



CITY OF HERCULES

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

January 27, 2026



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Scope Of Work



Scope Of Work

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



Required Communications (AU-C 260)



Required Communications (AU-C 260)

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

Required Communications (AU-C 260)

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

Required Communications (AU-C 260)

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



Overview Of The Financial Statements and Financial Indicators



City of Hercules
Government-Wide Statement of Net Position
June 30, 2025

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

City of Hercules

Government-Wide Statement of Activities

For the Year Ended June 30, 2025

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

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

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

City of Hercules
General Fund Summary
Fund Balance
June 30, 2025 and 2024

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

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

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

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

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



Key Pension and OPEB Information



Net Pension Liability – Misc. Plan

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

Net Pension Liability – Safety Plan

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

Net Pension Liability – PEHMCA Plan

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

Net Pension Liability – SOMAR Plan

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



Financial Audit Results



Audit Results

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



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