



FISCAL YEAR

2024-2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2025

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, 2025**

Prepared by:
The Finance Department

City of Hercules
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For the Year Ended June 30, 2025
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CITY OF HERCULES
111 CIVIC DRIVE, HERCULES CA 94547
PHONE: (510) 799-8200

December 18, 2025

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

It is with great pleasure that we present the Annual Comprehensive Financial Report (ACFR) for the City of Hercules for the fiscal year ending June 30, 2025. The Finance Department has meticulously prepared this report in accordance with the financial reporting principles and standards set forth by the Governmental Accounting Standards Board (GASB). The City takes full responsibility for the accuracy of the financial data presented herein and the integrity of the disclosures made.

This report offers a thorough overview of the City's financial condition and the outcomes of its operations, as assessed through the various financial activities of its funds. The detailed disclosures included are intended to enhance the reader's understanding of the City's financial environment, emphasizing both its strengths and challenges.

The core financial statements have undergone a comprehensive audit conducted by The Pun Group, LLC, a respected and licensed public accounting firm qualified to perform audits for California's state and local governments. The primary objective of this independent audit was to provide reasonable assurance that the City's basic financial statements for the fiscal year ending June 30, 2025, are free from material misstatements. The findings of the independent auditors are presented as the initial component of the financial section of this report, establishing a foundation of trust and credibility.

In line with generally accepted accounting principles (GAAP), management is required to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the Management's Discussion and Analysis (MD&A). This informative section follows the independent auditors' report and is intended to be considered alongside it for a more complete understanding of the City's financial landscape.

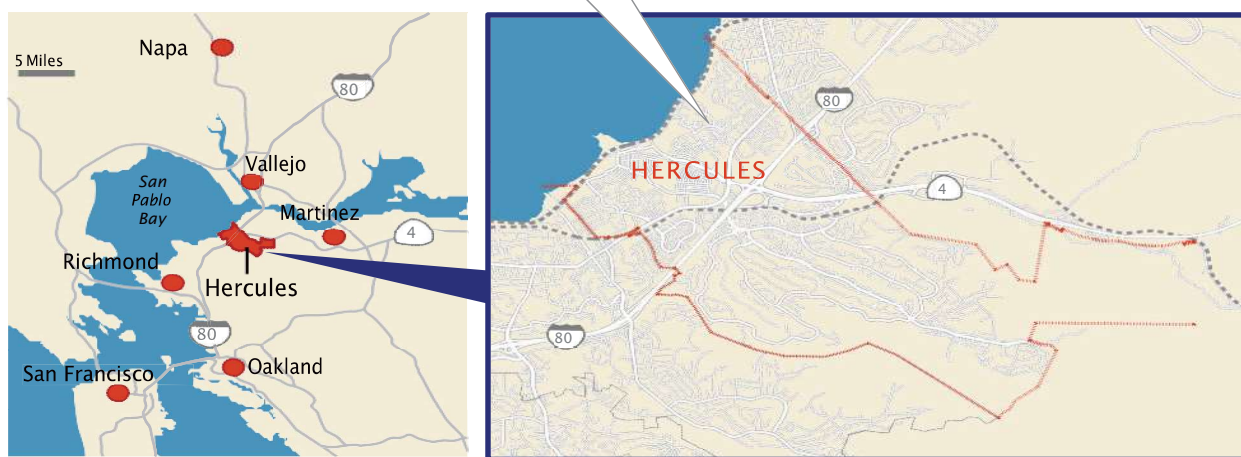
CITY PROFILE

The City of Hercules has a noteworthy history that has enabled its transition from a small company town to a thriving and dynamic community. In the late 19th century, the Industrial Revolution

significantly transformed the business landscape across the United States, with the California Powder Works company playing a pivotal role in this transformation and establishing what is now known as Hercules.

The City of Hercules has a noteworthy history that has enabled its transition from a small company town to a thriving and dynamic community. In the late 19th century, the Industrial Revolution significantly transformed the business landscape across the United States, with the California Powder Works company playing a pivotal role in this transformation and establishing what is now known as Hercules.

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.



On December 15, 1900, Hercules was officially organized and incorporated in accordance with the laws of the State of California. The City is located in western Contra Costa County, along the northeastern shore of San Pablo Bay. Its advantageous location along the I-80 corridor provides easy access to both San Francisco and Napa. The community is characterized by a diverse demographic, representing a variety of ethnic backgrounds and primarily exhibiting a suburban, family-oriented character. Additionally, there is an emerging New Urbanist, transit-oriented area along the bayfront.

Hercules operates under a "Council-Manager" form of government, in which the City Council appoints a City Manager as the Chief Executive Officer of the municipal corporation. The Council functions as the board of directors and is committed to conducting its business with transparency, actively encouraging public engagement in the governmental process. The City Council comprises five members elected at large, serving staggered, non-partisan four-year terms. Each December, the Council reorganizes and selects a Mayor and Vice Mayor, each serving for a term of one year.

With a workforce of 65 full-time staff members, Hercules serves an estimated population of 26,000 residents across a 19.99-square-mile area. The City offers a comprehensive range of municipal services, including public safety (police), street maintenance, public works, urban planning, building inspections, parks and recreation, and general administrative functions.

This report details the organizations and activities for which the elected City officials are financially responsible. The accompanying notes to the financial statements provide additional insights into the City's operations, representing it as a comprehensive financial reporting entity. On December 15, 1900, Hercules was officially organized and incorporated in accordance with the laws of the State of California. The City is located in western Contra Costa County, along the northeastern shore of San Pablo Bay. Its advantageous location along the I-80 corridor provides easy access to both San Francisco and Napa. The community is characterized by a diverse demographic, representing a variety of ethnic backgrounds and primarily exhibiting a suburban, family-oriented character. Additionally, there is an emerging New Urbanist, transit-oriented area along the bayfront.

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ECONOMIC CONDITION AND OUTLOOK

The City has made substantial progress in alignment with its strategic priorities. It has successfully adopted a balanced budget and implemented programs to incentivize the establishment of preferred dining and drinking establishments by alleviating move-in costs. Furthermore, the City has advanced the vision for the Hercules Hub by securing \$850,000 in federal funding through Congressman John Garamendi's office, which is essential to advancing the project through the design phase. In addition, the City has taken on the role of Housing Successor to the former Hercules Redevelopment Agency. This significant action by the City Council effectively unlocks millions of dollars in assets previously held by the Redevelopment Agency, allowing for strategic investments in new affordable housing solutions.

MAJOR INITIATIVES

The City of Hercules' major initiatives for 2025 include the General Plan Update, a significant infrastructure and development project known as the Hercules Hub, and multiple projects under the Fiscal Year 2025-26 Capital Improvement Program (CIP). Furthermore, the City transitioned to a new electricity provider, Marin Clean Energy (MCE), in April 2025.

Key Initiatives and Projects:

- **General Plan Update:** This initiative marks the first update to the city's General Plan in 25 years, aiming to establish a comprehensive long-term roadmap for land use, housing, transportation, and economic development through the year 2050.
- **Capital Improvement Program (CIP):** The CIP comprises 40 projects aimed at maintenance and development across various sectors, including:
 - **Streets:**
 - Bay Trail wall repair
 - Rehabilitation of Falcon Way pavement
 - Implementation of traffic calming measures on John Muir Parkway
 - **Buildings and Facilities:**
 - Construction of police lobby areas
 - Upgrades to heating, ventilation, and air conditioning (HVAC) systems and electrical infrastructure at community centers
 - Dredging of Refugio Lake
 - **Parks:**
 - Construction of a picnic area and shade structures at Refugio Park
 - Resurfacing of the recreational court at Foxboro Park
 - Final design stages for improvements at Beechnut Park
- **Hercules Hub:** The Hercules Hub project is a major development initiative aimed at establishing an interconnected transportation center, which will integrate bus, rail, and ferry services, alongside residential and retail components.
- **Electricity Provider:** In April 2025, the city successfully transitioned to MCE as its electricity provider, which focuses on delivering lower energy costs and enhancing renewable energy options for residents and businesses alike.

The City of Hercules remains committed to advancing these initiatives, which are poised to enhance community infrastructure and services significantly.

BUDGETARY CONTROL

The City upholds strong budgetary controls through the annual budget approved by the City Council. These controls ensure compliance with the provisions established in the authorized budget. Each year, City departments collaborate closely with the City Manager and the Finance Department to develop their operating budget requests. The City Manager and Finance Director conduct a thorough review of these requests and subsequently provide informed recommendations to the City Council regarding the overall budget.

While budgetary control is primarily managed at the fund level, the City has implemented appropriation and transfer procedures to enhance internal controls, ensure accountability, and promote administrative responsiveness. All budget transfers require review and approval from the Finance Director or their designee. Additionally, transfers that affect salaries and benefits require review and approval by the City Manager or their designee.

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 holds the authority to approve budget transfers within designated line items of a General Fund department or its associated funds, as specified in the budget resolution. Furthermore, the City employs encumbrance accounting as a strategic mechanism to ensure effective budget management. An encumbrance signifies a commitment to future expenditures allocated for specific purposes, thus minimizing the available budget for general spending.

At the conclusion of each fiscal year, encumbered appropriations, uncompleted capital appropriations, Participatory Budgeting allocations, and grant projects are carried forward into the subsequent year's budget. Conversely, unencumbered appropriations do not carry over and expire at the end of the fiscal year.

The City remains committed to sound financial management, a principle that is thoroughly reflected in the statements and schedules presented in the financial section of this report.

INTERNAL CONTROL

The City's management is responsible for establishing and maintaining robust internal controls to safeguard City assets from loss, theft, or misuse. In addition to protection, these controls ensure the collection of comprehensive accounting data necessary for the preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

These internal controls are designed to provide reasonable assurance—though not absolute—that the stated objectives are achieved. The concept of reasonable assurance considers that the costs of implementing a control should not exceed the anticipated benefits. Careful estimation and sound management judgment are essential when evaluating these costs and benefits.

All assessments of internal controls are carried out within this established framework. City management expresses confidence that the current internal accounting controls adequately protect assets and provide reasonable assurance concerning the accurate recording of financial transactions.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the City a Certificate of Achievement for Excellence in Financial Reporting in recognition of its Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2024. This accolade signifies the highest standards in governmental accounting and financial reporting.

To attain this esteemed recognition, the City must produce an ACFR that is clear and well-organized and that complies with all applicable program standards. The report must adhere to Generally Accepted Accounting Principles (GAAP) and relevant legal requirements. It is important to note that the Certificate of Achievement is conferred for one year.

We are confident that our current ACFR meets the criteria established by the Certificate of Achievement Program. Accordingly, we will submit the report to the GFOA for evaluation to assess its eligibility for the renewal of this distinguished certificate.

ACKNOWLEDGEMENTS

The preparation and publication of this Annual Comprehensive Financial Report (ACFR) have been made possible through the exceptional efforts, dedication, and collaboration of the entire Finance Department, along with the invaluable support from all City departments.

We would like to extend our heartfelt appreciation to our Finance staff—Deysi Ortega, Senior Accountant; Nahid Vafadari, Accounts Payable Technician; and Steve Fox, Payroll Technician—for their diligent cooperation with our auditors in finalizing this report. We are also grateful to The Pun Group, LLC, the City's audit firm, for their professional assistance and guidance throughout this process.

Additionally, we acknowledge and appreciate the vision and continuous support of the Mayor and the City Council, which play a vital role in our pursuit of economic viability and long-term fiscal stability.

Respectfully submitted,



Dante Hall
City Manager



Edwin Gato
Finance Director



CITY COUNCIL



DION BAILEY

Mayor



CHRIS KELLEY

Vice Mayor



**ALEXANDER WALKER-
GRIFFIN**

Council Member



DILLI BHATTARAI

Council Member



TIFFANY GRIMSLEY

Council Member

DEPARTMENT HEADS

Dante Hall, City Manager

Christine Crowl, City Attorney

Eibleis Melendez, City Clerk

Glenn Dombeck, Public Works Director

Joseph Vasquez, Police Chief

Edwin Gato, Finance Director

Christopher Roke, Parks & Recreation Director

Timothy Rood, Community Development Director

FINANCE COMMITTEE

Dennis Esselsagoe, Chair

Edward Ulle, Commissioner

Janet Stallman, Commissioner

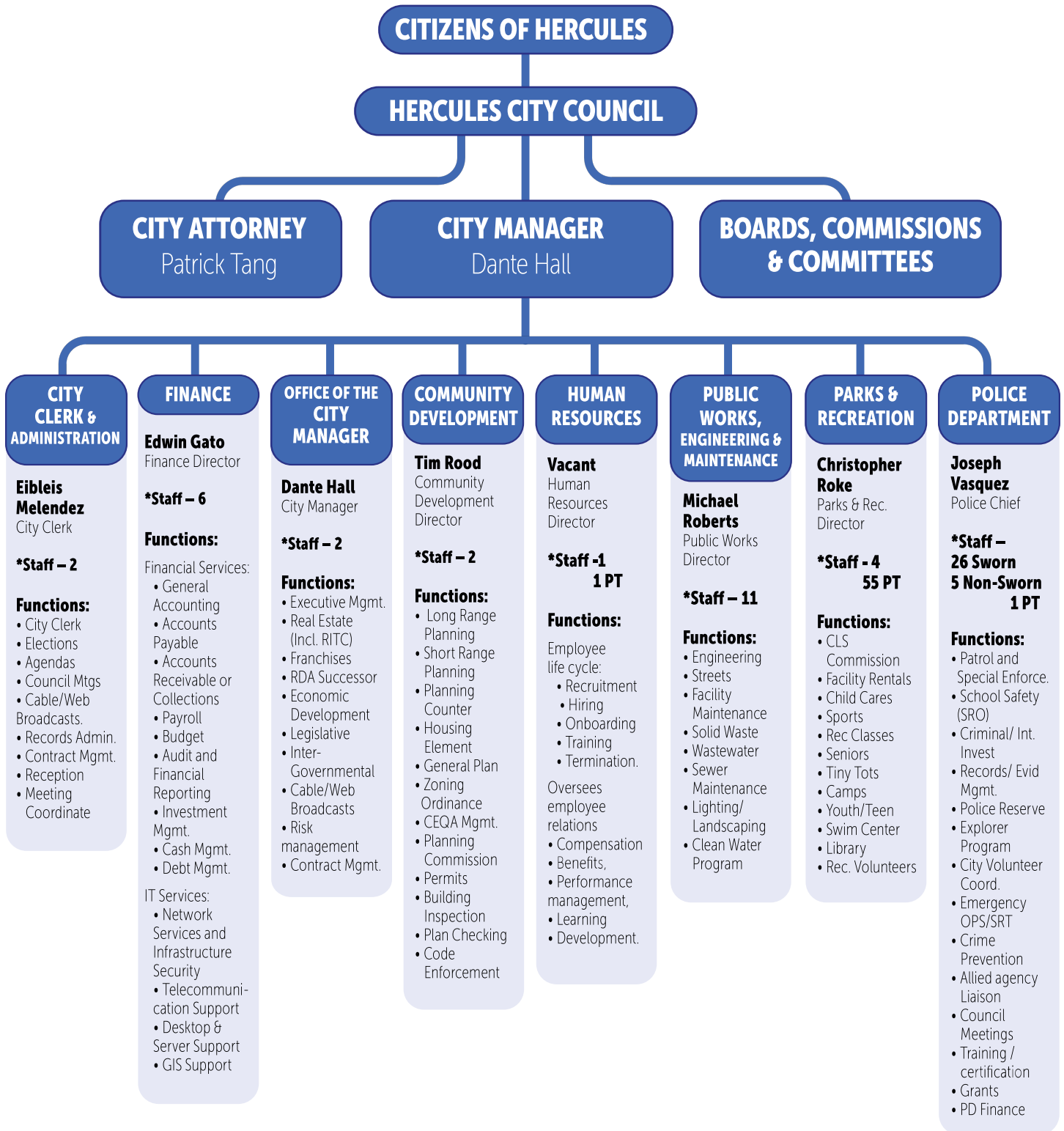
Sam Ahmad, Commissioner

Rupinder Sandhu, Commissioner



FY 2024-25 CITY OF HERCULES

ORGANIZATION CHART SENIOR MANAGEMENT



*includes department heads



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, 2024

Christopher P. Morill

Executive Director/CEO





INDEPENDENT AUDITOR'S 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 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, 2025, 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 accompanying 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, 2025, 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 Auditor's 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.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Notes 1 and 17 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* during the year ended June 30, 2025. The adoption of this standard resulted in the restatement of the City's net position as of June 30, 2024. Our opinion is not modified with respect to this matter.

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.

Auditor's 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 auditor's 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.

To the Honorable Mayor and the Members of the City Council
of the City of Hercules
Hercules, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025, 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.

The PwC Group, LLP

Santa Ana, California
December 18, 2025

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



CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2025

In this section of the City of Hercules' annual financial report, the management team provides a comprehensive narrative discussion and analysis of the City's financial activities for the fiscal year that ended on June 30, 2025. The purpose of this analysis is to offer insights into the City's financial performance, highlighting key developments and trends. Unless otherwise indicated, the discussion focuses solely on the City's primary governmental activities, intentionally excluding separately reported component units such as affiliated organizations or special districts. Readers are strongly encouraged to review the detailed information presented alongside the accompanying financial statements and disclosures that follow this narrative, as these documents offer essential context and supporting details regarding the City's overall financial position and operations.

FINANCIAL HIGHLIGHTS

- As of June 30, 2025, the City's financial position is strong, with total assets and deferred outflows exceeding liabilities and deferred inflows by \$122,098,662. Of this amount, \$16,627,247 is restricted for specific projects, while \$81,614,432 is invested in capital assets. The unrestricted net position totals \$23,856,983, providing the City with the flexibility to meet operational needs and commitments to residents and creditors. This demonstrates the City's commitment to sound financial management. The restricted portion of the net position has increased by 24% compared to the previous year. This growth indicates that the revenues allocated to specific streets, roads, and development projects have surpassed the related expenses during this period. This favorable financial outcome is primarily due to the timing of expenditures associated with these projects. Additionally, the increased contributions to the pension fund have further contributed to this rise.
- The City's governmental funds have reported a total ending fund balance of \$47,149,157. Within this total, \$12,940,949 is explicitly allocated to address the City's immediate and forthcoming financial obligations. This available balance serves as a critical resource for supporting public services and initiatives that contribute to the community's well-being. Furthermore, the fund balance for governmental funds has increased by 5%, predominantly due to revenues designated for specific development projects, reflecting the timing of related expenditures, and an additional contribution to the pension fund.
- 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 \$7,139,026 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 accounting for depreciation and amortization, has declined to \$124,030,224, down from \$126,424,507. This decrease is attributed to the depreciation and amortization of assets, which represents the systematic allocation of asset costs over their useful lives, leading to a reduction in their book value.

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, 2025

- 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, 2025

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 \$122,098,662. 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, 14% 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, 2025

Condensed Statements of Net Position

The following is a condensed Statement of Net Position as of June 30, 2025 and June 30, 2024 which allows for analysis of the City's net position as a whole.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 62,256,807	\$ 59,060,202	\$ 16,631,842	\$ 17,314,937	\$ 78,888,649	\$ 76,375,139
Capital assets	73,833,304	76,635,566	50,196,920	49,788,941	124,030,224	126,424,507
Total assets	136,090,111	135,695,768	66,828,762	67,103,878	202,918,873	202,799,646
Deferred Outflows of Resources						
Related to OPEB	1,038,699	932,643	53,726	48,240	1,092,425	980,883
Related to pensions	5,705,985	7,675,747	278,792	400,110	5,984,777	8,075,857
Total Deferred Outflows of Resources	6,744,684	8,608,390	332,518	448,350	7,077,202	9,056,740
Liabilities						
Long-term Liabilities	43,855,966	42,672,778	27,217,663	27,236,668	71,073,629	69,909,446
Other Liabilities	4,259,075	5,159,088	1,188,225	3,243,022	5,447,300	8,402,110
Total Liabilities	48,115,041	47,831,866	28,405,888	30,479,690	76,520,929	78,311,556
Deferred Inflows of Resources						
Related to OPEB	2,166,260	2,008,555	112,048	103,891	2,278,308	2,112,446
Related to pensions	719,106	1,539,203	45,959	85,610	765,065	1,624,813
Leases	8,333,111	8,511,136	-	-	8,333,111	8,511,136
Total Deferred Inflows of Resources	11,218,477	12,058,894	158,007	189,501	11,376,484	12,248,395
Net Position:						
Net Investment in Capital Assets	58,084,454	59,889,211	23,529,978	20,884,471	81,614,432	80,773,682
Restricted	16,609,847	13,368,313	17,400	-	16,627,247	13,368,313
Unrestricted	8,806,976	11,155,874	15,050,007	15,998,566	23,856,983	27,154,440
Total Net Position	\$ 83,501,277	\$ 84,413,398	\$ 38,597,385	\$ 36,883,037	\$ 122,098,662	\$ 121,296,435

Note: A change in accounting estimate is treated prospectively, prior periods are not restated.

A significant component of the City's net position, amounting to \$81,614,432, represents the net value of its capital assets. These assets encompass land, easements, buildings, improvements, infrastructure, and various types of equipment. The net investment in Capital Assets is determined by subtracting any outstanding debt associated with the acquisition of these assets. The City uses these capital assets to deliver essential services to its residents, indicating 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 remainder of City's net position is divided into two portions: restricted and unrestricted. The restricted portion amounts to \$16,627,247, representing resources that have external restrictions imposed by grantors and other governments.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

Meanwhile, the unrestricted portion of the City's net position is \$23,856,983. 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.

Statement of Activities

The following is a condensed Statement of Activities for the fiscal years ended June 30, 2025 and June 30, 2024:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Fees, Fines and Charges for Services	\$ 4,143,161	\$ 3,388,496	\$ 6,330,489	\$ 5,891,836	\$ 10,473,650	\$ 9,280,332
Operating Grants/Contributions	6,237,477	6,413,314			6,237,477	6,413,314
Capital Grants/Contributions	364,310	1,909,108			364,310	1,909,108
General revenues						
Property taxes	1,732,539	1,653,626			1,732,539	1,653,626
Sales taxes	5,669,937	5,753,278			5,669,937	5,753,278
Franchise taxes	918,508	972,391			918,508	972,391
Utility users taxes	4,212,443	4,011,166			4,212,443	4,011,166
Other taxes	1,742,620	952,561			1,742,620	952,561
Motor Vehicles Taxes In-Lieu	2,655,580	2,556,520			2,655,580	2,556,520
Interest and Investment Income	2,997,835	3,076,628	905,811	851,980	3,903,646	3,928,608
Total revenues	<u>30,674,410</u>	<u>30,687,088</u>	<u>7,236,300</u>	<u>6,743,816</u>	<u>37,910,710</u>	<u>37,430,904</u>
Expenses						
General Government	6,232,379	5,378,751			6,232,379	5,378,751
Public Safety	10,636,628	10,027,823			10,636,628	10,027,823
Streets and Public Works	8,797,923	8,736,149			8,797,923	8,736,149
Parks and Recreation	3,254,269	2,955,545			3,254,269	2,955,545
Community Development	1,271,429	1,297,680			1,271,429	1,297,680
Interest on Long-Term Debt	873,180	1,022,790			873,180	1,022,790
Wastewater			5,487,763	5,262,133	5,487,763	5,262,133
Total expenses	<u>31,065,808</u>	<u>29,418,738</u>	<u>5,487,763</u>	<u>5,262,133</u>	<u>36,553,571</u>	<u>34,680,871</u>
Increase (Decrease) in Net Position before special item	(391,398)	1,268,350	1,748,537	1,481,683	1,357,139	2,750,033
Net Position - Beginning	84,413,398	83,145,048	36,883,037	35,401,354	121,296,435	118,546,402
Change in accounting principle (GASB 101)*	(520,723)	-	(34,189)	-	(554,912)	-
Net Position - Ending	<u>\$ 83,501,277</u>	<u>\$ 84,413,398</u>	<u>\$ 38,597,385</u>	<u>\$ 36,883,037</u>	<u>\$ 122,098,662</u>	<u>\$ 121,296,435</u>

*Note: A change in accounting estimate is treated prospectively, prior periods are not restated.

The net position has increased by 1% year over year, primarily due to higher tax revenues. This increase in tax revenues is mainly attributable to the Utility Users' Tax (UUT). In November 2022, voters approved continuing the UUT rate at 8% through Measure N. Consequently, although the percentage remains unchanged, rising costs for electricity, gas, telecommunications, and waste management services have naturally led to higher tax revenues.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

Governmental Activities Revenues

Governmental activities revenues are classified into two primary categories: Program Revenues and General Revenues. Program Revenues comprise charges for services, including traffic safety fines, licenses, permits, plan check fees, building inspections, and various construction-related fees. This category also includes contributions and grants, which encompass amounts provided by developers and financial assistance from state and federal government entities. Conversely, General Revenues consist of general taxes, such as property and sales taxes. In the most recent fiscal year, total revenues experienced an increase of \$479,806 compared to the prior year.

- Charges for services have increased by \$754,665 million, or 22%, compared to the previous year, mainly due to enhanced activities within the Parks and Recreation programs.
- Operating grants and contributions have declined by 3% relative to the prior year, primarily due to a reduction in the number of awards from external agencies.
- Capital contributions and grants decreased by \$1.5 million, or 81%, from the previous year, largely due to a significant slowdown in activities associated with grant-funded capital projects.
- Property taxes have risen by 5% compared to the prior year, reflecting continued growth in residential assessed property values.
- Sales taxes have decreased by 1% when compared to the previous year, indicative of a normalization in sales trends.
- The utility users' tax has increased by 5% from the previous year, which aligns with the ongoing rise in utility costs.
- Additionally, other taxes have risen by \$790,059, or 83%, compared to the previous year. This increase is primarily due to the distribution of excess funds resulting from California's Redevelopment Agency (RDA) oversight process, where remaining funds after fulfilling "Recognized Obligation Payment Schedule" (ROPS) obligations are allocated to local taxing entities.

Governmental Activities Expenses

Governmental activities expenses, excluding transfers, have increased by \$1.7 million, representing a 6% growth compared to the previous year. The most significant increases in expenditures are observed in the following areas: general government expenditures, which rose by 16%; public safety costs, which increased by 6%; and parks and recreation costs, which went up by 10%. A substantial portion of this increase in expenses is attributed to personnel costs, including escalating pension benefit expenses, as well as enhanced funding for parks and recreation programs resulting from the ongoing reopening of these initiatives following COVID-19 closures.

Business-Type Activities

As of June 30, 2025, the net position of business-type activities amounted to \$38.5 million, representing an increase of \$1.7 million from the prior fiscal year. Program revenues totaled \$7.2 million, while program expenses totaled \$5.5 million.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

Utility service charges comprise 87% of the overall revenue generated by the City's enterprise funds, with the predominant portion of revenue stemming from sewer service fees. Notably, revenue from sewer collections increased by \$438,653, or 7%, primarily due to a rate adjustment implemented to address rising costs for operations, maintenance, and critical infrastructure improvements required for the aging sewer system. This adjustment reflects a proactive strategy to ensure the sustainability and reliability of essential services.

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.

As of June 30, 2025, the City's governmental funds reported a combined fund balance of \$47,149,157, indicating an increase of \$2,341,603. This positive trend is mainly due to a strong local economy, which has enhanced local tax revenues.

Several factors have contributed to this growth, including increased revenues from the Utility User Tax (UUT) due to rising utility costs, improved investment income, and a commitment to conservative fiscal management. It is important to emphasize that the City is adopting a prudent budgeting approach in response to potential economic uncertainties that could lead to a recession. This strategy is designed to ensure financial stability and readiness for future challenges. Furthermore, \$12,940,949 of the total fund balances is categorized as an unassigned fund balance, which is available to address the City's current and future financial requirements.

General Fund

The General Fund is the City's primary operating fund. As of June 30, 2025, the unassigned fund balance is recorded at \$13,802,029, resulting in a total fund balance of \$32,731,580. A detailed analysis of the unassigned and total fund balances in relation to total fund expenditures provides valuable insights into the liquidity of the General Fund. The unassigned fund balance constitutes 67% of total General Fund expenditures, while the total fund balance represents 158%. It is important to note that the fund balance has decreased by \$2,216,204, primarily due to one-time investments in capital projects designed to enhance the City's streets, parks, and facilities.

Landscape and Lighting Assessment District (LLAD) No. 83-2

The fund balance for Landscape & Lighting Assessment District (LLAD) No. 83-2 has increased by \$477,187. The increase in the fund balance is attributed to an assessment fee, which is based on a 2.37% rise in the Consumer Price Index (CPI). This amount will be allocated for the ongoing maintenance of landscaping and operational streetlights along public streets, as well as for fire breaks adjacent to open spaces.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

Hercules Debt Service Fund

The Hercules Debt Service Fund recorded an increase in its fund balance of \$113,807. The resources entering the fund exceed the total resources, ensuring sufficient funds are allocated from various sources to meet upcoming debt service obligations.

Other Governmental Funds

Additionally, other governmental funds experienced a combined increase of \$3,966,809 in their fund balances, which will be allocated to specific purposes based on constraints that classify them as restricted, committed, or assigned. Any residual negative balance in these funds would be reported as unassigned. The significant increase in fund balance is primarily attributable to City's investment to capital projects, funding the deferred infrastructure upgrade and maintenance.

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

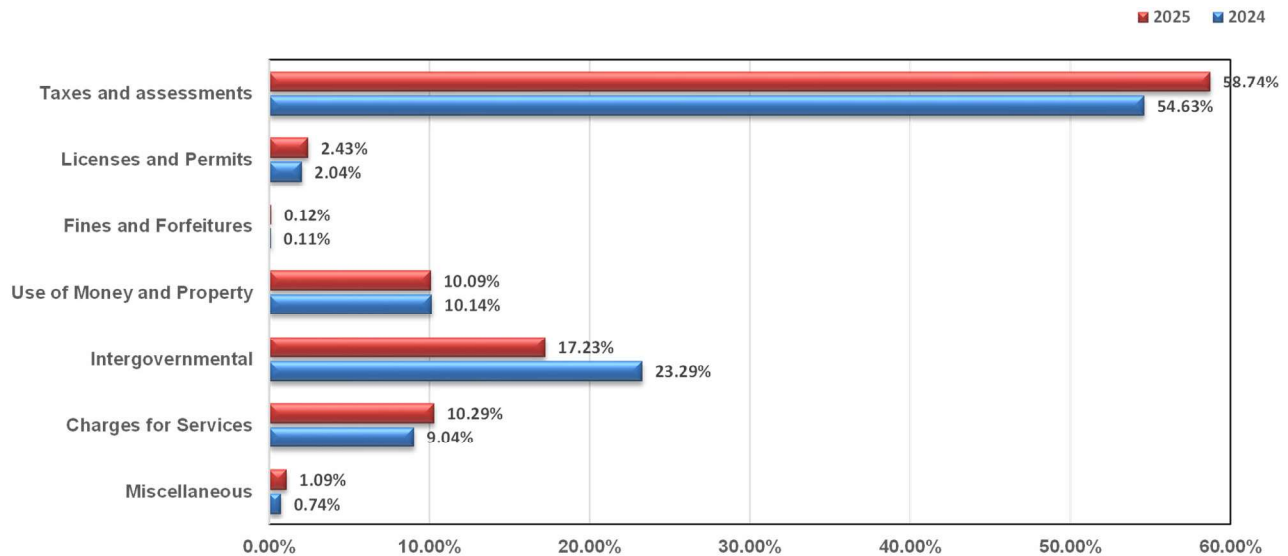
	2025		2024		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes and assessments	\$ 17,837,080	58.74%	\$ 16,617,812	54.63%	\$ 1,219,268	7.34%
Licenses and Permits	738,897	2.43%	621,826	2.04%	117,071	18.83%
Fines and Forfeitures	37,136	0.12%	34,409	0.11%	2,727	7.93%
Use of Money and Property	3,065,119	10.09%	3,085,819	10.14%	(20,700)	-0.67%
Intergovernmental	5,233,335	17.23%	7,085,810	23.29%	(1,852,475)	-26.14%
Charges for Services	3,126,167	10.29%	2,750,986	9.04%	375,181	13.64%
Miscellaneous	330,584	1.09%	223,696	0.74%	106,888	47.78%
	\$ 30,368,318	100.00%	\$ 30,420,358	100.00%	\$ (52,040)	-0.17%

Total revenue from governmental funds decreased by \$52,040, or 0.17%. This shift in revenue was due to a 17% increase in charges for services, licenses, permits, and miscellaneous revenues compared to the previous year. However, this positive development was counterbalanced by a 26% reduction in intergovernmental revenues, primarily due to decreased grant reimbursements as capital projects reached completion.

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

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

Revenue by Source – Governmental Funds



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

Expenditures Classified by Function
Governmental Funds

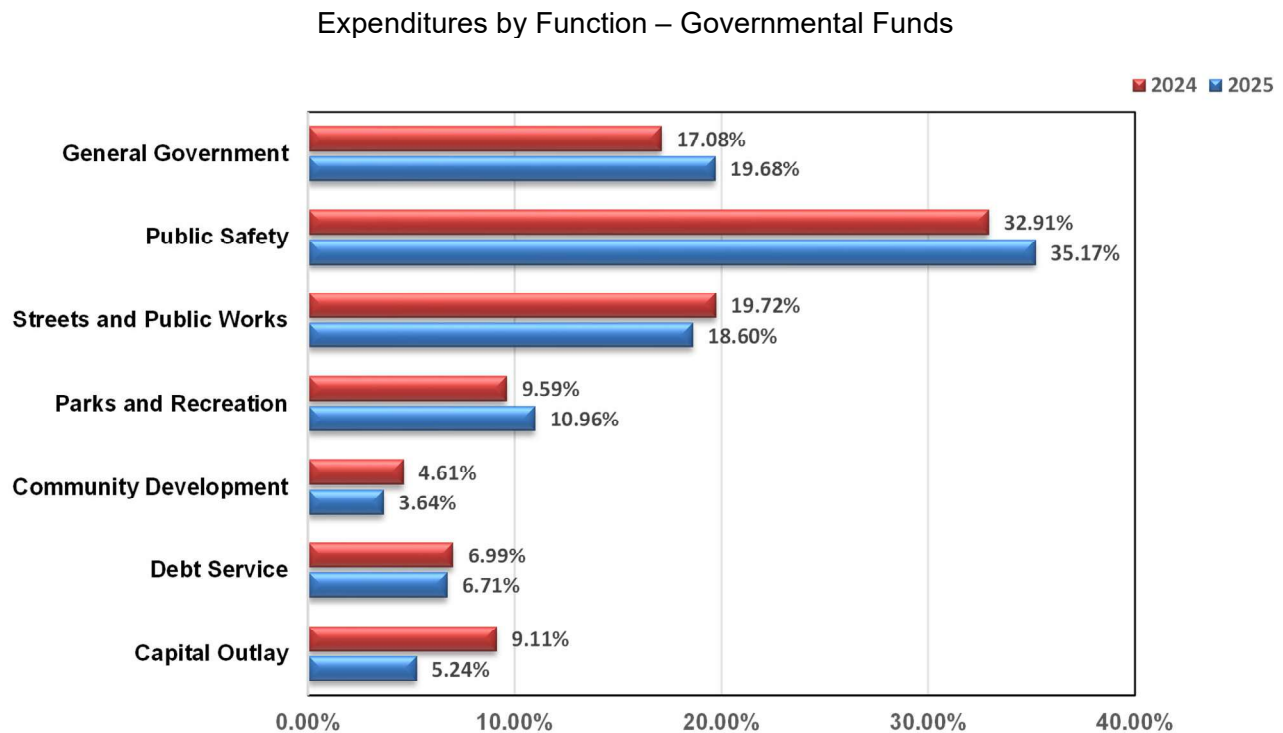
	2025		2024		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General Government	\$ 5,559,903	19.68%	\$ 4,768,426	17.08%	\$ 791,477	16.60%
Public Safety	9,934,449	35.17%	9,184,101	32.91%	750,348	8.17%
Streets and Public Works	5,253,403	18.60%	5,503,214	19.72%	(249,811)	-4.54%
Parks and Recreation	3,095,102	10.96%	2,677,208	9.59%	417,894	15.61%
Community Development	1,028,404	3.64%	1,285,428	4.61%	(257,024)	-20.00%
Debt Service	1,896,102	6.71%	1,950,588	6.99%	(54,486)	-2.79%
Capital Outlay	1,479,731	5.24%	2,541,812	9.11%	(1,062,081)	-41.78%
	\$ 28,247,094	100.00%	\$ 27,910,777	100.00%	\$ 336,317	1.20%

During the fiscal year ending June 30, 2025, total governmental funds expenditures increased by \$336,317, a 1.20% increase over the previous year. This growth can be attributed to several key factors. First, salary adjustments played a significant role, reflecting a commitment to fair compensation practices. Additionally, the ongoing reopening of Parks and Recreation programs revitalized community activities, leading to increased overall spending. Significantly, these rising costs are offset by user fees.

In contrast, expenditures for capital projects and community development declined, as most of the projects were completed during this fiscal year. It is also crucial to recognize that fluctuations in operational costs can affect budgeting in unpredictable ways. It is also important to acknowledge that variations in costs due to normal operational fluctuations can affect budgeting in unpredictable ways.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

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 \$23,529,978. Additionally, the fund reflected a robust unrestricted net position of \$15,050,007, indicating a solid financial standing that supports ongoing operations and future investments.

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.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

At the end of the fiscal year, the total net position of the internal service funds amounted to \$1,661,931. This total includes \$725,240 allocated for strategic capital investments in vital assets, such as vehicles and technological infrastructure. However, it is essential to note that the net position decreased by \$212,546. This decline was primarily due to significant expenditures related to replacing aging vehicles, equipment, and the City's facilities. This reflects the City's commitment to operational efficiency and maintaining a high quality of service.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Hercules has adopted a well-structured Fiscal Year (FY) 2024-25 General Fund Budget totaling \$19.4 million, which strikes a careful balance between revenues and expenditures. This budget, approved in June 2024, is designed to ensure the continued delivery of vital core services, including police protection, park maintenance, and road upkeep, while also paving the way for future development. Notable highlights include significant funding for a range of park projects, including the installation of inviting shade structures at Refugio Park and the comprehensive redesign of Beechnut Park. Additionally, essential repairs for public buildings will be prioritized to maintain their functionality and enhance community spaces. Ultimately, the budget seeks to improve residents' quality of life, even amid constrained resources.

Key Budget Highlights:

- **Balanced Budget:** The FY 2024-25 budget successfully aligns revenues with expenditures, maintaining reserves to safeguard against economic uncertainties.
- **Total Budget:** The overall budget for FY 2024-25 stands at approximately \$19.4 million, reflecting a commitment to prudent financial management.
- **Strategic Goals:** This budget aligns seamlessly with the Council's 2024-26 Strategic Goals, which focus on fostering an improved quality of life and creating opportunities within the Hercules community.
- **Core Services:** A significant portion of the budget is directed toward sustaining essential services, ensuring residents benefit from effective police services, well-maintained parks, and reliable road networks.
- **Capital Improvement & Parks Focus:**
 - **Refugio Park:** Allocated funds will support the construction of a welcoming picnic area and shade structures, enhancing usability and enjoyment for all visitors.
 - **Beechnut Park:** The budget will facilitate progress on the final design for exciting improvements that aim to transform this space into a community hub.
 - **Foxboro Park:** Plans are in place to resurface the recreational courts, ensuring safe and attractive areas for sports and community activities.
 - **Public Buildings:** The budget also includes critical repairs for City Hall, the Community Swim Center, and the Ohlone Community Center, ensuring these facilities continue to serve the needs of the community effectively.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

CAPITAL ASSETS

As of June 30, 2025, the City has made a substantial investment in capital assets for both its governmental and business-type activities, amounting to \$124,030,224 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	
	2025	2024	2025	2024	2025	2024
Land	\$ 5,081,587	\$ 5,081,587	\$ 191,700	\$ 191,700	\$ 5,273,287	\$ 5,273,287
Construction in progress	2,013,320	1,565,252	-	13,642,030	2,013,320	15,207,282
Land Improvements	16,001,080	16,001,080	-	-	16,001,080	16,001,080
Buildings & Improvements	26,839,133	26,792,183	11,335,198	38,325,271	38,174,331	65,117,454
Equipment	8,027,665	7,892,230	250,345	250,345	8,278,010	8,142,575
Infrastructure	115,367,125	115,367,125	57,016,465	14,945,319	172,383,590	130,312,444
Intangible - Right to Use Assets	342,208	99,859	-	-	342,208	99,859
Total	173,672,118	172,799,316	68,793,708	67,354,665	242,465,826	240,153,981
Accumulated Depreciation and Amortization	(99,838,814)	(96,163,750)	(18,596,788)	(17,565,724)	(118,435,602)	(113,729,474)
Net Capital Assets	\$73,833,304	\$76,635,566	\$50,196,920	\$49,788,941	\$124,030,224	\$126,424,507

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 \$45,125,726 in outstanding long-term obligations. This amount encompasses \$16,339,558 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.

Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2025	2024*	2025	2024*	2025	2024
Bonds Payable	\$ 11,984,558	\$ 12,716,619	\$ 4,355,000	\$ 7,730,000	\$ 16,339,558	\$ 20,446,619
Unamortized Discount/Refunding	(224,847)	(242,144)	-	-	(224,847)	(242,144)
Lease Payable	3,752,666	3,878,809	-	-	3,752,666	3,878,809
Subscription Liability	182,449	33,133	-	-	182,449	33,133
Loans Payable	4,961,455	5,037,588	18,682,749	19,856,034	23,644,204	24,893,622
Compensated Absences	1,344,198	1,258,334	87,498	90,235	1,431,696	1,348,569
Total	22,000,479	22,682,339	23,125,247	27,676,269	45,125,726	50,358,608
Less Current Portion	(2,069,317)	(1,504,863)	(1,643,853)	(1,590,320)	(3,713,170)	(3,095,183)
Net Long-Term Obligations	\$ 19,931,162	\$ 21,177,476	\$ 21,481,394	\$ 26,085,949	\$ 41,412,556	\$ 47,263,425

*2024 balances were restated due to the implementation of GASB Statement No. 101, Compensated Absences.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

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

The City of Hercules' FY 2025-26 Budget is primarily focused on advancing its Capital Improvement Program (CIP) for vital infrastructure upgrades. This ambitious budget encompasses 40 innovative projects designed to enhance community living, including transformative improvements to the Hercules Hub, essential upgrades to facilities such as the Police Lobby and Swim Centers, and the revitalization of local parks like Beechnut Park and Refugio Valley Park. Additionally, it addresses necessary repairs for streets and sewer systems. These initiatives are guided by the 2024-26 Strategic Goals, which prioritize fiscal responsibility, community safety, infrastructure enhancement, and the initiation of new housing programs, particularly aimed at assisting low-income residents.

Key Themes & Goals:

- **Strategic Alignment:** This budget robustly supports the City Council's 2024-26 Strategic Goals, emphasizing financial stability, the creation of a safe community, infrastructure advancement, and stimulating economic growth.
- **Fiscal Sustainability:** Ensuring fiscal health is paramount, with a commitment to building upon actions from previous years that successfully navigated financial challenges.

Capital Improvements (CIP):

- **Hercules Hub:** Ongoing progress on this landmark community project, which aims to serve as a central hub for residents and visitors alike.
- **Police Department:** Exciting construction projects are set to kick off in October 2025, beginning with the renovation of the Police Lobby to improve accessibility and functionality.
- **Community Facilities:** Significant upgrades to heating, ventilation, air conditioning (HVAC), and electrical systems at the Community Swim Center, Ohlone Community Center, and Foxboro Community Center will enhance user experience and operational efficiency.
- **Parks & Recreation:** Design and construction plan for Beechnut Park will introduce vibrant green spaces, while the picnic area at Refugio Valley Park will become a recreational haven. Upgrades to the courts at Foxboro Park and repairs to the Bay Trail wall will further enrich outdoor community offerings.
- **Streets & Sewers:** Ongoing maintenance and thoughtful upgrades will ensure safe and reliable infrastructure for the community.

Community Development & Housing:

- **Home Repair Program:** The launch of a new home repair program will provide essential support to low-income residents, helping them maintain safe and healthy living environments.
- **Affordable Housing:** The City is preparing to champion the development of new affordable housing initiatives, recognizing the critical need for accessible housing options.
- **Economic Growth:** By leveraging business attraction grants and offering robust support for local retailers, the city aims to foster a thriving economic environment that benefits all residents.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
June 30, 2025

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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 44,882,075	\$ 16,611,554	\$ 61,493,629
Cash and investments with fiscal agent	2,285,577	2,888	2,288,465
Cash and investments held in trust	2,643,261	-	2,643,261
Accounts receivable	2,486,421	-	2,486,421
Prepaid items	11,085	-	11,085
Loan receivable	1,251,758	-	1,251,758
Lease receivable	8,360,235	-	8,360,235
Net other postemployment benefits ("OPEB") assets - PEHMCA	336,395	17,400	353,795
Capital Assets:			
Nondepreciable	7,094,907	191,700	7,286,607
Depreciable and amortizable, net	66,738,397	50,005,220	116,743,617
Total assets	136,090,111	66,828,762	202,918,873
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows of resources	5,705,985	278,792	5,984,777
OPEB-related deferred outflows of resources (PEHMCA)	258,910	13,392	272,302
OPEB-related deferred outflows of resources (SOMAR)	779,789	40,334	820,123
Total deferred outflows of resources	6,744,684	332,518	7,077,202
LIABILITIES			
Accounts payable	1,146,188	527,334	1,673,522
Retention payable	-	632,081	632,081
Salaries and benefits payable	349,227	14,223	363,450
Accrued interest payable	497,119	14,587	511,706
Deposit payable	1,362,928	-	1,362,928
Claims payable, due in one year	903,613	-	903,613
Long-term debt:			
Due within one year	2,069,317	1,643,853	3,713,170
Due in more than one year	19,931,162	24,481,394	44,412,556
Net aggregate pension liabilities - due in more than one year	20,018,986	997,425	21,016,411
Net OPEB liabilities - SOMAR - due in more than one year	1,836,501	94,991	1,931,492
Total liabilities	48,115,041	28,405,888	76,520,929
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	719,106	45,959	765,065
OPEB-related deferred inflows of resources (PEHMCA)	1,295,317	66,999	1,362,316
OPEB-related deferred inflows of resources (SOMAR)	870,943	45,049	915,992
Leases	8,333,111	-	8,333,111
Total deferred inflows of resources	11,218,477	158,007	11,376,484
NET POSITION			
Net investment in capital assets	58,084,454	23,529,978	81,614,432
Restricted for:			
Public safety	248,680	-	248,680
Streets and roads	6,515,721	-	6,515,721
Development	4,580,213	-	4,580,213
Debt service	2,285,577	-	2,285,577
Net OPEB assets	336,395	17,400	353,795
Pension	2,643,261	-	2,643,261
Total restricted	16,609,847	17,400	16,627,247
Unrestricted	8,806,976	15,050,007	23,856,983
Total net position	\$ 83,501,277	\$ 38,597,385	\$ 122,098,662

See accompanying Notes to the Basic Financial Statements.

City of Hercules
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities:					
General government	\$ 6,232,379	\$ 938,388	\$ -	\$ -	\$ 938,388
Public safety	10,636,628	129,096	316,097	-	445,193
Streets and public works	8,797,923	690,407	5,921,380	364,310	6,976,097
Parks and recreation	3,254,269	1,742,283	-	-	1,742,283
Community development	1,271,429	642,987	-	-	642,987
Interest	873,180	-	-	-	-
Total governmental activities	31,065,808	4,143,161	6,237,477	364,310	10,744,948
Business-Type Activities:					
Wastewater	5,487,763	6,330,489	-	-	6,330,489
Total business-type activities	5,487,763	6,330,489	-	-	6,330,489
Total primary government	\$ 36,553,571	\$ 10,473,650	\$ 6,237,477	\$ 364,310	\$ 17,075,437

City of Hercules
Statement of Activities (Continued)
For the Year Ended June 30, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary Government			
Governmental Activities:			
General government	\$ (5,293,991)	\$ -	\$ (5,293,991)
Public safety	(10,191,435)	-	(10,191,435)
Streets and public works	(1,821,826)	-	(1,821,826)
Parks and recreation	(1,511,986)	-	(1,511,986)
Community development	(628,442)	-	(628,442)
Interest	(873,180)	-	(873,180)
Total governmental activities	(20,320,860)	-	(20,320,860)
Business-Type Activities:			
Wastewater	-	842,726	842,726
Total business-type activities	-	842,726	842,726
Total primary government	(20,320,860)	842,726	(19,478,134)
General Revenues:			
Property taxes	1,732,539	-	1,732,539
Sales and use taxes	5,669,937	-	5,669,937
Franchise taxes	918,508	-	918,508
Utility users taxes	4,212,443	-	4,212,443
Other taxes	1,742,620	-	1,742,620
Unrestricted motor vehicle taxes in-lieu	2,655,580	-	2,655,580
Use of money and property	2,997,835	905,811	3,903,646
Total general revenues	19,929,462	905,811	20,835,273
Changes in net position	(391,398)	1,748,537	1,357,139
Net Position:			
Beginning of year, as previously reported	84,413,398	36,883,037	121,296,435
Change in accounting principle (GASB 101) (Note 17)	(520,723)	(34,189)	(554,912)
Beginning of year, as restated	83,892,675	36,848,848	120,741,523
End of year	<u>\$ 83,501,277</u>	<u>\$ 38,597,385</u>	<u>\$ 122,098,662</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 within district 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, 2025

	Major Funds				
	Landscape & Lighting Assessment			Other	
	General Fund	District (LLAD) No. 83-2	Hercules Debt Service Fund	Governmental Funds	Total
ASSETS					
Cash and investments	\$ 28,838,772	\$ 1,363,526	\$ -	\$ 12,773,112	\$ 42,975,410
Cash and investments with fiscal agent	-	-	2,285,577	-	2,285,577
Cash and investments held in trust	2,643,261	-	-	-	2,643,261
Accounts receivable	1,509,578	-	-	976,843	2,486,421
Prepaid items	11,085	-	-	-	11,085
Due from other funds	1,208,699	-	-	-	1,208,699
Advances to other funds	447,174	-	-	-	447,174
Loans receivable	1,251,758	-	-	-	1,251,758
Lease receivable	520,154	-	7,840,081	-	8,360,235
Total assets	36,430,481	1,363,526	10,125,658	13,749,955	61,669,620
LIABILITIES					
Accounts payable	599,121	85,639	-	420,997	1,105,757
Accrued wages	305,535	10,219	-	19,888	335,642
Deposit payable	1,166,800	-	-	196,128	1,362,928
Claims payable	903,613	-	-	-	903,613
Due to other funds	-	-	-	1,208,699	1,208,699
Advances from other funds	-	358,974	-	88,200	447,174
Total liabilities	2,975,069	454,832	-	1,933,912	5,363,813
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	230,802	-	-	592,737	823,539
Leases	493,030	-	7,840,081	-	8,333,111
Total deferred inflows of resources	723,832	-	7,840,081	592,737	9,156,650
FUND BALANCES					
Nonspendable	1,262,843	-	-	-	1,262,843
Restricted	2,643,261	908,694	2,285,577	9,636,480	15,474,012
Committed	7,884,421	-	-	2,447,906	10,332,327
Assigned	7,139,026	-	-	-	7,139,026
Unassigned (deficit)	13,802,029	-	-	(861,080)	12,940,949
Total fund balances	32,731,580	908,694	2,285,577	11,223,306	47,149,157
Total liabilities, deferred inflows of resources and fund balances	\$ 36,430,481	\$ 1,363,526	\$ 10,125,658	\$ 13,749,955	\$ 61,669,620

City of Hercules
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2025

Total fund balances of governmental funds	\$ 47,149,157
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	73,833,304
Less: Amount reported in Internal Service Funds	(768,322)
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.	
	(497,120)
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	
	823,539
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 \$64,001	(1,280,197)
Loans, leases, and bonds, net of Internal Service Funds of \$43,083	(20,613,198)
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 \$261,092	5,444,893
Net pension liability, net of Internal Service Funds of \$934,097	(19,084,889)
Pension-related deferred inflows of resources, net of Internal Service Funds of \$43,041	(676,065)
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 \$13,392	245,518
OPEB-related deferred outflows of resources (SOMAR), net of Internal Service Funds of \$40,334	739,455
Net OPEB assets - PEHMCA, net of Internal Service Funds of \$17,400	318,995
Net OPEB liability - SOMAR, net of Internal Service Funds of \$94,990	(1,741,511)
OPEB-related deferred inflows of resources (PEHMCA), net of Internal Service Funds of \$66,999	(1,228,318)
OPEB-related deferred inflows of resources (SOMAR), net of Internal Service Funds of \$45,048	(825,895)
Internal Service Funds 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 Funds are included in governmental activities in the statement of net position.	
	1,661,931
Net position of governmental activities	<u><u>\$ 83,501,277</u></u>

City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	Major Funds				
	Landscape & Lighting Assessment			Other	
	General Fund	District (LLAD) No. 83-2	Hercules Debt Service Fund	Governmental Funds	Total
REVENUES:					
Taxes and assessments	\$ 13,916,904	\$ 2,265,856	\$ -	\$ 1,654,320	\$ 17,837,080
Licenses and permits	561,250	-	-	177,647	738,897
Fines and forfeitures	37,136	-	-	-	37,136
Use of money and property	1,518,332	66,468	1,014,633	465,686	3,065,119
Intergovernmental	2,762,013	-	-	2,471,322	5,233,335
Charges for services	2,722,361	-	-	403,806	3,126,167
Other revenues	262,084	-	-	68,500	330,584
Total revenues	21,780,080	2,332,324	1,014,633	5,241,281	30,368,318
EXPENDITURES:					
Current:					
General government	5,559,903	-	-	-	5,559,903
Public safety	9,912,051	-	-	22,398	9,934,449
Streets and public works	564,468	1,605,473	-	3,083,462	5,253,403
Parks and public works	3,095,102	-	-	-	3,095,102
Community development	1,028,404	-	-	-	1,028,404
Capital outlay	319,279	2,496	-	1,157,956	1,479,731
Debt service:					
Principal	162,408	-	862,125	-	1,024,533
Interest and fiscal agent fee	26,965	-	844,604	-	871,569
Total expenditures	20,668,580	1,607,969	1,706,729	4,263,816	28,247,094
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,111,500	724,355	(692,096)	977,465	2,121,224
OTHER FINANCING SOURCES (USES)					
Inception of lease and subscription liabilities	220,379	-	-	-	220,379
Transfers in	176,556	32,486	805,903	3,407,422	4,422,367
Transfers (out)	(3,724,635)	(279,654)	-	(418,078)	(4,422,367)
Total other financing sources (uses)	(3,327,700)	(247,168)	805,903	2,989,344	220,379
NET CHANGES IN FUND BALANCES	(2,216,200)	477,187	113,807	3,966,809	2,341,603
FUND BALANCES:					
Beginning of year	34,947,780	431,507	2,171,770	7,256,497	44,807,554
End of year	\$ 32,731,580	\$ 908,694	\$ 2,285,577	\$ 11,223,306	\$ 47,149,157

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, 2025

Net change in fund balances - total governmental funds:	\$ 2,341,603
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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 \$182,572 reported in Internal Service Funds	\$ 734,218	
Depreciation and amortization expenses, net of \$279,493 reported in Internal Service Funds	(3,395,571)	
Net effect of disposal on capital assets	(43,988)	(2,705,341)

Revenues that are measurable but not available and are reported as unavailable revenue under the modified accrual basis of accounting in the governmental funds.	306,089
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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 lease and subscription liabilities, net of \$47,135 reported in Internal Service Funds	(220,379)
Principal repayment of loans, leases, subscription liability and bonds, net of \$28,001 reported in Internal Service Funds	1,024,534

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	15,686
Amortization of bond discount	(17,297)
Change in compensated absences, net of Internal Service Funds of \$1,430	(84,434)
Pension expense of CalPERS Plan, net of pension contribution made after measurement date in the amount of \$2,406,067	(841,209)
OPEB (PEHMCA) credit	99,127
OPEB (SOMAR) expense	(97,231)

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.

Change in net position of governmental activities	\$ (391,398)
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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, 2025

	Business-Type Activities	
	Enterprise Fund	Governmental Activities
	Wastewater Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 16,611,554	\$ 1,906,665
Cash and investments with fiscal agent	2,888	-
Total current assets	<u>16,614,442</u>	<u>1,906,665</u>
Noncurrent assets:		
Net OPEB assets - PEHMCA	17,400	17,400
Capital assets:		
Nondepreciable	191,700	-
Depreciable and amortizable, net	50,005,220	768,322
Total noncurrent assets	<u>50,214,320</u>	<u>785,722</u>
Total assets	<u>66,828,762</u>	<u>2,692,387</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	278,792	261,092
OPEB-related deferred outflows of resources (PEHMCA)	13,392	13,392
OPEB-related deferred outflows of resources (SOMAR)	40,334	40,334
Total deferred outflows of resources	<u>332,518</u>	<u>314,818</u>
LIABILITIES		
Current liabilities:		
Accounts payable	527,334	40,431
Retention Payable	632,081	-
Salaries and benefits payable	14,223	13,585
Accrued interest payable	14,587	-
Long-term debt - due within one year	1,643,853	75,376
Total current liabilities	<u>2,832,078</u>	<u>129,392</u>
Noncurrent liabilities:		
Long-term debt - due in more than one year	24,481,394	31,707
Net pension liabilities	997,425	934,097
Net OPEB liabilities - SOMAR	94,991	94,990
Total noncurrent liabilities	<u>25,573,810</u>	<u>1,060,794</u>
Total liabilities	<u>28,405,888</u>	<u>1,190,186</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	45,959	43,041
OPEB-related deferred outflows of resources (PEHMCA)	66,999	66,999
OPEB-related deferred outflows of resources (SOMAR)	45,049	45,048
Total deferred inflows of resources	<u>158,007</u>	<u>155,088</u>
NET POSITION		
Net investment in capital assets	23,529,978	725,240
Restricted for net OPEB assets	17,400	17,400
Unrestricted	15,050,007	919,291
Total net position	<u>\$ 38,597,385</u>	<u>\$ 1,661,931</u>



City of Hercules
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities Enterprise Fund Wastewater Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 6,330,489	\$ 2,275,411
Other operating revenues	-	165,337
Total operating revenues	<u>6,330,489</u>	<u>2,440,748</u>
OPERATING EXPENSES:		
Salaries and benefits	705,046	785,235
Services and supplies	3,235,332	1,587,959
Depreciation and amortization	1,031,064	279,493
Total operating expenses	<u>4,971,442</u>	<u>2,652,687</u>
Operating income	1,359,047	(211,939)
NONOPERATING REVENUES (EXPENSES)		
Interest income	905,811	-
Interest (expenses)	(516,321)	(607)
Loss on capital asset disposal	-	-
Total nonoperating revenues (expenses)	<u>389,490</u>	<u>(607)</u>
CHANGES IN NET POSITION	1,748,537	(212,546)
NET POSITION:		
Beginning of year, as previously reported	36,883,037	1,888,366
Change in accounting principle (GASB 101)	(34,189)	(13,889)
Beginning of year, as restated (Note 17)	<u>36,848,848</u>	<u>1,874,477</u>
End of year	<u>\$ 38,597,385</u>	<u>\$ 1,661,931</u>

City of Hercules
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Wastewater Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 6,330,489	\$ -
Cash receipts from internal services provided	-	2,440,749
Cash paid to suppliers for goods and services	(3,763,479)	(1,589,658)
Cash paid to employees for services	(718,404)	(658,040)
Net cash provided by operating activities	<u>1,848,606</u>	<u>193,051</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments related to the acquisition of capital assets	(1,376,226)	(135,436)
Principal repayments related to capital purposes	(1,548,285)	(28,002)
Interest repayments related to capital purposes	(517,065)	(607)
Net cash (used in) capital and related financing activities	<u>(3,441,576)</u>	<u>(164,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	905,811	-
Net cash provided by investing activities	<u>905,811</u>	<u>-</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	(687,159)	29,006
CASH AND CASH EQUIVALENTS:		
Beginning of year	17,301,601	1,877,659
End of year	<u>\$ 16,614,442</u>	<u>\$ 1,906,665</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and investments	\$ 16,611,554	\$ 1,906,665
Cash and investments with fiscal agent	2,888	-
Total cash and cash equivalents	<u>\$ 16,614,442</u>	<u>\$ 1,906,665</u>

(Continued)

City of Hercules
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,359,047	\$ (211,939)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,031,064	279,493
(Increase) Decrease in Assets and Deferred Outflows		
Pensions-related deferred outflows	121,318	44,408
OPEB-related deferred outflows	(5,486)	(5,486)
Increase (Decrease) in Liabilities and Deferred Inflows		
Accounts payable	(528,146)	(1,698)
Salaries and benefits payable	1,596	2,874
Net pension liability	(93,780)	100,918
Net OPEB liability	(2,776)	1,287
Pensions-related deferred inflows	(39,651)	(22,326)
OPEB-related deferred inflows	8,157	4,091
Compensated absences	(2,737)	1,429
Total adjustments	489,559	404,990
Net cash provided by operating activities	\$ 1,848,606	\$ 193,051
NONCASH ITEMS		
Retention payable	\$ 632,081	\$ -
Acquisition of subscription assets	-	47,135
Subscription liability for the acquisition of a right to use subscription asset	-	47,135

(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, 2025

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and investments	\$ 12,871,400	\$ 457,942
Cash and investments with fiscal agent	-	55,798
Prepaid items	425,877	-
Loans receivable, net	6,586,877	-
Capital Assets:		
Nondepreciable	14,090,684	-
Depreciable, net	6,420,883	-
Total assets	40,395,721	513,740
LIABILITIES		
Accounts payable	7,737	-
Unearned revenue	950,834	-
Long-term debt:		
Due within one year	4,310,000	-
Due in more than one year	76,251,870	-
Total liabilities	81,520,441	-
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	682,527	-
Total deferred inflows of resources	682,527	-
NET POSITION (DEFICIT)		
Restricted	(41,807,247)	-
Individuals, organization, and other government	-	513,740
Total net position (deficit)	\$ (41,807,247)	\$ 513,740

City of Hercules
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Redevelopment property tax trust fund	\$ 9,957,728	\$ 230,867
Investment income	526,190	20,359
Other revenue	311,117	-
Total additions	<u>10,795,035</u>	<u>251,226</u>
DEDUCTIONS:		
Community development	3,704,249	-
Administration	38,195	6,885
Depreciation	695,967	-
Interest expenses	4,341,489	51,937
Principal payment to refunding escrow	-	166,187
Total deductions	<u>8,779,900</u>	<u>225,009</u>
CHANGES IN FIDUCIARY NET POSITION	2,015,135	26,217
FIDUCIARY NET POSITION (DEFICIT):		
Beginning of year	(43,822,382)	487,523
End of year	<u>\$ (41,807,247)</u>	<u>\$ 513,740</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Hercules
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For the Year Ended June 30, 2025

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City of Hercules
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City of Hercules
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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 asserts 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.

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Leases (Continued)

Lessor (Continued)

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.

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.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

M. Compensated Absences

The City recognizes a liability for compensated absences that are attributable to services already rendered, accumulated, and are more likely than not to be paid or settled. The City's compensated absences include vested accrued vacation and accumulated sick leave as well as certain forms of leave that do not accumulate but are more likely than not to be paid in accordance with GASB Statement No. 101, *Compensated Absences*. The City's liability for compensated absences is recorded in governmental or business-type activities as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be "permanently liquidated," such as what is due to be paid because of a realized employment action, are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

The liability for compensated absences is recognized as leave is earned, based on the employee's pay rate in effect at the financial statement date, including any applicable salary-related costs. The liability includes only leave attributable to services already rendered and that is more likely than not to be paid.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Property Taxes (Continued)

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.

The following timeframes are used for pension reporting:

CalPERS	
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 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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:

OPEB	
Valuation Date	June 30, 2025
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 - June 30, 2025

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.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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 prepaid items, 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.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

W. Spending Policy (Continued)

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. 101 – In June 2022, the 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. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Implementation of this Statement resulted in a restatement of the beginning fund balance as of July 1, 2024, as presented in Note 17.

GASB Statement No. 102 – In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The City has not identified any exposures that require disclosure under this statement.

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. 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025:

	Primary Government		Fiduciary	
	Governmental	Business-type	Funds	Total
	Activities	Activities		
Cash and investments	\$ 44,882,075	\$ 16,611,554	\$ 13,329,342	\$ 74,822,971
Cash and investments with fiscal agent	2,285,577	2,888	55,798	2,344,263
Cash and investments held in trust	2,643,261	-	-	2,643,261
Total	\$ 49,810,913	\$ 16,614,442	\$ 13,385,140	\$ 79,810,495

The City's cash and investments at June 30, 2025 in more detail:

Cash on hand	\$ 2,005
Deposits with financial institutions	12,511,768
Deposits with trust	2,643,261
Investments	64,653,461
Total	\$ 79,810,495

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$12,511,768 at June 30, 2025. Bank balances at that date were \$12,686,530 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

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.*

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements (Continued)

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:

Investment Type	Total	Maturity 12 Months or Less
Investments:		
Local Agency Investment Fund	\$ 62,286,360	\$ 62,286,360
CalTRUST – Short Term Fund	22,839	22,839
Investments with fiscal agents:		
Money Market Mutual Funds	2,344,262	2,344,262
Total	\$ 64,653,461	\$ 64,653,461

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

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	\$ 62,286,360	N/A	\$ -	\$ 62,286,360
CalTRUST – Short Term Fund	22,839	N/A	-	22,839
Investments with fiscal agents:				
Money Market Mutual Funds	2,344,262	N/A	2,344,262	-
Total	\$ 64,653,461		\$ 2,344,262	\$ 62,309,199

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.

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, 2025, the City had \$62,286,360 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

F. Investment in Trust of California – CalTRUST

The Investment Trust of California, doing business as CalTRUST, is a California joint powers agency which provides California public agencies with investment management services for surplus funds to consolidate investment activities of its participants and thereby reduces duplication, achieves economies of scale and carries out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTRUST. CalTRUST currently offers three accounts or series as a means for Public Agencies to invest their funds. As of June 30, 2025, the City held \$22,839 in the CalTRUST Short-Term Fund Series.

CalTRUST investments do not fall under the fair value hierarchy (i.e. uncategorized) as there is no active market for the investments.

G. Investment in Money Market Mutual Funds

At June 30, 2025, 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, 2025 the City had \$2,344,262 invested in Money Market Mutual Funds.

H. Fair Value Measurement Disclosure

The investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2025:

Investment Type	Uncategorized	Total
Investments:		
Local Agency Investment Fund	\$ 62,286,360	\$ 62,286,360
Money Market Mutual Funds	2,344,262	2,344,262
CalTRUST – Short Term Fund	22,839	22,839
Total	\$ 64,653,461	\$ 64,653,461

Note 3 – Loans Receivable

A. Governmental Activities

At June 30, 2025, loans receivable consisted of the following:

Bio-Rad Loan	\$ 1,251,758
Total	\$ 1,251,758

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, 2025 was \$1,251,758.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 3 – Loans Receivable

B. Fiduciary Fund Financial Statements

At June 30, 2025, loans receivable consisted of the following:

Business Development Loans	\$ 395,757
Bridge Housing Corporation	2,339,547
First Time Homebuyers	842,923
Homeowner Retention/Loss Mitigation	1,882,029
Revitalization and Beautification	146,463
Other Assistance Programs	980,158
Total	<u>\$ 6,586,877</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.

Note 4 – Lease Receivable

At June 30, 2025, lease receivable consisted of the following:

Bio-Rad Laboratories, Inc.	\$ 7,840,081
Other lease receivable	520,154
Total	<u>\$ 8,360,235</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).

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 4 – Lease Receivable

A. Bio-Rad Laboratories Lease Receivable (Continued)

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, 2025, the City recognized \$281,064 in lease revenue and \$646,166 in interest revenue.

The outstanding receivable is in the amount of \$7,840,081. The same amount was recognized under deferred inflows of resources related to the lease as of June 30, 2025. The future required payments for this lease, including interest, is as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
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	475,459	498,651	4,913,870
2031-2035	3,120,911	1,812,369	4,933,280
2036-2039	2,786,717	381,834	3,168,551
	<u>\$ 7,840,081</u>	<u>\$ 5,012,899</u>	<u>\$ 16,792,740</u>

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, 2025, the City recognized \$91,726 in lease revenue and \$8,737 in interest revenue.

The outstanding receivables are in the amount of \$520,154. In relation to the lease, the City recognized an amount of \$493,030 as deferred inflows of resources as of June 30, 2025. The future required payments for these leases, including interest, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 138,546	\$ 14,252	\$ 159,316
2027	138,734	10,667	153,627
2028	100,044	6,890	109,434
2029	75,621	3,553	80,918
2030	25,062	1,756	28,084
2031-2032	42,147	2,319	45,519
	<u>\$ 520,154</u>	<u>\$ 39,437</u>	<u>\$ 576,898</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2025, 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	Nonmajor Governmental Funds	\$ 1,208,699
	Total	\$ 1,208,699

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, 2025, 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	\$ 358,974
General Fund	Nonmajor Governmental Funds	88,200
	Total	\$ 447,174

The advances were for the City Council approved capital improvements.

C. Transfers In and Out

The City had the following transfers for the year ended June 30, 2025:

Transfer In	Transfer Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 176,556
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	Nonmajor Governmental Funds	32,486
Hercules Debt Service Fund	General Fund	805,903
Nonmajor Governmental Funds	General Fund	2,918,732
Nonmajor Governmental Funds	Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	279,654
Nonmajor Governmental Funds	Nonmajor Governmental Funds	209,036
	Total	\$ 4,422,367

\$176,556 transferred to the General Fund from the Nonmajor Special Revenue Funds were for the receipt of AB COPS grant.

\$32,486 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.

\$805,903 transferred to the Hercules Debt Service Fund from the General Fund was for the debt service payments.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 5 – Interfund Transactions (Continued)

C. Transfers In and Out (Continued)

\$3,407,422 transferred to the Nonmajor Governmental Funds includes:

- \$2,918,732 from the General Fund was for the debt service payments.
- \$279,654 from the Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund was for City's general benefit contributions.
- \$209,036 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.

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2025
Nondepreciable assets:					
Land	\$ 5,081,587	\$ -	\$ -	\$ -	\$ 5,081,587
Construction in progress	1,565,252	449,068	(1,000)	-	2,013,320
Total nondepreciable assets	6,646,839	449,068	(1,000)	-	7,094,907
Depreciable assets:					
Land improvements	16,001,080	-	-	-	16,001,080
Building and improvements	26,792,183	46,950	-	-	26,839,133
Machinery and equipment	7,892,230	135,435	-	-	8,027,665
Infrastructure	115,367,125	-	-	-	115,367,125
Subtotal	166,052,618	182,385	-	-	166,235,003
Less: accumulated depreciation:					
Land improvements	(10,488,900)	(251,156)	-	-	(10,740,056)
Building and improvements	(12,800,682)	(745,639)	-	-	(13,546,321)
Machinery and equipment	(7,954,160)	(300,098)	-	-	(8,254,258)
Infrastructure	(64,859,739)	(2,275,114)	-	-	(67,134,853)
Subtotal	(96,103,481)	(3,572,007)	-	-	(99,675,488)
Total depreciable assets, net	69,949,137	(3,389,622)	-	-	66,559,515
Intangible, being amortized					
Right-to-use lease assets	9,357	11,406	-	-	20,763
Right-to-use subscription assets	90,502	273,931	(42,988)	-	321,445
Total intangible assets, being amortized	99,859	285,337	(42,988)	-	342,208
Less: accumulated amortization:					
Right-to-use lease assets	(3,858)	(7,555)	-	-	(11,413)
Right-to-use subscription assets	(56,411)	(95,502)	-	-	(151,913)
Total accumulated amortization	(60,269)	(103,057)	-	-	(163,326)
Total intangible assets, being amortized, net	39,590	182,280	(42,988)	-	178,882
Governmental activities capital assets, net	\$ 76,635,566	\$ (2,758,274)	\$ (43,988)	\$ -	\$ 73,833,304

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 6 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Depreciation and amortization expenses were charged to functions/programs of governmental activities for the year ended June 30, 2025 as follows:

Depreciation and Amortization Expenses	Allocation
General government	\$ 482,549
Public safety	109,175
Public works	2,585,599
Parks and recreation	218,248
Internal service funds	279,493
Total	<u>\$ 3,675,064</u>

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2025
Nondepreciable assets:					
Land	\$ 191,700	\$ -	\$ -	\$ -	\$ 191,700
Construction in progress	13,642,030	1,439,043	-	(15,081,073)	-
Total nondepreciable assets	<u>13,833,730</u>	<u>1,439,043</u>	<u>-</u>	<u>(15,081,073)</u>	<u>191,700</u>
Depreciable assets:					
Building and improvements	38,325,271	-	-	(26,990,073)	11,335,198
Machinery and equipment	250,345	-	-	-	250,345
Infrastructure	14,945,319	-	-	42,071,146	57,016,465
Subtotal	<u>53,520,935</u>	<u>-</u>	<u>-</u>	<u>15,081,073</u>	<u>68,602,008</u>
Less: accumulated depreciation:					
Building and improvements	(11,245,788)	(144,187)	-	157,647	(11,232,328)
Machinery and equipment	(224,513)	(4,559)	-	-	(229,072)
Infrastructure	(6,095,423)	(882,318)	-	(157,647)	(7,135,388)
Subtotal	<u>(17,565,724)</u>	<u>(1,031,064)</u>	<u>-</u>	<u>-</u>	<u>(18,596,788)</u>
Total depreciable assets, net	<u>35,955,211</u>	<u>(1,031,064)</u>	<u>-</u>	<u>15,081,073</u>	<u>50,005,220</u>
Total capital assets, net	<u>\$ 49,788,941</u>	<u>\$ 407,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,196,920</u>

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

Depreciation Expenses	Allocation
Wastewater	\$ 1,031,064
Total	<u>\$ 1,031,064</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 6 – Capital Assets (Continued)

C. Fiduciary Fund Financial Statements

Summary of changes in Fiduciary Fund capital assets for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2025
Nondepreciable assets:					
Land	\$ 236,986	\$ -	\$ -	\$ -	\$ 236,986
Construction in progress	13,853,698	-	-	-	13,853,698
Total nondepreciable assets	14,090,684	-	-	-	14,090,684
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	21,067,805	-	-	-	21,067,805
Less: accumulated depreciation:					
Land improvements	(5,788,186)	(304,778)	-	-	(6,092,964)
Building and improvements	(3,550,193)	(99,437)	-	-	(3,649,630)
Machinery and equipment	(87,634)	(5,810)	-	-	(93,444)
Infrastructure	(4,524,942)	(285,942)	-	-	(4,810,884)
Subtotal	(13,950,955)	(695,967)	-	-	(14,646,922)
Total depreciable assets, net	7,116,850	(695,967)	-	-	6,420,883
Total capital assets, net	\$ 21,207,534	\$ (695,967)	\$ -	\$ -	\$ 20,511,567

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	\$ 695,967
Total	\$ 695,967

Note 7 – Long-Term Debt

A. Governmental Activities

Summary of changes in Governmental Activities long-term debt for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024 (As Restated)	Additions	Deletions	Balance June 30, 2025	Due within One Year	Due in More Than One Year
Publicly Offered:						
2009 PFA Taxable Lease Revenue Bonds	\$ 7,675,000	\$ -	\$ (275,000)	\$ 7,400,000	\$ 300,000	\$ 7,100,000
Less: Discount on issuance	(242,144)	-	17,297	(224,847)	(17,297)	(207,550)
2020 PFA Lease Revenue Refunding Bonds	5,041,619	-	(457,061)	4,584,558	465,032	4,119,526
H.E.L.P. Loan	1,287,588	-	(76,133)	1,211,455	83,731	1,127,724
R.D.L.P. Loan	3,750,000	-	-	3,750,000	-	3,750,000
Engie Energy Conservation Loan	3,873,163	-	(130,064)	3,743,099	143,641	3,599,458
Lease liability	5,646	11,406	(7,485)	9,567	7,641	1,926
Subscription liability	33,133	256,108	(106,792)	182,449	78,423	104,026
Compensated absences	1,258,334	578,759	(492,895)	1,344,198	1,008,146	336,052
Total	\$ 22,682,339	\$ 846,273	\$ (1,528,133)	\$ 22,000,479	\$ 2,069,317	\$ 19,931,162

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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, 2025 are \$7,400,000 and \$224,847, 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
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	410,000	490,253	900,253
2031-2035	2,625,000	1,851,150	4,476,150
2036-2040	3,010,000	530,880	3,540,880
Total	<u>\$ 7,400,000</u>	<u>\$ 5,135,450</u>	<u>\$ 12,535,450</u>

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, with interest rates ranging from 4.60% to 5.00%. 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, 2025 is \$4,584,558.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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
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	509,751	52,999	562,750
2031-2035	2,143,249	95,999	2,239,248
Total	<u>\$ 4,584,558</u>	<u>\$ 470,188</u>	<u>\$ 5,054,746</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, 2025 is \$1,211,455.

The annual debt service requirements to maturity for the H.E.L.P. Loan as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 83,731	\$ 16,269	\$ 100,000
2027	1,127,724	16,515	1,144,239
Total	<u>\$ 1,211,455</u>	<u>\$ 32,784</u>	<u>\$ 1,244,239</u>

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, 2025 is \$3,750,000.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

The annual debt service requirements to maturity for the R.D.L.P. Loan as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ 100,000	\$ 100,000
2027	3,750,000	113,572	3,863,572
Total	<u>\$ 3,750,000</u>	<u>\$ 213,572</u>	<u>\$ 3,963,572</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, 2025 is \$3,743,099.

The annual debt service requirements to maturity for the rental payment as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	206,878	83,424	290,302
2031-2035	1,331,568	322,657	1,654,225
2036-2040	1,282,608	136,155	1,418,763
2041	257,328	6,974	264,302
Total	<u>\$ 3,743,099</u>	<u>\$ 930,018</u>	<u>\$ 4,673,117</u>

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, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 7,641	\$ 145	\$ 7,786
2027	1,926	25	1,951
Total	<u>\$ 9,567</u>	<u>\$ 170</u>	<u>\$ 9,737</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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
2026	\$ 78,423	\$ 5,135	\$ 83,558
2027	78,205	2,921	81,126
2028	25,821	628	26,449
Total	<u>\$ 182,449</u>	<u>\$ 8,684</u>	<u>\$ 191,133</u>

Compensated Absences

The liability is measured using the employee's pay rate at the financial statement date. 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, 2025 was as follows:

	Balance July 1, 2024 (As Restated)	Additions	Deletions	Balance June 30, 2025	Due within One Year	Due in More Than One Year
State Water Resources Construction Loan						
Construction Loan	\$ 19,856,034	\$ -	\$ (1,173,285)	\$ 18,682,749	\$ 1,193,230	\$ 17,489,519
Wastewater Revenue Bonds, Series 2021A	7,730,000	-	(375,000)	7,355,000	385,000	6,970,000
Compensated absences	90,235	17,661	(20,398)	87,498	65,623	21,875
Total	<u>\$ 27,676,269</u>	<u>\$ 17,661</u>	<u>\$ (1,568,683)</u>	<u>\$ 26,125,247</u>	<u>\$ 1,643,853</u>	<u>\$ 24,481,394</u>

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, 2025. The balance at June 30, 2025 is \$18,682,749.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

The annual debt service requirements to maturity for as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,276,463	234,374	1,510,837
2031-2035	6,715,284	838,902	7,554,186
2036-2039	5,794,985	248,363	6,043,348
Total	<u>\$ 18,682,749</u>	<u>\$ 2,468,971</u>	<u>\$ 21,151,720</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, 2025 is \$7,355,000.

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, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	420,000	132,209	552,209
2031-2035	2,255,000	504,501	2,759,501
2036-2040	2,545,000	219,258	2,764,258
2041	545,000	6,486	551,486
Total	<u>\$ 7,355,000</u>	<u>\$ 1,487,919</u>	<u>\$ 8,842,919</u>

C. Fiduciary Fund Financial Statements

A summary of changes in Fiduciary Fund long-term debt for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	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	2,713,678	-	(150,065)	2,563,613	-	2,563,613
2022B Tax Allocation - Federally Taxable	48,580,000	-	(455,000)	48,125,000	4,310,000	43,815,000
Notes Payable	363,257	-	-	363,257	-	363,257
Total	<u>\$ 81,166,935</u>	<u>\$ -</u>	<u>\$ (605,065)</u>	<u>\$ 80,561,870</u>	<u>\$ 4,310,000</u>	<u>\$ 76,251,870</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

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 payments for the Series A bonds commence in fiscal year 2035 and conclude in fiscal year 2043, with annual maturities ranging from \$2,240,000 to \$3,300,000. Principal on the Series B 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, 2025 for the Series A and B are \$29,510,000 and \$48,125,000, 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, 2025 are as follows:

2022 Series A

Year Ending June 30,	Principal	Interest	Total
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	-	1,475,500	1,475,500
2031-2035	2,240,000	7,321,500	9,561,500
2036-2040	17,835,000	4,288,375	22,123,375
2041-2043	9,435,000	722,875	10,157,875
Total	<u>\$ 29,510,000</u>	<u>\$ 19,710,250</u>	<u>\$ 49,220,250</u>

2022 Series B

Year Ending June 30,	Principal	Interest	Total
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	5,040,000	1,303,816	6,343,816
2031-2035	24,845,000	2,753,930	27,598,930
Total	<u>\$ 48,125,000</u>	<u>\$ 11,276,320</u>	<u>\$ 59,401,320</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Debt (Continued)

C. *Fiduciary Fund Financial Statements (Continued)*

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, 2025, 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, 2025
Refunding Reassessment District 2005-1 (John Muir Parkway)	\$ 3,006,859	\$ 2,123,354

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contributions made after measurement date:			
CalPERS Miscellaneous	\$ 932,181	\$ 109,499	\$ 1,041,680
CalPERS Safety	1,473,886	-	1,473,886
Total pension contribution made after measurement date	2,406,067	109,499	2,515,566
Change of assumptions:			
CalPERS Miscellaneous	218,242	25,636	243,878
CalPERS Safety	284,021	-	284,021
Total difference due to change in assumption	502,263	25,636	527,899
Difference between projected and actual investment earnings:			
CalPERS Miscellaneous	488,827	57,421	546,248
CalPERS Safety	557,204	-	557,204
Total difference between projected and actual investment earnings:	1,046,031	57,421	1,103,452
Adjustment due to difference in proportions			
CalPERS Safety	76,708	-	76,708
Total adjustment due to difference in proportions	76,708	-	76,708
Difference between expected and actual experience			
CalPERS Miscellaneous	734,142	86,236	820,378
CalPERS Safety	940,774	-	940,774
Total difference between expected and actual experience	1,674,916	86,236	1,761,152
Total deferred outflows of resources			
CalPERS Miscellaneous	2,373,392	278,792	2,652,184
CalPERS Safety	3,332,593	-	3,332,593
Total deferred outflows of resources	<u>\$ 5,705,985</u>	<u>\$ 278,792</u>	<u>\$ 5,984,777</u>
Net pension liabilities:			
CalPERS Miscellaneous	\$ 8,491,187	\$ 997,425	\$ 9,488,612
CalPERS Safety	11,527,799	-	11,527,799
Total net pension liabilities	<u>\$ 20,018,986</u>	<u>\$ 997,425</u>	<u>\$ 21,016,411</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Retirement Plans (Continued)

	Governmental Activities	Business-Type Activities	Total
Deferred inflows of resources:			
Adjustment due to difference in proportions			
CalPERS Miscellaneous	\$ 82,420	\$ 9,681	\$ 92,101
Total adjustment due to difference in proportions	82,420	9,681	92,101
Difference between expected and actual experience:			
CalPERS Miscellaneous	28,646	3,365	32,011
CalPERS Safety	30,589	-	30,589
Total difference between projected and actual investment earnings:	59,235	3,365	62,600
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	280,190	32,913	313,103
CalPERS Safety	297,261	-	297,261
Total employer contributions in excess of proportionate share of contribution	577,451	32,913	610,364
Total deferred inflows of resources			
CalPERS Miscellaneous	391,256	45,959	437,215
CalPERS Safety	327,850	-	327,850
Total deferred inflows of resources	\$ 719,106	\$ 45,959	\$ 765,065
Pension expenses (credits):			
CalPERS Miscellaneous	\$ 1,356,635	\$ 159,358	\$ 1,515,993
CalPERS Safety	1,951,669	-	1,951,669
Total net pension expenses	\$ 3,308,304	\$ 159,358	\$ 3,467,662

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, 2023, the following employees were covered by the benefit terms:

	Miscellaneous Classic	Miscellaneous PEPRA	Safety Classic	Safety Tier 2	Safety PEPRA
Active employees	22	27	7	1	19
Transferred employees	47	15	4	1	8
Separated employees	89	15	4	2	6
Retired employees and beneficiaries	99	1	40	-	-
Total	257	58	55	4	33

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2024, 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%	7.75%	9.00%	9.00%	13.75%
Required employer contribution rate	11.84%	7.68%	27.11%	24.15%	13.54%

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, 2025

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, 2025, 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	\$ 1,041,680	\$ 1,473,886	\$ 2,515,566

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2024 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2023 total pension liability. The June 30, 2024 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
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.

Change of Assumptions

There were no changes of assumptions in 2024.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Retirement Plans (Continued)

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

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, 2025

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	\$ 14,633,528	\$ 9,488,612	\$ 5,253,588
Safety	\$ 18,062,615	\$ 11,527,799	\$ 6,183,239

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: 6/30/23 (Valuation date)	\$ 35,723,812	26,171,330	\$ 9,552,482
Balance at: 6/30/24 (Measurement date)	38,127,330	28,638,718	9,488,612
Net changes during 2023-2024	\$ 2,403,518	\$ 2,467,388	\$ (63,870)
Safety			
Balance at: 6/30/23 (Valuation date)	45,006,766	33,263,601	\$ 11,743,165
Balance at: 6/30/24 (Measurement date)	47,839,392	36,311,593	11,527,799
Net changes during 2023-2024	\$ 2,832,626	\$ 3,047,992	\$ (215,366)

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, 2023). 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, 2025

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, 2024). 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, 2024 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2023-24).

(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, 2023	0.07657%	0.09413%
Proportion - June 30, 2024	0.07824%	0.09506%
Change - Increase/(Decrease)	<u>0.00167%</u>	<u>0.00093%</u>

For the year ended June 30, 2025, the City recognized pension expense of \$1,515,993 and \$1,951,669, for the Miscellaneous and Safety plans, respectively.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025, 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	\$ 1,041,680	\$ -
Change of assumptions	243,878	-
Difference between expected and actual experience	820,378	(32,011)
Net difference between projected and actual earnings on pension plan investments	546,248	-
Employer contributions in excess/(under) proportionate share of contributions	-	(313,103)
Adjustments due to difference in proportions	-	(92,101)
Total	<u>\$ 2,652,184</u>	<u>\$ (437,215)</u>
Safety Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 1,473,886	\$ -
Change of assumptions	284,021	-
Difference between expected and actual experience	940,774	(30,589)
Net difference between projected and actual earnings on pension plan investments	557,204	-
Employer contributions in excess/(under) proportionate share of contributions	-	(297,261)
Adjustments due to difference in proportions	76,708	-
Total	<u>\$ 3,332,593</u>	<u>\$ (327,850)</u>
CalPERS Aggregate Total		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 2,515,566	\$ -
Change of assumptions	527,899	-
Difference between expected and actual experience	1,761,152	(62,600)
Net difference between projected and actual earnings on pension plan investments	1,103,452	-
Employer contributions in excess/(under) proportionate share of contributions	-	(610,364)
Adjustments due to difference in proportions	76,708	(92,101)
Total	<u>\$ 5,984,777</u>	<u>\$ (765,065)</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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 2023-24 measurement period is 3.8 years, which was obtained by dividing the total service years of 630,177 (the sum of remaining service lifetimes of the active employees) by 166,163 (the total number of participants: active, inactive, and retired).

\$1,041,680 and \$1,473,886 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, 2026. 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
2025	\$ 296,389	\$ 495,768	\$ 792,157
2026	1,098,568	1,249,415	2,347,983
2027	(34,477)	(23,678)	(58,155)
2028	(187,191)	(190,648)	(377,839)
2029	-	-	-
Thereafter	-	-	-
Total	<u>\$ 1,173,289</u>	<u>\$ 1,530,857</u>	<u>\$ 2,704,146</u>

C. Payable to the CalPERS Pension Plans

At June 30, 2025, the City had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2025.

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, 2025

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, 2025, the amount held by the Trustee for the City employees is \$12,109,385.

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, 2025

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, 2025 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Difference between expected and actual experience			
SOMAR	\$ 575,344	\$ 29,759	\$ 605,103
Total difference between expected and actual experience	575,344	29,759	605,103
Changes of assumptions			
PEHMCA	258,910	13,392	272,302
SOMAR	204,445	10,575	215,020
Total difference due to change in assumptions	258,910	13,392	272,302
Total deferred outflows of resources			
PEHMCA	258,910	13,392	272,302
SOMAR	779,789	40,334	820,123
Total deferred outflows of resources	\$ 1,038,699	\$ 53,726	\$ 1,092,425
Net OPEB liabilities (assets):			
PEHMCA	\$ (336,395)	\$ (17,400)	\$ (353,795)
SOMAR	1,836,501	94,991	1,931,492
Total net OPEB liabilities (assets)	\$ 1,500,106	\$ 77,591	\$ 1,577,697
Deferred inflows of resources:			
Difference between expected and actual experience			
PEHMCA	\$ 1,125,409	\$ 58,211	\$ 1,183,620
SOMAR	209,984	10,862	220,846
Total difference between expected and actual experience	1,335,393	69,073	1,404,466
Changes of assumptions			
PEHMCA	129,575	6,702	136,277
SOMAR	660,959	34,187	695,146
Total changes of assumptions	790,534	40,889	831,423
Difference between projected and actual investment earnings:			
PEHMCA	40,333	2,086	42,419
Total difference between projected and actual investment earnings:	40,333	2,086	42,419
Total deferred inflows of resources			
PEHMCA	1,295,317	66,999	1,362,316
SOMAR	870,943	45,049	915,992
Total deferred inflows of resources	\$ 2,166,260	\$ 112,048	\$ 2,278,308
OPEB expenses (credits):			
PEHMCA	\$ (20,559)	\$ (1,063)	\$ (21,622)
SOMAR	148,938	7,704	156,642
Total OPEB expenses	\$ 128,380	\$ 6,640	\$ 135,020

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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 2024 and \$158/month for 2025).

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, 2025 were \$88,320 including the implied rate subsidy in the amount of \$40,809.

Employees Covered by Benefit Terms

At June 30, 2025, valuation date, the following employees were covered by the benefit terms:

Active Employees Eligible for Future Benefits	64
Retirees Currently Receiving Benefits	18
	<u>82</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025 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 2025.

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, 2025

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, 2025:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2024	\$ 2,617,441	\$ 2,888,601	\$ (271,160)
Changes Recognized for the Measurement Period:			
Service Cost	139,382	-	139,382
Interest on the total OPEB liability	136,113	-	136,113
Contributions from the employer	-	88,320	(88,320)
Expected investment income	-	148,314	(148,314)
Investment (gains)/losses	-	102,206	(102,206)
Experience (gains)/losses	(36,723)	-	(36,723)
Changes in assumptions	-	-	-
Administrative expenses	-	(17,433)	17,433
Benefit payments	(88,320)	(88,320)	-
Net Changes during July 1, 2024 to June 30, 2025	150,452	233,087	(82,635)
Balance at June 30, 2025 (Measurement Date)	\$ 2,767,893	\$ 3,121,688	\$ (353,795)

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

The following presents the net OPEB 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%)
\$ (2,421)	\$ (353,795)	\$ (648,919)

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%
\$ (728,124)	\$ (353,795)	\$ 114,400

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

For the year ended June 30, 2025, the City recognized OPEB expense (gain) of \$(21,622) for the Plan. OPEB expense (gain) 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, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (1,183,620)
Changes of assumptions	272,302	(136,277)
Net difference between projected and actual earning on OPEB plan investments	-	(42,419)
Total	<u>\$ 272,302</u>	<u>\$ (1,362,316)</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
2026	\$ (128,169)
2027	(224,112)
2028	(225,567)
2029	(205,727)
2030	(185,289)
Thereafter	(121,150)
Total	<u>\$ (1,090,014)</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 and \$292 per month in 2024 for Police and Executive Management, respectively, and \$335 per month in 2025 for both groups. The amounts are contractually indexed each year by 3%.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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.

Employees Covered by Benefit Terms

At the June 30, 2025 measurement date, the following employees were covered by the benefit terms:

Participating active employees	34
Inactive employees receiving benefits	16
Total	50

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – Other Postemployment Benefits (Continued)

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

Benefits Provided

The SOMAR plan's provisions and benefits in effect at June 30, 2025, 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	\$335 per month pre- 65; based on Kaiser premium post-65	\$335 per month pre- 65; based on Kaiser premium post-65

Contributions

For the year ended June 30, 2025, the contributions recognized as part of OPEB expense for the SOMAR plan were as follows:

	<u>SOMAR Plan</u>
Contributions - employer	<u>\$ 48,809</u>

Actuarial Assumptions

The net OPEB liability of the SOMAR Plan was determined using an actuarial valuation as of June 30, 2025 using the following actuarial assumptions.

Actuarial Assumptions:	
Cost method	Entry age normal
Discount Rate	5.20%
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.

Changes of Assumptions

The interest assumption changed from 3.93% to 5.20%. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – Other Postemployment Benefits (Continued)

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

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, 2025:

	SOMAR Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024	\$ 1,905,286	\$ -	\$ 1,905,286
Changes Recognized for the Measurement Period:			
Service cost	89,107	-	89,107
Interest on the total pension liability	75,670	-	75,670
Changes of benefit terms	-	-	-
Difference between expected and actual experience	335,867	-	335,867
Changes of assumptions	(425,629)	-	(425,629)
Contributions from the employer as benefit payments	-	48,809	(48,809)
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments	(48,809)	(48,809)	-
Net changes during July 1, 2024 to June 30, 2025	26,206	-	26,206
Balance at June 30, 2025 (measurement date)	\$ 1,931,492	\$ -	\$ 1,931,492

Discount Rate

The discount rate used to measure the total OPEB liability for the SOMAR plan was 5.20% based on the Bond Buyer 20 Bond Index.

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% (4.20%)	Current Discount Rate (5.20%)	Discount Rate + 1% (6.20%)
\$ 2,255,754	\$ 1,931,492	\$ 1,672,784

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025, the City recognized OPEB expense of \$156,642 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, 2025, 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	\$ 605,103	\$ (220,846)
Changes of assumptions	215,020	(695,146)
Total	<u>\$ 820,123</u>	<u>\$ (915,992)</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
2026	\$ (8,135)
2027	(8,135)
2028	(8,135)
2029	(8,135)
2030	(8,141)
Thereafter	(55,188)
Total	<u>\$ (95,869)</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, 2025, the City had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2025.

Plan administration

The City has OPEB plan that provides health care benefits to retirees. The plan is not administered through a qualifying trust and is unfunded. Benefits are paid directly by the City as claims are incurred. The funded status of the plan is fully reflected on the balance sheet as a liability, as there are no plan assets to offset the Supplemental Optional Monies Allowance for Retirees (SOMAR).

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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).

Workers' Compensation

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

MPA	\$0 to \$500,000
CSAC Excess Insurance Authority	\$500,000 to \$50,000,000
Liberty Insurance Corporation	Statutory excess of \$50,000,000

At June 30, 2025, the City's estimated claims liabilities were as follows:

General liabilities	\$	378,760
Workers' compensation		524,853
Total	\$	<u>903,613</u>

The City's claims liability of \$903,613 are considered to be current and reported under the general fund. Changes in the claims liabilities for the fiscal years ended June 30, 2025, 2024 and 2023 are as follows:

Fiscal Year	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2022-2023	\$ 233,954	\$ 482,177	\$ (317,758)	\$ 398,373
2023-2024	398,373	600,431	(503,358)	495,446
2024-2025	495,446	743,843	(335,676)	903,613

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	2,000,000
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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 11 – Risk Management (Continued)

Miscellaneous Coverages (Continued)

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.

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

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of applicable appropriations. Outstanding encumbrances at year-end are automatically reappropriated for the following year. The encumbrances are mainly for the Public Works Department for consulting services and the design phase or construction for multi-year capital projects. Capital projects with outstanding balances are the Hercules HUB, Beechnut Park, Falcon Way Street Maintenance, Refugio Lake Dredging. Consulting services with outstanding encumbrances are for the Public Relations, mainly for community outreach.

At June 30, 2025, the outstanding commitments are in the amount of \$3,354,527. These will be recorded in the following funds:

Governmental Funds:

General Fund	\$ 565,164
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	52,248
Other Governmental Funds	1,214,271

Proprietary Funds:

Wastewater Enterprise Fund	1,392,447
Internal Service Funds	71,337

Fiduciary Funds:

Successor Agency Private Purpose Trust Fund	59,060
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Total	<u>\$ 3,354,527</u>
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City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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.

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, 2025, the following funds had a deficit fund balance/net position:

Nonmajor Special Revenue Funds:	
Victoria by the bay LLAD No. 2002-01	\$ (859,842)
Baywood LLAD No. 2004-1	(1,238)
Internal Service Funds:	
Facilities Maintenance	(228,699)
Fiduciary Funds:	
Successor Agency Private Purpose Trust Fund	\$ (41,807,247)

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

A. Deficit Fund Balances/Net Position (Continued)

Victoria by the bay LLAD No. 2002-01 Special Revenue Fund negative fund balance of \$859,842 will be financed through future assessments.

Baywood Landscape & Lighting Assessment District (LLAD) No. 2004-1 Special Revenue Fund negative fund balance of \$1,238 will be financed through future assessments.

The Facilities Maintenance Internal Service Fund negative net position of \$228,699 will be eliminated from future user charges.

Private Purpose Trust Fund negative net position of \$41,807,247 will be financed through future Redevelopment Property Tax Trust Fund.

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			
General Government	\$ 5,355,513	\$ 5,559,903	\$ 204,390
Public safety	9,251,817	9,912,051	660,234
Parks and recreation	2,570,386	3,095,102	524,716
Capital outlay	9,953	319,279	309,326
Principal	-	162,408	162,408
Hercules Debt Service Fund			
Interest and fiscal agent fee	841,628	844,604	2,976
Nonmajor Governmental Funds:			
Bayside LLAD No. 2005-1			
Special Revenue Fund	148,809	155,222	6,413
Stormwater Special Revenue Fund	493,586	495,318	1,732

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 15 – Fund Balance Classification

The Governmental Fund's fund balance classification at June 30, 2025 is follows:

	Major Funds				
	General Fund	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid items	\$ 11,085	\$ -	\$ -	\$ -	\$ 11,085
Loan receivable	1,251,758	-	-	-	1,251,758
Total Nonspendable	1,262,843	-	-	-	1,262,843
Restricted for:					
Pension Section 115 trust	2,643,261	-	-	-	2,643,261
Debt Service	-	-	2,285,577	-	2,285,577
State Gas Tax	-	-	-	549,181	549,181
Measure "C" Street	-	-	-	776,021	776,021
C.O.P.S. Program (AB 3229)	-	-	-	80,823	80,823
Landscape & Lighting Assessment District No. 83-2	-	908,694	-	-	908,694
Hercules Village LLAD No. 2002-2	-	-	-	109,877	109,877
Bayside LLAD No. 2005-1	-	-	-	116,766	116,766
Arterial	-	-	-	515,191	515,191
Stormwater	-	-	-	17,320	17,320
Development Services	-	-	-	1,939,116	1,939,116
AB 939 JPA	-	-	-	965,496	965,496
Regional Water Quality	-	-	-	57,962	57,962
Asset Forfeiture	-	-	-	167,857	167,857
Bart Park & Ride	-	-	-	6,779	6,779
Road Maintenance and Rehab Program (SB1)	-	-	-	1,692,994	1,692,994
Development Impact Fees	-	-	-	2,641,097	2,641,097
Total Restricted	2,643,261	908,694	2,285,577	9,636,480	15,474,012
Committed to:					
Capital reserve	5,384,421	-	-	-	5,384,421
CalHFA loan repayment	2,500,000	-	-	-	2,500,000
Capital projects	-	-	-	2,447,906	2,447,906
Total Committed	7,884,421	-	-	2,447,906	10,332,327
Assigned:					
Assigned by City Manager:					
Capital Projects	1,488,109	-	-	-	1,488,109
Earthquake Insurance Deductible	500,000	-	-	-	500,000
Reusable Bags	13,930	-	-	-	13,930
PEG Fees	274,000	-	-	-	274,000
Economic uncertainty	4,862,987	-	-	-	4,862,987
Total Assigned	7,139,026	-	-	-	7,139,026
Unassigned (deficit)	13,802,029	-	-	(861,080)	12,940,949
Total Unassigned	13,802,029	-	-	(861,080)	12,940,949
Total Fund Balances	\$ 32,731,580	\$ 908,694	\$ 2,285,577	\$ 11,223,306	\$ 47,149,157

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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	\$ 73,833,304	\$ 50,196,920	\$ 124,030,224
Unspent capital bond proceeds	-	2,888	2,888
Capital related debt	(15,694,826)	(26,037,749)	(41,732,575)
Retention payable	-	(632,081)	(632,081)
Capital assets related accounts payable	(54,024)	-	(54,024)
Net investment in capital assets	<u>\$ 58,084,454</u>	<u>\$ 23,529,978</u>	<u>\$ 81,614,432</u>

Note 17 – Restatement

Implementation of GASB Statement No. 101, Compensated Absences

Effective for the fiscal year ended June 30, 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. The implementation of GASB 101 resulted in a change in accounting principle, and prior year amounts have been restated accordingly. The effect on the beginning net position is as follows:

	June 30, 2024 As Previously Reported	Change in Accounting Principle	June 30, 2024 As Restated
Government-Wide			
Governmental Activities	\$ 84,413,398	\$ (520,723)	\$ 83,892,675
Business-Type Activities	36,883,037	(34,189)	36,848,848
Total primary government	<u>\$ 121,296,435</u>	<u>\$ (554,912)</u>	<u>\$ 120,741,523</u>
Internal Service Funds	<u>\$ 1,888,366</u>	<u>\$ (13,889)</u>	<u>\$ 1,874,477</u>



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Hercules
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2025

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. General Fund and Special Revenue Funds 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. 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, 2025, 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, 2025, 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, 2025

General Fund

	Budgeted Amounts			Variance with
	Original	Final	Actuals	Final Budget
REVENUES:				
Taxes and assessments	\$ 13,269,000	\$ 13,269,000	\$ 13,916,904	\$ 647,904
Licenses and permits	414,000	414,000	561,250	147,250
Fines and forfeitures	45,000	45,000	37,136	(7,864)
Use of money and property	775,000	775,000	1,518,332	743,332
Intergovernmental	2,655,000	2,655,000	2,762,013	107,013
Charges for services	2,208,797	2,208,797	2,722,361	513,564
Other revenues	185,470	185,470	262,084	76,614
Total revenues	<u>19,552,267</u>	<u>19,552,267</u>	<u>21,780,080</u>	<u>2,227,813</u>
EXPENDITURES:				
Current:				
General government	5,203,080	5,355,513	5,559,903	(204,390)
Public safety	9,124,961	9,251,817	9,912,051	(660,234)
Streets and public works	535,674	881,642	564,468	317,174
Parks and recreation	2,563,856	2,570,386	3,095,102	(524,716)
Community development	1,083,489	1,116,599	1,028,404	88,195
Capital outlay	43,200	9,953	319,279	(309,326)
Debt services:				
Principal	-	-	162,408	(162,408)
Interest and fiscal agent fee	200,000	200,000	26,965	173,035
Total expenditures	<u>18,754,260</u>	<u>19,385,910</u>	<u>20,668,580</u>	<u>(1,282,670)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	798,007	166,357	1,111,500	945,143
OTHER FINANCING SOURCES (USES):				
Inception of subscription liability	-	-	220,379	220,379
Transfers in	176,556	176,556	176,556	-
Transfers (out)	(3,249,280)	(3,343,181)	(3,724,635)	(381,454)
Total financing sources (uses)	<u>(3,072,724)</u>	<u>(3,166,625)</u>	<u>(3,327,700)</u>	<u>(161,075)</u>
NET CHANGES IN FUND BALANCE	<u>\$ (2,274,717)</u>	<u>\$ (3,000,268)</u>	<u>(2,216,200)</u>	<u>\$ 784,068</u>
FUND BALANCE:				
Beginning of year			34,947,780	
End of year			<u>\$ 32,731,580</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2025

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

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 2,265,861	\$ 2,265,861	\$ 2,265,856	\$ (5)
Use of money and property	-	-	66,468	66,468
Total revenues	<u>2,265,861</u>	<u>2,265,861</u>	<u>2,332,324</u>	<u>66,463</u>
EXPENDITURES:				
Current:				
Streets and public works	1,770,000	1,772,738	1,605,473	167,265
Capital outlay	-	-	2,496	(2,496)
Total expenditures	<u>1,770,000</u>	<u>1,772,738</u>	<u>1,607,969</u>	<u>164,769</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	495,861	493,123	724,355	231,232
OTHER FINANCING SOURCES (USES):				
Transfers in	26,783	26,783	32,486	5,703
Transfers (out)	(333,780)	(333,780)	(279,654)	54,126
Total financing sources (uses)	<u>(306,997)</u>	<u>(306,997)</u>	<u>(247,168)</u>	<u>59,829</u>
NET CHANGE IN FUND BALANCE	<u>\$ 188,864</u>	<u>\$ 186,126</u>	477,187	<u>\$ 291,061</u>
FUND BALANCE:				
Beginning of year			431,507	
End of year			<u>\$ 908,694</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, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's Proportion of the Net Pension Liability	0.08%	0.08%	0.08%	0.83%	0.19%
City's Proportionate Share of the Net Pension Liability	\$ 9,488,612	\$ 9,552,482	\$ 8,968,007	\$ 4,514,222	\$ 7,840,808
City's Covered Payroll	\$ 4,498,471	\$ 4,009,532	\$ 3,590,446	\$ 2,848,532	\$ 3,376,629
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	211%	238%	250%	158%	232%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.11%	73.26%	73.13%	85.66%	73.63%

Measurement Date:	Safety Plans				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's Proportion of the Net Pension Liability	0.10%	0.09%	0.09%	0.10%	0.09%
City's Proportionate Share of the Net Pension Liability	\$ 11,527,799	\$ 11,743,165	\$ 10,787,186	\$ 5,378,400	\$ 9,924,963
City's Covered Payroll	\$ 3,380,267	\$ 3,536,469	\$ 3,339,846	\$ 2,805,237	\$ 2,702,843
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	341.03%	332.06%	322.98%	191.73%	367.20%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.90%	73.91%	75.17%	86.21%	73.17%

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, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's Proportion of the Net Pension Liability	0.17%	0.16%	0.17%	0.17%	0.18%
City's Proportionate Share of the Net Pension Liability	\$ 7,154,193	\$ 6,686,045	\$ 6,891,269	\$ 6,031,627	\$ 4,815,777
City's Covered Payroll	\$ 3,411,264	\$ 3,369,924	\$ 3,154,200	\$ 2,697,183	\$ 2,655,670
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	210%	198%	218%	224%	181%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.07%	77.69%	75.39%	75.87%	78.32%

Measurement Date:	Safety Plans				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's Proportion of the Net Pension Liability	0.16%	0.14%	0.16%	0.16%	0.18%
City's Proportionate Share of the Net Pension Liability	\$ 9,847,764	\$ 9,268,866	\$ 9,323,198	\$ 8,509,821	\$ 7,337,854
City's Covered Payroll	\$ 2,668,574	\$ 2,436,633	\$ 2,591,015	\$ 2,220,165	\$ 2,118,549
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	369.03%	380.40%	359.83%	383.30%	346.36%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	70.82%	73.39%	71.74%	72.69%	71.64%

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan
For the Year Ended June 30, 2025

Last Ten Fiscal Years¹

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans				
	2024-2025	2023-24	2022-23	2021-22	2020-21
Actuarially Determined Contribution ¹	\$ 1,041,680	\$ 891,236	\$ 862,807	\$ 961,252	\$ 224,145
Contribution in Relation to the Actuarially Determined Contribution ¹	(1,041,680)	(891,236)	(862,807)	(961,252)	(224,145)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ²	\$ 4,624,428	\$ 4,498,471	\$ 4,009,532	\$ 3,590,446	\$ 3,477,928
Contributions as a Percentage of Covered Payroll	22.53%	19.81%	21.52%	26.77%	6.44%

Fiscal Year:	Safety Plans				
	2024-2025	2023-24	2022-23	2021-22	2020-21
Actuarially Determined Contribution ²	\$ 1,473,886	\$ 1,473,886	\$ 1,240,453	\$ 1,127,304	\$ 443,902
Contribution in Relation to the Actuarially Determined Contribution ²	(1,473,886)	(1,473,886)	(1,240,453)	(1,127,304)	(443,902)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ³	\$ 3,474,914	\$ 3,380,267	\$ 3,536,469	\$ 3,339,846	\$ 2,783,928
Contributions as a Percentage of Covered Payroll	42.42%	43.60%	36.13%	33.75%	15.95%

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 2022 through 2024; 2.75% payroll growth assumption for fiscal years 2018 through 2021; 3.00% payroll growth assumption for fiscal years 2015 through 2017.

Notes to the Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2023-24 were derived from the June 30, 2023 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Actuarial cost method
Amortization method/period	For details, see June 30, 2021, funding valuation report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2021, funding valuation report.
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll Growth	2.80%
Investment rate of return	6.80% Net of pension plan investment and administrative expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	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.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan (Continued)
For the Year Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans				
	2019-20	2018-19	2017-18	2016-17	2015-16
Actuarially Determined Contribution ¹	\$ 774,757	\$ 770,639	\$ 659,810	\$ 558,315	\$ 529,212
Contribution in Relation to the Actuarially Determined Contribution ¹	(774,757)	(770,639)	(659,810)	(558,315)	(529,212)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ²	\$ 3,376,629	\$ 3,411,264	\$ 3,369,924	\$ 3,154,200	\$ 2,697,183
Contributions as a Percentage of Covered Payroll	22.94%	22.59%	19.58%	17.70%	19.62%

Fiscal Year:	Safety Plans				
	2019-20	2018-19	2017-18	2016-17	2015-16
Actuarially Determined Contribution ²	\$ 1,384,112	\$ 1,080,225	\$ 1,033,755	\$ 1,203,357	\$ 1,024,115
Contribution in Relation to the Actuarially Determined Contribution ²	(1,384,112)	(1,080,225)	(1,033,755)	(1,203,357)	(1,024,115)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ³	\$ 2,702,843	\$ 2,668,574	\$ 2,436,633	\$ 2,591,015	\$ 2,220,165
Contributions as a Percentage of Covered Payroll	51.21%	40.48%	42.43%	46.44%	46.13%

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, 2025

	Last Ten Fiscal Years ¹			
Measurement period, year ending:	6/30/2025	6/30/2024	6/30/2023	6/30/2022
Total OPEB liability				
Service cost	\$ 139,382	\$ 135,652	\$ 138,804	\$ 135,089
Interest	136,113	127,006	131,816	124,870
Differences between expected and actual experience	(36,723)	-	(595,870)	-
Changes of assumptions	-	-	331,830	-
Benefit payments, including refunds of member contributions	(88,320)	(87,069)	(109,733)	(144,124)
Net change in total OPEB liability	150,452	175,589	(103,153)	115,835
Total OPEB liability - beginning	2,617,441	2,441,852	2,545,005	2,429,170
Total OPEB liability - ending (a)	<u>\$ 2,767,893</u>	<u>\$ 2,617,441</u>	<u>\$ 2,441,852</u>	<u>\$ 2,545,005</u>
OPEB fiduciary net position				
Contributions - employer	\$ 88,320	\$ 87,069	\$ 109,733	\$ 144,124
Net investment income (loss)	250,520	236,200	124,112	(330,465)
Benefit payments, including refunds of member contributions	(88,320)	(87,069)	(109,733)	(144,124)
Administrative expense	(17,433)	(15,915)	(15,045)	(16,734)
Net change in plan fiduciary net position	233,087	220,285	109,067	(347,199)
Plan fiduciary net position - beginning	2,888,601	2,668,316	2,559,249	2,906,448
Plan fiduciary net position - ending (b)	3,121,688	2,888,601	2,668,316	2,559,249
Plan net OPEB liability (asset) - ending (a) - (b)	<u>\$ (353,795)</u>	<u>\$ (271,160)</u>	<u>\$ (226,464)</u>	<u>\$ (14,244)</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	112.78%	110.36%	109.27%	100.56%
Covered payroll	\$ 12,192,908	\$ 11,866,577	\$ 11,548,980	\$ 11,239,883
Plan net OPEB liability (asset) as a percentage of covered payroll	-2.90%	-2.29%	-1.96%	-0.13%

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

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, 2025

	Last Ten Fiscal Years ¹			
Measurement period, year ending:	6/30/2021	6/30/2020 ²	6/30/2019	6/30/2018
Total OPEB liability				
Service cost	\$ 167,563	\$ 175,142	\$ 127,197	\$ 99,270
Interest	139,104	188,135	180,251	179,763
Differences between expected and actual experience	(311,195)	(1,203,506)	40,091	437,919
Changes of assumptions	65,097	(293,525)	-	-
Benefit payments, including refunds of member contributions	(123,619)	(115,990)	(166,793)	(105,034)
Net change in total OPEB liability	(63,050)	(1,249,744)	180,746	611,918
Total OPEB liability - beginning	2,492,220	3,741,964	3,561,218	2,949,300
Total OPEB liability - ending (a)	<u>\$ 2,429,170</u>	<u>\$ 2,492,220</u>	<u>\$ 3,741,964</u>	<u>\$ 3,561,218</u>
OPEB fiduciary net position				
Contributions - employer	\$ 22,016	\$ 215,990	\$ 361,275	\$ 205,034
Net investment income (loss)	359,682	123,227	155,134	123,771
Benefit payments, including refunds of member contributions	(123,619)	(115,990)	(166,793)	(105,034)
Administrative expense	(16,223)	(13,381)	-	-
Net change in plan fiduciary net position	241,856	209,846	349,616	223,771
Plan fiduciary net position - beginning	2,664,592	2,454,746	2,105,130	1,881,359
Plan fiduciary net position - ending (b)	2,906,448	2,664,592	2,454,746	2,105,130
Plan net OPEB liability (asset) - ending (a) - (b)	<u>\$ (477,278)</u>	<u>\$ (172,372)</u>	<u>\$ 1,287,218</u>	<u>\$ 1,456,088</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	119.65%	106.92%	65.60%	59.11%
Covered payroll	\$ 10,939,059	\$ 10,646,286	\$ 10,336,200	\$ 10,035,146
Plan net OPEB liability (asset) as a percentage of covered payroll	-4.36%	-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 the City's Contributions to the OPEB Plan
For the Year Ended June 30, 2025

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	2024-25	2023-24	2022-23	2021-22	2020-21
Actuarially Determined Contribution	\$ 88,320	\$ 87,069	\$ 109,733	\$ 144,124	\$ 22,016
Contribution in Relation to the Actuarially Determined Contribution ²	(88,320)	(87,069)	(109,733)	(144,124)	(22,016)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 12,192,908	\$ 11,866,577	\$ 11,548,980	\$ 11,239,883	\$ 10,939,059
Contributions as a Percentage of Covered Payroll	0.72%	0.73%	0.95%	1.28%	0.20%

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, 2025

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	2019-20	2018-19	2017-18¹
Actuarially Determined Contribution	\$ 215,990	\$ 361,275	\$ 205,034
Contribution in Relation to the Actuarially Determined Contribution ²	(215,990)	(361,275)	(205,034)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 10,646,286	\$ 10,336,200	\$ 10,035,146
Contributions as a Percentage of Covered Payroll	2.03%	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 Changes in Net OPEB Liability and Related Ratios - SOMAR Plan
For the Year Ended June 30, 2025

Last Ten Fiscal Years¹

Measurement period, year ending:	6/30/2025	6/30/2024	6/30/2023
Total OPEB liability			
Service cost	\$ 89,107	\$ 93,662	\$ 67,118
Interest	75,670	69,546	47,903
Differences between expected and actual experience	335,867	-	411,971
Changes of assumptions	(425,629)	(92,016)	57,838
Benefit payments, including refunds of member contributions	(48,809)	(48,879)	(42,990)
Net change in total OPEB liability	26,206	22,313	541,840
Total OPEB liability - beginning	1,905,286	1,882,973	1,341,133
Total OPEB liability - ending (a)	\$ 1,931,492	\$ 1,905,286	\$ 1,882,973
Fiduciary net position			
Contributions - employer	\$ 48,809	\$ 48,879	\$ 43,718
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(48,809)	(48,879)	(43,718)
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)	\$ 1,931,492	\$ 1,905,286	\$ 1,882,973
Plan fiduciary net position as a percentage of the total OPEB liability	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%

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 Changes in Net OPEB Liability and Related Ratios - SOMAR Plan (Continued)
For the Year Ended June 30, 2025

Last Ten Fiscal Years ¹			
Measurement period, year ending:	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020²</u>
Total OPEB liability			
Service cost	\$ 95,420	\$ 141,956	\$ 98,801
Interest	35,501	42,108	49,689
Differences between expected and actual experience	-	(398,956)	-
Changes of assumptions	(363,788)	11,351	366,382
Benefit payments, including refunds of member contributions	(43,718)	(43,536)	(40,738)
Net change in total OPEB liability	(276,585)	(247,077)	474,134
Total OPEB liability - beginning	1,617,718	1,864,795	1,390,661
Total OPEB liability - ending (a)	<u>\$ 1,341,133</u>	<u>\$ 1,617,718</u>	<u>\$ 1,864,795</u>
Fiduciary net position			
Contributions - employer	\$ 43,718	\$ 43,536	\$ 40,738
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(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)	<u>\$ 1,341,133</u>	<u>\$ 1,617,718</u>	<u>\$ 1,864,795</u>
Plan fiduciary net position as a percentage of the total OPEB liability	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%

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, 2025

Last Ten Fiscal Years¹

SOMAR Plan

Fiscal Year:	2024-25	2023-24	2022-23
Actuarially Determined Contribution	\$ 48,809	\$ 48,879	\$ 43,718
Contribution in Relation to the Actuarially Determined Contribution	(48,809)	(48,879)	(43,718)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered-Employee Payroll	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	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.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the OPEB Plan (Continued)
For the Year Ended June 30, 2025

Last Ten Fiscal Years¹

SOMAR Plan

Fiscal Year:	2021-22	2020-21	2019-20²
Actuarially Determined Contribution	\$ 43,536	\$ 43,536	\$ 40,738
Contribution in Relation to the Actuarially Determined Contribution	(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%

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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 905,296	\$ 905,296	\$ 1,014,633	\$ 109,337
Total revenues	<u>905,296</u>	<u>905,296</u>	<u>1,014,633</u>	<u>109,337</u>
EXPENDITURES:				
Debt services:				
Principal	862,125	862,125	862,125	-
Interest and fiscal agent fee	841,628	841,628	844,604	(2,976)
Total expenditures	<u>1,703,753</u>	<u>1,703,753</u>	<u>1,706,729</u>	<u>(2,976)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(798,457)	(798,457)	(692,096)	106,361
OTHER FINANCING SOURCES				
Transfers in	798,457	798,457	805,903	7,446
Total financing sources	<u>798,457</u>	<u>798,457</u>	<u>805,903</u>	<u>7,446</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	113,807	<u>\$ 113,807</u>
FUND BALANCE:				
Beginning of year			2,171,770	
End of year			<u>\$ 2,285,577</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 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 Village LLAD No. 2002-2 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.

Baywood LLAD No. 2004-1 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.

Bayside LLAD No. 2005-1 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.

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 Fund - 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, 2025

		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		\$ 526,275	\$ 781,815	\$ 80,823	\$ -
Accounts receivable		62,218	-	101,537	-
Total assets		<u>\$ 588,493</u>	<u>\$ 781,815</u>	<u>\$ 182,360</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable		\$ 34,018	\$ -	\$ -	\$ 67,526
Accrued wages		5,294	5,794	-	1,415
Deposit payable		-	-	-	-
Due to other funds		-	-	-	790,901
Advances from other funds		-	-	-	-
Total liabilities		<u>39,312</u>	<u>5,794</u>	<u>-</u>	<u>859,842</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	101,537	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>101,537</u>	<u>-</u>
FUND BALANCES					
Restricted		549,181	776,021	80,823	-
Committed		-	-	-	-
Unassigned (deficit)		-	-	-	(859,842)
Total fund balances (deficit)		<u>549,181</u>	<u>776,021</u>	<u>80,823</u>	<u>(859,842)</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 588,493</u>	<u>\$ 781,815</u>	<u>\$ 182,360</u>	<u>\$ -</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

		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		\$ 129,039	\$ 98,464	\$ 130,578	\$ 553,139
Accounts receivable		-	-	-	-
Total assets		<u>\$ 129,039</u>	<u>\$ 98,464</u>	<u>\$ 130,578</u>	<u>\$ 553,139</u>
LIABILITIES					
Accounts payable		\$ 18,598	\$ 10,633	\$ 13,130	\$ 37,096
Accrued wages		564	869	682	852
Deposit payable		-	-	-	-
Due to other funds		-	-	-	-
Advances from other funds		-	88,200	-	-
Total liabilities		<u>19,162</u>	<u>99,702</u>	<u>13,812</u>	<u>37,948</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted		109,877	-	116,766	515,191
Committed		-	-	-	-
Unassigned (deficit)		-	(1,238)	-	-
Total fund balances (deficit)		<u>109,877</u>	<u>(1,238)</u>	<u>116,766</u>	<u>515,191</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 129,039</u>	<u>\$ 98,464</u>	<u>\$ 130,578</u>	<u>\$ 553,139</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

		Special Revenue Funds			
		Stormwater	Development Services	AB939 JPA	Regional Water Quality
ASSETS					
Cash and investments		\$ -	\$ 1,885,666	\$ 886,126	\$ 57,962
Accounts receivable		41,388	53,450	79,720	-
Total assets		<u>\$ 41,388</u>	<u>\$ 1,939,116</u>	<u>\$ 965,846</u>	<u>\$ 57,962</u>
LIABILITIES					
Accounts payable		\$ 20,000	\$ -	\$ -	\$ -
Accrued wages		4,068	-	350	-
Deposit payable		-	-	-	-
Due to other funds		-	-	-	-
Advances from other funds		-	-	-	-
Total liabilities		<u>24,068</u>	<u>-</u>	<u>350</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted		17,320	1,939,116	965,496	57,962
Committed		-	-	-	-
Unassigned (deficit)		-	-	-	-
Total fund balances (deficit)		<u>17,320</u>	<u>1,939,116</u>	<u>965,496</u>	<u>57,962</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 41,388</u>	<u>\$ 1,939,116</u>	<u>\$ 965,846</u>	<u>\$ 57,962</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

		Special Revenue Funds			Capital Project Funds
		Asset Forfeiture	Bart Park and Ride	Road Rehabilitation Maintenance	City Capital Projects Fund
ASSETS					
Cash and investments		\$ 363,985	\$ 7,872	\$ 1,633,385	\$ 2,972,368
Accounts receivable		-	-	59,609	578,921
Total assets		<u>\$ 363,985</u>	<u>\$ 7,872</u>	<u>\$ 1,692,994</u>	<u>\$ 3,551,289</u>
LIABILITIES					
Accounts payable		\$ -	\$ 1,093	\$ -	\$ 194,385
Accrued wages		-	-	-	-
Deposit payable		196,128	-	-	-
Due to other funds		-	-	-	417,798
Advances from other funds		-	-	-	-
Total liabilities		<u>196,128</u>	<u>1,093</u>	<u>-</u>	<u>612,183</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	491,200
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>491,200</u>
FUND BALANCES					
Restricted		167,857	6,779	1,692,994	-
Committed		-	-	-	2,447,906
Unassigned (deficit)		-	-	-	-
Total fund balances (deficit)		<u>167,857</u>	<u>6,779</u>	<u>1,692,994</u>	<u>2,447,906</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 363,985</u>	<u>\$ 7,872</u>	<u>\$ 1,692,994</u>	<u>\$ 3,551,289</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

		Capital Project Funds	
		Development Impact Fees	Total
ASSETS			
Cash and investments		\$ 2,665,615	\$ 12,773,112
Accounts receivable		-	976,843
Total assets		<u>\$ 2,665,615</u>	<u>\$ 13,749,955</u>
LIABILITIES			
Accounts payable		\$ 24,518	\$ 420,997
Accrued wages		-	19,888
Deposit payable		-	196,128
Due to other funds		-	1,208,699
Advances from other funds		-	88,200
Total liabilities		<u>24,518</u>	<u>1,933,912</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue		-	592,737
Total deferred inflows of resources		<u>-</u>	<u>592,737</u>
FUND BALANCES			
Restricted		2,641,097	9,636,480
Committed		-	2,447,906
Unassigned (deficit)		-	(861,080)
Total fund balances (deficit)		<u>2,641,097</u>	<u>11,223,306</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 2,665,615</u>	<u>\$ 13,749,955</u>

(Concluded)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	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	\$ -	\$ -	\$ -	\$ 520,569
Licenses and permits	-	-	-	-
Use of money and property	32,155	31,171	-	-
Intergovernmental	733,801	554,631	194,663	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>765,956</u>	<u>585,802</u>	<u>194,663</u>	<u>520,569</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	552,012	344,818	-	680,859
Capital outlay	137,779	230,541	-	-
Total expenditures	<u>689,791</u>	<u>575,359</u>	<u>-</u>	<u>680,859</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	76,165	10,443	194,663	(160,290)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	13,052
Transfers (out)	(55,965)	-	(176,556)	(29,529)
Total financing sources (uses)	<u>(55,965)</u>	<u>-</u>	<u>(176,556)</u>	<u>(16,477)</u>
NET CHANGES IN FUND BALANCES	20,200	10,443	18,107	(176,767)
FUND BALANCES (DEFICIT):				
Beginning of year	528,981	765,578	62,716	(683,075)
End of year	<u>\$ 549,181</u>	<u>\$ 776,021</u>	<u>\$ 80,823</u>	<u>\$ (859,842)</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, 2025

	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	\$ 178,701	\$ 177,884	\$ 162,856	\$ -
Licenses and permits	-	-	-	-
Use of money and property	6,361	3,850	6,592	20,547
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>185,062</u>	<u>181,734</u>	<u>169,448</u>	<u>20,547</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	198,935	139,191	155,222	350,216
Capital outlay	-	-	-	-
Total expenditures	<u>198,935</u>	<u>139,191</u>	<u>155,222</u>	<u>350,216</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,873)	42,543	14,226	(329,669)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,347	3,259	2,822	340,210
Transfers (out)	(8,051)	(2,841)	(20,136)	-
Total financing sources (uses)	<u>(3,704)</u>	<u>418</u>	<u>(17,314)</u>	<u>340,210</u>
NET CHANGES IN FUND BALANCES	(17,577)	42,961	(3,088)	10,541
FUND BALANCES (DEFICIT):				
Beginning of year	127,454	(44,199)	119,854	504,650
End of year	<u>\$ 109,877</u>	<u>\$ (1,238)</u>	<u>\$ 116,766</u>	<u>\$ 515,191</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, 2025

	Special Revenue Funds			
	Stormwater	Development Services	AB939 JPA	Regional Water Quality
REVENUES:				
Taxes and assessments	\$ 241,252	\$ 312,765	\$ -	\$ -
Licenses and permits	-	-	177,647	-
Use of money and property	-	90,010	50,950	3,056
Intergovernmental	-	15,000	-	-
Charges for services	-	-	-	-
Other revenues	-	-	35,000	-
Total revenues	<u>241,252</u>	<u>417,775</u>	<u>263,597</u>	<u>3,056</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	495,318	-	58,797	-
Capital outlay	-	-	11,417	-
Total expenditures	<u>495,318</u>	<u>-</u>	<u>70,214</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(254,066)	417,775	193,383	3,056
OTHER FINANCING SOURCES (USES)				
Transfers in	467,407	-	-	-
Transfers (out)	-	-	(125,000)	-
Total financing sources (uses)	<u>467,407</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	213,341	417,775	68,383	3,056
FUND BALANCES (DEFICIT):				
Beginning of year	(196,021)	1,521,341	897,113	54,906
End of year	<u>\$ 17,320</u>	<u>\$ 1,939,116</u>	<u>\$ 965,496</u>	<u>\$ 57,962</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, 2025

	Special Revenue Funds			Capital Project Funds
	Asset Forfeiture	Bart Park and Ride	Road Rehabilitation Maintenance	City Capital Projects Fund
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 60,293
Licenses and permits	-	-	-	-
Use of money and property	9,783	32	67,285	17,539
Intergovernmental	-	-	709,040	264,187
Charges for services	-	-	-	-
Other revenues	-	33,500	-	-
Total revenues	<u>9,783</u>	<u>33,532</u>	<u>776,325</u>	<u>342,019</u>
EXPENDITURES:				
Current:				
Public safety	22,398	-	-	-
Streets and public works	-	26,488	65,092	16,514
Capital outlay	-	-	-	778,219
Total expenditures	<u>22,398</u>	<u>26,488</u>	<u>65,092</u>	<u>794,733</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,615)	7,044	711,233	(452,714)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	2,576,325
Transfers (out)	-	-	-	-
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,576,325</u>
NET CHANGES IN FUND BALANCES	(12,615)	7,044	711,233	2,123,611
FUND BALANCES (DEFICIT):				
Beginning of year	180,472	(265)	981,761	324,295
End of year	<u>\$ 167,857</u>	<u>\$ 6,779</u>	<u>\$ 1,692,994</u>	<u>\$ 2,447,906</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, 2025

	Capital Project Funds	
	Development Impact Fees	Total
REVENUES:		
Taxes and assessments	\$ -	\$ 1,654,320
Licenses and permits	-	177,647
Use of money and property	126,355	465,686
Intergovernmental	-	2,471,322
Charges for services	403,806	403,806
Other revenues	-	68,500
Total revenues	530,161	5,241,281
EXPENDITURES:		
Current:		
Public safety	-	22,398
Streets and public works	-	3,083,462
Capital outlay	-	1,157,956
Total expenditures	-	4,263,816
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	530,161	977,465
OTHER FINANCING SOURCES (USES)		
Transfers in	-	3,407,422
Transfers (out)	-	(418,078)
Total financing sources (uses)	-	2,989,344
NET CHANGES IN FUND BALANCES	530,161	3,966,809
FUND BALANCES (DEFICIT):		
Beginning of year	2,110,936	7,256,497
End of year	<u>\$ 2,641,097</u>	<u>\$ 11,223,306</u>

(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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 32,155	\$ 32,155
Intergovernmental	727,585	727,585	733,801	6,216
Total revenues	<u>727,585</u>	<u>727,585</u>	<u>765,956</u>	<u>38,371</u>
EXPENDITURES:				
Current:				
Streets and public works	516,664	506,686	552,012	(45,326)
Capital outlay	153,200	198,068	137,779	60,289
Total expenditures	<u>669,864</u>	<u>704,754</u>	<u>689,791</u>	<u>14,963</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	57,721	22,831	76,165	53,334
OTHER FINANCING (USES):				
Transfers (out)	(55,965)	(55,965)	(55,965)	-
Total financing (uses)	<u>(55,965)</u>	<u>(55,965)</u>	<u>(55,965)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,756</u>	<u>\$ (33,134)</u>	20,200	<u>\$ 53,334</u>
FUND BALANCE:				
Beginning of year			528,981	
End of year			<u>\$ 549,181</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Measure C Street Special Revenue Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 31,171	\$ 31,171
Intergovernmental	520,000	520,000	554,631	34,631
Total revenues	<u>520,000</u>	<u>520,000</u>	<u>585,802</u>	<u>65,802</u>
EXPENDITURES:				
Current:				
Streets and public works	342,886	332,908	344,818	(11,910)
Capital outlay	258,300	358,172	230,541	127,631
Total expenditures	<u>601,186</u>	<u>691,080</u>	<u>575,359</u>	<u>115,721</u>
NET CHANGE IN FUND BALANCE	<u>\$ (81,186)</u>	<u>\$ (171,080)</u>	10,443	<u>\$ 181,523</u>
FUND BALANCE:				
Beginning of year			<u>765,578</u>	
End of year			<u>\$ 776,021</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 194,663	\$ 44,663
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>194,663</u>	<u>44,663</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	150,000	150,000	194,663	44,663
OTHER FINANCING (USES):				
Transfers (out)	<u>(176,556)</u>	<u>(176,556)</u>	<u>(176,556)</u>	<u>-</u>
Total financing (uses)	<u>(176,556)</u>	<u>(176,556)</u>	<u>(176,556)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (26,556)</u>	<u>\$ (26,556)</u>	18,107	<u>\$ 44,663</u>
FUND BALANCE:				
Beginning of year			<u>62,716</u>	
End of year			<u>\$ 80,823</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 647,122	\$ 647,122	\$ 520,569	\$ (126,553)
Total revenues	<u>647,122</u>	<u>647,122</u>	<u>520,569</u>	<u>(126,553)</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>677,580</u>	<u>687,183</u>	<u>680,859</u>	<u>6,324</u>
Total expenditures	<u>677,580</u>	<u>687,183</u>	<u>680,859</u>	<u>6,324</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(30,458)	(40,061)	(160,290)	(120,229)
OTHER FINANCING SOURCES (USES):				
Transfer in	13,052	13,052	13,052	-
Transfers (out)	<u>(29,529)</u>	<u>(29,529)</u>	<u>(29,529)</u>	<u>-</u>
Total financing (uses)	<u>(16,477)</u>	<u>(16,477)</u>	<u>(16,477)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (46,935)</u>	<u>\$ (56,538)</u>	(176,767)	<u>\$ (120,229)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(683,075)</u>	
End of year			<u>\$ (859,842)</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 178,701	\$ 178,701	\$ 178,701	\$ -
Use of money and property	-	-	6,361	6,361
Total revenues	<u>178,701</u>	<u>178,701</u>	<u>185,062</u>	<u>6,361</u>
EXPENDITURES:				
Current:				
Streets and public works	217,363	217,877	198,935	18,942
Total expenditures	<u>217,363</u>	<u>217,877</u>	<u>198,935</u>	<u>18,942</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(38,662)	(39,176)	(13,873)	25,303
OTHER FINANCING SOURCES (USES):				
Transfers in	4,347	4,347	4,347	-
Transfers (out)	(8,051)	(8,051)	(8,051)	-
Total financing sources (uses)	<u>(3,704)</u>	<u>(3,704)</u>	<u>(3,704)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (42,366)</u>	<u>\$ (42,880)</u>	<u>(17,577)</u>	<u>\$ 25,303</u>
FUND BALANCE:				
Beginning of year			127,454	
End of year			<u>\$ 109,877</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 177,885	\$ 177,885	\$ 177,884	\$ (1)
Use of money and property	-	-	3,850	3,850
Total revenues	<u>177,885</u>	<u>177,885</u>	<u>181,734</u>	<u>3,849</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>177,670</u>	<u>178,184</u>	<u>139,191</u>	<u>38,993</u>
Total expenditures	<u>177,670</u>	<u>178,184</u>	<u>139,191</u>	<u>38,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	215	(299)	42,543	42,842
OTHER FINANCING SOURCES (USES):				
Transfers in	3,259	3,259	3,259	-
Transfers (out)	<u>(2,841)</u>	<u>(2,841)</u>	<u>(2,841)</u>	-
Total financing sources (uses)	<u>418</u>	<u>418</u>	<u>418</u>	-
NET CHANGE IN FUND BALANCE	<u>\$ 633</u>	<u>\$ 119</u>	42,961	<u>\$ 42,842</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(44,199)</u>	
End of year			<u>\$ (1,238)</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 162,856	\$ 162,856	\$ 162,856	\$ -
Use of money and property	-	-	6,592	6,592
Total revenues	<u>162,856</u>	<u>162,856</u>	<u>169,448</u>	<u>6,592</u>
EXPENDITURES:				
Current:				
Streets and public works	141,104	148,809	155,222	(6,413)
Total expenditures	<u>141,104</u>	<u>148,809</u>	<u>155,222</u>	<u>(6,413)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,752	14,047	14,226	179
OTHER FINANCING SOURCES (USES):				
Transfers in	2,822	2,822	2,822	-
Transfers (out)	(20,136)	(20,136)	(20,136)	-
Total financing sources (uses)	<u>(17,314)</u>	<u>(17,314)</u>	<u>(17,314)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,438</u>	<u>\$ (3,267)</u>	<u>(3,088)</u>	<u>\$ 179</u>
FUND BALANCE:				
Beginning of year			119,854	
End of year			<u>\$ 116,766</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 20,547	\$ 20,547
Total revenues	<u>-</u>	<u>-</u>	<u>20,547</u>	<u>20,547</u>
EXPENDITURES:				
Current:				
Streets and public works	365,916	365,916	350,216	15,700
Total expenditures	<u>365,916</u>	<u>365,916</u>	<u>350,216</u>	<u>15,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(365,916)	(365,916)	(329,669)	36,247
OTHER FINANCING SOURCES:				
Transfers in	340,210	340,210	340,210	-
Total financing sources	<u>340,210</u>	<u>340,210</u>	<u>340,210</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (25,706)</u>	<u>\$ (25,706)</u>	10,541	<u>\$ 36,247</u>
FUND BALANCE:				
Beginning of year			504,650	
End of year			<u>\$ 515,191</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 230,645	\$ 230,645	\$ 241,252	\$ 10,607
Total revenues	<u>230,645</u>	<u>230,645</u>	<u>241,252</u>	<u>10,607</u>
EXPENDITURES:				
Current:				
Streets and public works	449,029	493,586	495,318	(1,732)
Total expenditures	<u>449,029</u>	<u>493,586</u>	<u>495,318</u>	<u>(1,732)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(218,384)	(262,941)	(254,066)	8,875
OTHER FINANCING SOURCES:				
Transfers in	125,000	125,000	467,407	342,407
Total financing sources	<u>125,000</u>	<u>125,000</u>	<u>467,407</u>	<u>342,407</u>
NET CHANGE IN FUND BALANCE	<u>\$ (93,384)</u>	<u>\$ (137,941)</u>	213,341	<u>\$ 351,282</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(196,021)	
End of year			<u>\$ 17,320</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ 312,765	\$ 312,765
Use of money and property	-	-	90,010	90,010
Intergovernmental	-	-	15,000	15,000
Total revenues	<u>-</u>	<u>-</u>	<u>417,775</u>	<u>417,775</u>
EXPENDITURES:				
Current:				
Streets and public works	-	8,726	-	8,726
Community development	170,000	170,000	-	170,000
Total expenditures	<u>170,000</u>	<u>178,726</u>	<u>-</u>	<u>178,726</u>
NET CHANGES IN FUND BALANCE	<u>\$ (170,000)</u>	<u>\$ (178,726)</u>	417,775	<u>\$ 596,501</u>
FUND BALANCE:				
Beginning of year			1,521,341	
End of year			<u>\$ 1,939,116</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Licenses and permits	\$ 176,000	\$ 176,000	\$ 177,647	\$ 1,647
Use of money and property	9,000	9,000	50,950	41,950
Other revenues	-	-	35,000	35,000
Total revenues	<u>185,000</u>	<u>185,000</u>	<u>263,597</u>	<u>78,597</u>
EXPENDITURES:				
Current:				
Streets and public works	3,227	25,393	58,797	(33,404)
Capital outlay	260,113	260,113	11,417	248,696
Total expenditures	<u>263,340</u>	<u>285,506</u>	<u>70,214</u>	<u>215,292</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(78,340)	(100,506)	193,383	293,889
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>\$ (203,340)</u>	<u>\$ (225,506)</u>	68,383	<u>\$ 293,889</u>
FUND BALANCE:				
Beginning of year			897,113	
End of year			<u>\$ 965,496</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 9,783	\$ 9,783
Total revenues	<u>-</u>	<u>-</u>	<u>9,783</u>	<u>9,783</u>
EXPENDITURES:				
Current:				
Public safety	117,000	148,282	22,398	125,884
Total expenditures	<u>117,000</u>	<u>148,282</u>	<u>22,398</u>	<u>125,884</u>
NET CHANGE IN FUND BALANCE	<u>\$ (117,000)</u>	<u>\$ (148,282)</u>	(12,615)	<u>\$ 135,667</u>
FUND BALANCE:				
Beginning of year			180,472	
End of year			<u>\$ 167,857</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 32	\$ 32
Other revenue	89,000	89,000	33,500	(55,500)
Total revenues	<u>89,000</u>	<u>89,000</u>	<u>33,532</u>	<u>(55,468)</u>
EXPENDITURES:				
Current:				
Streets and public works	89,000	90,968	26,488	64,480
Total expenditures	<u>89,000</u>	<u>90,968</u>	<u>26,488</u>	<u>64,480</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,968)</u>	7,044	<u>\$ 9,012</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(265)	
End of year			<u>\$ 6,779</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 67,285	\$ 67,285
Intergovernmental	673,002	673,002	709,040	36,038
Total revenues	<u>673,002</u>	<u>673,002</u>	<u>776,325</u>	<u>103,323</u>
EXPENDITURES:				
Current:				
Streets and public works	965,100	1,075,271	65,092	1,010,179
Total expenditures	<u>965,100</u>	<u>1,075,271</u>	<u>65,092</u>	<u>1,010,179</u>
NET CHANGE IN FUND BALANCE	<u>\$ (292,098)</u>	<u>\$ (402,269)</u>	711,233	<u>\$ 1,113,502</u>
FUND BALANCE:				
Beginning of year			981,761	
End of year			<u>\$ 1,692,994</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 56,000	\$ 56,000	\$ 60,293	\$ 4,293
Use of money and property	6,000	6,000	17,539	11,539
Intergovernmental	1,127,500	1,127,500	264,187	(863,313)
Total revenues	<u>1,189,500</u>	<u>1,189,500</u>	<u>342,019</u>	<u>(847,481)</u>
EXPENDITURES:				
Current:				
Street and public works	-	164,077	16,514	147,563
Capital outlay	3,626,323	4,488,337	778,219	3,710,118
Total expenditures	<u>3,626,323</u>	<u>4,652,414</u>	<u>794,733</u>	<u>3,857,681</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,436,823)	(3,462,914)	(452,714)	3,010,200
OTHER FINANCING SOURCES:				
Transfers in	2,450,823	2,544,724	2,576,325	31,601
Total financing sources	<u>2,450,823</u>	<u>2,544,724</u>	<u>2,576,325</u>	<u>31,601</u>
NET CHANGE IN FUND BALANCE	<u>\$ 14,000</u>	<u>\$ (918,190)</u>	2,123,611	<u>\$ 3,041,801</u>
FUND BALANCE:				
Beginning of year			324,295	
End of year			<u>\$ 2,447,906</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 126,355	\$ 126,355
Charges for services	-	-	403,806	403,806
Total revenues	<u>-</u>	<u>-</u>	<u>530,161</u>	<u>530,161</u>
EXPENDITURES:				
Current:				
Streets and public works	200,000	200,000	-	200,000
Capital outlay	-	39,387	-	39,387
Total expenditures	<u>200,000</u>	<u>239,387</u>	<u>-</u>	<u>239,387</u>
NET CHANGE IN FUND BALANCE	<u>\$ (200,000)</u>	<u>\$ (239,387)</u>	530,161	<u>\$ 769,548</u>
FUND BALANCE:				
Beginning of year			2,110,936	
End of year			<u>\$ 2,641,097</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, 2025

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 279,651	\$ 1,447,115	\$ 179,899	\$ 1,906,665
Total current assets	<u>279,651</u>	<u>1,447,115</u>	<u>179,899</u>	<u>1,906,665</u>
Noncurrent assets:				
Net OPEB asset - PEHMCA	-	11,600	5,800	17,400
Capital assets:				
Depreciable and amortizable, net	534,108	234,214	-	768,322
Total noncurrent assets	<u>534,108</u>	<u>245,814</u>	<u>5,800</u>	<u>785,722</u>
Total assets	<u>813,759</u>	<u>1,692,929</u>	<u>185,699</u>	<u>2,692,387</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	150,509	110,583	261,092
OPEB-related deferred inflows of resources (PEHMCA)	-	8,928	4,464	13,392
OPEB-related deferred outflows of resources (SOMAR)	-	26,889	13,445	40,334
Total deferred outflows of resources	<u>-</u>	<u>186,326</u>	<u>128,492</u>	<u>314,818</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	4,201	36,230	40,431
Salaries and benefits payable	-	8,556	5,029	13,585
Compensated absences, due in one year	-	33,931	14,070	48,001
Subscription liability, due in one year	-	27,375	-	27,375
Total current liabilities	<u>-</u>	<u>74,063</u>	<u>55,329</u>	<u>129,392</u>
Noncurrent liabilities:				
Compensated absences	-	11,310	4,690	16,000
Subscription liability	-	15,707	-	15,707
Net pension liability	-	538,468	395,629	934,097
Net OPEB liability - SOMAR	-	63,327	31,663	94,990
Total noncurrent liabilities	<u>-</u>	<u>628,812</u>	<u>431,982</u>	<u>1,060,794</u>
Total liabilities	<u>-</u>	<u>702,875</u>	<u>487,311</u>	<u>1,190,186</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	24,811	18,230	43,041
OPEB-related deferred outflows of resources (PEHMCA)	-	44,666	22,333	66,999
OPEB-related deferred outflows of resources (SOMAR)	-	30,032	15,016	45,048
Total deferred inflows of resources	<u>-</u>	<u>99,509</u>	<u>55,579</u>	<u>155,088</u>
NET POSITION				
Net investment in capital assets	534,108	191,132	-	725,240
Restricted for net OPEB assets	-	11,600	5,800	17,400
Unrestricted (deficit)	279,651	874,139	(234,499)	919,291
Total net position	<u>\$ 813,759</u>	<u>\$ 1,076,871</u>	<u>\$ (228,699)</u>	<u>\$ 1,661,931</u>

City of Hercules
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2025

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
OPERATING REVENUES:				
Charges for services	\$ 158,000	\$ 1,070,728	\$ 1,046,683	\$ 2,275,411
Other operating revenues	-	165,337	-	165,337
Total operating revenues	<u>158,000</u>	<u>1,236,065</u>	<u>1,046,683</u>	<u>2,440,748</u>
OPERATING EXPENSES:				
Salaries and benefits	-	478,187	307,048	785,235
Services and supplies	57,550	575,752	954,657	1,587,959
Depreciation and amortization	222,419	57,074	-	279,493
Total operating expenses	<u>279,969</u>	<u>1,111,013</u>	<u>1,261,705</u>	<u>2,652,687</u>
OPERATING INCOME (LOSS)	<u>(121,969)</u>	<u>125,052</u>	<u>(215,022)</u>	<u>(211,939)</u>
NONOPERATING (EXPENSES):				
Interest (expenses)	-	(607)	-	(607)
INCOME (LOSS) BEFORE TRANSFERS	<u>(121,969)</u>	<u>124,445</u>	<u>(215,022)</u>	<u>(212,546)</u>
CHANGES IN NET POSITION	<u>(121,969)</u>	<u>124,445</u>	<u>(215,022)</u>	<u>(212,546)</u>
NET POSITION (DEFICIT):				
Beginning of year, as previously reported	935,728	962,816	(10,178)	1,888,366
Change in accounting principle (GASB 101)	-	(10,390)	(3,499)	(13,889)
Beginning of year, as restated (Note 17)	935,728	952,426	(13,677)	1,874,477
End of year	<u>\$ 813,759</u>	<u>\$ 1,076,871</u>	<u>\$ (228,699)</u>	<u>\$ 1,661,931</u>

City of Hercules
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2025

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from internal services provided	\$ 158,000	\$ 1,236,066	\$ 1,046,683	\$ 2,440,749
Cash paid to suppliers for goods and services	(57,550)	(591,794)	(940,314)	(1,589,658)
Cash paid to employees for services	-	(424,503)	(233,537)	(658,040)
Net cash provided by (used in) operating activities	100,450	219,769	(127,168)	193,051
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments related to the acquisition of capital assets	(135,436)	-	-	(135,436)
Principal repayments related to capital purposes	-	(28,002)	-	(28,002)
Interest repayments related to capital purposes	-	(607)	-	(607)
Net cash (used in) capital and related financing activities	(135,436)	(28,609)	-	(164,045)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(34,986)	191,160	(127,168)	29,006
CASH AND CASH EQUIVALENTS:				
Beginning of year	314,637	1,255,955	307,067	1,877,659
End of year	<u>\$ 279,651</u>	<u>\$ 1,447,115</u>	<u>\$ 179,899</u>	<u>\$ 1,906,665</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (121,969)	\$ 125,052	\$ (215,022)	\$ (211,939)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	222,419	57,074	-	279,493
(Increase) Decrease in Assets and Deferred Outflows				
Pensions-related deferred outflows	-	35,337	9,071	44,408
OPEB-related deferred outflows	-	(3,657)	(1,829)	(5,486)
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	-	(16,041)	14,343	(1,698)
Salaries and benefits payable	-	1,861	1,013	2,874
Net pension liability	-	31,617	69,301	100,918
Net OPEB liability	-	858	429	1,287
Pensions-related deferred inflows	-	(14,954)	(7,372)	(22,326)
OPEB-related deferred inflows	-	2,728	1,363	4,091
Compensated absences	-	(106)	1,535	1,429
Total adjustments	<u>222,419</u>	<u>94,717</u>	<u>87,854</u>	<u>404,990</u>
Net cash provided by (used in) operating activities	\$ 100,450	\$ 219,769	\$ (127,168)	\$ 193,051



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, 2025

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Total
ASSETS			
Cash and investments	\$ 379,223	\$ 78,719	\$ 457,942
Cash and investments with fiscal agents	55,798	-	55,798
Total assets	435,021	78,719	513,740
NET POSITION			
Restricted for individuals, organization, and other government	435,021	78,719	513,740
Total net position	\$ 435,021	\$ 78,719	\$ 513,740

City of Hercules
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Year Ended June 30, 2025

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Total
ADDITIONS:			
Taxes and assessments	\$ 230,867	\$ -	\$ 230,867
Investment income	16,207	4,152	20,359
Total additions	<u>247,074</u>	<u>4,152</u>	<u>251,226</u>
DEDUCTIONS:			
Administration	6,885	-	6,885
Interest and fiscal agent fee	51,937	-	51,937
Principal payment to refunding escrow	166,187	-	166,187
Total deductions	<u>225,009</u>	<u>-</u>	<u>225,009</u>
CHANGES IN FIDUCIARY NET POSITION	22,065	4,152	26,217
NET POSITION:			
Beginning of year	412,956	74,567	487,523
End of year	<u>\$ 435,021</u>	<u>\$ 78,719</u>	<u>\$ 513,740</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 174-183)

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 184-191)

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 192-198)

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 (page 199)

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 200-207)

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)

	Fiscal Year				
	2016	2017	2018	2019	2020
<i>Governmental activities</i>					
Net investment in capital assets	\$ 67,814,198	\$ 73,286,966	\$ 76,304,118	\$ 76,082,830	\$ 73,639,890
Restricted	7,026,074	18,239,035	21,086,055	21,495,653	20,047,707
Unrestricted	34,482,114	27,146,535	24,579,483	26,259,010	23,471,208
Total governmental activities net position	<u>\$ 109,322,386</u>	<u>\$ 118,672,536</u>	<u>\$ 121,969,656</u>	<u>\$ 123,837,493</u>	<u>\$ 117,158,805</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 11,637,225	\$ 9,503,346	\$ 10,572,862	\$ 9,384,765	\$ 11,587,259
Restricted	-	-	-	7,582,403	7,674,002
Unrestricted	22,643,219	27,529,908	29,000,343	23,910,447	23,244,232
Total business-type activities net position	<u>\$ 34,280,444</u>	<u>\$ 37,033,254</u>	<u>\$ 39,573,205</u>	<u>\$ 40,877,615</u>	<u>\$ 42,505,493</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 79,451,423	\$ 82,790,312	\$ 86,876,980	\$ 85,467,595	\$ 85,227,149
Restricted	7,026,074	18,239,035	21,086,055	29,078,056	27,721,709
Unrestricted	57,125,333	54,676,443	53,579,826	50,169,457	46,715,440
Total primary government net position	<u>\$ 143,602,830</u>	<u>\$ 155,705,790</u>	<u>\$ 161,542,861</u>	<u>\$ 164,715,108</u>	<u>\$ 159,664,298</u>

Source: City Finance Department



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

	Fiscal Year				
	2021	2022	2023	2024*	2025
<i>Governmental activities</i>					
Net investment in capital assets	\$ 69,628,982	\$ 60,257,709	\$ 60,790,322	\$ 59,889,211	\$ 58,084,454
Restricted	20,047,707	7,183,715	10,730,230	13,368,313	16,609,847
Unrestricted	24,205,660	10,532,917	11,624,496	10,635,151	8,806,976
Total governmental activities net position	<u>\$ 113,882,349</u>	<u>\$ 77,974,341</u>	<u>\$ 83,145,048</u>	<u>\$ 83,892,675</u>	<u>\$ 83,501,277</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 7,230,469	\$ 15,704,349	\$ 19,602,539	\$ 20,884,471	\$ 23,529,978
Restricted	7,679,725	-	-	-	17,400
Unrestricted	29,474,812	18,566,052	15,798,815	15,964,377	15,050,007
Total business-type activities net position	<u>\$ 44,385,006</u>	<u>\$ 34,270,401</u>	<u>\$ 35,401,354</u>	<u>\$ 36,848,848</u>	<u>\$ 38,597,385</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 76,859,451	\$ 75,962,058	\$ 80,392,861	\$ 80,773,682	\$ 81,614,432
Restricted	27,727,432	7,183,715	10,730,230	13,368,313	16,627,247
Unrestricted	53,680,472	29,098,969	27,423,311	26,599,528	23,856,983
Total primary government net position	<u>\$ 158,267,355</u>	<u>\$ 112,244,742</u>	<u>\$ 118,546,402</u>	<u>\$ 120,741,523</u>	<u>\$ 122,098,662</u>

*The 2024 balances were restated due to implementation of GASB 101.

Source: City Finance Department



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

	Fiscal Year				
	2016	2017	2018	2019	2020
Expenses					
Governmental Activities:					
General Government	\$ 3,706,717	\$ 4,025,706	\$ 4,105,705	\$ 5,094,236	\$ 4,634,707
Public Safety	5,299,440	5,365,068	7,034,658	7,055,390	8,844,059
Public Works	4,667,439	5,035,767	6,894,640	6,727,710	8,447,150
Parks and recreation	2,216,525	3,050,786	2,657,763	2,564,008	2,786,635
Community Development	400,754	640,428	491,562	630,341	595,927
Interest on Long-Term Debt	1,301,053	1,220,791	1,141,982	1,256,456	1,159,848
Total Governmental Activities	17,591,928	19,338,546	22,326,310	23,328,141	26,468,326
Business-Type Activities:					
Sewer	3,854,974	3,092,380	3,750,261	5,343,759	4,593,120
Total Business-Type Activities Expenses	3,854,974	3,092,380	3,750,261	5,343,759	4,593,120
Total Primary Government Expenses	<u>\$ 21,446,902</u>	<u>\$ 22,430,926</u>	<u>\$ 26,076,571</u>	<u>\$ 28,671,900</u>	<u>\$ 31,061,446</u>
Program Revenues					
Governmental Activities:					
General Government	\$ 128,430	\$ 113,875	\$ 3,866,023	\$ 1,816,337	\$ 719,485
Public Safety	543,761	1,171,960	524,703	882,823	743,462
Public Works	12,784,856	12,014,579	5,218,076	4,433,560	5,546,868
Parks and recreation	1,538,554	1,715,375	1,696,769	1,731,066	1,030,758
Community Development	364,191	823,972	1,534,666	1,658,265	517,920
Total Government Activities Program Revenues	15,359,792	15,839,761	12,840,237	10,522,051	8,558,493
Business-Type Activities:					
Sewer	5,595,044	5,797,766	6,145,215	6,003,202	5,719,257
Total Business-Type Activities Program Revenue	5,595,044	5,797,766	6,145,215	6,003,202	5,719,257
Total Primary Government Program Revenues	<u>\$ 20,954,836</u>	<u>\$ 21,637,527</u>	<u>\$ 18,985,452</u>	<u>\$ 16,525,253</u>	<u>\$ 14,277,750</u>
Net (Expense)/Revenue					
Governmental Activities	(2,232,136)	(3,498,785)	(9,486,073)	(12,806,090)	(17,909,833)
Business-Type Activities	1,740,070	2,705,386	2,394,954	659,443	1,126,137
Total Primary Government Net Expense	<u>\$ (492,066)</u>	<u>\$ (793,399)</u>	<u>\$ (7,091,119)</u>	<u>\$ (12,146,647)</u>	<u>\$ (16,783,696)</u>

Source: City Finance Department



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

	Fiscal Year				
	2021	2022	2023	2024	2025
Expenses					
Governmental Activities:					
General Government	\$ 4,435,331	\$ 4,768,150	\$ 4,929,390	\$ 5,378,751	\$ 6,232,379
Public Safety	9,273,713	6,581,205	7,556,734	10,027,823	10,636,628
Public Works	7,715,011	8,560,194	8,220,052	8,736,149	8,797,923
Parks and recreation	2,104,559	2,312,529	2,503,805	2,955,545	3,254,269
Community Development	918,476	1,253,855	483,875	1,297,680	1,271,429
Interest on Long-Term Debt	959,355	1,007,813	905,708	1,022,790	873,180
Total Governmental Activities	25,406,445	24,483,746	24,599,564	29,418,738	31,065,808
Business-Type Activities:					
Sewer	3,894,420	5,221,938	5,086,004	5,262,133	5,487,763
Total Business-Type Activities Expenses	3,894,420	5,221,938	5,086,004	5,262,133	5,487,763
Total Primary Government Expenses	<u>\$ 29,300,865</u>	<u>\$ 29,705,684</u>	<u>\$ 29,685,568</u>	<u>\$ 34,680,871</u>	<u>\$ 36,553,571</u>
Program Revenues					
Governmental Activities:					
General Government	\$ 1,343,812	\$ 1,030,250	\$ 816,793	\$ 767,385	\$ 938,388
Public Safety	540,238	3,539,598	3,781,755	541,352	445,193
Public Works	4,196,125	5,827,479	5,575,763	8,436,772	6,976,097
Parks and recreation	396,289	1,034,873	1,423,942	1,649,166	1,742,283
Community Development	552,090	8,329,364	389,324	316,243	642,987
Total Government Activities Program Revenues	7,028,554	19,761,564	11,987,577	11,710,918	10,744,948
Business-Type Activities:					
Sewer	5,769,396	5,852,278	5,922,758	5,891,836	6,330,489
Total Business-Type Activities Program Revenue	5,769,396	5,852,278	5,922,758	5,891,836	6,330,489
Total Primary Government Program Revenues	<u>\$ 12,797,950</u>	<u>\$ 25,613,842</u>	<u>\$ 17,910,335</u>	<u>\$ 17,602,754</u>	<u>\$ 17,075,437</u>
Net (Expense)/Revenue					
Governmental Activities	(18,377,891)	(4,722,182)	(12,611,987)	(17,707,820)	(20,320,860)
Business-Type Activities	1,874,976	630,340	836,754	629,703	842,726
Total Primary Government Net Expense	<u>\$ (16,502,915)</u>	<u>\$ (4,091,842)</u>	<u>\$ (11,775,233)</u>	<u>\$ (17,078,117)</u>	<u>\$ (19,478,134)</u>

Source: City Finance Department



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

	Fiscal Year				
	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 1,233,207	\$ 1,286,788	\$ 1,376,354	\$ 1,378,493	\$ 1,415,995
Sales Taxes and use taxes	3,211,109	3,324,807	3,206,095	3,988,702	4,212,285
Franchise Tax	960,124	878,574	862,946	852,751	948,503
Other Taxes	3,628,145	3,712,519	3,906,865	4,506,706	4,402,327
Unrestricted Motor Vehicle Taxes In-Lieu	1,645,846	1,799,014	1,911,327	1,990,306	2,128,054
Use of Money and properties	1,133,587	1,114,795	1,334,955	1,588,558	1,748,131
Miscellaneous	1,029,258	448,688	1,189,560	368,411	-
Special items	-	-	-	-	(3,624,150)
Transfers	(10,452)	-	-	-	-
Total Government Activities	12,830,824	12,565,185	13,788,102	14,673,927	11,231,145
Business-Type Activities:					
Use of Money and properties	24,058	47,424	200,280	482,095	501,741
Miscellaneous	-	-	-	162,872	-
Special items	-	-	-	-	-
Transfers	10,452	-	-	-	-
Total Business-Type Activities	34,510	47,424	200,280	644,967	501,741
Total Primary Government	\$ 12,865,334	\$ 12,612,609	\$ 13,988,382	\$ 15,318,894	\$ 11,732,886
Change in Net Position					
Governmental Activities	\$ 10,598,688	\$ 12,565,185	\$ 13,788,102	\$ 14,673,927	\$ 11,231,145
Business-Type Activities	1,774,580	47,424	200,280	644,967	501,741
Total Primary Government	\$ 12,373,268	\$ 12,612,609	\$ 13,988,382	\$ 15,318,894	\$ 11,732,886

Source: City Finance Department



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

	Fiscal Year				
	2021	2022	2023	2024	2025
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 1,451,716	\$ 1,514,791	\$ 1,638,449	\$ 1,653,626	\$ 1,732,539
Sales Taxes and use taxes	4,775,496	6,263,066	6,192,500	5,753,278	5,669,937
Franchise Tax	862,104	970,054	988,108	972,391	918,508
Other Taxes	4,293,889	5,343,970	4,646,410	4,963,727	5,955,063
Unrestricted Motor Vehicle Taxes In-Lieu	2,239,058	2,341,444	2,456,900	2,556,520	2,655,580
Use of Money and properties	1,456,269	773,519	1,860,327	3,076,628	2,997,835
Miscellaneous	-	-	-	-	-
Special items	-	(39,586,347)	-	-	-
Transfers	-	-	-	-	-
Total Government Activities	15,078,532	(22,379,503)	17,782,694	18,976,170	19,929,462
Business-Type Activities:					
Use of Money and properties	4,537	(157,318)	294,199	851,980	905,811
Miscellaneous	-	-	-	-	-
Special items	-	(10,587,627)	-	-	-
Transfers	-	-	-	-	-
Total Business-Type Activities	4,537	(10,744,945)	294,199	851,980	905,811
Total Primary Government	\$ 15,083,069	\$ (33,124,448)	\$ 18,076,893	\$ 19,828,150	\$ 20,835,273
Change in Net Position					
Governmental Activities	\$ (3,299,359)	\$ (27,101,685)	\$ 5,170,707	\$ 1,268,350	\$ (391,398)
Business-Type Activities	1,879,513	(10,114,605)	1,130,953	1,481,683	1,748,537
Total Primary Government	\$ (1,419,846)	\$ (37,216,290)	\$ 6,301,660	\$ 2,750,033	\$ 1,357,139

Source: City Finance Department



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

	Fiscal Year				
	2016	2017	2018	2019	2020
General Fund					
Nonspendable	\$ 28,643,374	\$ 30,092,172	\$ 27,799,824	\$ 29,402,817	\$ 29,769,663
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	2,171,733	2,176,150	2,321,483	5,937,646	6,205,655
Unassigned	8,291,363	9,426,610	14,194,525	10,027,085	8,398,945
Total General Fund	<u>\$ 39,106,470</u>	<u>\$ 41,694,932</u>	<u>\$ 44,315,832</u>	<u>\$ 45,367,548</u>	<u>\$ 44,374,263</u>
All Other Governmental Funds					
Nonspendable	\$ 6,714,263	\$ 11,013	\$ 11,013	\$ 11,013	\$ -
Restricted	12,443,589	20,587,964	20,556,143	21,446,237	19,621,155
Committed	-	-	-	-	428,552
Assigned	1,314,160	-	-	-	-
Unassigned (deficit)	(7,036,753)	(4,048,580)	(1,473,498)	(226,591)	(98,458)
Total all other governmental funds	<u>\$ 13,435,259</u>	<u>\$ 16,550,397</u>	<u>\$ 19,093,658</u>	<u>\$ 21,230,659</u>	<u>\$ 19,951,249</u>

Source: Finance Department



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

	Fiscal Year				
	2021	2022	2023	2024	2025
General Fund					
Nonspendable	\$ 30,034,997	\$ 10,806	\$ 9,975	\$ 1,321,919	\$ 1,262,843
Restricted	-	2,054,252	2,141,823	2,391,824	2,643,261
Committed	-	-	-	7,884,421	7,884,421
Assigned	5,915,247	6,022,247	6,022,247	8,595,020	7,139,026
Unassigned	10,008,178	22,926,831	25,703,647	14,754,596	13,802,029
Total General Fund	<u>\$ 45,958,422</u>	<u>\$ 31,014,136</u>	<u>\$ 33,877,692</u>	<u>\$ 34,947,780</u>	<u>\$ 32,731,580</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	19,549,409	7,026,830	8,337,682	10,459,039	12,830,751
Committed	1,391,188	1,998,781	688,951	324,295	2,447,906
Assigned	-	-	-	-	-
Unassigned (deficit)	(162,793)	(734,289)	(624,175)	(923,560)	(861,080)
Total all other governmental funds	<u>\$ 20,777,804</u>	<u>\$ 8,291,322</u>	<u>\$ 8,402,458</u>	<u>\$ 9,859,774</u>	<u>\$ 14,417,577</u>

Source: Finance Department



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

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues					
Taxes and Assessments	\$ 9,032,585	\$ 9,202,688	\$ 9,352,260	\$ 10,726,652	\$ 10,727,692
Licenses and permits	344,374	496,355	1,081,912	844,806	796,397
Fines and forfeitures	60,434	47,824	48,579	50,058	62,582
Use of money and property	1,183,964	1,192,976	1,443,270	1,728,361	1,702,755
Intergovernmental	5,677,447	14,911,152	7,650,796	4,455,255	4,073,720
Charges For Services	4,660,592	5,157,696	5,684,127	7,964,546	5,282,444
Other Revenues	1,029,258	448,688	1,204,989	92,602	67,355
Total Revenues	21,988,654	31,457,379	26,465,933	25,862,280	22,712,945
Expenditures					
Current:					
General government	2,952,966	3,153,498	3,492,082	4,542,651	4,070,428
Public Safety	5,589,583	6,022,005	6,295,019	6,776,245	7,634,971
Streets and Public Works	2,772,877	3,469,283	4,300,078	4,357,212	4,080,345
Parks And Recreation	1,961,669	1,883,159	2,101,369	2,128,110	2,165,547
Community Development	399,215	640,625	468,011	616,899	557,672
Capital outlay	8,504,827	9,079,227	2,757,245	2,261,555	3,434,295
Debt service:					
Principal	626,149	653,144	580,473	613,153	646,201
Interest And Fiscal Agent Fees	1,164,163	1,136,588	1,307,495	1,285,738	1,239,573
Total Expenditures	23,971,449	26,037,529	21,301,772	22,581,563	23,829,032
Excess (deficiency) of revenues over (under) expenditures	(1,982,795)	5,419,850	5,164,161	3,280,717	(1,116,087)
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	11,787,077	2,705,171	1,408,803	2,511,094	1,730,899
Transfers (out)	(11,803,454)	(2,705,171)	(1,408,803)	(2,603,094)	(1,730,899)
Contributed Capital	-	-	-	-	655,467
Total other financing sources (uses)	(16,377)	-	-	(92,000)	655,467
Special/Extraordinary Item	-	-	-	-	(1,812,075)
Net Change in fund balances	\$ (1,999,172)	\$ 5,419,850	\$ 5,164,161	\$ 3,188,717	\$ (2,272,695)
Debt service as a percentage of noncapital expenditures	12%	11%	10%	9%	9%

NOTE:

Source: City Finance Department



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

	Fiscal Year				
	2021	2022	2023	2024	2025
Revenues					
Taxes and Assessments	\$ 14,098,060	\$ 16,889,724	\$ 16,705,743	\$ 16,617,812	\$ 17,837,080
Licenses and permits	952,294	707,300	647,374	621,826	738,897
Fines and forfeitures	36,586	48,663	46,057	34,409	37,136
Use of money and property	1,456,271	783,885	1,871,556	3,085,819	3,065,119
Intergovernmental	4,589,299	15,618,709	8,052,573	7,085,810	5,233,335
Charges For Services	1,150,164	2,319,388	2,339,112	2,750,986	3,126,167
Other Revenues	239,610	279,797	203,170	223,696	330,584
Total Revenues	22,522,284	36,647,466	29,865,585	30,420,358	30,368,318
Expenditures					
Current:					
General government	3,854,043	4,081,705	4,538,391	4,768,426	5,559,903
Public Safety	7,774,932	7,879,451	8,499,781	9,184,101	9,934,449
Streets and Public Works	4,638,912	4,514,842	5,486,683	5,503,215	5,253,403
Parks And Recreation	1,434,988	1,910,716	2,408,849	2,677,208	3,095,102
Community Development	792,456	1,061,135	537,341	1,285,428	1,028,404
Capital outlay	4,163,726	2,862,062	2,962,714	2,541,812	1,479,731
Debt service:					
Principal	469,113	1,198,248	1,549,333	945,985	1,024,533
Interest And Fiscal Agent Fees	1,224,118	983,728	916,671	1,004,603	871,569
Total Expenditures	24,352,288	24,491,887	26,899,763	27,910,778	28,247,094
Excess (deficiency) of revenues over (under) expenditures	(1,830,004)	12,155,579	2,965,822	2,509,580	2,121,224
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	220,379
Transfers in	1,405,555	5,723,857	6,928,066	2,343,631	4,422,367
Transfers (out)	(964,912)	(5,728,857)	(6,928,066)	(2,343,631)	(4,422,367)
Contributed Capital	-	-	-	-	-
Total other financing sources (uses)	4,821,840	(5,000)	8,870	17,823	220,379
Special/Extraordinary Item	(604,025)	(39,586,347)	-	-	-
Net Change in fund balances	\$ 2,387,811	\$ (27,435,768)	\$ 2,974,692	\$ 2,527,403	\$ 2,341,603
Debt service as a percentage of noncapital expenditures	8%	10%	10%	8%	7%

NOTE:

Source: City Finance Department



City of Hercules

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Less: Tax-Exempt Property	Taxable Assessed Value
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
2025	4,409,331,306	139,846,022	264,665,881	94,090,099	76,722,483	140,217,746	4,844,438,045

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

<u>Fiscal Year</u>	<u>Total Tax Rate (1)</u>	<u>Estimated Actual Taxable Value (2)</u>	<u>Factor of Taxable Assessed Value (2)</u>
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
2025	5.4221%	9,386,854,445	1.937656

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	Fiscal Year				
	2016	2017	2018	2019	2020
Residential	\$ 2,762,167,273	\$ 2,984,511,909	\$ 3,171,302,525	\$ 3,322,501,416	\$ 3,549,607,367
Industrial	178,580,502	192,358,822	199,079,514	196,779,448	199,145,259
Commercial	78,083,558	79,706,704	86,604,265	85,620,650	90,938,555
Vacant	27,684,893	31,332,357	61,123,014	62,680,104	53,134,753
Institution	506,873	15,803,658	16,119,728	16,442,120	16,770,959
Recreation	9,461,565	9,716,963	9,502,881	10,179,175	11,038,616
Social	856,982	870,050	826,000	842,520	1,334,000
Miscellaneous	808,536	820,864	837,279	854,023	871,101
Rural	216,599	219,900	224,297	228,781	233,355
Unitary	11,977	11,977	11,977	79,567	79,567
Gross Secured Value	3,058,378,758	3,315,353,204	3,545,631,480	3,696,207,804	3,923,153,532
Unsecured	54,269,399	58,945,949	56,327,147	56,782,463	59,062,998
Exemptions	77,407,676	94,538,055	96,165,729	97,967,035	108,788,587
	<u>\$ 3,035,240,481</u>	<u>\$ 3,279,761,098</u>	<u>\$ 3,505,792,898</u>	<u>\$ 3,655,023,232</u>	<u>\$ 3,873,427,943</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
Assessed Value of Property by Use Code (Continued)
Last Ten Fiscal Years

Category	Fiscal Year				
	2021	2022	2023	2024	2025
Residential	\$ 3,785,286,659	\$ 3,945,445,134	\$ 4,125,334,599	\$ 4,273,873,157	\$ 4,409,331,306
Industrial	204,766,171	209,565,059	234,134,858	247,257,157	264,665,881
Commercial	88,476,522	115,669,026	125,232,941	137,069,942	139,846,022
Vacant	51,585,587	52,389,446	50,702,734	51,531,451	60,693,861
Institution	17,106,375	17,283,594	17,629,262	17,981,845	18,994,247
Recreation	11,570,506	9,100,314	9,244,452	8,738,210	8,852,973
Social	1,360,679	1,374,774	1,402,269	1,430,313	3,980,281
Miscellaneous	888,520	897,723	915,841	3,900,237	1,458,918
Rural	238,021	240,485	245,294	250,198	109,236
Unitary	79,567	79,567	109,236	109,236	583
Gross Secured Value	4,161,358,607	4,352,045,122	4,564,951,486	4,742,141,746	4,907,933,308
Unsecured	58,291,816	57,802,705	67,088,160	70,491,928	76,722,483
Exemptions	111,756,157	131,601,392	132,094,636	137,165,124	140,217,746
	<u>\$ 4,107,894,266</u>	<u>\$ 4,278,246,435</u>	<u>\$ 4,499,945,010</u>	<u>\$ 4,675,468,550</u>	<u>\$ 4,844,438,045</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 Six Fiscal Years

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Basic City and County Levy						
City of Hercules	0.054221	0.054221	0.054221	0.054221	0.054221	0.054221
County of Contra Costa	0.945779	0.945779	0.945779	0.945779	0.945779	0.945779
Total 1% Breakout	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Override Assessments						
Bart	0.012000	0.013900	0.006000	0.014000	0.013400	0.014800
East Bay Reg Pk Bd	0.009400	0.001400	0.002000	0.005800	0.005700	0.001300
West CC Unified Bd 98	0.004500	0.003200	0.002200	0.001300	0.000000	0.000000
West Contra Costa Unified	0.185400	0.198600	0.250500	0.217500	0.075400	0.194500
WCCUSD 2012 Bond	0.048000	0.041400	0.041200	0.037600	0.171000	0.054400
Community College	0.018800	0.016100	0.017600	0.016200	0.014600	0.014200
Total Override Rate	0.278100	0.274600	0.319500	0.292400	0.280100	0.279200
Total Tax Rate	1.278100	1.274600	1.319500	1.292400	1.280100	1.279200

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	2024-25		2015-16	
	(\$) Taxable Value	Percentage of Total City Assessed Value	Assessed Value	Percentage of Total City Assessed Value
Bio-Rad Laboratories Inc	\$ 211,640,304	4.37%	\$ 154,464,318	5.09%
Hercules Block Q&R Dev Partner	80,705,530	1.67%		
WCV Aventine Hercules LLC	67,944,198	1.40%		
Hercules Land Partners LP	28,783,133	0.59%		
Trestle Hercules LLC	25,774,476	0.53%	4,137,375	0.14%
Mary Terrace LLC	23,568,974	0.49%		
HD Development Of Maryland	20,039,850	0.41%	17,390,487	0.57%
Hercules Real E Invest LLC	16,320,000	0.34%		
Tulloch John Brian TRE	13,555,642	0.28%	8,939,857	0.29%
Hercules SPE MW LLC	13,346,732	0.28%		
Vacaville Mobile Home Park LLC	11,429,344	0.24%	9,700,000	0.32%
Santa Clara Vly Housing Group	11,000,000	0.23%	6,500,000	0.21%
CS Creekside Hercules LLC	8,752,793	0.18%	7,428,426	0.24%
Dathe Robert P & Carlotta R	8,287,682	0.17%	7,033,691	0.23%
Hercules Sycamore Hills LLC	8,129,185	0.17%	6,899,175	0.23%
La Costalot LLC	8,106,607	0.17%	5,656,000	0.19%
GTY Pacific Leasing LLC	7,762,944	0.16%		
Hercules Real Est Ltd Ptnship	7,613,401	0.16%	5,021,000	0.17%
DR Horton Bay Inc	7,358,040	0.15%		
Alcatraz475 LP	6,848,343	0.14%		
1560 Sycamore LLC	6,698,941	0.14%	5,317,000	0.18%
North First Street Properties	6,633,542	0.14%		
Arrow Investment Partners LLC	6,017,832	0.12%	3,430,000	0.11%
Madison MRH-1 Franklin LLC	5,550,000	0.11%		
Multiple O Holdings LLC	5,493,131	0.11%	4,661,978	0.15%
Peninsular Investments Inc.			9,200,000	0.30%
LD Hercules Land LLC			8,000,000	0.26%
Orinda Investors LP			7,154,081	0.24%
Three Trees Holdings I LLC			6,900,000	0.23%
Mechanics Bank Of Richmond			6,787,473	0.22%
City Ventures Homebuilding LLC			5,161,756	0.17%
Adalan Properties LLC			4,326,545	0.14%
Creekside Shopping Center LLC			4,140,000	0.14%
ORB Partnership			3,630,732	0.12%
Hercules Bayfront LLC			3,481,403	0.11%
Bay To Bay Properties			3,391,001	0.11%
Total Top 25 Taxpayers	\$ 617,360,624	12.74%	\$ 308,752,298	10.17%
Total Taxable Value	\$ 4,844,438,045	100.00%	\$ 3,035,240,481	100.00%

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



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
2015	\$ 1,044,373	\$ 878,899	84%	\$ 878,899	84%
2016	1,110,223	1,044,373	94%	1,044,373	94%
2017	1,168,687	1,110,223	95%	1,110,223	95%
2018	1,233,140	1,168,687	95%	1,168,687	95%
2019	1,296,155	1,233,140	95%	1,233,140	95%
2020	1,342,265	1,296,155	97%	1,296,155	97%
2021	1,378,587	1,342,265	97%	1,342,265	97%
2022	1,446,942	1,446,942	100%	1,446,942	100%
2023	1,638,449	1,638,449	100%	1,638,449	100%
2024	1,653,656	1,653,656	100%	1,653,656	100%
2025	1,732,539	1,732,539	100%	1,732,539	100%

Source: City of Hercules Records



City of Hercules

Principal Sales Tax Producers

Current Year and Nine Years Ago

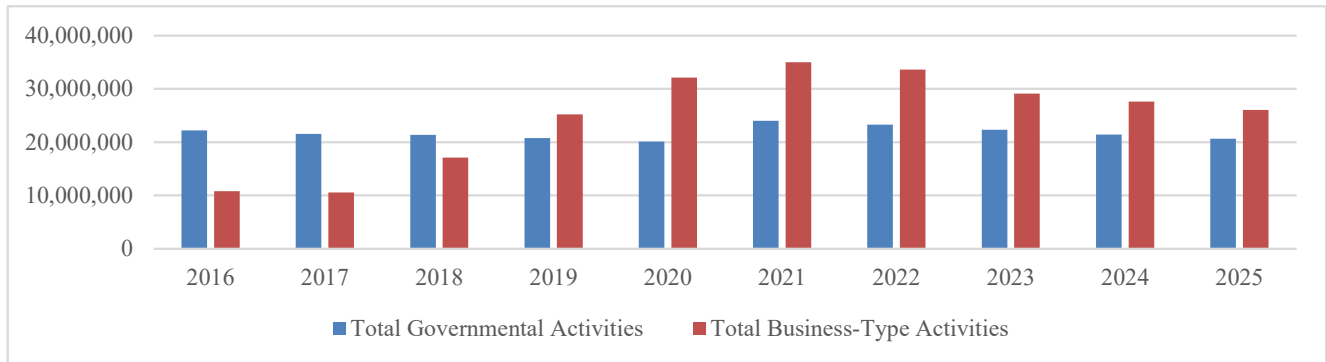
2024-24		2015-16	
Taxpayer	Business Type	Taxpayer	Business Type
Big Lots	Department Stores	Admiralty Diesel Services	Heavy Industry
Bio Rad Laboratories	Chemical Products	Big Lots	Department Stores
Burger King Restaurants	Restaurants	Bio Rad Laboratories	Chemical Products
Cabalen Filipino Cuisine	Restaurants	Burger King Restaurants	Restaurants
City Mechanical Incorporated	Bldg.Matls-Whsle	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	Home Depot	Bldg.Matls-Retail
L & L Hawaiian Barbecue	Restaurants	Jack In The Box Restaurants	Restaurants
Lit Foods	Restaurants	Kinder's	Food Markets
Lucky Food Centers	Food Markets	Leila By The Bay	Restaurants
Mazatlan Taqueria And Grill	Restaurants	Lucky Food Centers	Food Markets
Mcdonald's Restaurants	Restaurants	Mazatlan Taqueria And Grill	Restaurants
Rite Aid Drug Stores	Drug Stores	Mcdonald's Restaurants	Restaurants
Round Table Pizza	Restaurants	Mountain Mike's Pizza	Restaurants
Safeway Service Stations	Service Stations	Pacific Biolabs	Biotechnology
Safeway Stores	Food Markets	Rite Aid Drug Stores	Drug Stores
Shell Service Stations	Service Stations	Round Table Pizza	Restaurants
Starbucks Coffee	Food Markets	Shell Service Stations	Service Stations
Taco Bell	Restaurants	Starbucks Coffee	Food Markets
The Powder Keg Pub	Restaurants	Taco Bell	Restaurants
Tommys BBQ Company	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
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
2025	11,759,711	8,896,570	20,656,281

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 Primary Government	Percentage of Personal Income (a)	Debt Per Capita (a)
	Revenue Bonds	Loans & Lease Purchases	Total			
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	9,535,000	25,457,694	34,992,694	59,023,062	4.62%	2,282
2022	9,250,000	24,356,298	33,606,298	56,883,876	3.84%	2,180
2023	8,095,000	21,009,706	29,104,706	51,451,070	2.96%	1,957
2024	7,730,000	19,856,034	27,586,034	49,010,039	2.54%	1,880
2025	7,355,000	18,682,749	26,037,749	46,694,030	2.23%	1,781

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, 2025

2024-25 Assessed Valuation: \$4,875,025,245

	Total Debt 6/30/25	% Applicable (a)	City's Share of Debt 6/30/25
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Bay Area Rapid Transit District	\$ 2,391,260	0.00465	\$ 11,119,359
Contra Costa Community College District	591,875,000	0.0175	10,357,813
John Swett Unified School District	66,140,926	0.0543	3,591,452
West Contra Costa Unified School District	1,279,679,975	0.10686	136,746,602
West Contra Costa Healthcare Parcel Tax Obligations	40,155,000	0.10308	4,139,177
East Bay Regional Park District	145,930,000	0.00726	1,059,452
California Statewide Communities development Authority Assessment Districts	4,360,771	1	4,360,771
City of Hercules 1915 Act Bonds	2,123,354	1	2,123,354
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 173,497,980

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Contra Costa County General Fund Obligations	\$ 150,845,000	1.745%	\$ 2,632,246
Contra Costa Mosquito District General Fund Obligation	8,050,000	1.745%	140,473
West Contra Costa Unified School District Certificates of Participation	2,845,000	10.686%	304,017
City of Hercules General Fund Obligations	11,984,558	100.000%	11,984,558
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 15,061,293
Less: Contra Costa County obligations supported from revenue funds			604,378
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 14,456,915

OVERLAPPING TAX INCREMENT DEBT (Successor Agency): \$77,635,000 100% \$ 77,635,000

TOTAL DIRECT DEBT **11,984,558**
TOTAL GROSS OVERLAPPING DEBT \$ 254,209,715
TOTAL NET OVERLAPPING DEBT \$ 253,605,337

GROSS COMBINED TOTAL DEBT \$ 266,194,273 (b)
NET COMBINED TOTAL DEBT \$ 265,589,895

(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.

<u>Ratios to 2024-25 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt	3.56%
Total Direct Debt (\$14,041,843)	0.25%
Gross Combined Total Debt	5.46%
Net Combined Total Debt	5.45%

<u>Ratios to Redevelopment Successor Agency Incremental Valuation</u>	\$1,906,782,024
Total Overlapping Tax Increment Debt	4.07%

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, 2025				
	2016	2017	2018	2019	2020
Assessed Valuation	\$ 3,035,240,481	\$ 3,279,761,098	\$ 3,505,792,898	\$ 3,655,023,232	\$ 3,873,427,943
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 758,810,120	\$ 819,940,275	\$ 876,448,225	\$ 913,755,808	\$ 968,356,986
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 113,821,518	\$ 122,991,041	\$ 131,467,234	\$ 137,063,371	\$ 145,253,548
Total net debt applicable to limit:					
General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 113,821,518</u>	<u>\$ 122,991,041</u>	<u>\$ 131,467,234</u>	<u>\$ 137,063,371</u>	<u>\$ 145,253,548</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, 2025				
	2021	2022	2023	2024	2025
Assessed Valuation	\$ 4,107,894,266	\$ 4,278,246,435	\$ 4,499,945,010	\$ 4,675,468,550	\$ 4,844,438,045
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 1,026,973,567	\$ 1,069,561,609	\$ 1,124,986,253	\$ 1,168,867,138	\$ 1,211,109,511
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 154,046,035	\$ 160,434,241	\$ 168,747,938	\$ 175,330,071	\$ 181,666,427
Total net debt applicable to limit:					
General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 154,046,035</u>	<u>\$ 160,434,241</u>	<u>\$ 168,747,938</u>	<u>\$ 175,330,071</u>	<u>\$ 181,666,427</u>
Total debt applicable to the limit as a percentage of debt limit ¹					

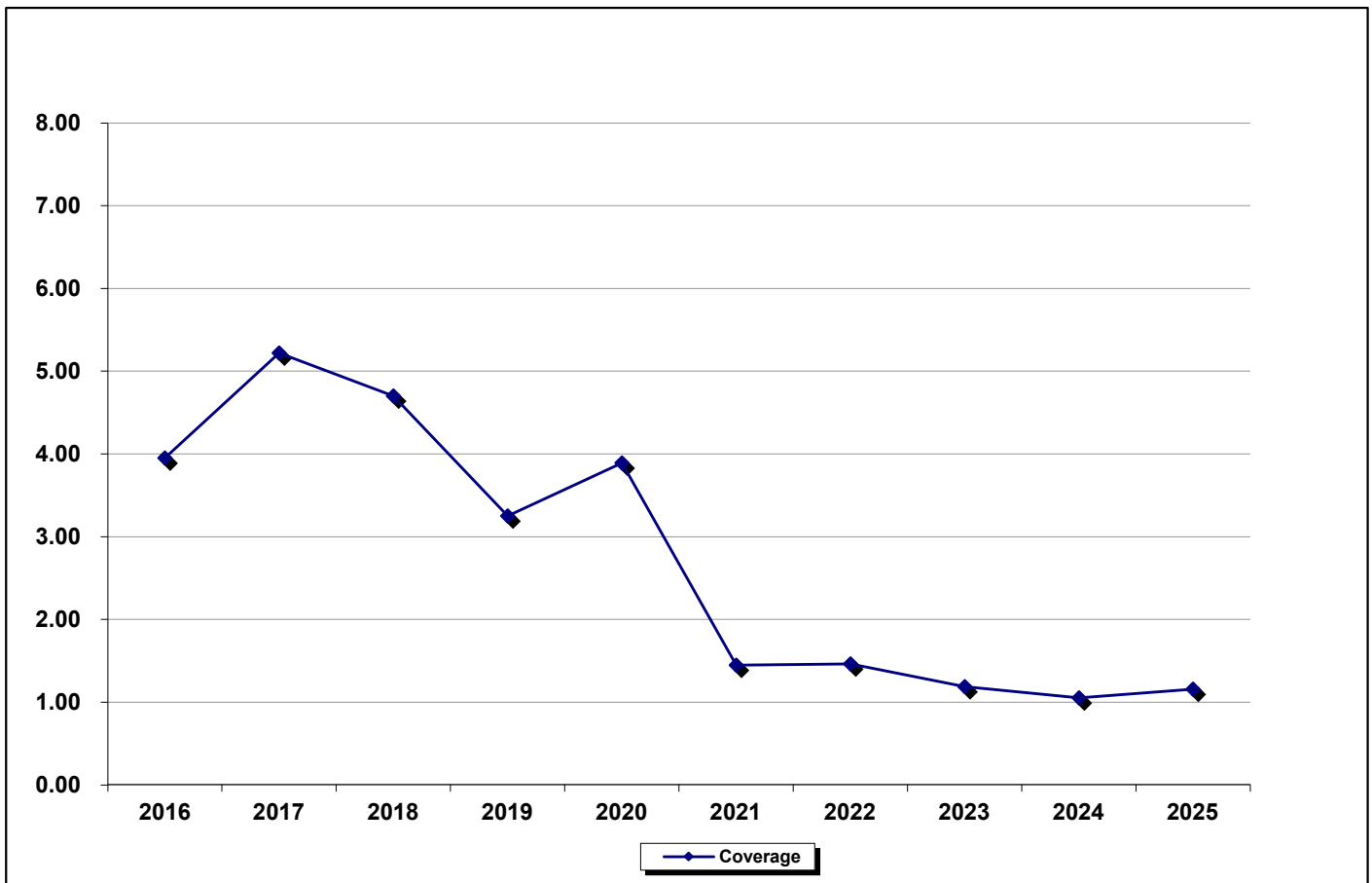
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Source: City Finance Department
County Tax Assessor's Office

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	
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
2025	6,330,489	-	3,940,378	2,390,111	1,548,285	516,321	2,064,606	1.16

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
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
2025	26,225	2,092,601,846	79,794	43.5	29,284	4.2%	4.1%	1,158,225

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 Six Years Ago

Business Name	2024-25		2018-19	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Bio-Rad Laboratories Inc	2,000	13.9%	2,406	17.3%
West Contra Costa Unified School District	243	1.69%	234	1.68%
The Home Depot	147	1.02%	79	0.57%
Safeway	140	0.97%		
Contra Costa County Social Services	138	0.96%	104	0.75%
Pacific BioLabs Inc	99	0.69%	94	0.68%
City of Hercules	64	0.44%	52	0.37%
Lucky Supermarkets	60	0.42%	100	0.72%
Blize Healthcare California Inc.	53	0.37%		
Kinder's Meats & Deli BBQ & Catering	46	0.32%	40	0.29%
Benda Tool & Model Works (Includes A & B Die Casting)			32	0.23%
A & B Die Casting			24	0.17%
Total Top 10 Employers	2,990	20.76%	3,165	22.77%
Total City Labor Force (1)	14,400		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.

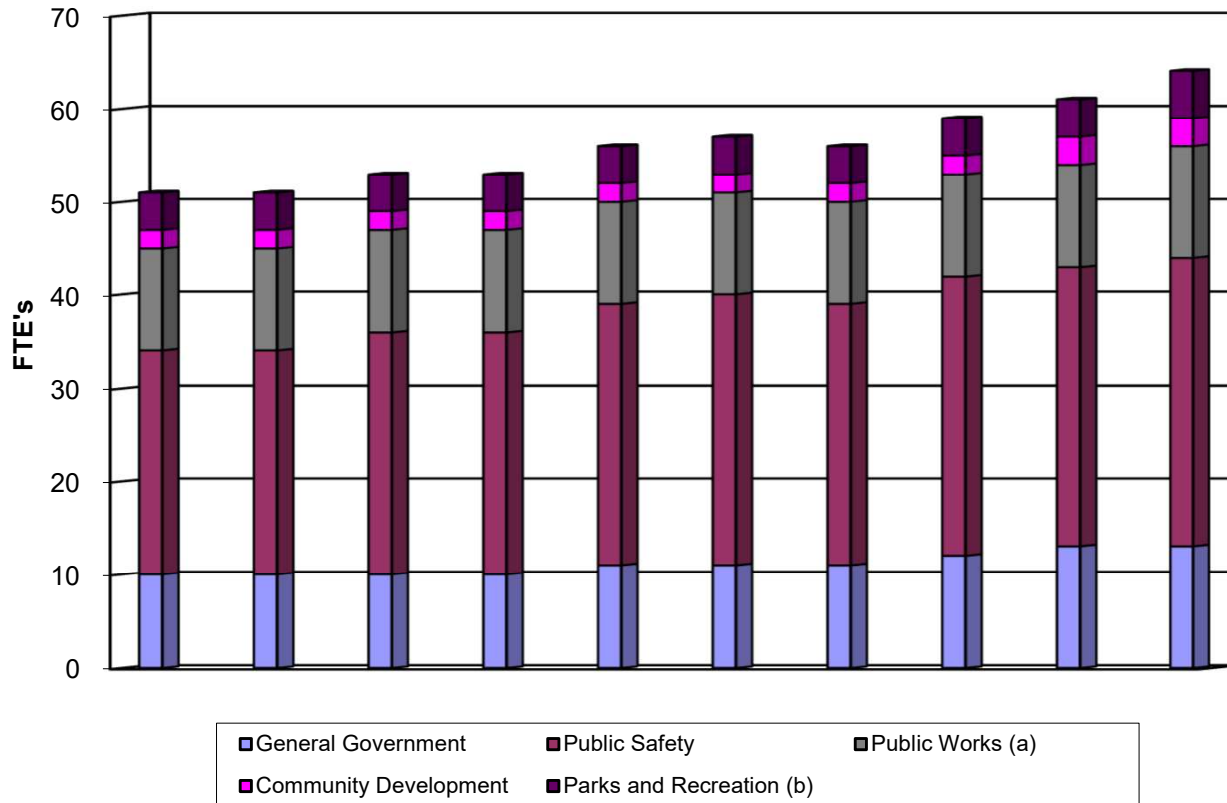
*2018-19 was the earliest year that the data is available



City of Hercules

Full-Time Equivalent City Government Employees by Function

Last Ten Fiscal Years



For the Fiscal Year Ended June 30, 2025									
2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
10.00	10.00	10.00	10.00	11.00	11.00	11.00	12.00	13.00	13.00
24.00	24.00	26.00	26.00	28.00	29.00	28.00	30.00	30.00	31.00
11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	12.00
2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00
51.00	51.00	53.00	53.00	56.00	57.00	56.00	59.00	61.00	64.00

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, 2025				
	2016	2017	2018	2019	2020
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	-	-	18,738	-	14,804
Education:					
Student enrollment	2,928	2,799	2,823	2,823	2,825
Elementary schools	1,240	1,228	1,211	1,243	1,296
Junior high schools	673	636	632	584	594
High schools	1,015	935	980	996	935
Teachers (full & part time)	144	148	127	134	127
Function/Program					
Police:					
Police calls for Service	7,707	13,142	16,245	16,918	29,935
Law violations:					
Part I and Part II crimes	571	957	867	831	1,162
Physical arrests (adult and juvenile)	245	403	449	495	398
Traffic violations	518	793	1,074	1,383	975
Sewer					
Sewer service connections	8,265	8,271	8,271	8,327	8,326

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30, 2025				
	2021	2022	2023	2024	2025
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	-	14,213	-	-	17,510
Education:					
Student enrollment	2,797	2,753	2,539	2,595	2,709
Elementary schools	1,327	1,305	1,215	1,262	1,291
Junior high schools	603	596	590	593	609
High schools	867	852	734	740	809
Teachers (full & part time)	125	124	124	113	137
Function/Program					
Police:					
Police calls for Service	16,192	26,071	25,196	24,223	25,696
Law violations:					
Part I and Part II crimes	1,689	1,445	1,266	1,060	1,022
Physical arrests (adult and juvenile)	508	528	624	480	441
Traffic violations	607	902	524	987	1,146
Sewer					
Sewer service connections	8,401	8,410	8,410	8,410	8,433

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2016	2017	2018	2019	2020
Planning & Building:					
Number of Building Permits issued	622	782	778	753	389
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	12	12	10	38	8
Number of youth attendees	519	250	637	550	112
Aquatics:					
Number of aquatics programs	4	4	4	4	2
Number of aquatics attendees	2,266	1,739	1,390	1,686	533
Recreation Classes:					
Number of recreation programs	6	7	7	7	4
Number of recreation attendees	709	441	914	817	124
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	9	11	11	11	8
Number of preschool/gradeschool attendees	2,900	2,949	3,510	3,319	869
Seniors:					
Number of senior programs	14	14	14	14	14
Number of senior attendees	10,707	11,445	10,573	12,577	2,778
Number of meals served	8,787	9,811	8,880	7,259	3,399
Finance:					
Number of Business Licenses issued	734	665	819	995	971

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2021	2022	2023	2024	2025
Planning & Building:					
Number of Building Permits issued	675	1,016	1,013	830	972
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	-	10	13	-	-
Number of youth attendees	-	243	178	-	-
Aquatics:					
Number of aquatics programs	4	9	308	328	332
Number of aquatics attendees	1,098	1,943	2,128	2,390	2,405
Recreation Classes:					
Number of recreation programs	3	16	24	95	84
Number of recreation attendees	16	500	398	631	505
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	-	11	9	9	11
Number of preschool/gradeschool attendees	-	2,510	2,482	3,755	3,765
Seniors:					
Number of senior programs	-	14	21	25	26
Number of senior attendees	-	5,984	15,655	21,045	24,527
Number of meals served	8,212	5,124	6,662	8,858	9,011
Finance:					
Number of Business Licenses issued	1,103	1,184	1,147	1,157	1,123

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, 2025				
	2016	2017	2018	2019	2020
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	1,494	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	11	11	11
City parks acreage	98	98	98	98	98
Playgrounds	7	7	7	7	7
City trails/Bike paths	1	2	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
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, 2025				
	2021	2022	2023	2024	2025
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	13	13	13	13
City parks acreage	98	99	99	99	99
Playgrounds	7	8	8	8	8
City trails/Bike paths	2	2	2	2	2
Community Swim Center	1	1	4	4	4
Community centers	2	4	1	1	1
Performing arts centers					
Teen Center	1	1	1	1	1
Swimming pools (a)	2	2	3	3	3
Tennis courts (b)	8	8	2	2	2
diamonds	2	2	1	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 Auditor's Report

To the Honorable Mayor and the Members of the 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, 2025, 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 18, 2025.

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 entity'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
Page 2

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 entity'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.

The Per Group, LLP

Santa Ana, California
December 18, 2025