

\$265,060 transferred to the Debt Service Fund from the General Fund was for the debt service payments.

\$563,316 transfers to the Hercules Debt Service Fund was for the debt service payments.

\$1,342,551 transferred to the Nonmajor Governmental Funds includes:

- \$235,897 from the General Fund was for the debt service payments.
- \$639,712 from the General Fund was for the capital related projects costs.
- \$265,060 from Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund for the City's general benefit contributions.
- \$201,882 from Nonmajor Governmental Funds were for the City's general benefit contributions and to reimburse the stormwater for the street sweeping services approve by Council through Solid Waste Project Fund Expenditure Plan.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2024
Nondepreciable assets:					
Land	\$ 5,081,587	\$ -	\$ -	\$ -	\$ 5,081,587
Construction in progress	1,560,376	1,927,356	-	(1,922,480)	1,565,252
Total nondepreciable assets	6,641,963	1,927,356	-	(1,922,480)	6,646,839
Depreciable assets:					
Land improvements	15,911,314	89,766	-	-	16,001,080
Building and improvements	26,792,183	-	-	-	26,792,183
Machinery and equipment	7,747,692	175,680	(31,142)	-	7,892,230
Infrastructure	113,444,645	-	-	1,922,480	115,367,125
Subtotal	163,895,834	265,446	(31,142)	1,922,480	166,052,618
Less: accumulated depreciation:					
Land improvements	(10,239,089)	(249,811)	-	-	(10,488,900)
Building and improvements	(12,089,510)	(742,314)	31,142	-	(12,800,682)
Machinery and equipment	(7,680,194)	(273,966)	-	-	(7,954,160)
Infrastructure	(62,582,419)	(2,277,320)	-	-	(64,859,739)
Subtotal	(92,591,212)	(3,543,411)	31,142	-	(96,103,481)
Total depreciable assets, net	71,304,622	(3,277,965)	-	1,922,480	69,949,137
Total capital assets, net	77,946,585	(1,350,609)	-	-	76,595,976
Intangible, being amortized					
Right-to-use lease assets	34,778	-	(25,421)	-	9,357
Right-to-use subscription assets	90,502	-	-	-	90,502
Total intangible assets, being amortized	125,280	-	(25,421)	-	99,859
Less: accumulated amortization:					
Right-to-use lease assets	(20,494)	(8,785)	25,421	-	(3,858)
Right-to-use subscription assets	(28,206)	(28,205)	-	-	(56,411)
Total accumulated amortization	(48,700)	(36,990)	25,421	-	(60,269)
Total intangible assets, being amortized, net	76,580	(36,990)	-	-	39,590
Governmental activities capital assets, net	\$ 78,023,165	\$ (1,387,599)	\$ -	\$ -	\$ 76,635,566

Depreciation and amortization expenses were charged to functions/programs of governmental activities for the year ended June 30, 2024 as follows:

Depreciation and Amortization Expenses	Allocation
General government	\$ 492,375
Public safety	47,291
Public works	2,579,350
Parks and recreation	213,994
Internal service funds	247,391
Total	\$ 3,580,401

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 6 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2024
Nondepreciable assets:					
Land	\$ 191,700	\$ -	\$ -	\$ -	\$ 191,700
Construction in progress	3,264,814	10,417,611	(40,395)	-	13,642,030
Total nondepreciable assets	<u>3,456,514</u>	<u>10,417,611</u>	<u>(40,395)</u>	<u>-</u>	<u>13,833,730</u>
Depreciable assets:					
Building and improvements	38,325,271	-	-	-	38,325,271
Machinery and equipment	250,345	-	-	-	250,345
Infrastructure	14,945,319	-	-	-	14,945,319
Subtotal	<u>53,520,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,520,935</u>
Less: accumulated depreciation:					
Building and improvements	(11,144,389)	(101,399)	-	-	(11,245,788)
Machinery and equipment	(219,954)	(4,559)	-	-	(224,513)
Infrastructure	(5,233,749)	(861,674)	-	-	(6,095,423)
Subtotal	<u>(16,598,092)</u>	<u>(967,632)</u>	<u>-</u>	<u>-</u>	<u>(17,565,724)</u>
Total depreciable assets, net	<u>36,922,843</u>	<u>(967,632)</u>	<u>-</u>	<u>-</u>	<u>35,955,211</u>
Total capital assets, net	<u>\$ 40,379,357</u>	<u>\$ 9,449,979</u>	<u>\$ (40,395)</u>	<u>\$ -</u>	<u>\$ 49,788,941</u>

Depreciation expense was charged to the Wastewater Fund within business-type activities as follows:

Depreciation Expenses	Allocation
Wastewater	<u>\$ 967,632</u>
Total	<u>\$ 967,632</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 6 – Capital Assets (Continued)

C. Fiduciary Fund Financial Statements

Summary of changes in Fiduciary Fund capital assets for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2024
Nondepreciable assets:					
Land	\$ 236,986	\$ -	\$ -	\$ -	\$ 236,986
Construction in progress	13,853,698	-	-	-	13,853,698
Total nondepreciable assets	<u>14,090,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,090,684</u>
Depreciable assets:					
Land improvements	9,776,751	-	-	-	9,776,751
Building and improvements	4,967,778	-	-	-	4,967,778
Machinery and equipment	116,445	-	-	-	116,445
Infrastructure	6,206,831	-	-	-	6,206,831
Subtotal	<u>21,067,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,067,805</u>
Less: accumulated depreciation:					
Land improvements	(5,510,785)	(277,401)	-	-	(5,788,186)
Building and improvements	(3,450,756)	(99,437)	-	-	(3,550,193)
Machinery and equipment	(81,824)	(5,810)	-	-	(87,634)
Infrastructure	(4,238,999)	(285,943)	-	-	(4,524,942)
Subtotal	<u>(13,282,364)</u>	<u>(668,591)</u>	<u>-</u>	<u>-</u>	<u>(13,950,955)</u>
Total depreciable assets, net	<u>7,785,441</u>	<u>(668,591)</u>	<u>-</u>	<u>-</u>	<u>7,116,850</u>
Total capital assets, net	<u>\$ 21,876,125</u>	<u>\$ (668,591)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,207,534</u>

Depreciation expense was charged to the Successor Agency Private Purpose Trust Fund within the Fiduciary Fund Financial Statements as follows:

Depreciation Expenses	Allocation
Successor Agency	<u>\$ 668,591</u>
Total	<u>\$ 668,591</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Long-Term Debt

A. Governmental Activities

Summary of changes in Governmental Activities long-term debt for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within One Year	Due in More Than One Year
Publicly Offered:						
2009 PFA Taxable Lease Revenue Bonds	\$ 7,930,000	\$ -	\$ (255,000)	\$ 7,675,000	\$ 275,000	\$ 7,400,000
Less: Discount on issuance	(259,441)	-	17,297	(242,144)	-	(242,144)
2020 PFA Lease Revenue Refunding Bonds	5,490,180	-	(448,561)	5,041,619	457,061	4,584,558
H.E.L.P. Loan	1,363,521	-	(75,933)	1,287,588	76,133	1,211,455
R.D.L.P. Loan	3,750,000	-	-	3,750,000	-	3,750,000
Engie Energy Conservation Loan	4,000,642	-	(127,479)	3,873,163	130,064	3,743,099
Lease liability	14,526	-	(8,880)	5,646	1,838	3,808
Subscription liability	56,936	17,823	(41,626)	33,133	11,560	21,573
Compensated absences	729,432	517,837	(509,658)	737,611	553,207	184,404
Total	\$ 23,075,796	\$ 535,660	\$ (1,449,840)	\$ 22,161,616	\$ 1,504,863	\$ 20,656,753

2009 Public Financing Authority Taxable Lease Revenue Bonds (Bio-Rad Project)

The Authority issued taxable lease revenue bonds, series 2009, dated July 29, 2009, totaling \$10,080,000. The purpose of the bonds was to finance the acquisition of certain commercial condominium properties, consisting of approximately 96,847 square feet located at 203-295 Linus Pauling Drive within the City from the City, funding a reserve fund for the Bonds and to paying the costs of issuance of the Bonds. The interest rates on the bonds range from 6.00% to 8.40%. The interest is payable semiannually on January 1 and July 1, commencing January 1, 2010. The bonds are subject to optional special mandatory redemption, and mandatory sinking account redemption provisions. The bonds are payable from and secured by revenues consisting primarily of the base rental payments of the property lease. Principal is due annually beginning on July 1, 2010, in amounts ranging from \$165,000 to \$845,000. The bonds mature on July 1, 2038. The principal outstanding balance and the unamortized issuance discount at June 30, 2024 are \$7,675,000 and \$242,144, respectively.

The Bonds constitute limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The obligation of the City to make City Advances does not constitute an obligation of the City which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Future debt service requirements on the 2009 Public Financing Authority Taxable Lease Revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 275,000	\$ 630,296	\$ 905,296
2026	300,000	606,578	906,578
2027	325,000	580,796	905,796
2028	350,000	552,953	902,953
2029	380,000	522,840	902,840
2030-2034	2,420,000	2,062,733	4,482,733
2035-2039	3,625,000	809,550	4,434,550
Total	\$ 7,675,000	\$ 5,765,746	\$ 13,440,746

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

2020 Hercules Public Financing Authority Lease Revenue Refunding Bonds

The Hercules Public Financing Authority issued Lease Revenue Refunding Bond series 2020, dated August 1, 2020, totaling \$5,876,843. The purpose of the bonds was to finance and to refinance the acquisition and or construction of certain real property and public capital improvements of the City. The issuance of the 2020 Lease Revenue Refunding Bond (the “2020 Refunding Bond”) resulted in cash flow savings of \$947,702 over the life of the Bond. The City has structured the refinancing to achieve nearly all of the cash flow savings in the first three fiscal years: \$458,382, \$435,857, and \$53,463 during years ended 2021, 2022, and 2023, respectively. The principal outstanding balance at June 30, 2024 is \$5,041,619.

Future debt service requirements on the 2020 Hercules Public Financing Authority Lease Revenue Refunding Bond are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 457,061	\$ 106,369	\$ 563,430
2026	465,032	96,180	561,212
2027	477,396	85,766	563,162
2028	489,075	75,087	564,162
2029	500,055	64,157	564,212
2030-2034	2,653,000	148,998	2,801,998
Total	<u>\$ 5,041,619</u>	<u>\$ 576,557</u>	<u>\$ 5,618,176</u>

Housing Enabled by Local Partnerships (H.E.L.P.) Loan (“H.E.L.P Loan”)

In April 2005 the City entered into an agreement with the California Housing Finance Agency (Agency), a public instrumentality and political subdivision of the State of California to develop a 50-unit multifamily rental project that is a component to a mixed-used development, also consisting of 26,825 square feet of ground-floor commercial space. The Agency has authorized the making of a loan in the amount of \$1,600,000 known as the Housing Enabled by Local Partnerships (H.E.L.P.) to the City for the purpose of assisting in operating a local housing program. Under the terms of this original agreement the City agreed to reimburse the Agency \$1,600,000, 10 years from April 11, 2005 at a 3% simple per annum interest. Interest is to be charged only on funds disbursed. In October 2013, the City and Agency amended the agreement to extend the due date of the loan and accumulated interest until April 2027 and to reduce the interest rate to 1.5% simple interest effective October 31, 2013. The balance at June 30, 2024 is \$1,287,588.

The annual debt service requirements to maturity for the H.E.L.P. Loan as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 76,133	\$ 23,867	\$ 100,000
2026	1,211,455	18,733	1,230,188
Total	<u>\$ 1,287,588</u>	<u>\$ 42,600</u>	<u>\$ 1,330,188</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Residential Development Loan Program Loan (“R.D.L.P Loan”)

In February 2007, the City entered into a loan agreement with the California Housing Finance Agency (Agency) in the amount of \$3,750,000 (\$1,750,000 for predevelopment costs and \$2,000,000 for construction costs). The funds will be used to assist with site acquisition, predevelopment, and construction costs for 23 affordable ownership units within a 52-unit condominium project, which is a component to the Sycamore Downtown Street project, a mixed-use, mixed-income development. Under the terms of the original agreement, the City agreed to repay the Agency \$3,750,000, four years from February 2007 at 3% simple per annum interest. In October 2013, the City and Agency amended the agreement to extend the due date of the loan and accumulated interest until April 2027 and to reduce the interest rate to 1.5% simple interest effective October 31, 2013. The balance at June 30, 2024 is \$3,750,000.

The annual debt service requirements to maturity for the R.D.L.P. Loan as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ -	\$ 100,000	\$ 100,000
2026	-	100,000	100,000
2027	3,750,000	113,572	3,863,572
Total	<u>\$ 3,750,000</u>	<u>\$ 313,572</u>	<u>\$ 4,063,572</u>

Engie Construction Loan

On August 14, 2020, the City entered into an equipment finance purchase agreement for the implementation of the “Option A” Energy Services Contract. Interest rate is 2.71%, 30/360 basis, and payment commencing August 14, 2020 and ending on September 14, 2040. The balance at June 30, 2024 is \$3,873,163.

The annual debt service requirements to maturity for the rental payment as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 130,064	\$ 104,963	\$ 235,027
2026	143,641	101,438	245,079
2027	158,064	97,545	255,609
2028	173,379	93,262	266,641
2029	189,633	88,563	278,196
2030-2034	1,228,545	355,951	1,584,496
2035-2039	1,329,729	172,191	1,501,920
2040-2041	520,108	21,069	541,177
Total	<u>\$ 3,873,163</u>	<u>\$ 1,034,982</u>	<u>\$ 4,908,145</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Lease Liability

The City has entered into leases for the machine uses. The terms of the agreements range from 13 months to 33 months. The calculated interest rate used was 2.38% based on the term of the agreements. Principal and interest payments to maturity at June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 1,838	\$ 114	\$ 1,952
2026	1,882	70	1,952
2027	1,926	25	1,951
Total	<u>\$ 5,646</u>	<u>\$ 209</u>	<u>\$ 5,855</u>

Subscription Liability

The City has entered into subscriptions for information technology arrangements. The terms of the arrangements range from 24 to 36 months with implicit rates used between 2.354% to of 2.876%. Principal and interest to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 11,560	\$ 607	\$ 12,167
2026	11,852	308	12,160
2027	9,721	280	10,001
Total	<u>\$ 33,133</u>	<u>\$ 1,195</u>	<u>\$ 34,328</u>

Compensated Absences

There is no fixed payment schedule for earned but unpaid compensated absences.

B. Business-Type Activities

Summary of changes in Business-Type Activities long-term debt for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within One Year	Due in More Than One Year
State Water Resources Construction Loan						
Construction Loan	\$ 21,009,706	\$ -	\$ (1,153,672)	\$ 19,856,034	\$ 1,173,285	\$ 18,682,749
Wastewater Revenue Bonds, Series 2021A	8,095,000	-	(365,000)	7,730,000	375,000	7,355,000
Compensated absences	52,166	38,753	(34,873)	56,046	42,035	14,011
Total	<u>\$ 29,156,872</u>	<u>\$ 38,753</u>	<u>\$ (1,553,545)</u>	<u>\$ 27,642,080</u>	<u>\$ 1,590,320</u>	<u>\$ 26,051,760</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

State Water Resources Construction Loan

In June 2016, the City entered into an installment sale agreement with the California State Water Resources Control Board in the amount of \$26,500,000. The funds are for construction costs for the Pinole-Hercules Wastewater Pollution Control Plant Improvement Project. The interest rate on the loan is 1.7%. The first principal and interest payment are due August 31, 2019, and is contingent on the total drawdowns at project completion. The loan matures on August 31, 2038. The City has drawn down \$25,458,720 of the loan principal including construction loan interest as of June 30, 2024. The balance at June 30, 2024 is \$19,856,034.

The annual debt service requirements to maturity for as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 1,173,285	\$ 337,553	\$ 1,510,838
2026	1,193,230	317,606	1,510,836
2027	1,213,515	297,322	1,510,837
2028	1,234,145	276,692	1,510,837
2029	1,255,127	255,712	1,510,839
2030-2034	6,603,033	951,153	7,554,186
2035-2039	7,183,699	370,486	7,554,185
Total	<u>\$ 19,856,034</u>	<u>\$ 2,806,524</u>	<u>\$ 22,662,558</u>

Wastewater Revenue Bonds, Series 2021A

In July, 2021, the City issued the Direct Purchase Lease in the amount of \$8,450,000. The bonds bear interest at 2.38%. Interest on the bonds is payable semi-annually on February 1 and August 1 in each year, commencing February 1, 2022. Principal payments are due in annual installments ranging from \$355,000 to \$545,000, commencing August 1, 2022 through August 1, 2040. The principal balance at June 30, 2024 is \$7,730,000.

In the event of default, the City shall declare the entire principal amount of the unpaid series 2021 installment payments and accrued interest thereon to be due and payable immediately in writing.

The annual debt service requirements to maturity for as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 375,000	\$ 179,512	\$ 554,512
2026	385,000	170,468	555,468
2027	395,000	161,186	556,186
2028	400,000	151,725	551,725
2029	410,000	142,086	552,086
2030-2034	2,200,000	557,515	2,757,515
2035-2039	2,485,000	279,115	2,764,115
2040-2041	1,080,000	25,823	1,105,823
Total	<u>\$ 7,730,000</u>	<u>\$ 1,667,430</u>	<u>\$ 9,397,430</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements

A summary of changes in Fiduciary Fund long-term debt for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within One Year	Due in More Than One Year
Publicly Offered:						
2022A Tax Allocation	\$ 29,510,000	\$ -	\$ -	\$ 29,510,000	\$ -	\$ 29,510,000
Plus: Bond Premium	2,863,743	-	(150,065)	2,713,678	-	2,713,678
2022B Tax Allocation - Federally Taxable	48,580,000	-	-	48,580,000	455,000	48,125,000
Notes Payable	363,257	-	-	363,257	-	363,257
Total	<u>\$ 81,317,000</u>	<u>\$ -</u>	<u>\$ (150,065)</u>	<u>\$ 81,166,935</u>	<u>\$ 455,000</u>	<u>\$ 80,711,935</u>

2022 Tax Allocation Bonds Series A and B

On May 1, 2022, the Successor Agency to the Hercules Redevelopment Agency issued Tax Allocation Refunding Bonds, Series 2022A and 2022B to currently refund 2005 Tax Allocation Bonds, 2007A and B Housing Tax Allocation Bonds, and 2007 RDA Tax Allocation Bonds. The economic gain on the current refunding was \$2,171,280 and the saving in debt service payment is \$13,014,042.

The Series A bonds bear interest at 5% and the Series B bonds bear interest rates range from 2.568% to 5.013%. Principal on the bonds is payable annually on August 1 in each year, commencing August 1, 2022 ranging from \$455,000 to \$15,000,000. Interest on the bonds is payable semi-annually on February 1 and August 1 in each year, commencing August 1, 2022. The balances at June 30, 2024 for the Series A and B are \$29,510,000 and \$48,580,000, respectively.

In the event of default, the City shall declare the entire principal amount of the unpaid Series 2022 A and B installment payments and accrued interest thereon to be due and payable immediately in writing.

The annual debt service requirements to maturity for as of June 30, 2024 are as follows:

2022 Series A

Year Ending June 30,	Principal	Interest	Total
2025	\$ -	\$ 1,475,500	\$ 1,475,500
2026	-	1,475,500	1,475,500
2027	-	1,475,500	1,475,500
2028	-	1,475,500	1,475,500
2029	-	1,475,500	1,475,500
2030-2034	-	7,377,500	7,377,500
2035-2039	17,225,000	5,164,875	22,389,875
2040-2043	12,285,000	1,265,875	13,550,875
Total	<u>\$ 29,510,000</u>	<u>\$ 21,185,750</u>	<u>\$ 50,695,750</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2022 Series B

Year Ending June 30,	Principal	Interest	Total
2025	\$ 455,000	\$ 2,152,254	\$ 2,607,254
2026	4,310,000	2,067,790	6,377,790
2027	4,465,000	1,904,991	6,369,991
2028	4,635,000	1,723,327	6,358,327
2029	4,830,000	1,522,466	6,352,466
2030-2034	27,625,000	4,001,099	31,626,099
2035	2,260,000	56,647	2,316,647
Total	<u>\$ 48,580,000</u>	<u>\$ 13,428,574</u>	<u>\$ 62,008,574</u>

Notes Payable

In 1987, the Agency entered into Owner Participation Agreements with certain property owners (East Group, Bio Rad Laboratories, and Eden Housing) in the Redevelopment Area. Under the terms of these agreements, the Agency signed notes under which it promised to reimburse the owners by the year 2016 for the amount of incremental assessments levied on their properties, up to the cost of constructing public improvements. Payment on these notes is contingent on the property taxes and special assessments levied on these owners. As of June 30, 2024, the Agency's long-term notes payable for East Group and Bio Rad Laboratories were \$147,097 and \$216,160, respectively.

D. Non-City Obligations

The following District Bonds are not general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bond reserves, these bonds have not been reflected in the long-term debt in the accompanying financial statements.

	Original Issuance	Balance June 30, 2024
Refunding Reassessment District 2005-1 (John Muir Parkway)	\$ 3,006,859	\$ 2,289,540

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Retirement Plans

Summary of deferred outflows of resources related to pension, net pension liabilities, and deferred inflows of resources related to pension for both governmental activities and business-type activities for the year ended June 30, 2024 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contributions made after measurement date:			
CalPERS Miscellaneous	\$ 789,428	\$ 101,808	\$ 891,236
CalPERS Safety	1,262,313	-	1,262,313
Total pension contribution made after measurement date	2,051,741	101,808	2,153,549
Change of assumptions:			
CalPERS Miscellaneous	510,847	65,881	576,728
CalPERS Safety	685,349	-	685,349
Total difference due to change in assumption	1,196,196	65,881	1,262,077
Difference between projected and actual investment earnings:			
CalPERS Miscellaneous	1,369,959	176,676	1,546,635
CalPERS Safety	1,607,052	-	1,607,052
Total difference between projected and actual investment earnings:	2,977,011	176,676	3,153,687
Adjustment due to difference in proportions			
CalPERS Safety	156,385	-	156,385
Total adjustment due to difference in proportions	156,385	-	156,385
Difference between expected and actual experience			
CalPERS Miscellaneous	432,247	55,745	487,992
CalPERS Safety	862,167	-	862,167
Total difference between expected and actual experience	1,294,414	55,745	1,350,159
Total deferred outflows of resources			
CalPERS Miscellaneous	3,102,481	400,110	3,502,591
CalPERS Safety	4,573,266	-	4,573,266
Total deferred outflows of resources	\$ 7,675,747	\$ 400,110	\$ 8,075,857
Net pension liabilities:			
CalPERS Miscellaneous	\$ 8,461,277	\$ 1,091,205	\$ 9,552,482
CalPERS Safety	11,743,165	-	11,743,165
Total net pension liabilities	\$ 20,204,442	\$ 1,091,205	\$ 21,295,647

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Retirement Plans (Continued)

	Governmental Activities	Business-Type Activities	Total
Deferred inflows of resources:			
Adjustment due to difference in proportions			
CalPERS Miscellaneous	\$ 185,649	\$ 23,942	\$ 209,591
Total adjustment due to difference in proportions	185,649	23,942	209,591
Difference between expected and actual experience:			
CalPERS Miscellaneous	67,053	8,647	75,700
CalPERS Safety	73,811	-	73,811
Total difference between projected and actual investment earnings:	140,864	8,647	149,511
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	411,127	53,021	464,148
CalPERS Safety	801,563	-	801,563
Total employer contributions in excess of proportionate share of contribution	1,212,690	53,021	1,265,711
Total deferred inflows of resources			
CalPERS Miscellaneous	663,829	85,610	749,439
CalPERS Safety	875,374	-	875,374
Total deferred inflows of resources	\$ 1,539,203	\$ 85,610	\$ 1,624,813
Pension expenses (credits):			
CalPERS Miscellaneous	\$ 1,160,161	\$ 94,161	\$ 1,254,322
CalPERS Safety	1,614,819	-	1,614,819
Total net pension expenses	\$ 2,774,980	\$ 94,161	\$ 2,869,141

A. General Information About the Pension Plans

Plan Description

The City contributes to CalPERS, a cost-sharing multiple-employer defined benefit pension plan, for its qualified permanent and probationary miscellaneous and safety employees. California Public Employees' Retirement System ("CalPERS") provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from its website at <https://www.calpers.ca.gov/> under Forms and Publications.

Employees Covered by Benefit Terms

At valuation date of June 30, 2022, the following employees were covered by the benefit terms:

	Miscellaneous Classic	Miscellaneous PEPRA	Safety Classic	Safety Tier 2	Safety PEPRA
Active employees	25	22	8	1	18
Transferred employees	50	14	4	1	9
Separated employees	91	15	4	1	6
Retired employees and beneficiaries	94	1	39	-	-
Total	260	52	55	3	33

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized below:

	Miscellaneous Classic	Miscellaneous PEPRA	Safety Classic	Safety Tier 2	Safety PEPRA
Benefit formula	2.0% @ 55	2.0% @ 62	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	52 - 67	50	55	57
Monthly benefits, as a % of eligible compensation	1.426 - 2.148%	1.0 - 2.5%	3.0%	3.0%	2.7%
Required employee contribution rate	7.00%	6.75%	9.00%	9.00%	13.00%
Required employer contribution rate	10.320%	7.470%	23.750%	21.840%	12.780%

A participant is eligible for non-industrial disability retirement if he or she becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.15% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. In addition, effective October 21, 2018, employees pay an additional 3% applied to the Employer CalPERS Contribution Rate.

For the year ended June 30, 2024, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>CalPERS Total</u>
Contributions - employer	\$ 891,236	\$ 1,262,313	\$ 2,153,549

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determined Total Pension Liability

For the measurement period ended June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2022 total pension liability. The June 30, 2023 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Change of Assumptions

There were no changes of assumptions in 2023.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building -block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class¹	Assumed Asset Allocation	Real Return^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Sensitivity of the City’s Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Plan's Net Pension Liability		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous	\$ 14,383,976	\$ 9,552,482	\$ 5,575,748
Safety	\$ 17,917,293	\$ 11,743,165	\$ 6,695,376

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/22 (Valuation date)	\$ 33,376,042	\$ 24,408,035	\$ 8,968,007
Balance at: 6/30/23 (Measurement date)	35,723,812	26,171,330	9,552,482
Net changes during 2022-2023	<u>\$ 2,347,770</u>	<u>\$ 1,763,295</u>	<u>\$ 584,475</u>
Safety			
Balance at: 6/30/22 (Valuation date)	\$ 43,442,114	\$ 32,654,928	\$ 10,787,186
Balance at: 6/30/23 (Measurement date)	45,006,766	33,263,601	11,743,165
Net changes during 2022-2023	<u>\$ 1,564,652</u>	<u>\$ 608,673</u>	<u>\$ 955,979</u>

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2022). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2023). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2023 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2022-23).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense are allocated based on the City's share of contribution during the measurement period.

The City's proportionate share of the net pension liability was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2022	0.07764%	0.09339%
Proportion - June 30, 2023	0.07657%	0.09413%
Change - Increase/(Decrease)	<u>-0.00107%</u>	<u>0.00074%</u>

For the year ended June 30, 2024, the City recognized pension expense of \$1,254,322 and \$1,614,819, for the Miscellaneous and Safety plans, respectively.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 891,236	\$ -
Change of assumptions	576,728	-
Difference between expected and actual experience	487,992	(75,700)
Net difference between projected and actual earnings on pension plan investments	1,546,635	-
Employer contributions in excess/(under) proportionate share of contributions	-	(464,148)
Adjustments due to difference in proportions	-	(209,591)
Total	<u>\$ 3,502,591</u>	<u>\$ (749,439)</u>
Safety Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 1,262,313	\$ -
Change of assumptions	685,349	-
Difference between expected and actual experience	862,167	(73,811)
Net difference between projected and actual earnings on pension plan investments	1,607,052	-
Employer contributions in excess/(under) proportionate share of contributions	-	(801,563)
Adjustments due to difference in proportions	156,385	-
Total	<u>\$ 4,573,266</u>	<u>\$ (875,374)</u>
CalPERS Aggregate Total		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 2,153,549	\$ -
Change of assumptions	1,262,077	-
Difference between expected and actual experience	1,350,159	(149,511)
Net difference between projected and actual earnings on pension plan investments	3,153,687	-
Employer contributions in excess/(under) proportionate share of contributions	-	(1,265,711)
Adjustments due to difference in proportions	156,385	(209,591)
Total	<u>\$ 8,075,857</u>	<u>\$ (1,624,813)</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2022-23 measurement period is 3.8 years, which was obtained by dividing the total service years of 600,538 (the sum of remaining service lifetimes of the active employees) by 160,073 (the total number of participants: active, inactive, and retired).

\$891,236 and \$1,262,313 reported as deferred outflows of resources related to pensions for miscellaneous plan and safety plan, respectively, resulting from the City’s contributions made subsequent to the measurement date. Both will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ending June 30	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous Plan	Safety Plan	Total
2024	\$ 361,789	\$ 581,610	\$ 943,399
2025	335,383	529,666	865,049
2026	1,120,363	1,279,448	2,399,811
2027	44,381	44,855	89,236
2028	-	-	-
Thereafter	-	-	-
Total	<u>\$ 1,861,916</u>	<u>\$ 2,435,579</u>	<u>\$ 4,297,495</u>

C. Payable to the CalPERS Pension Plans

At June 30, 2024, the City had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2024.

D. Liquidating Net Pension Liability

Pension liabilities are liquidated principally by all the funds.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Deferred Compensation Plan

A. 457 Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to full-time employees. The Internal Revenue Service regulations allow an employer to designate a 457(b) Deferred Compensation Plan as an alternative to social security. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by Mission Square, the City's third-party administrator, for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457(g). Accordingly, these assets have been excluded from the City's Annual Comprehensive Financial Report.

In the year 2021, The City evaluated the requirements of GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* and determined that plan didn't meet the criteria to be reported as a fiduciary activity, as required by the above mentioned GASB Statements. Moreover, the plan is classified as other employee benefits for financial reporting purposes.

As of June 30, 2024, the amount held by the Trustee for the City employees is \$10,653,333.

B. 401A Plan

The City contributes 4% of total gross salary to the plan for senior managers.

C. PARS

Part-time employees who do not participate in the Public Employees Retirement System are covered through the City's participation in Public Alternative Retirement System (PARS). Employees contribute 6.2% and the City contributes 1.3%.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Other Postemployment Benefits

The City provides Retiree Healthcare Plan (“PEHMCA”) and Retiree Cash Benefit Plan (“SOMAR Plan”). Summary of deferred outflows of resources related to other postemployment benefit (“OPEB”), net OPEB liabilities, and deferred inflows of resources related to OPEB for both governmental activities and business-type activities for the year ended June 30, 2024 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Difference between expected and actual experience			
PEHMCA	\$ 5,443	\$ 281	\$ 5,724
SOMAR	321,131	16,610	337,741
Total difference between expected and actual experience	326,574	16,891	343,465
Changes of assumptions			
PEHMCA	294,515	15,234	309,749
SOMAR	242,034	12,519	254,553
Total difference due to change in assumptions	294,515	15,234	309,749
Difference between projected and actual investment earnings:			
PEHMCA	69,520	3,596	73,116
Total difference between projected and actual investment	69,520	3,596	73,116
Total deferred outflows of resources			
PEHMCA	369,478	19,111	388,589
SOMAR	563,165	29,129	592,294
Total deferred outflows of resources	\$ 932,643	\$ 48,240	\$ 980,883
Net OPEB liabilities (assets):			
PEHMCA	\$ (257,824)	\$ (13,336)	\$ (271,160)
SOMAR	1,811,583	93,703	1,905,286
Total net OPEB liabilities (assets)	\$ 1,553,759	\$ 80,367	\$ 1,634,126
Deferred inflows of resources:			
Difference between expected and actual experience			
PEHMCA	\$ 1,277,355	\$ 66,070	\$ 1,343,425
SOMAR	243,854	12,614	256,468
Total difference between expected and actual experience	1,521,209	78,684	1,599,893
Changes of assumptions			
PEHMCA	154,494	7,991	162,485
SOMAR	332,852	17,216	350,068
Total changes of assumptions	487,346	25,207	512,553
Total deferred inflows of resources			
PEHMCA	1,431,849	74,061	1,505,910
SOMAR	576,706	29,830	606,536
Total deferred inflows of resources	\$ 2,008,555	\$ 103,891	\$ 2,112,446
OPEB expenses (credits):			
PEHMCA	\$ 67,216	\$ (5,052)	\$ 62,164
SOMAR	163,462	(2,291)	163,462
Total OPEB expenses	\$ 230,678	\$ (7,343)	\$ 225,626

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA)

Plan Descriptions and Administration

The City Retiree Healthcare Plan (“PEHMCA”) is a single-employer benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees and their dependents. The Plan does not issue a financial report.

The City has prefunded a portion of its OPEB benefits in a Public Agency Retirement Services (PARS) trust. The PARS Trust is a tax qualified irrevocable trusts, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement 75. PARS issues annual audited financial statements for each participating agency of the Trust. PARS is considered an agency agent multiple-employer plan, required to provide financial statements and required supplementary information (Schedule of Changes in Fiduciary Net Position by Plan) that are prepared in accordance with GASB statement 75.

These reports may be obtained by writing the plan at the following address: PARS 4350 Von Karman Ave., Suite 100, Newport Beach, CA 92660-2043.

Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of service. The City contribution towards retiree health benefits is determined under the "Equal Contribution Method" under PEHMCA under which the City's nominal contribution to PEMHCA is the same for active employees and retirees (\$149/month for 2023 and 2024).

Members of the Hercules Police Officers' Association and Executive Management retirees may receive supplement benefits under a sick-leave conversion plan called "Supplemental Optional Monies Allowance for Retirees" Plan. In order to be eligible, the employee must have served the City for at least ten consecutive years prior to retirement and be at least age 50 when they separate from service, or retire with a disability retirement and have at least 20 years of service with the City.

Contributions

The contributions are based on pay-go for premiums and contributions to the PARS OPEB trust. The pay-go amount is the actual amount of retiree premiums. Total contributions (pay-go and trust contributions) for the year ended June 30, 2024 were \$87,069 including the implied rate subsidy.

Employees Covered by Benefit Terms

At June 30, 2024, valuation date, the following employees were covered by the benefit terms:

Active Employees Eligible for Future Benefits	60
Retirees Currently Receiving Benefits	<u>18</u>
	<u>78</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Actuarial Assumptions

The net OPEB liability of the Plan was determined using an actuarial valuation as of June 30, 2024 using the following actuarial assumptions:

Actuarial Assumptions:	
Cost Method	Entry age actuarial cost method
Discount Rate	5.15%
Inflation	2.50%
Aggregate payroll increases	2.75%
Expected long-term investment rate of return ¹	5.15%
Mortality, Termination, and Disability	2021 CalPERS Mortality
Healthcare Trend Rate	4%

¹The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS for the miscellaneous participant type and the 2021 CalPERS Mortality for Safety Employees for the safety participant type. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Changes of Assumptions

There were no changes of assumptions in 2024.

Discount Rate

The discount rate used to measure the total Plan's OPEB liability was 5.15%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the City plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The expected long-term rate of return on OPEB plan investments of 5.15%, gross of expenses, was determined by Highmark Capital Management using a building-block method in which best-estimate ranges of expected future real rates of return, net of inflation, are developed for each major asset class. These ranges are combined to produce the term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return
All Domestic Equities	30.00%	7.25%
All Fixed Income	65.00%	4.25%
Short-Term Gov't Fixed	5.00%	3.00%
	100.00%	

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Changes in the Net OPEB Liability (Asset)

This table shows the changes in the total OPEB liability, the plan fiduciary net position, and the net OPEB liability (asset) of the PEHMCA Plan as of June 30, 2024:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2023	\$ 2,441,852	\$ 2,668,316	\$ (226,464)
Changes Recognized for the Measurement Period:			
Service Cost	135,652	-	135,652
Interest on the total OPEB liability	127,006	236,200	(109,194)
Contributions from the employer	-	87,069	(87,069)
Expected investment income	-	-	-
Investment (gains)/losses	-	-	-
Administrative expenses	-	(15,915)	15,915
Changes in assumptions	-	-	-
Benefit payments	(87,069)	(87,069)	-
Net Changes during July 1, 2023 to June 30, 2024	175,589	220,285	(44,696)
Balance at June 30, 2024 (Measurement Date)	\$ 2,617,441	\$ 2,888,601	\$ (271,160)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Plan, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Net OPEB Liability (Asset)		
Discount Rate - 1% (4.15%)	Current Discount Rate (5.15%)	Discount Rate + 1% (6.15%)
\$ 80,258	\$ (271,160)	\$ (563,201)

The following presents the net OPEB liability (asset) of the Plan, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that 1% lower or 1% higher than the current healthcare cost trend rate:

Net OPEB Liability (Asset)		
Healthcare Cost Trend Rates 3%	Healthcare Cost Trend Rates 4%	Healthcare Cost Trend Rates 5%
\$ (658,559)	\$ (271,160)	\$ 219,426

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relate to OPEB

For the year ended June 30, 2024, the City recognized OPEB expense of \$62,164 for the Plan. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relate to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,724	\$ (1,343,425)
Changes of assumptions	309,749	(162,485)
Net difference between projected and actual earning on OPEB plan investments	73,116	-
Total	<u>\$ 388,589</u>	<u>\$ (1,505,910)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30	Deferred Outflows/ (Inflows) of Resources
2025	\$ (142,296)
2026	(104,229)
2027	(200,172)
2028	(201,627)
2029	(181,791)
Thereafter	(287,206)
Total	<u>\$ (1,117,321)</u>

Liquidating PEHMCA OPEB Liability

OPEB liabilities are liquidated principally by the General Fund and the Wastewater Enterprise Fund.

B. Retiree Cash Benefit Plan (SOMAR Plan)

Plan Description

The City SOMAR Plan is a single-employer benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees and their dependents. The Plan does not issue a financial report.

The SOMAR Plan benefit percentage is based on the lesser of actual years of service, or an equivalent based on sick-leave hours divided by 48, with a minimum percentage of 50% after 10 years and a maximum percentage of 100% after 20 years. The percentage is applied to a stated dollar amount prior to age 65 and the Kaiser Senior Advantage retiree only premium after age 65, offset by the PEMHCA Plan minimum, described above. The monthly dollar amounts under the SOMAR Plan are \$388/per month for 2023 and 2024 (Police), \$292/per month for 2023 and 2024 (Executive Management), and are contractually indexed each year by 3%.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Plan Description (Continued)

The City provide an optional monetary allowance with an annual three (3%) adjustment each year to Public Safety and Executive employees who retire as regulated by the Public Employee's Retirement System. To be eligible for the optional monies, an employee must retire as follows:

1. Service Retirement: Employees who have served the City for at least ten (10) consecutive years immediately prior to retirement and are at least fifty (50) years old when they separate service from the City.
2. Disability Retirement: Employees who retire with a disability retirement are not required to be a certain age, but must have at least twenty (20) years of service with the City.

Employees must have the minimum amount of sick leave on the books, as outlined in the chart below. If an employee has below the amount of sick leave required for their years of service, then they will only be eligible for the percentage paid equivalent to the amount of sick leave they do have on the books.

Years of Service	Sick Leave Balance	% of Optional Money Available
10	480	50
11	528	55
12	576	60
13	624	65
14	672	70
15	720	75
16	768	80
17	846	85
18	864	90
19	912	95
20-24	960	100
25	No Minimum amount required	100

Employees must retire within one hundred twenty (120) days. In addition, employees who separate service but do not retire as a PERS annuitant, shall not be eligible under for SOMAR benefits.

The City will pay a portion of the optional money to a retiree until the retiree reaches age sixty five (65), upon which they are required to enroll in Medicare. At that time, the optional money will drop to an amount equivalent to the Kaiser Supplemental to Medicare rate through PERS.

The SOMAR benefit is expected to last into perpetuity. Payment are made on a bi-annual basis.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Employees Covered by Benefit Terms

At the June 30, 2024 measurement date, the following employees were covered by the benefit terms:

	<u>Executives</u>	<u>Police</u>	<u>Total</u>
Participating active employees	10	24	34
Inactive employees receiving benefits	3	11	14
Total	<u>13</u>	<u>35</u>	<u>48</u>

Benefits Provided

The SOMAR plan's provisions and benefits in effect at June 30, 2024, are summarized below:

	<u>Executives</u>	<u>Police</u>
Duration of benefits	Lifetime	Lifetime
Required service	50% at 10 years grading to 100% at 20 years	50% at 10 years grading to 100% at 20 years
Minimum age	Retirement	Retirement
Amount	\$292 per month pre- 65; based on Kaiser premium post-65	\$388 per month pre- 65; based on Kaiser premium post-65

Contributions

For the year ended June 30, 2024, the contributions recognized as part of OPEB expense for the SOMAR plan were as follows:

	<u>SOMAR Plan</u>
Contributions - employer	<u>\$ 48,879</u>

Actuarial Assumptions

The net OPEB liability of the SOMAR Plan was determined using an actuarial valuation as of June 30, 2023 using the following actuarial assumptions.

Cost method	Entry age normal
Discount Rate	3.93%
Inflation	2.50%
Aggregate payroll increases	2.75%
Mortality ¹ , retirement, and turnover	2021 CalPERS tables

¹The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS for the miscellaneous participant type and the 2021 CalPERS Mortality for Safety Employees for the safety participant type. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Changes of Assumptions

The interest assumption changed from 3.65% to 3.93%. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems.

Changes in the Net OPEB Liability

This table shows the changes in the total OPEB liability, the plan fiduciary net position, and the net OPEB liability of the SOMAR plan as of June 30, 2024:

	SOMAR Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023	\$ 1,882,973	\$ -	\$ 1,882,973
Changes Recognized for the Measurement Period:			
Service cost	93,662	-	93,662
Interest on the total pension liability	69,546	-	69,546
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	(92,016)	-	(92,016)
Contributions from the employer as benefit payments	-	48,879	(48,879)
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments	(48,879)	(48,879)	-
Net changes during July 1, 2023 to June 30, 2024	22,313	-	22,313
Balance at June 30, 2024 (measurement date)	\$ 1,905,286	\$ -	\$ 1,905,286

Discount Rate

The discount rate used to measure the total OPEB liability for the SOMAR plan was 3.93% based on the Bond Buyer 20 Bond Index.

Changes of Assumption

The discount rate change from 3.65% to 3.93% in 2024.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the SOMAR Plan, as well as what the SOMAR Plan's net OPEB liability (asset) would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

SOMAR Plan's Total OPEB Liability		
Discount Rate - 1% (2.93%)	Current Discount Rate (3.93%)	Discount Rate + 1% (4.93%)
\$ 2,259,719	\$ 1,905,286	\$ 1,629,997

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relate to OPEB

For the year ended June 30, 2024, the City recognized OPEB expense of \$163,462 for the SOMAR plan. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources for the SOMAR plan:

	SOMAR Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 337,741	\$ (256,468)
Changes of assumptions	254,553	(350,068)
Total	<u>\$ 592,294</u>	<u>\$ (606,536)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30	SOMAR Plan Deferred Outflows/ (Inflows) of Resources
2025	\$ 254
2026	254
2027	254
2028	254
2029	254
Thereafter	(15,512)
Total	<u>\$ (14,242)</u>

Liquidating SOMAR OPEB Liability

OPEB liabilities are liquidated principally by the General Fund and the Wastewater Enterprise Fund.

Payable to the OPEB Plan

At June 30, 2024, the City had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2024.

Note 11 – Risk Management

General Liability Insurance

Coverage is maintained with the Municipal Pooling Authority (MPA) with coverage limits of \$1,000,000 with self-insured retention of \$10,000 and \$1,000,001 to \$29,000,000 covered by California Affiliated Risk Management Authority (CARMA).

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 11 – Risk Management (Continued)

Workers' Compensation

The City has coverage limits for the following without a deductible:

MPA	\$0 to \$500,000
PRISM	\$500,000 to \$50,000,000
Liberty Insurance Corporation	Statutory excess of \$50,000,000

At June 30, 2024, the City's estimated claims liabilities were as follows:

General liabilities	\$	183,083
Workers' compensation		312,363
Total	\$	<u>495,446</u>

The City's claims liability of \$495,446 are considered to be current and reported under the general fund. Changes in the claims liabilities for the fiscal years ended June 30, 2024, 2023 and 2022 are as follows:

Fiscal Year	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2021-2022	\$ 576,344	\$ 343,845	\$ (686,235)	\$ 233,954
2022-2023	233,954	482,177	(317,758)	398,373
2023-2024	398,373	600,431	(503,358)	495,446

Miscellaneous Coverages

The MPA provides additional coverage for the following risks incurred by the City:

Type	Deductibles	Coverage Limits
Auto - Physical Damage:		
Police Vehicles	\$ 3,000	\$ 250,000
All Other Vehicles	2,000	250,000
All Risk Fire & Property	25,000	1,000,000,000
Cyber Liability	50,000	3,000,000
Pollution Liability	250,000	25,000,000
Crime Coverage	2,500	5,000,000
Boiler and Machinery	10,000	100% of primary \$25,000,000; 100% of \$75,000,000 excess of \$25,000,000

The MPA is governed by a board consisting of representatives from member municipalities. The board controls the operations of the MPA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 11 – Risk Management (Continued)

The City's deposits with the MPA are in accordance with formulas established by the MPA. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Audited financial statements can be obtained from the Municipal Pooling Authority, 1911 San Miguel Drive, #200, Walnut Creek, California 94596.

Note 12 – Commitments and Contingencies

A. Lawsuits

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, will not have a material adverse effect on the City's Annual Financial Statements. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Commitments

At June 30, 2024, the outstanding commitments are in the amount of \$5,078,545. Details are as follows:

Governmental Funds:	
General Fund	\$ 626,898
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	65,292
Other Governmental Funds	974,257
Proprietary Funds:	
Wastewater Enterprise Fund	3,275,687
Internal Service Funds	131,980
Fiduciary Funds:	
Successor Agency Private Purpose Trust Fund	4,431
Total	<u><u>\$ 5,078,545</u></u>

Note 13 – Joint Powers Agreements

The City is a member of the joint powers agencies described below. Each of these agencies is governed by a board, which controls their operation, including selection of management and approval of operating budgets, independent of influence by member municipalities beyond their representation on the board.

A. West Contra Costa Transportation Advisory Committee (WCCTAC)

WCCTAC was established in 1990 to develop regional strategies and meet regional requirements established by Measure "C" and to cooperatively address West Contra Costa County transportation issues.

The City's payments to WCCTAC are in accordance with a formula under which each member Agency pays a proportionate share of the expenditures based on the number of voting members representing each agency. Audited financial statements can be obtained from the WCCTAC, One Alvarado Square, San Pablo, California 94806, The City has one voting member on the WCCTAC and pays 10% of annual expenditures.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 13 – Joint Powers Agreements (Continued)

B. West Contra Costa Integrated Waste Management Authority (WCCIWMA)

WCCIWMA was established in 1991 to coordinate landfill use reduction in the West Contra Costa County Area as mandated by the state of California. The City is represented by one Director. Funding for WCCIWMA is provided for through a surcharge collected from the ratepayers within WCCIWMA's jurisdiction. Audited financial statements can be obtained from the WCCIWMA, One Alvarado Square, San Pablo, California 94806.

C. Pinole/Hercules Wastewater Treatment Plant

On January 23, 2001, the cities of Pinole and Hercules entered into a joint powers agreement for the operation and ownership of the Pinole/Hercules Wastewater Treatment Plant (Plant). The City retains responsibility for the operation and maintenance of its wastewater collection system. The City of Hercules has an undivided fifty percent (50%) ownership interest in the Plant. The City of Pinole has the right and responsibility to manage and operate the Plant. Also, the City of Pinole maintains the records and accounts for all the transactions.

Note 14 – Stewardship, Compliance, and Accountability

A. Deficit Fund Balances/Net Position

At June 30, 2024, the following funds had a deficit fund balance/net position:

Nonmajor Special Revenue Funds:	
Victoria by the bay LLAD No. 2002-01	\$ (683,075)
Baywood LLAD No. 2004-1	(44,199)
Stormwater	(196,021)
Bart Park and Ride	(265)
Internal Service Funds:	
Facilities Maintenance	(10,178)
Fiduciary Funds:	
Successor Agency Private Purpose Trust Fund	\$ (43,822,382)

Victoria by the bay LLAD No. 2002-01 Special Revenue Fund negative fund balance of \$683,075 will be financed through future assessments.

Baywood Landscape & Lighting Assessment District (LLAD) No. 2004-1 Special Revenue Fund negative fund balance of \$44,199 will be financed through future assessments.

The Stormwater Special Revenue Fund negative fund balance of \$196,021 will be financed through future assessments.

The Bart Park and Ride Special Revenue Fund negative fund balance of \$265 will be eliminated with future revenue.

The Facilities Maintenance Internal Service Fund negative net position of \$10,178 will be eliminated from future user charges.

Private Purpose Trust Fund negative net position of \$43,822,382 will be financed through future Redevelopment Property Tax Trust Fund.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 14 – Stewardship, Compliance, and Accountability (Continued)

B. Expenditures in Excess of Appropriations

The following funds had expenditures in excess of appropriations:

Fund	Appropriations	Expenditures	Excess of Expenditures over Appropriations
Major Governmental Funds:			
General Fund			
Public safety	\$ 8,475,617	\$ 9,154,124	\$ 678,507
Parks and recreation	2,507,834	2,677,208	169,374
Principal	-	114,945	114,945
Hercules Debt Service Fund	1,472,096	1,474,946	2,850
Nonmajor Governmental Funds:			
Victoria By the Bay LLAD No. 2002-1			
Special Revenue Fund	631,467	766,390	134,923
Bayside LLAD No. 2005-1			
Special Revenue Fund	136,780	161,595	24,815
Bart Park and Ride Special Revenue Fund	182,000	358,411	176,411
Road Rehabilitation Maintenance			
Special Revenue Fund	145,587	249,696	104,109
City Capital Projects Fund	2,361,868	2,730,442	368,574
Development Impact Fees Capital Projects Fund	39,766	40,595	829

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 15 – Fund Balance Classification

The Governmental Fund's fund balance classification at June 30, 2024 is follows:

	Major Funds				
	General	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund	Nonmajor Governmental Funds	Total
	Fund		Fund		
Nonspendable:					
Prepaid items	\$ 8,591	\$ -	\$ -	\$ -	\$ 8,591
Loan receivable	1,313,328	-	-	-	1,313,328
Total Nonspendable	1,321,919	-	-	-	1,321,919
Restricted for:					
Pension Section 115 trust	2,391,824	-	-	-	2,391,824
Debt Service	-	-	2,171,770	-	2,171,770
State Gas Tax	-	-	-	528,981	528,981
Measure "C" Street	-	-	-	765,578	765,578
C.O.P.S. Program (AB 3229)	-	-	-	62,716	62,716
Landscape & Lighting Assessment District No. 83-2	-	431,507	-	-	431,507
Hercules Village LLAD No. 2002-2	-	-	-	127,454	127,454
Bayside LLAD No. 2005-1	-	-	-	119,854	119,854
Arterial	-	-	-	504,650	504,650
Development Services	-	-	-	1,521,341	1,521,341
AB 939 JPA	-	-	-	897,113	897,113
Regional Water Quality	-	-	-	54,906	54,906
Asset Forfeiture	-	-	-	180,472	180,472
Road Maintenance and Rehab Program (SB1)	-	-	-	981,761	981,761
Development Impact Fees	-	-	-	2,110,936	2,110,936
Total Restricted	2,391,824	431,507	2,171,770	7,855,762	12,850,863
Committed to:					
Capital reserve	5,384,421	-	-	-	5,384,421
CalHFA loan repayment	2,500,000	-	-	-	2,500,000
Capital projects	-	-	-	324,295	324,295
Total Committed	7,884,421	-	-	324,295	8,208,716
Assigned:					
Assigned by City Manager:					
Capital Projects	3,788,932	-	-	-	3,788,932
Earthquake Insurance Deductible	500,000	-	-	-	500,000
Reusable Bags	13,930	-	-	-	13,930
PEG Fees	70,000	-	-	-	70,000
Economic uncertainty	4,222,158	-	-	-	4,222,158
Total Assigned	8,595,020	-	-	-	8,595,020
Unassigned (deficit)	14,754,596	-	-	(923,560)	13,831,036
Total Unassigned	14,754,596	-	-	(923,560)	13,831,036
Total Fund Balances	\$ 34,947,780	\$ 431,507	\$ 2,171,770	\$ 7,256,497	\$ 44,807,554

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 16 – Net Investment in Capital Assets

The net investment in capital assets for the governmental activities and business-type activities is calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Total capital assets, net	\$ 76,635,566	\$ 49,788,941	\$ 126,424,507
Unspent capital bond proceeds	-	2,888	2,888
Capital related debt	(16,386,417)	(27,586,034)	(43,972,451)
Retention payable	(80,215)	(569,264)	(649,479)
Capital assets related accounts payable	(279,723)	(752,060)	(1,031,783)
Net investment in capital assets	<u>\$ 59,889,211</u>	<u>\$ 20,884,471</u>	<u>\$ 80,773,682</u>



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Hercules
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2024

BUDGETARY PRINCIPLES

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the City Manager submits to the City Council a proposed operating budget for the following fiscal year. This budget includes proposed expenditures, by fund and department, and the revenues expected to finance them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution before July 1.
4. The City Manager is authorized to transfer budgeted amounts between objects within the same department; however, any revisions, which alter total expenditures of any fund, must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device. Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (US GAAP) and are consistent with the basis used for financial reporting. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any reconciliation. The General Fund budget is adopted on the budgetary basis, which is not consistent with accounting principles generally accepted in the United States of America. Commitments for material and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations, which are encumbered at year-end lapse, then are added to the following year's budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2024, based on the calculations by City Management, proceeds of taxes did not exceed the appropriations limit.
7. Budget revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year, which were contingent upon new or additional revenue sources and re-appropriated amounts for prior year encumbrances. The City Manager must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications, with approval of the Finance Director.
8. Certain appropriations carryover and are re-budgeted for the subsequent year.
9. Budget appropriations for the various governmental funds become effective July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. During the fiscal year ended June 30, 2024, there was no adopted budget for the Regional Water Quality Special Revenue Fund.

City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2024

General Fund

	Budgeted Amounts			Variance with
	Original	Final	Actuals	Final Budget
REVENUES:				
Taxes and assessments	\$ 12,726,633	\$ 12,726,633	\$ 12,992,128	\$ 265,495
Licenses and permits	418,565	418,565	445,620	27,055
Fines and forfeitures	38,760	38,760	34,409	(4,351)
Use of money and property	292,320	292,320	1,623,561	1,331,241
Intergovernmental	2,561,220	2,608,820	2,666,458	57,638
Charges for services	2,038,325	2,038,325	2,412,068	373,743
Other revenues	265,431	265,431	154,757	(110,674)
Total revenues	<u>18,341,254</u>	<u>18,388,854</u>	<u>20,329,001</u>	<u>1,940,147</u>
EXPENDITURES:				
Current:				
General government	4,918,974	5,144,507	4,768,426	376,081
Public safety	8,475,617	8,475,617	9,154,124	(678,507)
Streets and public works	520,623	1,028,107	571,231	456,876
Parks and recreation	2,499,925	2,507,834	2,677,208	(169,374)
Community development	970,875	1,023,948	811,819	212,129
Capital outlay	460,300	57,900	21,984	35,916
Debt services:				
Principal	-	-	114,945	(114,945)
Interest and fiscal agent fee	200,000	200,000	124,801	75,199
Total expenditures	<u>18,046,314</u>	<u>18,437,913</u>	<u>18,244,538</u>	<u>193,375</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	294,940	(49,059)	2,084,463	2,133,522
OTHER FINANCING SOURCES (USES)				
Inception of subscription liability	-	-	17,823	17,823
Transfers in	156,727	156,727	406,727	250,000
Transfers (out)	(799,212)	(1,192,613)	(1,438,925)	(246,312)
Total financing sources (uses)	<u>(642,485)</u>	<u>(1,035,886)</u>	<u>(1,014,375)</u>	<u>21,511</u>
NET CHANGES IN FUND BALANCE	<u>\$ (347,545)</u>	<u>\$ (1,084,945)</u>	1,070,088	<u>\$ 2,155,033</u>
FUND BALANCE:				
Beginning of year			33,877,692	
End of year			<u>\$ 34,947,780</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2024

Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 2,276,506	\$ 2,276,506	\$ 2,218,229	\$ (58,277)
Use of money and property	-	-	57,927	57,927
Total revenues	<u>2,276,506</u>	<u>2,276,506</u>	<u>2,276,156</u>	<u>(350)</u>
EXPENDITURES:				
Current:				
Streets and public works	1,675,188	1,679,944	1,600,464	79,480
Capital outlay	160,000	191,415	116,319	75,096
Total expenditures	<u>1,835,188</u>	<u>1,871,359</u>	<u>1,716,783</u>	<u>154,576</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	441,318	405,147	559,373	154,226
OTHER FINANCING SOURCES (USES)				
Transfers in	25,334	25,334	31,037	5,703
Transfers (out)	(319,186)	(319,186)	(265,060)	54,126
Total financing sources (uses)	<u>(293,852)</u>	<u>(293,852)</u>	<u>(234,023)</u>	<u>59,829</u>
NET CHANGE IN FUND BALANCE	<u>\$ 147,466</u>	<u>\$ 111,295</u>	325,350	<u>\$ 214,055</u>
FUND BALANCE:				
Beginning of year			106,157	
End of year			<u>\$ 431,507</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios
For the Year Ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans				
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
City's Proportion of the Net Pension Liability	0.08%	0.08%	0.83%	0.19%	0.17%
City's Proportionate Share of the Net Pension Liability	\$ 9,552,482	\$ 8,968,007	\$ 4,514,222	\$ 7,840,808	\$ 7,154,193
City's Covered Payroll	\$ 4,009,532	\$ 3,590,446	\$ 2,848,532	\$ 3,376,629	\$ 3,411,264
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	238%	250%	158%	232%	210%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.26%	73.13%	85.66%	73.63%	75.07%

Measurement Date:	Safety Plans				
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
City's Proportion of the Net Pension Liability	0.09%	0.09%	0.10%	0.09%	0.16%
City's Proportionate Share of the Net Pension Liability	\$ 11,743,165	\$ 10,787,186	\$ 5,378,400	\$ 9,924,963	\$ 9,847,764
City's Covered Payroll	\$ 3,536,469	\$ 3,339,846	\$ 2,805,237	\$ 2,702,843	\$ 2,668,574
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	332.06%	322.98%	191.73%	367.20%	369.03%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.91%	75.17%	86.21%	73.17%	70.82%

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City's Proportion of the Net Pension Liability	0.16%	0.17%	0.17%	0.18%	0.19%
City's Proportionate Share of the Net Pension Liability	\$ 6,686,045	\$ 6,891,269	\$ 6,031,627	\$ 4,815,777	\$ 4,699,656
City's Covered Payroll	\$ 3,369,924	\$ 3,369,924	\$ 2,697,183	\$ 2,655,670	\$ 3,241,378
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	198%	204%	224%	181%	145%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.69%	75.39%	75.87%	78.32%	78.10%

Measurement Date:	Safety Plans				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City's Proportion of the Net Pension Liability	0.14%	0.16%	0.16%	0.18%	0.18%
City's Proportionate Share of the Net Pension Liability	\$ 9,268,866	\$ 9,323,198	\$ 8,509,821	\$ 7,337,854	\$ 6,858,740
City's Covered Payroll	\$ 2,436,633	\$ 2,591,015	\$ 2,220,165	\$ 2,118,549	\$ 1,942,665
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	380.40%	359.83%	383.30%	346.36%	353.06%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.39%	71.74%	72.69%	71.64%	72.43%

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan
For the Year Ended June 30, 2024

Last Ten Fiscal Years¹

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans				
	2023-24	2022-23	2021-22	2020-21	2019-20
Actuarially Determined Contribution ¹	\$ 891,236	\$ 862,807	\$ 961,252	\$ 224,145	\$ 774,757
Contribution in Relation to the Actuarially Determined Contribution ¹	(891,236)	(862,807)	(961,252)	(224,145)	(774,757)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ²	\$ 4,009,531	\$ 4,009,532	\$ 3,590,446	\$ 3,477,928	\$ 3,376,629
Contributions as a Percentage of Covered Payroll	22.23%	21.52%	26.77%	6.44%	22.94%

Fiscal Year:	Safety Plans				
	2023-24	2022-23	2021-22	2020-21	2019-20
Actuarially Determined Contribution ²	\$ 1,262,313	\$ 1,240,453	\$ 1,127,304	\$ 443,902	\$ 1,384,112
Contribution in Relation to the Actuarially Determined Contribution ²	(1,262,313)	(1,240,453)	(1,127,304)	(443,902)	(1,384,112)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ³	\$ 3,536,468	\$ 3,536,469	\$ 3,339,846	\$ 2,783,928	\$ 2,702,843
Contributions as a Percentage of Covered Payroll	35.69%	36.13%	33.75%	15.95%	51.21%

¹ As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be presented as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal year ended June 30, 2022 and 2023; 2.75% payroll growth assumption for fiscal years ended June 30, 2018-21; 3.00% payroll growth assumption for fiscal years ended June 30, 2014-17.

Notes to the Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were derived from the June 30, 2020 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Fair Value of Assets.
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll Growth	2.80%
Investment rate of return	7.00% Net of pension plan investment and administrative expenses; includes Inflation. The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Retirement age	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.
Mortality	

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan (Continued)
For the Year Ended June 30, 2024

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans				
	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution ¹	\$ 770,639	\$ 659,810	\$ 558,315	\$ 529,212	\$ 353,148
Contribution in Relation to the Actuarially Determined Contribution ¹	(770,639)	(659,810)	(558,315)	(529,212)	(353,148)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ²	\$ 3,411,264	\$ 3,369,924	\$ 3,154,200	\$ 2,697,183	\$ 3,241,378
Contributions as a Percentage of Covered Payroll	22.59%	19.58%	17.70%	19.62%	10.89%

Fiscal Year:	Safety Plans				
	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution ²	\$ 1,080,225	\$ 1,033,755	\$ 1,203,357	\$ 1,024,115	\$ 798,844
Contribution in Relation to the Actuarially Determined Contribution ²	(1,080,225)	(1,033,755)	(1,203,357)	(1,024,115)	(798,844)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ³	\$ 2,668,574	\$ 2,436,633	\$ 2,591,015	\$ 2,220,165	\$ 1,942,665
Contributions as a Percentage of Covered Payroll	40.48%	42.43%	46.44%	46.13%	41.12%

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - PEHMCA Plan
For the Year Ended June 30, 2024

	Last Ten Fiscal Years ¹			
Measurement period, year ending:	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Total OPEB liability				
Service cost	\$ 135,652	\$ 138,804	\$ 135,089	\$ 167,563
Interest	127,006	131,816	124,870	139,104
Differences between expected and actual experience	-	(595,870)	-	(311,195)
Changes of assumptions	-	331,830	-	65,097
Benefit payments, including refunds of member contributions	(87,069)	(109,733)	(144,124)	(123,619)
Net change in total OPEB liability	175,589	(103,153)	115,835	(63,050)
Total OPEB liability - beginning	2,441,852	2,545,005	2,429,170	2,492,220
Total OPEB liability - ending (a)	<u>\$ 2,617,441</u>	<u>\$ 2,441,852</u>	<u>\$ 2,545,005</u>	<u>\$ 2,429,170</u>
OPEB fiduciary net position				
Contributions - employer	\$ 87,069	\$ 109,733	\$ 144,124	\$ 22,016
Net investment income (loss)	236,200	124,112	(330,465)	359,682
Benefit payments, including refunds of member contributions	(87,069)	(109,733)	(144,124)	(123,619)
Administrative expense	(15,915)	(15,045)	(16,734)	(16,223)
Net change in plan fiduciary net position	220,285	109,067	(347,199)	241,856
Plan fiduciary net position - beginning	2,668,316	2,559,249	2,906,448	2,664,592
Plan fiduciary net position - ending (b)	2,888,601	2,668,316	2,559,249	2,906,448
Plan net OPEB liability (asset) - ending (a) - (b)	<u>\$ (271,160)</u>	<u>\$ (226,464)</u>	<u>\$ (14,244)</u>	<u>\$ (477,278)</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.36%	109.27%	100.56%	119.65%
Covered payroll	\$ 11,866,577	\$ 11,548,980	\$ 11,239,883	\$ 10,939,059
Plan net OPEB liability (asset) as a percentage of covered payroll	-2.29%	-1.96%	-0.13%	-4.36%

¹ Historical information is presented only for periods for which GASB 75 is applicable.

² Effective for the year ended June 30, 2020, PEHMCA Plan is valued separately.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - PEHMCA Plan (Continued)
For the Year Ended June 30, 2024

	Last Ten Fiscal Years ¹		
Measurement period, year ending:	<u>6/30/2020²</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB liability			
Service cost	\$ 175,142	\$ 127,197	\$ 99,270
Interest	188,135	180,251	179,763
Differences between expected and actual experience	(1,203,506)	40,091	437,919
Changes of assumptions	(293,525)	-	-
Benefit payments, including refunds of member contributions	(115,990)	(166,793)	(105,034)
Net change in total OPEB liability	(1,249,744)	180,746	611,918
Total OPEB liability - beginning	3,741,964	3,561,218	2,949,300
Total OPEB liability - ending (a)	<u><u>\$ 2,492,220</u></u>	<u><u>\$ 3,741,964</u></u>	<u><u>\$ 3,561,218</u></u>
OPEB fiduciary net position			
Contributions - employer	\$ 215,990	\$ 361,275	\$ 205,034
Net investment income (loss)	123,227	155,134	123,771
Benefit payments, including refunds of member contributions	(115,990)	(166,793)	(105,034)
Administrative expense	(13,381)	-	-
Net change in plan fiduciary net position	209,846	349,616	223,771
Plan fiduciary net position - beginning	2,454,746	2,105,130	1,881,359
Plan fiduciary net position - ending (b)	2,664,592	2,454,746	2,105,130
Plan net OPEB liability (asset) - ending (a) - (b)	<u><u>\$ (172,372)</u></u>	<u><u>\$ 1,287,218</u></u>	<u><u>\$ 1,456,088</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	106.92%	65.60%	59.11%
Covered payroll	\$ 10,646,286	\$ 10,336,200	\$ 10,035,146
Plan net OPEB liability (asset) as a percentage of covered payroll	-1.62%	12.45%	14.51%

¹ Historical information is presented only for periods for which GASB 75 is applicable.

² Effective for the year ended June 30, 2020, PEHMCA Plan is valued separately.



City of Hercules
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - SOMAR Plan
For the Year Ended June 30, 2024

	Last Ten Fiscal Years ¹				
Measurement period, year ending:	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020 ²
Total OPEB liability					
Service cost	\$ 93,662	\$ 67,118	\$ 95,420	\$ 141,956	\$ 98,801
Interest	69,546	47,903	35,501	42,108	49,689
Differences between expected and actual experience	-	411,971	-	(398,956)	-
Changes of assumptions	(92,016)	57,838	(363,788)	11,351	366,382
Benefit payments, including refunds of member contributions	(48,879)	(42,990)	(43,718)	(43,536)	(40,738)
Net change in total OPEB liability	22,313	541,840	(276,585)	(247,077)	474,134
Total OPEB liability - beginning	1,882,973	1,341,133	1,617,718	1,864,795	1,390,661
Total OPEB liability - ending (a)	\$ 1,905,286	\$ 1,882,973	\$ 1,341,133	\$ 1,617,718	\$ 1,864,795
Fiduciary net position					
Contributions - employer	\$ 48,879	\$ 43,718	\$ 43,718	\$ 43,536	\$ 40,738
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	(48,879)	(43,718)	(43,718)	(43,536)	(40,738)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	-	-	-	-	-
Plan net OPEB liability - ending (a) - (b)	\$ 1,905,286	\$ 1,882,973	\$ 1,341,133	\$ 1,617,718	\$ 1,864,795
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Plan net OPEB liability (asset) as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

¹ Historical information is presented only for periods for which GASB 75 is applicable.

² SOMAR Plan is now valued separately from PEHMCA Plan effective June 30, 2020.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the OPEB Plan
For the Year Ended June 30, 2024

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	2023-24	2022-23	2021-22	2020-21	2019-20
Actuarially Determined Contribution	\$ 87,069	\$ 109,733	\$ 144,124	\$ 22,016	\$ 215,990
Contribution in Relation to the Actuarially Determined Contribution ²	(87,069)	(109,733)	(144,124)	(22,016)	(215,990)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 11,866,577	\$ 11,548,980	\$ 11,239,883	\$ 10,939,059	\$ 10,646,286
Contributions as a Percentage of Covered Payroll	0.73%	0.95%	1.28%	0.20%	2.03%

¹ Historical information is presented only for measurement periods for which GASB No. 75 is applicable.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the OPEB Plan (Continued)
For the Year Ended June 30, 2024

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	2018-19	2017-18¹
Actuarially Determined Contribution	\$ 361,275	\$ 205,034
Contribution in Relation to the Actuarially Determined Contribution ²	(361,275)	(205,034)
Contribution Deficiency (Excess)	\$ -	\$ -
City's Covered Payroll	\$ 10,336,200	\$ 10,035,146
Contributions as a Percentage of Covered Payroll	3.50%	2.04%

¹ Historical information is presented only for measurement periods for which GASB No. 75 is applicable.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the OPEB Plan
For the Year Ended June 30, 2024

Last Ten Fiscal Years¹

SOMAR Plan

Fiscal Year:	2023-24	2022-23	2021-22	2020-21	2019-20²
Actuarially Determined Contribution	\$ 48,879	\$ 43,718	\$ 43,536	\$ 43,536	\$ 40,738
Contribution in Relation to the Actuarially Determined Contribution	(48,879)	(43,718)	(43,536)	(43,536)	(40,738)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered-Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%

¹ Historical information is presented only for measurement periods for which GASB No. 75 is applicable.

² SOMAR Plan is now valued separately from PEHMCA Plan effective June 30, 2020.

SUPPLEMENTARY INFORMATION



City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Hercules Debt Service Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 907,159	\$ 907,159	\$ 1,014,960	\$ 107,801
Total revenues	<u>907,159</u>	<u>907,159</u>	<u>1,014,960</u>	<u>107,801</u>
EXPENDITURES:				
Debt services:				
Principal	703,561	703,561	703,561	-
Interest and fiscal agent fee	768,535	768,535	771,385	(2,850)
Total expenditures	<u>1,472,096</u>	<u>1,472,096</u>	<u>1,474,946</u>	<u>(2,850)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(564,937)	(564,937)	(459,986)	104,951
OTHER FINANCING SOURCES				
Transfers in	563,316	563,316	563,316	-
Total financing sources	<u>563,316</u>	<u>563,316</u>	<u>563,316</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,621)</u>	<u>\$ (1,621)</u>	103,330	<u>\$ 104,951</u>
FUND BALANCE:				
Beginning of year			2,068,440	
End of year			<u>\$ 2,171,770</u>	



NONMAJOR GOVERNMENTAL FUNDS



NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds:

Special Revenue Funds are used to account for revenue sources that are restricted for specific purposes (other than those resources to be expended solely for the construction of major capital facilities).

State Gas Tax Fund - This fund accounts for Gas Tax revenue received from the State of California to cover costs of street maintenance and improvements.

Measure C Street Fund - This fund accounts for City's portion of sales tax dedicated to transportation programs.

C.O.P.S. Program (AB 3229) Fund - This fund accounts for the California statewide sales and use tax allocated by the State for local public safety services.

Victoria by the bay LLAD No. 2002-1 - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Hercules Village LLAD No. 2002-2 - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Baywood LLAD No. 2004-1 - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Bayside LLAD No. 2005-1 - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Arterial Roadways Fund - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Stormwater Fund - To account for activities associated with the operation and maintenance of stormwater facilities for drainage and disposal of stormwater, and operations related to the provision of services.

Development Services Fund - To account for the collection and expenditure of fees imposed as a condition of new development within the City, in compliance with California Government Code Section 66006 (AB 1600).

AB939 JPA Fund - To account for waste haulers fee (also known as AB 939 fee) to comply with the recycling and diversion programs required by the State legislation (AB 939).

Regional Water Quality Fund - To account for the Regional Water Quality fees created by State legislature in 1967. The Board protects water quality by setting statewide policy, coordinating and supporting the Regional Water Board efforts, and reviewing petitions that contest Regional Board actions.

Asset Forfeiture - This fund accounts for police unclaimed funds. Revenue is collected from seized money and asset forfeiture.

Bart Park and Ride Fund - This fund accounts for the revenues and expenditures associated with the BART owned, but jointly operated, Hercules Transit Center, and which used to be part of the Facilities Maintenance Fund.

Road Rehabilitation Maintenance Fund - This fund accounts for the State Legislature passed SB1 which increases the funding for street projects. Revenue is restricted for street-related construction and/or maintenance projects starting from 2017.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Nonmajor Capital Projects Funds:

Capital Projects Funds are used to account for resources used for the acquisition and construction of capital facilities by the City, except those financed by Proprietary Funds.

City Capital Projects Fund - This fund accounts for the financial resources utilized in acquiring or constructing capital assets for the City.

Development Impact Fees Fund - This fund accounts for the fees collected from new developments, which will be used to construct public infrastructure.

City of Hercules
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

		Special Revenue Funds			
		State Gas Tax	Measure C Street	C.O.P.S. Program (AB 3229)	Victoria by the bay LLAD No. 2002-1
ASSETS					
Cash and investments		\$ 486,081	\$ 780,122	\$ 62,715	\$ -
Accounts receivable		62,005	-	94,664	-
Total assets		<u>\$ 548,086</u>	<u>\$ 780,122</u>	<u>\$ 157,379</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable		15,318	10,000	-	69,060
Retention payable		-	-	-	-
Accrued wages		3,787	4,544	-	999
Deposit payable		-	-	-	-
Due to other funds		-	-	-	613,016
Advances from other funds		-	-	-	-
Total liabilities		<u>19,105</u>	<u>14,544</u>	<u>-</u>	<u>683,075</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	94,663	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>94,663</u>	<u>-</u>
FUND BALANCES					
Restricted		528,981	765,578	62,716	-
Committed		-	-	-	-
Unassigned (deficit)		-	-	-	(683,075)
Total fund balances (deficit)		<u>528,981</u>	<u>765,578</u>	<u>62,716</u>	<u>(683,075)</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 548,086</u>	<u>\$ 780,122</u>	<u>\$ 157,379</u>	<u>\$ -</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2024

		Special Revenue Funds			
		Hercules Village LLAD No. 2002-2	Baywood LLAD No. 2004-1	Bayside LLAD No. 2005-1	Arterial Roadways
ASSETS					
Cash and investments		\$ 147,206	\$ 68,254	\$ 135,431	\$ 539,825
Accounts receivable		-	-	-	-
Total assets		<u>\$ 147,206</u>	<u>\$ 68,254</u>	<u>\$ 135,431</u>	<u>\$ 539,825</u>
LIABILITIES					
Accounts payable		19,186	8,838	14,963	34,686
Retention payable		-	-	-	-
Accrued wages		566	715	614	489
Deposit payable		-	-	-	-
Due to other funds		-	-	-	-
Advances from other funds		-	102,900	-	-
Total liabilities		<u>19,752</u>	<u>112,453</u>	<u>15,577</u>	<u>35,175</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted		127,454	-	119,854	504,650
Committed		-	-	-	-
Unassigned (deficit)		-	(44,199)	-	-
Total fund balances (deficit)		<u>127,454</u>	<u>(44,199)</u>	<u>119,854</u>	<u>504,650</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 147,206</u>	<u>\$ 68,254</u>	<u>\$ 135,431</u>	<u>\$ 539,825</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2024

		Special Revenue Funds			
		Stormwater	Development Services	AB939 JPA	Regional Water Quality
ASSETS					
Cash and investments		\$ -	\$ 1,369,096	\$ 867,446	\$ 54,906
Accounts receivable		96,588	167,245	43,766	-
Total assets		<u>\$ 96,588</u>	<u>\$ 1,536,341</u>	<u>\$ 911,212</u>	<u>\$ 54,906</u>
LIABILITIES					
Accounts payable		7,140	-	13,818	-
Retention payable		-	-	-	-
Accrued wages		3,282	-	281	-
Deposit payable		-	-	-	-
Due to other funds		282,187	-	-	-
Advances from other funds		-	-	-	-
Total liabilities		<u>292,609</u>	<u>-</u>	<u>14,099</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	15,000	-	-
Total deferred inflows of resources		<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted		-	1,521,341	897,113	54,906
Committed		-	-	-	-
Unassigned (deficit)		(196,021)	-	-	-
Total fund balances (deficit)		<u>(196,021)</u>	<u>1,521,341</u>	<u>897,113</u>	<u>54,906</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 96,588</u>	<u>\$ 1,536,341</u>	<u>\$ 911,212</u>	<u>\$ 54,906</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds			Capital Projects Funds
	Asset Forfeiture	Bart Park and Ride	Road Rehabilitation Maintenance	City Capital Projects Fund
ASSETS				
Cash and investments	\$ 228,020	\$ 549	\$ 1,053,703	\$ -
Accounts receivable	-	-	54,740	1,426,062
Total assets	<u>\$ 228,020</u>	<u>\$ 549</u>	<u>\$ 1,108,443</u>	<u>\$ 1,426,062</u>
LIABILITIES				
Accounts payable	8,750	814	46,467	136,473
Retention payable	-	-	80,215	-
Accrued wages	-	-	-	-
Deposit payable	38,798	-	-	-
Due to other funds	-	-	-	582,344
Advances from other funds	-	-	-	-
Total liabilities	<u>47,548</u>	<u>814</u>	<u>126,682</u>	<u>718,817</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	382,950
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,950</u>
FUND BALANCES				
Restricted	180,472		981,761	-
Committed	-	-	-	324,295
Unassigned (deficit)	-	(265)	-	-
Total fund balances (deficit)	<u>180,472</u>	<u>(265)</u>	<u>981,761</u>	<u>324,295</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 228,020</u>	<u>\$ 549</u>	<u>\$ 1,108,443</u>	<u>\$ 1,426,062</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2024

		Capital Projects Funds	
		Development Impact Fees	Total
ASSETS			
Cash and investments		\$ 2,110,936	\$ 7,904,290
Accounts receivable		-	1,945,070
Total assets		\$ 2,110,936	\$ 9,849,360
LIABILITIES			
Accounts payable		-	385,513
Retention payable		-	80,215
Accrued wages		-	15,277
Deposit payable		-	38,798
Due to other funds		-	1,477,547
Advances from other funds		-	102,900
Total liabilities		-	2,100,250
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue		-	492,613
Total deferred inflows of resources		-	492,613
FUND BALANCES			
Restricted		2,110,936	7,855,762
Committed		-	324,295
Unassigned (deficit)		-	(923,560)
Total fund balances (deficit)		2,110,936	7,256,497
Total liabilities, deferred inflows of resources and fund balances		\$ 2,110,936	\$ 9,849,360

(Concluded)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds			
	State Gas Tax	Measure C Street	C.O.P.S. Program (AB 3229)	Victoria by the bay LLAD No. 2002-1
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 508,538
Licenses and permits	-	-	-	-
Use of money and property	24,711	29,866	-	-
Intergovernmental	721,198	1,043,772	186,160	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>745,909</u>	<u>1,073,638</u>	<u>186,160</u>	<u>508,538</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	455,357	327,285	-	766,390
Community development	-	-	-	-
Capital outlay	148,105	117,346	-	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>603,462</u>	<u>444,631</u>	<u>-</u>	<u>766,390</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	142,447	629,007	186,160	(257,852)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	10,248
Transfers (out)	(50,342)	-	(156,727)	(28,016)
Total financing sources (uses)	<u>(50,342)</u>	<u>-</u>	<u>(156,727)</u>	<u>(17,768)</u>
NET CHANGES IN FUND BALANCES	92,105	629,007	29,433	(275,620)
FUND BALANCES (DEFICIT):				
Beginning of year	436,876	136,571	33,283	(407,455)
End of year	<u>\$ 528,981</u>	<u>\$ 765,578</u>	<u>\$ 62,716</u>	<u>\$ (683,075)</u>

(Continued)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds			
	Hercules Village LLAD No. 2002-2	Baywood LLAD No. 2004-1	Bayside LLAD No. 2005-1	Arterial Roadways
REVENUES:				
Taxes and assessments	\$ 174,570	\$ 166,246	\$ 159,093	\$ -
Licenses and permits	-	-	-	-
Use of money and property	7,835	3,171	7,432	28,325
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>182,405</u>	<u>169,417</u>	<u>166,525</u>	<u>28,325</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	207,421	141,066	161,595	308,731
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>207,421</u>	<u>141,066</u>	<u>161,595</u>	<u>308,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,016)	28,351	4,930	(280,406)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,062	2,665	2,330	322,637
Transfers (out)	(7,725)	(2,781)	(19,055)	-
Total financing sources (uses)	<u>(3,663)</u>	<u>(116)</u>	<u>(16,725)</u>	<u>322,637</u>
NET CHANGES IN FUND BALANCES	(28,679)	28,235	(11,795)	42,231
FUND BALANCES (DEFICIT):				
Beginning of year	156,133	(72,434)	131,649	462,419
End of year	<u>\$ 127,454</u>	<u>\$ (44,199)</u>	<u>\$ 119,854</u>	<u>\$ 504,650</u>

(Continued)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds			
	Stormwater	Development Services	AB939 JPA	Regional Water Quality
REVENUES:				
Taxes and assessments	\$ 221,305	\$ 119,542	\$ -	\$ -
Licenses and permits	-	-	176,206	-
Use of money and property	-	65,306	44,590	2,718
Intergovernmental	-	135,000	-	-
Charges for services	-	-	-	-
Other revenues	-	-	36,622	-
Total revenues	<u>221,305</u>	<u>319,848</u>	<u>257,418</u>	<u>2,718</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	398,040	-	1,790	-
Community development	-	-	-	-
Capital outlay	-	-	11,197	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>398,040</u>	<u>-</u>	<u>12,987</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(176,735)	319,848	244,431	2,718
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	-	-	-
Transfers (out)	-	-	(125,000)	-
Total financing sources (uses)	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(51,735)	319,848	119,431	2,718
FUND BALANCES (DEFICIT):				
Beginning of year	(144,286)	1,201,493	777,682	52,188
End of year	<u>\$ (196,021)</u>	<u>\$ 1,521,341</u>	<u>\$ 897,113</u>	<u>\$ 54,906</u>

(Continued)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds			Capital Projects Funds
	Asset Forfeiture	Bart Park and Ride	Road Rehabilitation Maintenance	City Capital Projects Fund
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 58,161
Licenses and permits	-	-	-	-
Use of money and property	10,019	5,381	45,065	14,796
Intergovernmental	1,133	-	664,869	1,667,220
Charges for services	-	-	-	-
Other revenues	-	32,317	-	-
Total revenues	11,152	37,698	709,934	1,740,177
EXPENDITURES:				
Current:				
Public safety	29,977	-	-	-
Streets and public works	-	258,411	249,696	54,908
Community development	-	-	-	473,609
Capital outlay	21,066	100,000	-	1,966,029
Debt services:				
Principal	-	-	-	127,479
Interest and fiscal agent fee	-	-	-	108,417
Total expenditures	51,043	358,411	249,696	2,730,442
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(39,891)	(320,713)	460,238	(990,265)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	875,609
Transfers (out)	-	-	-	(250,000)
Total financing sources (uses)	-	-	-	625,609
NET CHANGES IN FUND BALANCES	(39,891)	(320,713)	460,238	(364,656)
FUND BALANCES (DEFICIT):				
Beginning of year	220,363	320,448	521,523	688,951
End of year	<u>\$ 180,472</u>	<u>\$ (265)</u>	<u>\$ 981,761</u>	<u>\$ 324,295</u>

(Continued)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Capital Projects Funds	
	Development Impact Fees	Total
REVENUES:		
Taxes and assessments	\$ -	\$ 1,407,455
Licenses and permits	-	176,206
Use of money and property	100,156	389,371
Intergovernmental	-	4,419,352
Charges for services	338,918	338,918
Other revenues	-	68,939
Total revenues	439,074	6,800,241
EXPENDITURES:		
Current:		
Public safety	-	29,977
Streets and public works	829	3,331,519
Community development	-	473,609
Capital outlay	39,766	2,403,509
Debt services:		
Principal	-	127,479
Interest and fiscal agent fee	-	108,417
Total expenditures	40,595	6,474,510
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	398,479	325,731
OTHER FINANCING SOURCES (USES)		
Transfers in	-	1,342,551
Transfers (out)	-	(639,646)
Total financing sources (uses)	-	702,905
NET CHANGES IN FUND BALANCES	398,479	1,028,636
FUND BALANCES (DEFICIT):		
Beginning of year	1,712,457	6,227,861
End of year	\$ 2,110,936	\$ 7,256,497

(Concluded)

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 24,711	\$ 24,711
Intergovernmental	1,392,993	1,392,993	721,198	(671,795)
Total revenues	<u>1,392,993</u>	<u>1,392,993</u>	<u>745,909</u>	<u>(647,084)</u>
EXPENDITURES:				
Current:				
Streets and public works	482,688	493,452	455,357	38,095
Capital outlay	724,496	905,749	148,105	757,644
Total expenditures	<u>1,207,184</u>	<u>1,399,201</u>	<u>603,462</u>	<u>795,739</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	185,809	(6,208)	142,447	148,655
OTHER FINANCING (USES)				
Transfers (out)	(50,342)	(50,342)	(50,342)	-
Total financing (uses)	<u>(50,342)</u>	<u>(50,342)</u>	<u>(50,342)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 135,467</u>	<u>\$ (56,550)</u>	92,105	<u>\$ 148,655</u>
FUND BALANCE:				
Beginning of year			436,876	
End of year			<u>\$ 528,981</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Measure C Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 29,866	\$ 29,866
Intergovernmental	450,000	450,000	1,043,772	593,772
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>1,073,638</u>	<u>623,638</u>
EXPENDITURES:				
Current:				
Streets and public works	323,315	323,315	327,285	(3,970)
Capital outlay	206,650	206,650	117,346	89,304
Total expenditures	<u>529,965</u>	<u>529,965</u>	<u>444,631</u>	<u>85,334</u>
NET CHANGE IN FUND BALANCE	<u>\$ (79,965)</u>	<u>\$ (79,965)</u>	629,007	<u>\$ 708,972</u>
FUND BALANCE:				
Beginning of year			136,571	
End of year			<u>\$ 765,578</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
C.O.P.S. Program (AB 3299) Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 186,160	\$ 36,160
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>186,160</u>	<u>36,160</u>
OTHER FINANCING (USES)				
Transfers (out)	(156,727)	(156,727)	(156,727)	-
Total financing (uses)	<u>(156,727)</u>	<u>(156,727)</u>	<u>(156,727)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (6,727)</u>	<u>\$ (6,727)</u>	29,433	<u>\$ 36,160</u>
FUND BALANCE:				
Beginning of year			<u>33,283</u>	
End of year			<u>\$ 62,716</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Victoria By the Bay LLAD No. 2002-1 Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 510,332	\$ 510,332	\$ 508,538	\$ (1,794)
Total revenues	<u>510,332</u>	<u>510,332</u>	<u>508,538</u>	<u>(1,794)</u>
EXPENDITURES:				
Current:				
Streets and public works	601,894	631,467	766,390	(134,923)
Total expenditures	<u>601,894</u>	<u>631,467</u>	<u>766,390</u>	<u>(134,923)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(91,562)	(121,135)	(257,852)	(136,717)
OTHER FINANCING SOURCES (USES)				
Transfer in	10,248	10,248	10,248	-
Transfers (out)	(28,016)	(28,016)	(28,016)	-
Total financing (uses)	<u>(17,768)</u>	<u>(17,768)</u>	<u>(17,768)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (109,330)</u>	<u>\$ (138,903)</u>	(275,620)	<u>\$ (136,717)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(407,455)	
End of year			<u>\$ (683,075)</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Hercules Village LLAD No. 2002-2 Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 174,920	\$ 174,920	\$ 174,570	\$ (350)
Use of money and property	-	-	7,835	7,835
Total revenues	<u>174,920</u>	<u>174,920</u>	<u>182,405</u>	<u>7,485</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>220,435</u>	<u>233,759</u>	<u>207,421</u>	<u>26,338</u>
Total expenditures	<u>220,435</u>	<u>233,759</u>	<u>207,421</u>	<u>26,338</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(45,515)	(58,839)	(25,016)	33,823
OTHER FINANCING SOURCES (USES)				
Transfers in	4,062	4,062	4,062	-
Transfers (out)	<u>(7,725)</u>	<u>(7,725)</u>	<u>(7,725)</u>	<u>-</u>
Total financing sources (uses)	<u>(3,663)</u>	<u>(3,663)</u>	<u>(3,663)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (49,178)</u>	<u>\$ (62,502)</u>	<u>(28,679)</u>	<u>\$ 33,823</u>
FUND BALANCE:				
Beginning of year			<u>156,133</u>	
End of year			<u>\$ 127,454</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Baywood LLAD No. 2004-1 Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 170,565	\$ 170,565	\$ 166,246	\$ (4,319)
Use of money and property	-	-	3,171	3,171
Total revenues	<u>170,565</u>	<u>170,565</u>	<u>169,417</u>	<u>(1,148)</u>
EXPENDITURES:				
Current:				
Streets and public works	170,394	171,218	141,066	30,152
Total expenditures	<u>170,394</u>	<u>171,218</u>	<u>141,066</u>	<u>30,152</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	171	(653)	28,351	29,004
OTHER FINANCING SOURCES (USES)				
Transfers in	2,665	2,665	2,665	-
Transfers (out)	(2,781)	(2,781)	(2,781)	-
Total financing sources (uses)	<u>(116)</u>	<u>(116)</u>	<u>(116)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 55</u>	<u>\$ (769)</u>	28,235	<u>\$ 29,004</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(72,434)	
End of year			<u>\$ (44,199)</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Bayside LLAD No. 2005-1 Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 158,335	\$ 158,335	\$ 159,093	\$ 758
Use of money and property	-	-	7,432	7,432
Total revenues	<u>158,335</u>	<u>158,335</u>	<u>166,525</u>	<u>8,190</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>131,030</u>	<u>136,780</u>	<u>161,595</u>	<u>(24,815)</u>
Total expenditures	<u>131,030</u>	<u>136,780</u>	<u>161,595</u>	<u>(24,815)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	27,305	21,555	4,930	(16,625)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,330	2,330	2,330	-
Transfers (out)	<u>(19,055)</u>	<u>(19,055)</u>	<u>(19,055)</u>	<u>-</u>
Total financing sources (uses)	<u>(16,725)</u>	<u>(16,725)</u>	<u>(16,725)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 10,580</u>	<u>\$ 4,830</u>	(11,795)	<u>\$ (16,625)</u>
FUND BALANCE:				
Beginning of year			<u>131,649</u>	
End of year			<u>\$ 119,854</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Arterial Roadways Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 28,325	\$ 28,325
Total revenues	<u>-</u>	<u>-</u>	<u>28,325</u>	<u>28,325</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>327,980</u>	<u>328,804</u>	<u>308,731</u>	<u>20,073</u>
Total expenditures	<u>327,980</u>	<u>328,804</u>	<u>308,731</u>	<u>20,073</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(327,980)	(328,804)	(280,406)	48,398
OTHER FINANCING SOURCES				
Transfers in	<u>322,637</u>	<u>322,637</u>	<u>322,637</u>	<u>-</u>
Total financing sources	<u>322,637</u>	<u>322,637</u>	<u>322,637</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,343)</u>	<u>\$ (6,167)</u>	42,231	<u>\$ 48,398</u>
FUND BALANCE:				
Beginning of year			<u>462,419</u>	
End of year			<u>\$ 504,650</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Stormwater Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 256,000	\$ 256,000	\$ 221,305	\$ (34,695)
Total revenues	<u>256,000</u>	<u>256,000</u>	<u>221,305</u>	<u>(34,695)</u>
EXPENDITURES:				
Current:				
Streets and public works	434,832	448,167	398,040	50,127
Total expenditures	<u>434,832</u>	<u>448,167</u>	<u>398,040</u>	<u>50,127</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(178,832)	(192,167)	(176,735)	15,432
OTHER FINANCING SOURCES				
Transfers in	125,000	125,000	125,000	-
Total financing sources	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (53,832)</u>	<u>\$ (67,167)</u>	(51,735)	<u>\$ 15,432</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(144,286)	
End of year			<u>\$ (196,021)</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Development Services Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 300,000	\$ 300,000	\$ 119,542	\$ (180,458)
Use of money and property	-	-	65,306	65,306
Intergovernmental	-	-	135,000	135,000
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>319,848</u>	<u>19,848</u>
EXPENDITURES:				
Current:				
Streets and public works	-	8,726	-	8,726
Total expenditures	<u>-</u>	<u>8,726</u>	<u>-</u>	<u>8,726</u>
NET CHANGES IN FUND BALANCE	<u>\$ 300,000</u>	<u>\$ 291,274</u>	319,848	<u>\$ 28,574</u>
FUND BALANCE:				
Beginning of year			1,201,493	
End of year			<u>\$ 1,521,341</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
AB939 JPA Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Licenses and permits	\$ 176,000	\$ 176,000	\$ 176,206	\$ 206
Use of money and property	4,000	4,000	44,590	40,590
Other revenues	-	-	36,622	36,622
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>257,418</u>	<u>77,418</u>
EXPENDITURES:				
Current:				
Streets and public works	2,744	9,608	1,790	7,818
Capital outlay	109,818	109,818	11,197	98,621
Total expenditures	<u>112,562</u>	<u>119,426</u>	<u>12,987</u>	<u>106,439</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	67,438	60,574	244,431	183,857
OTHER FINANCING (USES)				
Transfers (out)	(125,000)	(125,000)	(125,000)	-
Total financing (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (57,562)</u>	<u>\$ (64,426)</u>	119,431	<u>\$ 183,857</u>
FUND BALANCE:				
Beginning of year			777,682	
End of year			<u>\$ 897,113</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 10,019	\$ 10,019
Intergovernmental	-	-	1,133	1,133
Total revenues	<u>-</u>	<u>-</u>	<u>11,152</u>	<u>11,152</u>
EXPENDITURES:				
Current:				
Public safety	-	57,918	29,977	27,941
Capital outlay	-	13,717	21,066	(7,349)
Total expenditures	<u>-</u>	<u>71,635</u>	<u>51,043</u>	<u>20,592</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (71,635)</u>	<u>(39,891)</u>	<u>\$ 31,744</u>
FUND BALANCE:				
Beginning of year			<u>220,363</u>	
End of year			<u>\$ 180,472</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Bart Park and Ride Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 5,381	\$ 5,381
Other revenue	182,000	182,000	32,317	(149,683)
Total revenues	<u>182,000</u>	<u>182,000</u>	<u>37,698</u>	<u>(144,302)</u>
EXPENDITURES:				
Current:				
Streets and public works	82,000	82,000	258,411	(176,411)
Capital outlay	100,000	100,000	100,000	-
Total expenditures	<u>182,000</u>	<u>182,000</u>	<u>358,411</u>	<u>(176,411)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(320,713)	<u>\$ (320,713)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			320,448	
End of year			<u>\$ (265)</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Road Rehabilitation Maintenance Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 45,065	\$ 45,065
Intergovernmental	-	-	664,869	664,869
Total revenues	<u>-</u>	<u>-</u>	<u>709,934</u>	<u>709,934</u>
EXPENDITURES:				
Current:				
Streets and public works	-	145,587	249,696	(104,109)
Total expenditures	<u>-</u>	<u>145,587</u>	<u>249,696</u>	<u>(104,109)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (145,587)</u>	460,238	<u>\$ 605,825</u>
FUND BALANCE:				
Beginning of year			521,523	
End of year			<u>\$ 981,761</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
City Capital Projects Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 50,000	\$ 50,000	\$ 58,161	\$ 8,161
Use of money and property	-	-	14,796	14,796
Intergovernmental	802,506	860,506	1,667,220	806,714
Total revenues	<u>852,506</u>	<u>910,506</u>	<u>1,740,177</u>	<u>829,671</u>
EXPENDITURES:				
Current:				
Street and public works	-	-	54,908	(54,908)
Community development	-	-	473,609	(473,609)
Capital outlay	1,299,506	2,125,972	1,966,029	159,943
Debt services:				
Principal	127,479	127,479	127,479	-
Interest and fiscal agent fee	108,417	108,417	108,417	-
Total expenditures	<u>1,535,402</u>	<u>2,361,868</u>	<u>2,730,442</u>	<u>(368,574)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(682,896)	(1,451,362)	(990,265)	461,097
OTHER FINANCING SOURCES				
Transfers in	685,896	629,297	875,609	246,312
Transfers out	-	-	(250,000)	(250,000)
Total financing sources	<u>685,896</u>	<u>629,297</u>	<u>625,609</u>	<u>(3,688)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 3,000</u>	<u>\$ (822,065)</u>	<u>(364,656)</u>	<u>\$ 457,409</u>
FUND BALANCE:				
Beginning of year			688,951	
End of year			<u>\$ 324,295</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Development Impact Fees Capital Projects Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 100,156	\$ 100,156
Charges for services	34,950	34,950	338,918	303,968
Total revenues	<u>34,950</u>	<u>34,950</u>	<u>439,074</u>	<u>404,124</u>
EXPENDITURES:				
Current:				
Streets and public works	-	-	829	(829)
Capital outlay	-	39,766	39,766	-
Total expenditures	<u>-</u>	<u>39,766</u>	<u>40,595</u>	<u>(829)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 34,950</u>	<u>\$ (4,816)</u>	398,479	<u>\$ 403,295</u>
FUND BALANCE:				
Beginning of year			<u>1,712,457</u>	
End of year			<u>\$ 2,110,936</u>	

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the city on a cost reimbursement basis.

Vehicle Replacement Fund – This fund accounts for the purchase of automotive for various City departments.

Technology Services Fund – This fund is used to account for maintenance and operations of the information technology for various City departments.

Facilities Maintenance – This fund accounts for the repair and maintenance of City facilities and for provision of custodial and maintenance services related thereto.



City of Hercules
Combining Statement of Net Position
Internal Service Funds
June 30, 2024

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 314,637	\$ 1,255,955	\$ 307,067	\$ 1,877,659
Total current assets	<u>314,637</u>	<u>1,255,955</u>	<u>307,067</u>	<u>1,877,659</u>
Noncurrent assets:				
Net OPEB asset - PEHMCA	-	8,890	4,445	13,335
Capital assets:				
Depreciable and amortizable, net	621,091	244,152	-	865,243
Total noncurrent assets	<u>621,091</u>	<u>253,042</u>	<u>4,445</u>	<u>878,578</u>
Total assets	<u>935,728</u>	<u>1,508,997</u>	<u>311,512</u>	<u>2,756,237</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	185,846	119,654	305,500
OPEB-related deferred inflows of resources (PEHMCA)	-	12,741	6,370	19,111
OPEB-related deferred outflows of resources (SOMAR)	-	19,419	9,710	29,129
Total deferred outflows of resources	<u>-</u>	<u>218,006</u>	<u>135,734</u>	<u>353,740</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	20,243	21,887	42,130
Salaries and benefits payable	-	6,695	4,016	10,711
Compensated absences, due in one year	-	26,217	10,295	36,512
Subscription liability, due in one year	-	11,494	-	11,494
Total current liabilities	<u>-</u>	<u>64,649</u>	<u>36,198</u>	<u>100,847</u>
Noncurrent liabilities:				
Compensated absences	-	8,739	3,431	12,170
Subscription liability	-	12,454	-	12,454
Net pension liability	-	506,851	326,328	833,179
Net OPEB liability - SOMAR	-	62,469	31,234	93,703
Total noncurrent liabilities	<u>-</u>	<u>590,513</u>	<u>360,993</u>	<u>951,506</u>
Total liabilities	<u>-</u>	<u>655,162</u>	<u>397,191</u>	<u>1,052,353</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	39,765	25,602	65,367
OPEB-related deferred outflows of resources (PEHMCA)	-	49,374	24,687	74,061
OPEB-related deferred outflows of resources (SOMAR)	-	19,886	9,944	29,830
Total deferred inflows of resources	<u>-</u>	<u>109,025</u>	<u>60,233</u>	<u>169,258</u>
NET POSITION				
Net investment in capital assets	621,091	220,204	-	841,295
Unrestricted (deficit)	314,637	742,612	(10,178)	1,047,071
Total net position	<u>\$ 935,728</u>	<u>\$ 962,816</u>	<u>\$ (10,178)</u>	<u>\$ 1,888,366</u>

City of Hercules
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2024

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
OPERATING REVENUES:				
Charges for services	\$ 153,000	\$ 1,013,843	\$ 938,955	\$ 2,105,798
Other operating revenues	21,693	6,065	-	27,758
Total operating revenues	<u>174,693</u>	<u>1,019,908</u>	<u>938,955</u>	<u>2,133,556</u>
OPERATING EXPENSES:				
Salaries and benefits	-	411,866	245,407	657,273
Services and supplies	-	636,496	936,396	1,572,892
Depreciation and amortization	177,436	69,955	-	247,391
Total operating expenses	<u>177,436</u>	<u>1,118,317</u>	<u>1,181,803</u>	<u>2,477,556</u>
OPERATING INCOME (LOSS)	<u>(2,743)</u>	<u>(98,409)</u>	<u>(242,848)</u>	<u>(344,000)</u>
NONOPERATING (EXPENSES)				
Interest (expenses)	-	(798)	-	(798)
INCOME (LOSS) BEFORE TRANSFERS	<u>(2,743)</u>	<u>(99,207)</u>	<u>(242,848)</u>	<u>(344,798)</u>
TRANSFERS:				
Transfers in	-	261,696	-	261,696
Transfers (out)	-	-	(261,696)	(261,696)
Total transfers	<u>-</u>	<u>261,696</u>	<u>(261,696)</u>	<u>-</u>
CHANGES IN NET POSITION	<u>(2,743)</u>	<u>162,489</u>	<u>(504,544)</u>	<u>(344,798)</u>
NET POSITION (DEFICIT):				
Beginning of year	938,471	800,327	494,366	2,233,164
End of year	<u>\$ 935,728</u>	<u>\$ 962,816</u>	<u>\$ (10,178)</u>	<u>\$ 1,888,366</u>

City of Hercules
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2024

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from internal services provided	\$ 174,693	\$ 1,019,908	\$ 938,955	\$ 2,133,556
Cash paid to suppliers for goods and services	-	(622,996)	(947,616)	(1,570,612)
Cash paid to employees for services	-	(404,680)	(194,775)	(599,455)
Net cash provided by (used in) operating activities	174,693	(7,768)	(203,436)	(36,511)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from (paid to) other funds	-	261,696	(261,696)	-
Net cash provided (used in) noncapital financing activities	-	261,696	(261,696)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments related to the acquisition of capital assets	(175,680)	-	-	(175,680)
Principal repayments related to capital purposes	-	(11,494)	-	(11,494)
Interest repayments related to capital purposes	-	(798)	-	(798)
Net cash (used in) capital and related financing activities	(175,680)	(12,292)	-	(187,972)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(987)	241,636	(465,132)	(224,483)
CASH AND CASH EQUIVALENTS:				
Beginning of year	315,624	1,014,319	772,199	2,102,142
End of year	<u>\$ 314,637</u>	<u>\$ 1,255,955</u>	<u>\$ 307,067</u>	<u>\$ 1,877,659</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (2,743)	\$ (98,409)	\$ (242,848)	\$ (344,000)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	177,436	69,955	-	247,391
(Increase) Decrease in Assets and Deferred Outflows				
Pensions-related deferred outflows	-	12,917	(14,247)	(1,330)
OPEB-related deferred outflows	-	14,146	7,074	21,220
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	-	13,500	(11,220)	2,280
Salaries and benefits payable	-	2,045	2,402	4,447
Net pension liability	-	18,862	67,542	86,404
Net OPEB liability	-	(4,781)	(2,391)	(7,172)
Pensions-related deferred inflows	-	(21,234)	(6,747)	(27,981)
OPEB-related deferred inflows	-	(14,261)	(7,129)	(21,390)
Compensated absences	-	(508)	4,128	3,620
Total adjustments	177,436	90,641	39,412	307,489
Net cash provided by (used in) operating activities	\$ 174,693	\$ (7,768)	\$ (203,436)	\$ (36,511)



FIDUCIARY-CUSTODIAL FUNDS

Reassessment District 05-01 Fund – This fund account for the collection of assessment and the disbursement to Reassessment District 2005-1 (John Muir Parkway) district bond holders for debt without City commitment.

Taylor Woodrow Fund – This fund is to be use for the benefit of the qualified buyers or affordable unit owners.



City of Hercules
Combining Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2024

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Total
ASSETS			
Cash and investments	\$ 357,158	\$ 74,567	\$ 431,725
Cash and investments with fiscal agents	55,798	-	55,798
Total assets	412,956	74,567	487,523
NET POSITION			
Restricted for individuals, organization, and other government	412,956	74,567	487,523
Total net position	\$ 412,956	\$ 74,567	\$ 487,523

City of Hercules
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Year Ended June 30, 2024

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Total
ADDITIONS:			
Taxes and assessments	\$ 228,616	\$ -	\$ 228,616
Investment income	17,664	3,692	21,356
Total additions	<u>246,280</u>	<u>3,692</u>	<u>249,972</u>
DEDUCTIONS:			
Administration	6,885	-	6,885
Interest and fiscal agent fee	55,695	-	55,695
Principal payment to refunding escrow	164,943	-	164,943
Total deductions	<u>227,523</u>	<u>-</u>	<u>227,523</u>
CHANGES IN FIDUCIARY NET POSITION	18,757	3,692	22,449
NET POSITION:			
Beginning of year	394,199	70,875	465,074
End of year	<u>\$ 412,956</u>	<u>\$ 74,567</u>	<u>\$ 487,523</u>

STATISTICAL SECTION



City of Hercules

Description of Statistical Section Contents

This part of the City of Hercules' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends (pages 170-179)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity (pages 180-187)

These schedules contain information to help the reader assess the City's most significant local revenue sources, transient occupancy tax ("TOT") and property taxes.

Debt Capacity (pages 188-194)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information (pages 195)

These schedules offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place.

Operating Information (pages 196-203)

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.



City of Hercules
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

For the Fiscal Year Ended June 30, 2024

	2015	2016	2017	2018	2019
<i>Governmental activities</i>					
Net investment in capital assets	\$ 65,597,425	\$ 67,814,198	\$ 73,286,966	\$ 76,304,118	\$ 76,082,830
Restricted	21,070,727	7,026,074	18,239,035	21,086,055	21,495,653
Unrestricted	16,564,422	34,482,114	27,146,535	24,579,483	26,259,010
Total governmental activities net position	<u>\$ 103,232,574</u>	<u>\$ 109,322,386</u>	<u>\$ 118,672,536</u>	<u>\$ 121,969,656</u>	<u>\$ 123,837,493</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 9,942,508	\$ 11,637,225	\$ 9,503,346	\$ 10,572,862	\$ 9,384,765
Restricted	-	-	-	-	7,582,403
Unrestricted	22,931,509	22,643,219	27,529,908	29,000,343	23,910,447
Total business-type activities net position	<u>\$ 32,874,017</u>	<u>\$ 34,280,444</u>	<u>\$ 37,033,254</u>	<u>\$ 39,573,205</u>	<u>\$ 40,877,615</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 75,539,933	\$ 79,451,423	\$ 82,790,312	\$ 86,876,980	\$ 85,467,595
Restricted	21,070,727	7,026,074	18,239,035	21,086,055	29,078,056
Unrestricted	39,495,931	57,125,333	54,676,443	53,579,826	50,169,457
Total primary government net position	<u>\$ 136,106,591</u>	<u>\$ 143,602,830</u>	<u>\$ 155,705,790</u>	<u>\$ 161,542,861</u>	<u>\$ 164,715,108</u>

Source: City Finance Department



City of Hercules
Net Position by Component (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

For the Fiscal Year Ended June 30, 2024

	2020	2021	2022	2023	2024
<i>Governmental activities</i>					
Net investment in capital assets	\$ 73,639,890	\$ 69,628,982	\$ 60,257,709	\$ 60,790,322	\$ 59,889,211
Restricted	20,047,707	20,047,707	7,183,715	10,730,230	13,368,313
Unrestricted	23,471,208	24,205,660	10,532,917	11,624,496	11,155,874
Total governmental activities net position	<u>\$ 117,158,805</u>	<u>\$ 113,882,349</u>	<u>\$ 77,974,341</u>	<u>\$ 83,145,048</u>	<u>\$ 84,413,398</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 11,587,259	\$ 7,230,469	\$ 15,704,349	\$ 19,602,539	\$ 20,884,471
Restricted	7,674,002	7,679,725	-	-	-
Unrestricted	23,244,232	29,474,812	18,566,052	15,798,815	15,998,566
Total business-type activities net position	<u>\$ 42,505,493</u>	<u>\$ 44,385,006</u>	<u>\$ 34,270,401</u>	<u>\$ 35,401,354</u>	<u>\$ 36,883,037</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 85,227,149	\$ 76,859,451	\$ 75,962,058	\$ 80,392,861	\$ 80,773,682
Restricted	27,721,709	27,727,432	7,183,715	10,730,230	13,368,313
Unrestricted	46,715,440	53,680,472	29,098,969	27,423,311	27,154,440
Total primary government net position	<u>\$ 159,664,298</u>	<u>\$ 158,267,355</u>	<u>\$ 112,244,742</u>	<u>\$ 118,546,402</u>	<u>\$ 121,296,435</u>

Source: City Finance Department



City of Hercules
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30, 2024				
	2015	2016	2017	2018	2019
Expenses					
Governmental Activities:					
General Government	\$ 3,133,995	\$ 3,706,717	\$ 4,025,706	\$ 4,105,705	\$ 5,094,236
Public Safety	5,094,319	5,299,440	5,365,068	7,034,658	7,055,390
Public Works	4,880,174	4,667,439	5,035,767	6,894,640	6,727,710
Parks and Recreation	2,074,783	2,216,525	3,050,786	2,657,763	2,564,008
Community Development	742,529	400,754	640,428	491,562	630,341
Interest on Long-Term Debt	1,277,353	1,301,053	1,220,791	1,141,982	1,256,456
Total Governmental Activities	17,203,153	17,591,928	19,338,546	22,326,310	23,328,141
Business-Type Activities:					
Sewer	2,834,835	3,854,974	3,092,380	3,750,261	5,343,759
Total Business-Type Activities Expenses	2,834,835	3,854,974	3,092,380	3,750,261	5,343,759
Total Primary Government Expenses	<u>\$ 20,037,988</u>	<u>\$ 21,446,902</u>	<u>\$ 22,430,926</u>	<u>\$ 26,076,571</u>	<u>\$ 28,671,900</u>
Program Revenues					
Governmental Activities:					
General Government	\$ 361,223	\$ 128,430	\$ 113,875	\$ 3,866,023	\$ 1,816,337
Public Safety	523,708	543,761	1,171,960	524,703	882,823
Public Works	6,150,061	12,784,856	12,014,579	5,218,076	4,433,560
Parks and Recreation	1,604,294	1,538,554	1,715,375	1,696,769	1,731,066
Community Development	890,867	364,191	823,972	1,534,666	1,658,265
Total Government Activities Program Revenues	9,530,153	15,359,792	15,839,761	12,840,237	10,522,051
Business-Type Activities:					
Sewer	6,028,122	5,595,044	5,797,766	6,145,215	6,003,202
Total Business-Type Activities Program Revenue	6,028,122	5,595,044	5,797,766	6,145,215	6,003,202
Total Primary Government Program Revenues	<u>\$ 15,558,275</u>	<u>\$ 20,954,836</u>	<u>\$ 21,637,527</u>	<u>\$ 18,985,452</u>	<u>\$ 16,525,253</u>
Net (Expense)/Revenue					
Governmental Activities	(7,673,000)	(2,232,136)	(3,498,785)	(9,486,073)	(12,806,090)
Business-Type Activities	3,193,287	1,740,070	2,705,386	2,394,954	659,443
Total Primary Government Net Expense	<u>\$ (4,479,713)</u>	<u>\$ (492,066)</u>	<u>\$ (793,399)</u>	<u>\$ (7,091,119)</u>	<u>\$ (12,146,647)</u>

Source: City Finance Department



City of Hercules
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30, 2024				
	2020	2021	2022	2023	2024
Expenses					
Governmental Activities:					
General Government	\$ 4,634,707	\$ 4,435,331	\$ 4,768,150	\$ 4,929,390	\$ 5,378,751
Public Safety	8,844,059	9,273,713	6,581,205	7,556,734	10,027,823
Public Works	8,447,150	7,715,011	8,560,194	8,220,052	8,736,149
Parks and Recreation	2,786,635	2,104,559	2,312,529	2,503,805	2,955,545
Community Development	595,927	918,476	1,253,855	483,875	1,297,680
Interest on Long-Term Debt	1,159,848	959,355	1,007,813	905,708	1,022,790
Total Governmental Activities	26,468,326	25,406,445	24,483,746	24,599,564	29,418,738
Business-Type Activities:					
Sewer	4,593,120	3,894,420	5,221,938	5,086,004	5,262,133
Total Business-Type Activities Expenses	4,593,120	3,894,420	5,221,938	5,086,004	5,262,133
Total Primary Government Expenses	<u>\$ 31,061,446</u>	<u>\$ 29,300,865</u>	<u>\$ 29,705,684</u>	<u>\$ 29,685,568</u>	<u>\$ 34,680,871</u>
Program Revenues					
Governmental Activities:					
General Government	\$ 719,485	\$ 1,343,812	\$ 1,030,250	\$ 816,793	\$ 767,385
Public Safety	743,462	540,238	3,539,598	3,781,755	541,352
Public Works	5,546,868	4,196,125	5,827,479	5,575,763	8,436,772
Parks and Recreation	1,030,758	396,289	1,034,873	1,423,942	1,649,166
Community Development	517,920	552,090	8,329,364	389,324	316,243
Total Government Activities Program Revenues	8,558,493	7,028,554	19,761,564	11,987,577	11,710,918
Business-Type Activities:					
Sewer	5,719,257	5,769,396	5,852,278	5,922,758	5,891,836
Total Business-Type Activities Program Revenue	5,719,257	5,769,396	5,852,278	5,922,758	5,891,836
Total Primary Government Program Revenues	<u>\$ 14,277,750</u>	<u>\$ 12,797,950</u>	<u>\$ 25,613,842</u>	<u>\$ 17,910,335</u>	<u>\$ 17,602,754</u>
Net (Expense)/Revenue					
Governmental Activities	(17,909,833)	(18,377,891)	(4,722,182)	(12,611,987)	(17,707,820)
Business-Type Activities	1,126,137	1,874,976	630,340	836,754	629,703
Total Primary Government Net Expense	<u>\$ (16,783,696)</u>	<u>\$ (16,502,915)</u>	<u>\$ (4,091,842)</u>	<u>\$ (11,775,233)</u>	<u>\$ (17,078,117)</u>

Source: City Finance Department



City of Hercules
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30, 2024				
	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 1,173,026	\$ 1,233,207	\$ 1,286,788	\$ 1,376,354	\$ 1,378,493
Sales Taxes and use taxes	2,693,075	3,211,109	3,324,807	3,206,095	3,988,702
Franchise Tax	1,011,888	960,124	878,574	862,946	852,751
Other Taxes	3,511,023	3,628,145	3,712,519	3,906,865	4,506,706
Unrestricted Motor Vehicle Taxes In-Lieu	1,554,491	1,645,846	1,799,014	1,911,327	1,990,306
Use of Money and properties	1,055,791	1,133,587	1,114,795	1,334,955	1,588,558
Miscellaneous	476,033	1,029,258	448,688	1,189,560	368,411
Special items	-	-	-	-	-
Extraordinary item - RDA Dissolution	-	-	-	-	-
Transfers	(92,736)	(10,452)	-	-	-
Total Government Activities	11,382,591	12,830,824	12,565,185	13,788,102	14,673,927
Business-Type Activities:					
Use of Money and properties	23,484	24,058	47,424	200,280	482,095
Miscellaneous	-	-	-	-	162,872
Special items	-	-	-	-	-
Transfers	92,736	10,452	-	-	-
Total Business-Type Activities	116,220	34,510	47,424	200,280	644,967
Total Primary Government	\$ 11,498,811	\$ 12,865,334	\$ 12,612,609	\$ 13,988,382	\$ 15,318,894
Change in Net Position					
Governmental Activities	\$ 3,709,591	\$ 10,598,688	\$ 12,565,185	\$ 13,788,102	\$ 14,673,927
Business-Type Activities	3,309,507	1,774,580	47,424	200,280	644,967
Total Primary Government	\$ 7,019,098	\$ 12,373,268	\$ 12,612,609	\$ 13,988,382	\$ 15,318,894

Source: City Finance Department



City of Hercules
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30, 2024				
	2020	2021	2022	2023	2024
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 1,415,995	\$ 1,451,716	\$ 1,514,791	\$ 1,638,449	\$ 1,653,626
Sales Taxes and use taxes	4,212,285	4,775,496	6,263,066	6,192,500	5,753,278
Franchise Tax	948,503	862,104	970,054	988,108	972,391
Other Taxes	4,402,327	4,293,889	5,343,970	4,646,410	4,963,727
Unrestricted Motor Vehicle Taxes In-Lieu	2,128,054	2,239,058	2,341,444	2,456,900	2,556,520
Use of Money and properties	1,748,131	1,456,269	773,519	1,860,327	3,076,628
Miscellaneous	-	-	-	-	-
Special items	(3,624,150)	-	(39,586,347)	-	-
Extraordinary item - RDA Dissolution	-	-	-	-	-
Transfers	-	-	-	-	-
Total Government Activities	11,231,145	15,078,532	(22,379,503)	17,782,694	18,976,170
Business-Type Activities:					
Use of Money and properties	501,741	4,537	(157,318)	294,199	851,980
Miscellaneous	-	-	-	-	-
Special items	-	-	(10,587,627)	-	-
Transfers	-	-	-	-	-
Total Business-Type Activities	501,741	4,537	(10,744,945)	294,199	851,980
Total Primary Government	\$ 11,732,886	\$ 15,083,069	\$ (33,124,448)	\$ 18,076,893	\$ 19,828,150
Change in Net Position					
Governmental Activities	\$ (6,678,688)	\$ (3,299,359)	\$ (27,101,685)	\$ 5,170,707	\$ 1,268,350
Business-Type Activities	1,627,878	1,879,513	(10,114,605)	1,130,953	1,481,683
Total Primary Government	\$ (5,050,810)	\$ (1,419,846)	\$ (37,216,290)	\$ 6,301,660	\$ 2,750,033

Source: City Finance Department



City of Hercules
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

For the Fiscal Year Ended June 30, 2024					
	2015	2016	2017	2018	2019
General Fund					
Nonspendable	\$ 27,806,063	\$ 28,643,374	\$ 30,092,172	\$ 27,799,824	\$ 29,402,817
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	1,363,528	2,171,733	2,176,150	2,321,483	5,937,646
Unassigned	7,969,320	8,291,363	9,426,610	14,194,525	10,027,085
Total General Fund	<u>\$ 37,138,911</u>	<u>\$ 39,106,470</u>	<u>\$ 41,694,932</u>	<u>\$ 44,315,832</u>	<u>\$ 45,367,548</u>
All Other Governmental Funds					
Nonspendable	\$ 11,013	\$ 6,714,263	\$ 11,013	\$ 11,013	\$ 11,013
Restricted	21,070,727	12,443,589	20,587,964	20,556,143	21,446,237
Committed	-	-	-	-	-
Assigned	35,395	1,314,160	-	-	-
Unassigned (deficit)	(2,770,225)	(7,036,753)	(4,048,580)	(1,473,498)	(226,591)
Total all other governmental funds	<u>\$ 18,346,910</u>	<u>\$ 13,435,259</u>	<u>\$ 16,550,397</u>	<u>\$ 19,093,658</u>	<u>\$ 21,230,659</u>

Source: Finance Department



City of Hercules
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30, 2024				
	2020	2021	2022	2023	2024
General Fund					
Nonspendable	\$ 29,769,663	\$ 30,034,997	\$ 10,806	\$ 9,975	\$ 1,321,919
Restricted	-	-	2,054,252	2,141,823	2,391,824
Committed	-	-	-	-	7,884,421
Assigned	6,205,655	5,915,247	6,022,247	6,022,247	8,595,020
Unassigned	8,398,945	10,008,178	22,926,831	25,703,647	14,754,596
Total General Fund	<u>\$ 44,374,263</u>	<u>\$ 45,958,422</u>	<u>\$ 31,014,136</u>	<u>\$ 33,877,692</u>	<u>\$ 34,947,780</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	19,621,155	19,549,409	7,026,830	8,337,682	10,459,039
Committed	428,552	1,391,188	1,998,781	688,951	324,295
Assigned	-	-	-	-	-
Unassigned (deficit)	(98,458)	(162,793)	(734,289)	(624,175)	(923,560)
Total all other governmental funds	<u>\$ 19,951,249</u>	<u>\$ 20,777,804</u>	<u>\$ 8,291,322</u>	<u>\$ 8,402,458</u>	<u>\$ 9,859,774</u>

Source: Finance Department



City of Hercules
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30, 2024				
	2015	2016	2017	2018	2019
Revenues					
Taxes and Assessments	\$ 8,389,012	\$ 9,032,585	\$ 9,202,688	\$ 9,352,260	\$ 10,726,652
Licenses and permits	480,645	344,374	496,355	1,081,912	844,806
Fines and forfeitures	62,069	60,434	47,824	48,579	50,058
Use of money and property	1,082,244	1,183,964	1,192,976	1,443,270	1,728,361
Intergovernmental	6,194,872	5,677,447	14,911,152	7,650,796	4,455,255
Charges For Services	5,079,255	4,660,592	5,157,696	5,684,127	7,964,546
Other Revenues	476,033	1,029,258	448,688	1,204,989	92,602
Total Revenues	21,764,130	21,988,654	31,457,379	26,465,933	25,862,280
Expenditures					
Current:					
General government	2,635,701	2,952,966	3,153,498	3,492,082	4,542,651
Public Safety	5,158,435	5,589,583	6,022,005	6,295,019	6,776,245
Streets and Public Works	3,104,609	2,772,877	3,469,283	4,300,078	4,357,212
Parks And Recreation	1,827,391	1,961,669	1,883,159	2,101,369	2,128,110
Community Development	743,110	399,215	640,625	468,011	616,899
Lease expense	-	-	-	-	-
Capital outlay	4,994,173	8,504,827	9,079,227	2,757,245	2,261,555
Debt service:					
Principal	604,474	626,149	653,144	580,473	613,153
Interest And Fiscal Agent Fees	1,189,346	1,164,163	1,136,588	1,307,495	1,285,738
Total Expenditures	20,257,239	23,971,449	26,037,529	21,301,772	22,581,563
Excess (deficiency) of revenues over (under) expenditures	1,506,891	(1,982,795)	5,419,850	5,164,161	3,280,717
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	-	-
Proceeds from loan	-	-	-	-	-
Proceeds from refunding bond	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Inception of Subscription Liability	-	-	-	-	-
Transfers in	1,482,134	11,787,077	2,705,171	1,408,803	2,511,094
Transfers (out)	(1,574,870)	(11,803,454)	(2,705,171)	(1,408,803)	(2,603,094)
Sale of capital assets	-	-	-	-	-
Contributed Capital	-	-	-	-	-
Special Item	-	-	-	-	-
Total other financing sources (uses)	(92,736)	(16,377)	-	-	(92,000)
Special/Extraordinary Item	-	-	-	-	-
Net Change in fund balances	\$ 1,414,155	\$ (1,999,172)	\$ 5,419,850	\$ 5,164,161	\$ 3,188,717
Debt service as a percentage of noncapital expenditures	12%	12%	11%	10%	9%

Source: City Finance Department



City of Hercules
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30, 2024				
	2020	2021	2022	2023	2024
Revenues					
Taxes and Assessments	\$ 10,727,692	\$ 14,098,060	\$ 16,889,724	\$ 16,705,743	\$ 16,617,812
Licenses and permits	796,397	952,294	707,300	647,374	621,826
Fines and forfeitures	62,582	36,586	48,663	46,057	34,409
Use of money and property	1,702,755	1,456,271	783,885	1,871,556	3,085,819
Intergovernmental	4,073,720	4,589,299	15,618,709	8,052,573	7,085,810
Charges For Services	5,282,444	1,150,164	2,319,388	2,339,112	2,750,986
Other Revenues	67,355	239,610	279,797	203,170	223,696
Total Revenues	22,712,945	22,522,284	36,647,466	29,865,585	30,420,358
Expenditures					
Current:					
General government	4,070,428	3,854,043	4,081,705	4,538,391	4,768,426
Public Safety	7,634,971	7,774,932	7,879,451	8,499,781	9,184,101
Streets and Public Works	4,080,345	4,638,912	4,514,842	5,486,683	5,503,214
Parks And Recreation	2,165,547	1,434,988	1,910,716	2,408,849	2,677,208
Community Development	557,672	792,456	1,061,135	537,341	1,285,428
Lease expense	-	-	-	-	-
Capital outlay	3,434,295	4,163,726	2,862,062	2,962,714	2,541,812
Debt service:					
Principal	646,201	469,113	1,198,248	1,549,333	945,985
Interest And Fiscal Agent Fees	1,239,573	1,224,118	983,728	916,671	1,004,603
Total Expenditures	23,829,032	24,352,288	24,491,887	26,899,763	27,910,777
Excess (deficiency) of revenues over (under) expenditures	(1,116,087)	(1,830,004)	12,155,579	2,965,822	2,509,581
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	8,870	-
Proceeds from loan	-	4,209,354	-	-	-
Proceeds from refunding bond	-	5,876,843	-	-	-
Payment to refunded bond escrow agent	-	(5,705,000)	-	-	-
Inception of Subscription Liability	-	-	-	-	17,823
Transfers in	1,730,899	1,405,555	5,723,857	6,928,066	2,343,631
Transfers (out)	(1,730,899)	(964,912)	(5,728,857)	(6,928,066)	(2,343,631)
Sale of capital assets	-	-	-	-	-
Contributed Capital	655,467	-	-	-	-
Special Item	(1,812,075)	(604,025)	(39,586,347)	-	-
Total other financing sources (uses)	(1,156,608)	4,217,815	(39,591,347)	8,870	17,823
Special/Extraordinary Item	-	-	-	-	-
Net Change in fund balances	\$ (2,272,695)	\$ 2,387,811	\$ (27,435,768)	\$ 2,974,692	\$ 2,527,404
Debt service as a percentage of noncapital expenditures	9%	8%	10%	10%	8%

Source: City Finance Department



City of Hercules

Assessed and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

Fiscal Year Ended June 30, 2024	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Less: Tax-Exempt Property	Taxable Assessed Value
2015	2,567,234,136	71,672,395	175,156,171	28,510,114	56,578,518	75,454,264	2,823,697,070
2016	2,762,167,273	78,083,558	178,580,502	39,547,425	54,269,399	77,407,676	3,035,240,481
2017	2,984,511,909	79,706,704	192,358,822	58,775,769	58,945,949	94,538,055	3,279,761,098
2018	3,171,302,525	86,604,265	199,079,514	88,645,176	56,327,147	96,165,729	3,505,792,898
2019	3,322,501,416	85,620,650	196,779,448	91,306,290	56,782,463	97,967,035	3,655,023,232
2020	3,549,607,367	90,938,555	199,145,259	83,462,351	59,062,998	108,788,587	3,873,427,943
2021	3,785,286,659	88,476,522	204,766,171	82,829,255	58,291,816	111,756,157	4,107,894,266
2022	3,945,445,134	115,669,026	209,565,059	81,365,903	57,802,705	131,601,392	4,278,246,435
2023	4,125,334,599	125,232,941	234,134,858	80,249,088	67,088,160	132,094,636	4,499,945,010
2024	4,273,873,157	137,069,942	247,257,157	83,941,490	70,491,928	137,165,124	4,675,468,550

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

* Includes State Unitary value of \$109,236 Assessed Value of Property in 2023.

(1.) Total tax rate is the city share of the 1% Proposition 13 tax for TRA 4-001.

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a multiplier value was extrapolated and applied to current assessed values.



City of Hercules
Assessed and Estimated Actual Value of Taxable Property (Continued)
Last Ten Fiscal Years

Fiscal Year Ended June 30, 2024	Total Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (2)
2015	5.4221%	2,823,697,070	1.000000
2016	5.4221%	3,035,240,481	1.000000
2017	5.4221%	3,279,761,098	1.000000
2018	5.4221%	3,505,792,898	1.000000
2019	5.4221%	6,047,063,713	1.654453
2020	5.4221%	6,578,416,066	1.698345
2021	5.4221%	6,420,511,696	1.562969
2022	5.4221%	7,751,990,119	1.811955
2023	5.4221%	8,735,158,394	1.941170
2024	5.4221%	9,260,921,468	1.980747

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

* Includes State Unitary value of \$109,236 Assessed Value of Property in 2023.

(1.) Total tax rate is the city share of the 1% Proposition 13 tax for TRA 4-001.

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a multiplier value was extrapolated and applied to current assessed values.



City of Hercules

Assessed Value of Property by Use Code

Last Ten Fiscal Years

Category	For the Fiscal Year Ended June 30, 2024				
	2015	2016	2017	2018	2019
Residential	\$ 2,567,234,136	\$ 2,762,167,273	\$ 2,984,511,909	\$ 3,171,302,525	\$ 3,322,501,416
Industrial	175,156,171	178,580,502	192,358,822	199,079,514	196,779,448
Commercial	71,672,395	78,083,558	79,706,704	86,604,265	85,620,650
Vacant	16,167,550	27,684,893	31,332,357	61,123,014	62,680,104
Institution	496,945	506,873	15,803,658	16,119,728	16,442,120
Recreation	9,411,388	9,461,565	9,716,963	9,502,881	10,179,175
Social	840,196	856,982	870,050	826,000	842,520
Miscellaneous	792,700	808,536	820,864	837,279	854,023
Rural	212,358	216,599	219,900	224,297	228,781
Unitary	11,977	11,977	11,977	11,977	79,567
Professional	577,000	-	-	-	-
Gross Secured Value	2,842,572,816	3,058,378,758	3,315,353,204	3,545,631,480	3,696,207,804
Unsecured	56,578,518	54,269,399	58,945,949	56,327,147	56,782,463
Exemptions	75,454,264	77,407,676	94,538,055	96,165,729	97,967,035
	\$ 2,823,697,070	\$ 3,035,240,481	\$ 3,279,761,098	\$ 3,505,792,898	\$ 3,655,023,232

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics
 Use code categories are based on Contra Costa County Assessor's data



City of Hercules **Assessed Value of Property by Use Code (Continued)** **Last Ten Fiscal Years**

Category	For the Fiscal Year Ended June 30, 2024				
	2020	2021	2022	2023	2024
Residential	\$ 3,549,607,367	\$ 3,785,286,659	\$ 3,945,445,134	\$ 4,125,334,599	\$ 4,273,873,157
Industrial	199,145,259	204,766,171	209,565,059	234,134,858	247,257,157
Commercial	90,938,555	88,476,522	115,669,026	125,232,941	137,069,942
Vacant	53,134,753	51,585,587	52,389,446	50,702,734	51,531,451
Institution	16,770,959	17,106,375	17,283,594	17,629,262	17,981,845
Recreation	11,038,616	11,570,506	9,100,314	9,244,452	8,738,210
Social	1,334,000	1,360,679	1,374,774	1,402,269	1,430,313
Miscellaneous	871,101	888,520	897,723	915,841	3,900,237
Rural	233,355	238,021	240,485	245,294	250,198
Unitary	79,567	79,567	79,567	109,236	109,236
Professional	-	-	-	-	-
Gross Secured Value	3,923,153,532	4,161,358,607	4,352,045,122	4,564,951,486	4,742,141,746
Unsecured	59,062,998	58,291,816	57,802,705	67,088,160	70,491,928
Exemptions	108,788,587	111,756,157	131,601,392	132,094,636	137,165,124
	<u>\$ 3,873,427,943</u>	<u>\$ 4,107,894,266</u>	<u>\$ 4,278,246,435</u>	<u>\$ 4,499,945,010</u>	<u>\$ 4,675,468,550</u>

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics
 Use code categories are based on Contra Costa County Assessor's data



City of Hercules

Direct and Overlapping Property Tax Rates

Last Two Fiscal Years

	2022-23	2023-24
Basic City and County Levy		
City of Hercules	0.054221	0.054221
County of Contra Costa	0.945779	0.945779
Total 1% Breakout	1.000000	1.000000
Override Assessments		
Bart	0.014000	0.013400
East Bay Reg Pk Bd	0.005800	0.005700
West CC Unified Bd 98	0.001300	0.000000
West Contra Costa Unified	0.217500	0.075400
WCCUSD 2012 Bond	0.037600	0.171000
Community College	0.016200	0.014600
Total Override Rate	0.292400	0.280100
Total Tax Rate	1.292400	1.280100

Source: County Auditor Controller data, Avenu Insights & Analytics

Rates are not adjusted for Education Revenue Augmentation Fund

Tax Rate Area 4-001 is represented for this reports

*2019-20 is the city's first ACFR Statistical publication,
therefore, nine year ago data is unavailable.



City of Hercules

Principal Property Taxpayers

Last Fiscal Year and Nine Years Ago

Taxpayer	2023-24		2013-14	
	(\$) Taxable Value	Percentage of Total City Assessed Value	Assessed Value	Percentage of Total City Assessed Value
Bio-Rad Laboratories Inc	\$ 193,543,726.00	4.14%	\$ 152,838,098.00	5.41%
Hercules Block Q&R Dev Partner	79,125,982	1.69%		0.0000%
WCV Aventine Hercules LLC	66,623,915	1.42%		0.00%
Hercules Land Partners LP	27,476,502	0.59%		0.00%
Trestle Hercules LLC	25,269,097	0.54%		0.00%
Mary Terrace LLC	23,106,839	0.49%		0.00%
HD Development Of Maryland	19,487,152	0.42%	17,591,939	0.62%
Hercules Real E Invest LLC	16,000,000	0.34%		0.00%
Tulloch John Brian Tre	13,289,846	0.28%	8,764,739	0.31%
Hercules SPE MW LLC	13,085,032	0.28%		0.00%
Vacaville Mobile Home Park LLC	11,205,241	0.24%		0.00%
Santa Clara Vly Housing Group	10,000,000	0.21%	7,680,000	0.27%
CS Creekside Hercules LLC	8,581,171	0.18%	7,282,914	0.26%
Dathe Robert P & Carlotta R	8,125,180	0.17%	6,895,911	0.24%
Hercules Sycamore Hills LLC	7,969,790	0.17%	6,764,031	0.24%
La Costalot LLC	7,947,655	0.17%	5,656,000	0.20%
GTY Pacific Leasing LLC	7,610,730	0.16%		0.00%
Hercules Real Est Ltd Ptnship	7,464,120	0.16%	5,030,000	0.18%
Alcatraz475 LP	6,714,063	0.14%		0.00%
1560 Sycamore LLC	6,567,590	0.14%	4,053,000	0.14%
North First Street Properties	6,503,473	0.14%	2,956,430	0.10%
Arrow Investment Partners LLC	5,899,836	0.13%	3,430,000	0.12%
Madison MRH-1 Franklin LLC	5,500,000	0.12%		0.00%
Multiple O Holdings LLC	5,385,424	0.12%	4,570,657	0.16%
Adalan Properties LLC	4,997,935	0.11%	4,241,795	0.15%
Rago Dev Corp	-	0.00%	11,100,000	0.39%
Mechanics Bank of Richmond	-	0.00%	10,032,408	0.36%
Orinda Investors LP	-	0.00%	7,014,793	0.25%
Three Trees Holdings I LLC	-	0.00%	6,900,000	0.24%
Trestle Stockton LLC	-	0.00%	4,056,331	0.14%
Creekside Shopping Center LLC	-	0.00%	3,840,000	0.14%
Orb Partnership	-	0.00%	3,559,614	0.13%
Hercules Bayfront LLC	-	0.00%	3,424,716	0.12%
Bay To Bay Properties	-	0.00%	3,391,000	0.12%
Convenience Retailers LLC	-	0.00%	2,459,032	0.09%
Mega Investment LLC	-	0.00%	2,416,000	0.09%
Total Top 25 Taxpayers	\$ 587,480,299	12.57%	\$ 295,949,408	10.48%
Total Taxable Value	\$ 4,675,468,550	100.00%	\$ 2,823,697,070	100.00%

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

* FY21-22 was the most recent data available



City of Hercules

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2014	\$ 1,238,594	\$ 1,238,594	100%	\$ 1,238,594	100%
2015	878,899	878,899	100%	878,899	100%
2016	1,044,373	1,044,373	100%	1,044,373	100%
2017	1,110,223	1,110,223	100%	1,110,223	100%
2018	1,168,687	1,168,687	100%	1,168,687	100%
2019	1,233,140	1,233,140	100%	1,233,140	100%
2020	1,296,155	1,296,155	100%	1,296,155	100%
2021	1,342,265	1,342,265	100%	1,342,265	100%
2022	1,378,587	1,378,587	100%	1,378,587	100%
2023	1,446,942	1,446,942	100%	1,446,942	100%
2024	1,638,449	1,638,449	100%	1,638,449	100%

Source: City of Hercules Records



City of Hercules

Principal Sales Tax Producers

Current Year and Nine Years Ago

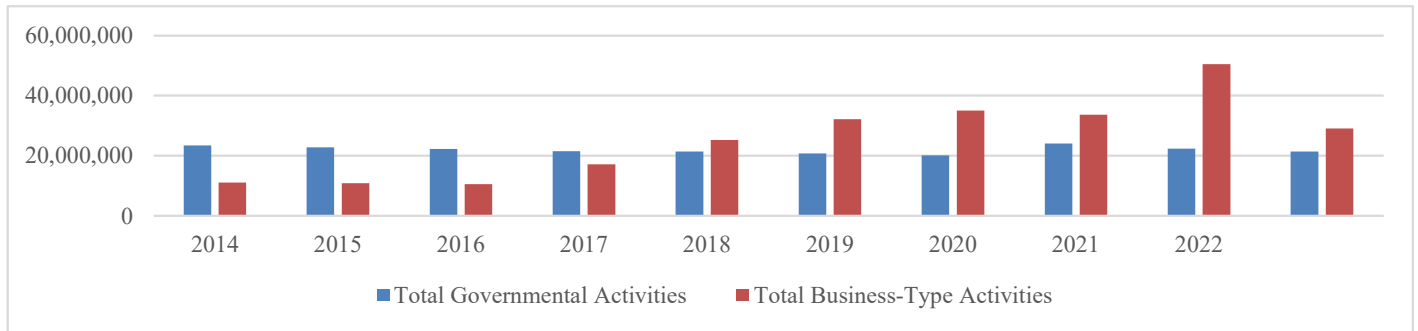
2023-24		2014-15	
Taxpayer	Business Type	Taxpayer	Business Type
Big Lots	Department Stores	Admiralty Diesel Services	Heavy Industry
Bio Rad Laboratories	Chemical Products	Authorized Dealer for Snap-On Tools	Auto Parts/Repair
Burger King Restaurants	Restaurants	Big Lots	Department Stores
Cabalen Filipino Cuisine	Restaurants	Bio Rad Laboratories	Chemical Products
City Mechanical Incorporated	Bldg.Matls-Whsle	Burger King Restaurants	Restaurants
Domino's Pizza	Restaurants	Cigarette City	Miscellaneous Retail
Dragon Terrace Restaurant	Restaurants	Claws and Crows	Restaurants
Home Depot	Bldg.Matls-Retail	Conservation Mechanical System	Bldg.Matls-Whsle
Jack In The Box Restaurants	Restaurants	Dragon Terrace Restaurant	Restaurants
Kinder's	Food Markets	Extreme Pizza	Restaurants
L & L Hawaiian Barbecue	Restaurants	Home Depot	Bldg.Matls-Retail
Leila By The Bay	Restaurants	Jack In The Box Restaurants	Restaurants
Lucky Food Centers	Food Markets	Kinder's	Food Markets
Mazatlan Taqueria and Grill	Restaurants	Lucky Food Centers	Food Markets
McDonald's Restaurants	Restaurants	Mazatlan Taqueria and Grill	Restaurants
Mountain Mike's Pizza	Restaurants	McDonald's Restaurants	Restaurants
Rite Aid Drug Stores	Drug Stores	Mountain Mike's Pizza	Restaurants
Round Table Pizza	Restaurants	Rite Aid Drug Stores	Drug Stores
Safeway Service Stations	Service Stations	Round Table Pizza	Restaurants
Safeway Stores	Food Markets	Shell Service Stations	Service Stations
Shell Service Stations	Service Stations	Starbucks Coffee	Food Markets
Taco Bell	Restaurants	Taco Bell	Restaurants
The Powder Keg Pub	Restaurants	The Powder Keg Pub	Restaurants
Union 76 Service Stations	Service Stations	Union 76 Service Stations	Service Stations
Willow Food & Liquor	Food Markets	Willow Food & Liquor	Food Markets

Source: MuniServices, LLC / Avenu Insights & Analytics Top Sales Tax Producers listed in alphabetical order.



City of Hercules

Ratio of Outstanding Debt by Type Last Ten Fiscal Years



Fiscal Year	Governmental Activities		
	Revenue Bonds	Loans & Lease, SBITA Purchases	Total
2015	16,405,000	6,432,404	22,837,404
2016	16,025,000	6,186,255	22,211,255
2017	15,625,000	5,933,111	21,558,111
2018	15,205,000	6,172,638	21,377,638
2019	14,760,000	6,004,485	20,764,485
2020	14,290,000	5,828,284	20,118,284
2021	14,261,843	9,768,525	24,030,368
2022	13,765,105	9,512,473	23,277,578
2023	13,160,739	9,185,625	22,346,364
2024	12,474,475	8,949,530	21,424,005

NOTE: Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of Hercules
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

(a) Demographic Statistics for personal income and population data.



City of Hercules **Ratio of Outstanding Debt by Type (Continued)** **Last Ten Fiscal Years**

Fiscal Year	Business-Type Activities			Total	Percentage of Personal Income (a)	Debt Per Capita (a)
	Revenue Bonds	Loans & Lease Purchases	Total			
2015	11,070,000	-	11,070,000	33,907,404	3.57%	1,355
2016	10,830,000	-	10,830,000	33,041,255	3.51%	1,306
2017	10,585,000	-	10,585,000	32,143,111	3.26%	1,244
2018	10,335,000	6,786,667	17,121,667	38,499,305	3.53%	1,483
2019	10,075,000	15,165,494	25,240,494	46,004,979	3.99%	1,754
2020	9,810,000	22,305,600	32,115,600	52,233,884	4.47%	2,046
2021	9,250,000	24,356,298	33,606,298	56,883,876	4.45%	2,199
2022	8,450,000	23,259,518	31,709,518	54,055,882	3.65%	2,072
2023	8,095,000	21,009,706	29,104,706	50,528,711	2.90%	1,921
2024	7,730,000	19,856,034	27,586,034	27,586,034	1.43%	1,058

NOTE: Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of Hercules
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

(a) Demographic Statistics for personal income and population data.





City of Hercules

Computation of Direct and Overlapping Debt

June 30, 2024

2023-24 Assessed Valuation: \$4,531,306,410

	Total Debt 6/30/24	% Applicable (a)	City's Share of Debt 6/30/24
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Bay Area Rapid Transit District	\$ 2,445,575	0.466%	\$ 11,396,380
Contra Costa Community College District	618,770	1.760%	10,890,352
John Swett Unified School District	69,003,280	7.179%	4,953,745
West Contra Costa Unified School District	1,107,363,504	10.781%	119,384,859
West Contra Costa Healthcare Parcel Tax Obligations	41,605,000	10.647%	4,429,684
East Bay Regional Park District	144,520	0.732%	1,057,886
California Statewide Communities development Authority Assessment Districts	3,821,521	100.000%	3,821,521
City of Hercules 1915 Act Bonds	2,289,541	100.000%	2,289,541
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 158,223,968
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Contra Costa County General Fund Obligations	\$ 171,495,000	1.754%	\$ 3,008,023
Contra Costa County Pension Obligation Bonds	-	0.000%	-
West Contra Costa Unified School District Certificates of Participation	3,205,000	10.781%	345,531
City of Hercules General Fund Obligations	12,716,619	100.000%	12,716,619
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 16,070,172
Less: Contra Costa County obligations supported from revenue funds			745,886
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 15,324,286
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$78,090,000	100%	\$ 78,090,000
TOTAL DIRECT DEBT			12,716,619
TOTAL GROSS OVERLAPPING DEBT			\$ 239,667,251
TOTAL NET OVERLAPPING DEBT			\$ 238,921,365
GROSS COMBINED TOTAL DEBT			\$ 252,383,870 (b)
NET COMBINED TOTAL DEBT			\$ 251,637,984

(a) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(b) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2023-24 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.36%
Total Direct Debt (\$14,041,843)	0.27%
Gross Combined Total Debt	5.36%
Net Combined Total Debt	5.35%

<u>Ratios to Redevelopment Successor Agency Incremental Valuation</u>	\$1,836,916,438
Total Overlapping Tax Increment Debt	4.25%

Source: Avenue Insights & Analytics
California Municipal Statistics, Inc.



City of Hercules **Legal Debt Margin Information** **Last Ten Fiscal Years**

	For the Fiscal Year Ended June 30, 2024				
	2015	2016	2017	2018	2019
Assessed Valuation	\$ 2,823,697,070	\$ 3,035,240,481	\$ 3,279,761,098	\$ 3,505,792,898	\$ 3,655,023,232
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 705,924,268	\$ 758,810,120	\$ 819,940,275	\$ 876,448,225	\$ 913,755,808
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 105,888,640	\$ 113,821,518	\$ 122,991,041	\$ 131,467,234	\$ 137,063,371
Total net debt applicable to limit:					
General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 105,888,640</u>	<u>\$ 113,821,518</u>	<u>\$ 122,991,041</u>	<u>\$ 131,467,234</u>	<u>\$ 137,063,371</u>
Total debt applicable to the limit as a percentage of debt limit ¹					

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department
County Tax Assessor's Office

¹ Section 43605 of the California Government Code for General Obligation Bonds.



City of Hercules
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years

	For the Fiscal Year Ended June 30, 2024				
	2020	2021	2022	2023	2024
Assessed Valuation	\$ 3,873,427,943	\$ 4,107,894,266	\$ 4,278,246,435	\$ 4,499,945,010	\$ 4,675,468,550
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 968,356,986	\$ 1,026,973,567	\$ 1,069,561,609	\$ 1,124,986,253	\$ 1,168,867,138
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 145,253,548	\$ 154,046,035	\$ 160,434,241	\$ 168,747,938	\$ 175,330,071
Total net debt applicable to limit: General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 145,253,548</u>	<u>\$ 154,046,035</u>	<u>\$ 160,434,241</u>	<u>\$ 168,747,938</u>	<u>\$ 175,330,071</u>
Total debt applicable to the limit as a percentage of debt limit ¹					

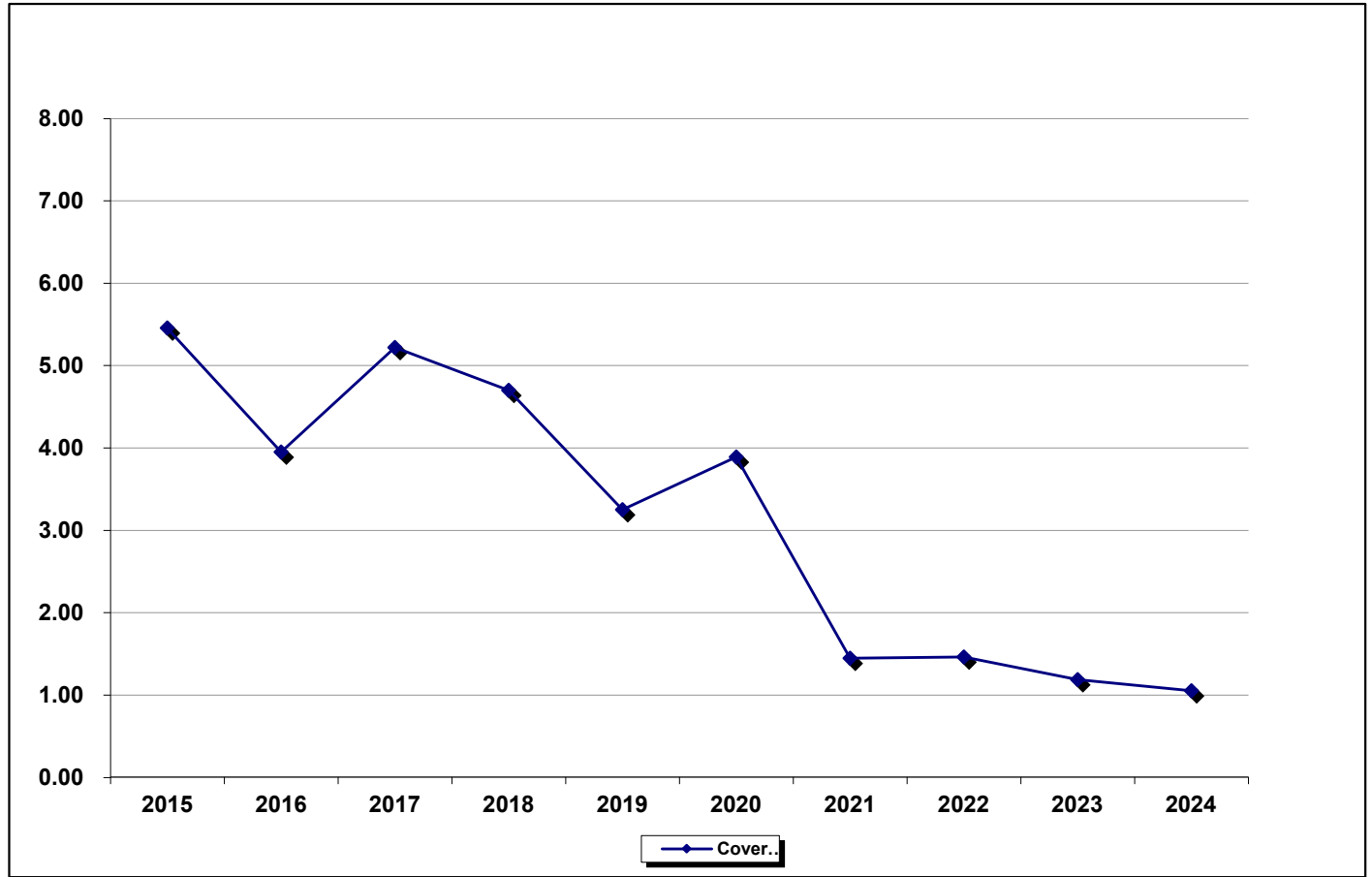
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Source: City Finance Department
County Tax Assessor's Office

¹ Section 43605 of the California Government Code for General Obligation Bonds.



City of Hercules Wastewater Fund Debt Coverage Last Ten Fiscal Years



Fiscal Year	Gross Revenue (a)	Revenues Not Available for Debt Service (b)	Operating Expenses (c)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2015	6,144,342	372,165	1,773,138	3,999,039	240,000	493,013	733,013	5.46
2016	5,629,550	-	2,733,393	2,896,157	245,000	487,856	732,856	3.95
2017	5,845,188	155,367	1,868,853	3,820,968	250,000	481,975	731,975	5.22
2018	6,345,495	510,645	2,380,221	3,454,629	260,000	474,950	734,950	4.70
2019	6,648,269	299,022	3,968,987	2,380,260	265,000	467,075	732,075	3.25
2020	6,220,998	-	3,367,478	2,853,520	275,000	458,631	733,631	3.89
2021	5,769,396	-	2,692,326	3,077,070	1,391,780	735,166	2,126,946	1.45
2022	5,852,278	-	3,493,308	2,358,970	1,096,780	515,729	1,612,509	1.46
2023	5,922,758	-	3,473,988	2,448,770	1,451,141	611,583	2,062,724	1.19
2024	5,891,836	-	3,709,347	2,182,489	1,528,672	544,758	2,073,431	1.05

NOTE: (a) Includes all Sewer Service Charges operating revenues, non-operating interest revenue, other non-operating revenue
 (b) Sewer Connection Fees and Sewer Facilities Fees
 (c) Includes all Sewer operating expenses, less depreciation and interest

Source: City of Hercules Annual Financial Statements



City of Hercules

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Total Personal Income	Per Capita Personal Income ⁽²⁾	Median Age	Public School Enrollment ⁽³⁾	County Unemployment Rate (%) ⁽⁴⁾	City Unemployment Rate (%) ⁽⁴⁾	County Population
2015	25,021	950,247,538	37,978	37.4	30,596	6.2%	4.1%	1,113,759
2016	25,299	942,311,853	37,247	37.6	30,973	5.0%	3.3%	1,128,574
2017	25,833	985,089,789	38,133	37.7	31,267	4.5%	4.0%	1,139,746
2018	25,964	1,089,501,368	41,962	37.8	31,649	3.8%	3.5%	1,147,879
2019	26,224	1,153,383,968	43,982	40.3	31,760	2.6%	2.3%	1,155,879
2020	25,530	1,167,844,320	45,744	40.2	32,143	13.6%	13.7%	1,153,561
2021	25,864	1,277,053,622	49,376	41.2	31,027	8.9%	8.8%	1,153,854
2022	26,091	1,479,733,584	56,714	41.7	30,071	2.7%	2.5%	1,156,555
2023	26,297	1,739,577,055	66,151	42.7	29,672	3.7%	3.4%	1,147,653
2024	26,063	1,928,864,510	74,008	42.6	29,528	3.9%	3.5%	1,146,626

Source: MuniServices, LLC / Avenu Insights & Analytics

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.

(1) Population Projections are provided by the California Department of Finance Projections.

(2) Income Data is provided by the U.S. Census Bureau and is adjusted for inflation.

(3) Student Enrollment reflects the total number of students enrolled in the West Contra Costa School District only. Any other school districts within the City are not accounted for in this statistic.

(4) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.



City of Hercules

Principal Employers

Current Fiscal Year and Four Years Ago

Business Name	2023-24		2019-20	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Bio-Rad Laboratories Inc	2,263	16.4%	2,406	17.3%
West Contra Costa Unified School District	297	2.15%	234	1.68%
Home Depot	167	1.21%	79	0.57%
Safeway	158	1.14%	0	0.00%
Pacific Bio Labs Inc	130	0.94%	94	0.68%
Contra Costa County Social Services	87	0.63%	104	0.75%
Lucky Supermarkets	60	0.43%	100	0.72%
City of Hercules	61	0.44%	52	0.37%
Benda Tool & Model Works Inc	47	0.34%	32	0.23%
Big Lots	29	0.21%	0	0.00%
Kinder's Meats & Deli BBQ & Catering	0	0.00%	40	0.29%
A & B Die Casting	0	0.00%	24	0.17%
Total Top 10 Employers	3,299	23.91%	3,165	22.77%
Total City Labor Force (1)	13,800		13,900	

Source: MuniServices, LLC \ Avenu Insights & Analytics
 Results based on direct correspondence with city's local businesses.
 (1) Total City Labor Force provided by EDD Labor Force Data.

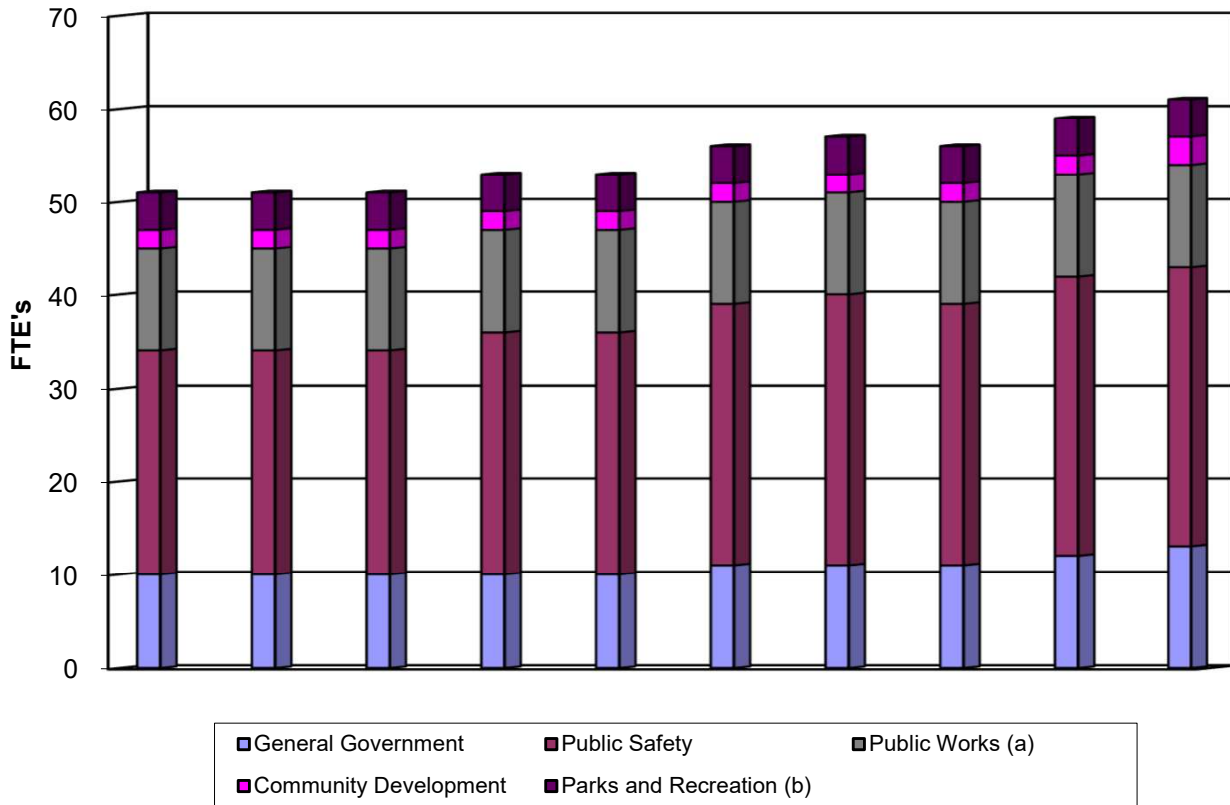
*2019-20 is the city's first ACFR Statistical publication,
 therefore, nine year ago data is unavailable.



City of Hercules

Full-Time Equivalent City Government Employees by Function

Last Ten Fiscal Years



	For the Fiscal Year Ended June 30, 2024									
Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government	10.00	10.00	10.00	10.00	10.00	11.00	11.00	11.00	12.00	13.00
Public Safety	24.00	24.00	24.00	26.00	26.00	28.00	29.00	28.00	30.00	30.00
Public Works ^(a)	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Community Development	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00
Parks and Recreation ^(b)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Total	51.00	51.00	51.00	53.00	53.00	56.00	57.00	56.00	59.00	61.00

NOTE:

(a) Public Works includes Wastewater and Solid Waste

(b) Parks and Recreation includes Library, Recreation and Park

Source: City of Hercules Operating Budget



City of Hercules

Operating Indicators by Function/Program

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2015	2016	2017	2018	2019
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	-	-	-	18,738	-
Number of Hospitals	-	-	-	-	-
Education:					
Student enrollment	3,007	2,928	2,799	2,823	2,823
Elementary schools	1,277	1,240	1,228	1,211	1,243
Junior high schools	724	673	636	632	584
High schools	1,006	1,015	935	980	996
Teachers (full & part time)	143	144	148	127	134
Function/Program					
Police:					
Police calls for Service	1,843	7,707	13,142	16,245	16,918
Law violations:					
Part I and Part II crimes	96	571	957	867	831
Physical arrests (adult and juvenile)	45	245	403	449	495
Traffic violations	85	518	793	1,074	1,383
Sewer					
Sewer service connections	8,235	8,265	8,271	8	8,327

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2020	2021	2022	2023	2024
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	14,804	-	14,213	-	-
Number of Hospitals	-	-	-	-	-
Education:					
Student enrollment	2,825	2,797	2,753	2,539	2,595
Elementary schools	1,296	1,327	1,305	1,215	1,262
Junior high schools	594	603	596	590	593
High schools	935	867	852	734	740
Teachers (full & part time)	127	125	124	124	113
Function/Program					
Police:					
Police calls for Service	29,935	16,192	26,071	25,196	24,223
Law violations:					
Part I and Part II crimes	1,162	1,689	1,445	1,266	1,060
Physical arrests (adult and juvenile)	398	508	528	624	480
Traffic violations	975	607	902	524	987
Sewer					
Sewer service connections	8,326	84,010	8,410	8,410	8,410

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2015	2016	2017	2018	2019
Planning & Building:					
Number of Building Permits issued	631	622	782	778	753
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	11	12	12	10	38
Number of youth attendees	723	519	250	637	550
Aquatics:					
Number of aquatics programs	4	4	4	4	4
Number of aquatics attendees	1,396	2,266	1,739	1,390	1,686
Recreation Classes:					
Number of recreation programs	7	6	7	7	7
Number of recreation attendees	2,366	709	441	914	817
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	12	9	11	11	11
Number of preschool/gradeschool attendees	3,358	2,900	2,949	3,510	3,319
Seniors:					
Number of senior programs	14	14	14	14	14
Number of senior attendees	10,415	10,707	11,445	10,573	12,577
Number of meals served	8,791	8,787	9,811	8,880	7,259
Finance:					
Number of Business Licenses issued	664	734	665	819	995

Source: City of Hercules



City of Hercules **Operating Indicators by Function/Program (Continued)** **Last Ten Fiscal Years**

	For the Fiscal Year Ended June 30,				
	2020	2021	2022	2023	2024
Planning & Building:					
Number of Building Permits issued	389	675	1,016	1,013	830
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	8	-	10	13	-
Number of youth attendees	112	-	243	178	-
Aquatics:					
Number of aquatics programs	2	4	9	308	328
Number of aquatics attendees	533	1,098	1,943	2,128	2,390
Recreation Classes:					
Number of recreation programs	4	3	16	24	397
Number of recreation attendees	124	16	500	398	3,746
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	8	-	11	9	9
Number of preschool/gradeschool attendees	869	-	2,510	2,482	3,755
Seniors:					
Number of senior programs	14	-	14	21	25
Number of senior attendees	2,778	-	5,984	15,655	21,045
Number of meals served	3,399	8,212	5,124	6,662	8,858
Finance:					
Number of Business Licenses issued	971	1,103	1,184	1,147	1,157

Source: City of Hercules



City of Hercules

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	For the Fiscal Year Ended June 30, 2023				
	2015	2016	2017	2018	2019
Police:					
Police stations	1	1	1	1	1
Public works:					
Miles of streets	58	58	58	58	58
Miles of bike lanes	7	7	7	7	7
Street and parking lot fixtures	1,466	1,466	1,466	1,466	1,494
Traffic Signals	14	14	14	14	14
Wastewater					
Miles of sanitary sewers	62	62	62	62	62
Recreation and Parks:					
City parks	11	11	11	11	11
City parks acreage	98	98	98	98	98
Playgrounds	7	7	7	7	7
City trails/Bike paths	1	1	2	2	2
Community Swim Center	1	1	1	1	1
Community centers	2	2	2	2	2
Performing arts centers					
Teen Center	1	1	1	1	1
Swimming pools (a)	2	2	2	2	2
Tennis courts (b)	8	8	8	8	8
Baseball/softball diamonds	2	2	2	2	2
Soccer/football fields (c)	1	1	1	1	1
Library:					
City Libraries	1	1	1	1	1

Source: City of Hercules



City of Hercules

Capital Asset Statistics by Function/Program (Continued)

Last Ten Fiscal Years

Function/Program	For the Fiscal Year Ended June 30, 2023				
	2020	2021	2022	2023	2024
Police:					
Police stations	1	1	1	1	1
Public works:					
Miles of streets	58	58	58	58	58
Miles of bike lanes	7	7	7	7	7
Street and parking lot fixtures	1,494	1,494	1,494	1,494	1,494
Traffic Signals	14	14	14	14	14
Wastewater					
Miles of sanitary sewers	62	62	62	62	62
Recreation and Parks:					
City parks	11	11	13	13	13
City parks acreage	98	98	99	99	99
Playgrounds	7	7	8	8	8
City trails/Bike paths	2	2	2	2	2
Community Swim Center	1	1	1	4	4
Community centers	2	2	4	1	1
Performing arts centers					
Teen Center	1	1	1	1	1
Swimming pools (a)	2	2	2	3	3
Tennis courts (b)	8	8	8	2	2
Baseball/softball diamonds	2	2	2	1	1
Soccer/football fields (c)	1	1	1	1	1
Library:					
City Libraries	1	1	1	1	1

Source: City of Hercules





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

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Hercules
Hercules, California

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 ("*Government Auditing Standards*"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hercules, California (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Honorable Mayor and the Members of the City Council
of the City of Hercules
Hercules, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 19, 2024