



FISCAL YEAR
2019-2020

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

CITY OF HERCULES, CALIFORNIA



CITY OF HERCULES, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**FOR THE YEAR ENDED
JUNE 30, 2020**



City of Hercules
Comprehensive Annual Financial Report
For the Year Ended June 30, 2020
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CITY OF HERCULES
111 CIVIC DRIVE, HERCULES CA 94547
PHONE: (510) 799-8200

December 18, 2020

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

It is our pleasure to present to you the Fiscal Year (FY) 2019-20 Comprehensive Annual Financial Report (CAFR) for the City of Hercules, California. This CAFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The Finance Department has prepared this report to present the financial position of the City of Hercules at June 30, 2020, and the results of its operations and the cash flows of its proprietary fund types for the year ended in accordance with Generally Accepted Accounting Principles (GAAP).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, we believe the data, as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the City's financial position and changes in financial position, and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The City's basic financial statements have been audited by The Pun Group, LLC, a public accounting firm licensed and fully qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2020, are free of material misstatement. The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

CITY PROFILE

The City Hercules has a unique history which has transformed the City from a small company town to a bustling and thriving community. In the late 1800s the Industrial Revolution changed the face of business throughout the country. The California Powder Works company was a part of this revolution and played a key role in the formation of the City now known as Hercules.

The City was organized, formed, and incorporated under the laws of the State of California on December 15, 1900, and is located in western Contra Costa County. Situated on the northeastern shore of San Pablo Bay, Hercules is conveniently located along the I-80 corridor and within minutes of both San Francisco and Napa. The City residents represent a diverse mix of many ethnic groups and is primarily a suburban, family-oriented community, though with an emerging New-Urbanist transit-oriented node on the bayfront.



The City has a “Council-Manager” general law form of government where the City Manager is appointed by the City Council and is the Chief Executive Officer of the municipal corporation. The Council acts as the board of directors of the municipal corporation and conducts its business in an open and transparent manner where citizens may participate in the governmental process. The City Council consists of five members, elected at-large on a non-partisan basis, who serve staggered four-year terms. In December of each year, the City Council conducts a reorganization of the Council at which time the Mayor and Vice Mayor are selected for one-year terms.

The City has a permanent staff of 56 full-time employees and currently serves over 26,000 residents with a land area of 19.99 square miles. The City provides a wide range of municipal services, including public safety (police), street maintenance and other public works infrastructure functions, planning, building inspection, parks and recreation, and general administration.

This report includes all organizations and activities for which elected City officials exercise financial accountability. The notes to the financial statements further discuss the City as a financial reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The City was on-track and expected to exceed budgeted revenues through the third quarter of the fiscal year. With the COVID-19 pandemic shutting down major portions of the national and local economy in mid-March, we did see impacts in the 4th quarter of the fiscal year. For Hercules, that mostly manifested itself in a reduction of Parks & Recreation program revenues as all programming was cancelled. Fortunately, the City's sales tax base has proven to be more resilient than many other communities' given its concentration in the business-to-business and home improvement categories. As the pandemic continues, we expect that there will be little to no resumption of Parks & Recreation programming until after January 2021. However, operating expenses have been reduced in these areas and at this time we appear to be able to meet the adopted budget. As other business activity resumes, we also expect an uptick in revenues to more normal levels. Other national concerns, including the outcome of the 2020 national election and a change in administration will likely have more influence on any impacts in Hercules than local considerations.

The City does expect the new Safeway store, including a fueling center and ancillary retail, to open in March 2021. This will add to the City's retail tax base. The Willow Avenue Auto Service Center & Self Storage facility has also commenced construction. The first phase of the Bayfront project, the Exchange, was completed and opened in August, with the second phase under construction, and to open in May 2021, and the third phase fully permitted and expected to start construction in 2021. Site preparation and utility relocation for the Sycamore Crossing mixed-use project, including retail, the City's first hotel, and residential, is expected to commence in 2021. In 2020, the Hilltown community with just under 600 residential units received its final entitlements and looks to start construction in 2021 as well. These projects will all further expand the City's tax base.

MAJOR INITIATIVES

Infrastructure investment remained a key focus for the City in FY 19/20. The Hercules Regional Intermodal Transportation Center was designated an official candidate station by the Board of the Capital Corridor Joint Powers Authority, which operates the Capital Corridor trains, in October 2019. The next phases of design work on the RITC are also underway. Interim improvements were also installed on Bayfront Boulevard to allow for the commencement of bus service, which has been deferred due to the COVID pandemic.

Other key public works projects included:

- The 2019/20 street repair project which was the resurfacing of portions of Pheasant Avenue;
- The repaving of the Refugio Path was completed;
- A traffic calming project along Hercules Avenue was completed;
- Design was completed on grant-funded pedestrian enhancements for Sycamore/Palm/Willow Avenues;
- Resurfacing of the Refugio Park tennis courts was completed;
- A major energy retrofit project with a company called Engie for a variety of City facilities has been approved and is now underway;
- New energy-efficient streetlights on metal poles, replacing failing hollow-core wood poles, have been installed in Landscape & Lighting Assessment Districts – Zones 1 and 7.

Other initiatives in 19/20 included: approval of a Voluntary Tax Agreement for Airbnb units operating in the City to ensure collection of the required transient occupancy or bed taxes; an effort was launched to address encroachments into City-owned open space and a zero-tolerance approach to new encroachments; the City initiated a refinance of the John Muir Assessment District Bonds to secure lower financing costs with the benefits passed on to those property owners who pay the assessments; the City refinanced bonds related to the Library and those savings were front-loaded in the first two years to assist the City in navigating the unknown impacts of the COVID-19 pandemic. The Police Department has focused on ensuring we are appropriately staffed, a second commander position was filled to assist in succession planning; and, the new Traffic unit was initiated and is active.

Other examples of key staff efforts include: an update of the City's personnel rules being completed with the new rules approved by the City Council; a comprehensive class & comp study was completed with the final elements being implemented as of October 2020, and the development of the City's first Hazard Mitigation Plan and General Plan Safety Element update was started and is now nearing completion.

BUDGETARY CONTROL

The City maintains budgetary controls through the City Council's adoption of an annual budget. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. Annually, the departments work with the City Manager and Finance Department to submit an operating budget request. The City Manager and Finance Director review the department request for consideration and then make recommendations to the City Council regarding the budget.

Ultimate budgetary control resides at the fund level, however, the City has adopted a number of budgetary appropriation and transfer procedures to provide strong internal controls while encouraging improved accountability and administrative responsiveness. All budgetary transfers require Finance Director's or designee's review and approval. All transfers of appropriations affecting salaries and benefits require City Manager's or designee's review and approval.

Budgetary control is established at the following levels: a) General Fund – Department level; b) Other Funds – Fund level; and Capital Projects – at Project level with City Manager signature approval. The City Manager may authorize line item budget transfers within a General Fund department, or within a fund other than the General Fund, consistent with the budget resolution. The City also uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a particular purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations, appropriations for uncompleted capital, Participatory Budgeting, and grant projects are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse.

The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

INTERNAL CONTROL

The management of the City is responsible for establishing and maintaining internal controls designated to ensure that the assets of the City are protected from loss, theft or misuse, and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: the cost of a control should not exceed the benefits likely to be derived; and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the stated framework. City management believes the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

ACKNOWLEDGEMENTS

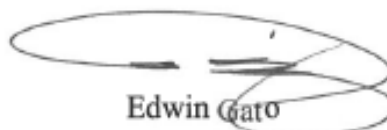
The preparation and publication of this Comprehensive Annual Financial Report was made possible by the outstanding efforts, dedication, and teamwork throughout the year of the entire Finance Department and with the cooperation and assistance of all City departments.

Specifically, we would like to express special thanks to our Finance staff Deysi Ortega, Senior Accountant; Jenny Le, Accounts Payable Technician; and, Kimberley Walker, former Payroll Technician; as they have worked closely with our auditors in finalizing this report. Additionally, we would like to acknowledge the City's audit firm The Pun Group, LLC for the professional support and guidance they have given us. Finally, we would like to express our gratitude to the Honorable Mayor, and the members of the City Council for their vision and continued support in leading the City to economic viability and the pursuit of the goal of attaining long-term fiscal stability.

Respectfully submitted,



David Biggs
City Manager



Edwin Gato
Finance Director



CITY COUNCIL



ROLAND ESQUIVIAS
Mayor



CHRIS KELLEY
Vice Mayor



DION BAILEY
Council Member



GERARD BOULANGER
Council Member



DAN ROMERO
Council Member

DEPARTMENT HEADS

David Biggs, City Manager

Patrick Tang, City Attorney

Lori Martin, Administrative Services Director/City Clerk

Michael Roberts, Public Works Director

William Imboden, Police Chief

Edwin Gato, Finance Director

Christopher Roke, Parks & Recreation Director

Robert Reber, Community Development Director

FINANCE COMMITTEE

Zania Harris, Chair

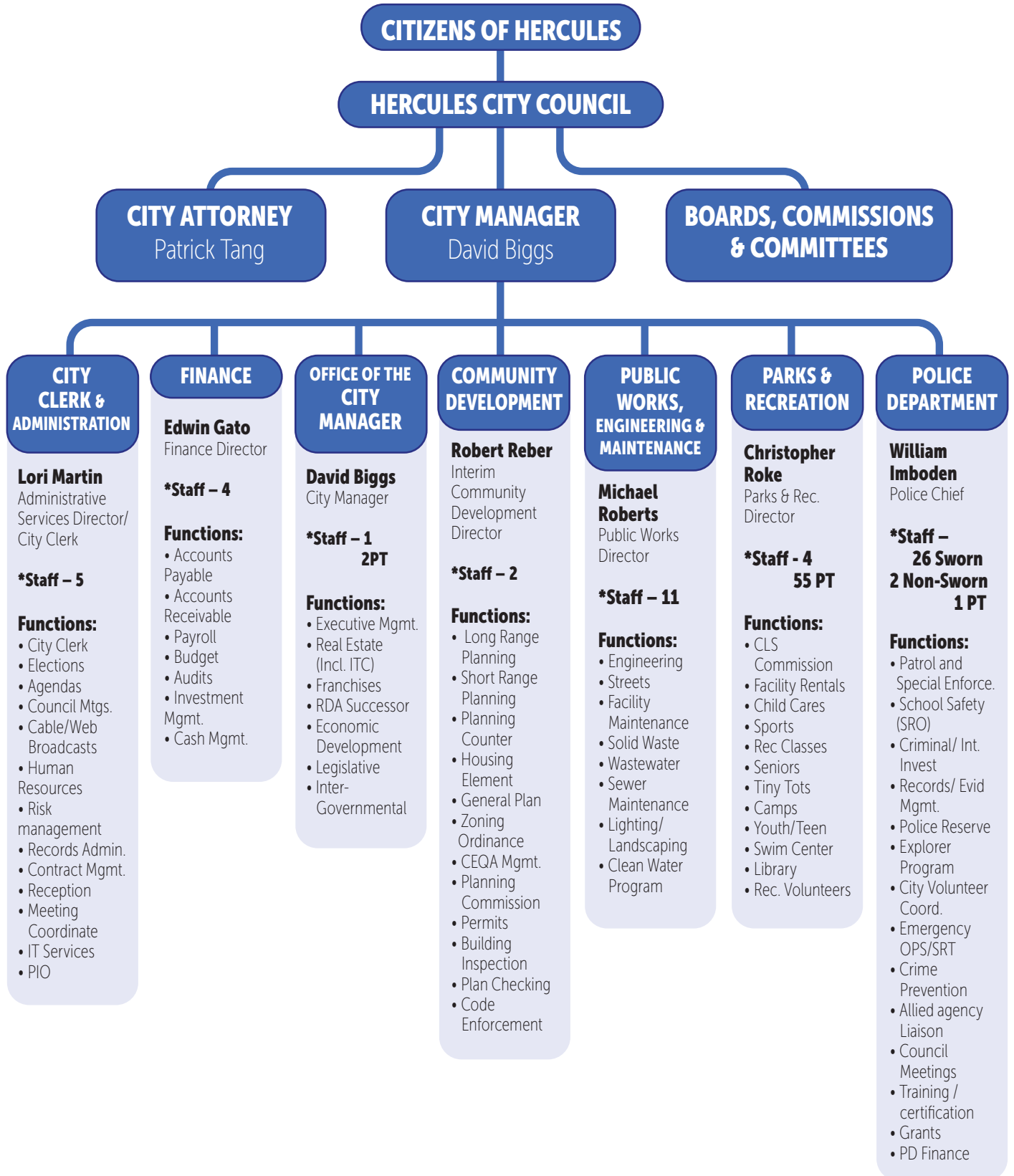
Lori Tretasco, Vice Chair

Diana Galieva, Commissioner

Edward Ulle, Commissioner

CITY OF HERCULES

ORGANIZATION CHART







INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hercules, California (the "City") as of and for the year ended June 30, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, 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.

200 E. Sandpointe Ave., Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Budgetary Comparison Schedule – General Fund, Budgetary Information, the Schedules of Changes in Net Pension Liability and Related Ratios, the Schedules of Contributions – Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits on pages 7 to 16 and 103 to 109 be presented to supplement the basic financial statements. Such information, 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.

Other 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 Introductory Section, the Combining and Individual Nonmajor Fund Financial Statements, the Schedules of Revenues, Expenditures, and Changes in Fund Balances and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and the Schedules of Revenues, Expenditures and Changes in Fund Balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and the Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and the Members of the City Council
of the City of Hercules
Hercules, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Santa Ana, California
December 18, 2020



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



City of Hercules
Management's Discussion and Analysis (Unaudited)
June 30, 2020

Within this section of the City of Hercules' annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. Readers are encouraged to consider the information presented here in conjunction with the accompanying financial statements and disclosures following this section. The discussion focuses on the City's primary government and, unless otherwise noted, does not include separately reported component units.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$159,664,298 (*net position*). Net position of \$27,721,709 are restricted for specific purposes (*restricted net position*), and \$85,227,149 represents net investment in capital assets. Unrestricted net position was \$46,715,440. The government's total net position, as adjusted, decreased by \$5,050,810 in comparison with the prior year.
- The City's net investment in capital assets decreased by \$240,446 compared to the prior year.
- The City's governmental funds reported combined fund balances of \$64,325,512, a decrease of \$2,272,695 in comparison with the prior year, as adjusted. The unassigned portion of those fund balances was \$8,300,487.

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.

- 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 financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how 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 of these government-wide financial statements distinguish 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 reporting 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.

City of Hercules
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as 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 a 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, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. 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*.

The City maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Hercules Debt Service Fund, State Gas Tax Fund, Measure "C" Street Fund, City Capital Projects 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 two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Wastewater Fund. *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 own 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.

City of Hercules
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

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

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, combined assets and deferred outflows exceeded liabilities and deferred inflows by \$159,664,298 at the close of the most recent fiscal year. Of these combined net position 49% reflects the City's investment in capital assets, net of related debt. Another 17% of the City's net position is subject to external restrictions on how they may be used.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 79,443,807	\$ 82,011,210	\$ 42,210,751	\$ 39,164,644	\$ 121,654,558	\$ 121,175,854
Capital assets	79,108,186	80,525,448	40,042,588	37,791,231	119,150,774	118,316,679
Total assets	<u>158,551,993</u>	<u>162,536,658</u>	<u>82,253,339</u>	<u>76,955,875</u>	<u>240,805,332</u>	<u>239,492,533</u>
Deferred Outflows of Resources						
Related to OPEB	609,948	329,100	33,961	18,063	643,909	347,163
Related to pensions	3,772,781	3,959,142	193,603	114,886	3,966,384	4,074,028
Total Deferred Outflows of Resources	<u>4,382,729</u>	<u>4,288,242</u>	<u>227,564</u>	<u>132,949</u>	<u>4,610,293</u>	<u>4,421,191</u>
Liabilities						
Long-term Liabilities	37,288,258	36,344,879	34,254,465	32,391,368	71,542,723	68,736,247
Other Liabilities	6,735,576	6,250,639	5,613,158	3,773,227	12,348,734	10,023,866
Total Liabilities	<u>44,023,834</u>	<u>42,595,518</u>	<u>39,867,623</u>	<u>36,164,595</u>	<u>83,891,457</u>	<u>78,760,113</u>
Deferred Inflows of Resources						
Related to OPEB	1,290,330	38,752	73,037	2,192	1,363,367	40,944
Related to pensions	461,753	353,137	34,750	44,422	496,503	397,559
Total Deferred Inflows of Resources	<u>1,752,083</u>	<u>391,889</u>	<u>107,787</u>	<u>46,614</u>	<u>1,859,870</u>	<u>438,503</u>
Net Position:						
Net Investment in Capital Assets	73,639,890	76,082,830	11,587,259	9,384,765	85,227,149	85,467,595
Restricted	20,047,707	21,495,653	7,674,002	7,582,403	27,721,709	29,078,056
Unrestricted	23,471,208	26,259,010	23,244,232	23,910,447	46,715,440	50,169,457
Total Net Position	<u>\$ 117,158,805</u>	<u>\$ 123,837,493</u>	<u>\$ 42,505,493</u>	<u>\$ 40,877,615</u>	<u>\$ 159,664,298</u>	<u>\$ 164,715,108</u>

A significant portion of the City's net position, \$85,227,149, reflects the amount invested in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Hercules
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

The restricted portion of the City's net position, \$27,721,709 represents resources that are subject to external restrictions by grantors and other governments on how they may be used.

The unrestricted portion of the City's net position is \$46,715,440. It is to be noted that GASB 34 classifies long-term payroll liabilities to the unrestricted category. These reclassifications include liabilities for pensions, other postemployment benefits (OPEB) and compensated absences. These liabilities accumulate over decades as part of the City's employment agreements and the timing for their translation into current year expense is not precisely subject to projection.

The City's net position, as adjusted, decreased by \$5,050,810 during the current fiscal year. The decreased in net position is primarily attributed to the decrease in Charges for Services due to COVID-19 closure, and the payment to California Department of Finance implementing an installment payment plan for Hercules' other funds due diligence review payment.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Fees, Fines and Charges for Services	\$ 5,957,360	\$ 8,583,603	\$ 5,719,257	\$ 6,003,202	\$ 11,676,617	\$ 14,586,805
Operating Grants/Contributions	1,945,666	1,655,727	-	-	1,945,666	1,655,727
Capital Grants/Contributions	655,467	282,721	-	-	655,467	282,721
General revenues						
Property taxes	1,415,995	1,378,493	-	-	1,415,995	1,378,493
Sales taxes	4,212,285	3,988,702	-	-	4,212,285	3,988,702
Franchise Taxes	948,503	852,751	-	-	948,503	852,751
Other taxes	4,402,327	4,506,706	-	-	4,402,327	4,506,706
Motor Vehicles Taxes In-Lieu	2,128,054	1,990,306	-	-	2,128,054	1,990,306
Interest and Investment Income	1,748,131	1,588,558	501,741	482,095	2,249,872	2,070,653
Miscellaneous	-	368,411	-	162,872	-	531,283
Special Item	(3,624,150)	-	-	-	(3,624,150)	-
Total revenues	<u>19,789,638</u>	<u>25,195,978</u>	<u>6,220,998</u>	<u>6,648,169</u>	<u>26,010,636</u>	<u>31,844,147</u>
Expenses						
General Government	4,634,707	5,094,236	-	-	4,634,707	5,094,236
Public Safety	8,844,059	7,055,390	-	-	8,844,059	7,055,390
Streets and Public Works	8,447,150	6,727,710	-	-	8,447,150	6,727,710
Parks and Recreation	2,786,635	2,564,008	-	-	2,786,635	2,564,008
Community Development	595,927	630,341	-	-	595,927	630,341
Interest on Long-Term Debt	1,159,848	1,256,456	-	-	1,159,848	1,256,456
Wastewater	-	-	4,593,120	5,343,759	4,593,120	5,343,759
Total expenses	<u>26,468,326</u>	<u>23,328,141</u>	<u>4,593,120</u>	<u>5,343,759</u>	<u>31,061,446</u>	<u>28,671,900</u>
Increase (Decrease) in Net Position	(6,678,688)	1,867,837	1,627,878	1,304,410	(5,050,810)	3,172,247
Net Position - Beginning, as Restated	123,837,493	121,969,656	40,877,615	39,573,205	164,715,108	161,542,861
Net Position - Ending	<u><u>\$ 117,158,805</u></u>	<u><u>\$ 123,837,493</u></u>	<u><u>42,505,493</u></u>	<u><u>\$ 40,877,615</u></u>	<u><u>\$ 159,664,298</u></u>	<u><u>\$ 164,715,108</u></u>

City of Hercules
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

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, Debt Service and Capital Projects 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.

At June 30, 2020, the City's governmental funds reported combined fund balances of \$64,325,512. Of these combined fund balances, \$8,300,487 constitutes unassigned fund balance, which is available to meet the City's current and future needs.

The General Fund is the chief operating fund of the City. At June 30, 2020, unassigned fund balance was \$8,398,945, while total fund balance was \$44,374,263. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 56% of total General Fund expenditures, while the total fund balance represents 298% of total General Fund expenditures.

Total governmental funds Fund Balance decreased by \$2,272,695 in the current year. The major governmental funds had changes in fund balance as follows:

The major funds, General Fund decreased by \$993,285, Hercules Debt Service Fund increased by \$82,551, and nonmajor (other) governmental funds decreased by \$1,361,961.

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

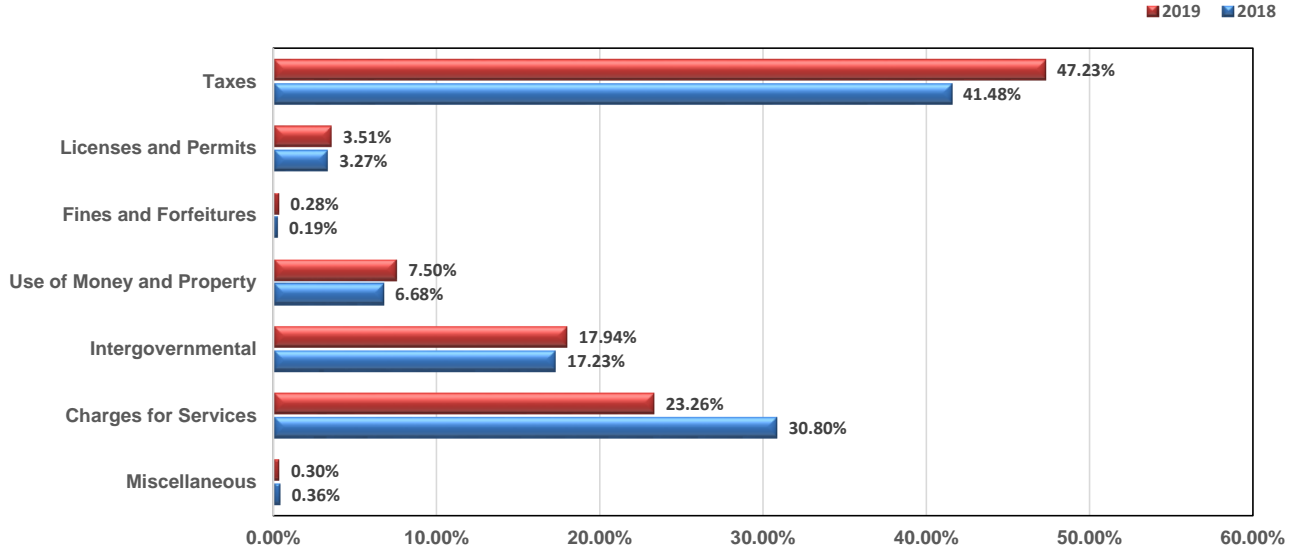
	2020		2019		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 10,727,692	47.23%	\$ 10,726,652	41.48%	\$ 1,040	0%
Licenses and Permits	796,397	3.51%	844,806	3.27%	(48,409)	-6%
Fines and Forfeitures	62,582	0.28%	50,058	0.19%	12,524	25%
Use of Money and Property	1,702,755	7.50%	1,728,361	6.68%	(25,606)	-1%
Intergovernmental	4,073,720	17.94%	4,455,255	17.23%	(381,535)	-9%
Charges for Services	5,282,444	23.26%	7,964,546	30.80%	(2,682,102)	-34%
Miscellaneous	67,355	0.30%	92,602	0.36%	(25,247)	-27%
	<u>\$ 22,712,945</u>	<u>100.00%</u>	<u>\$ 25,862,280</u>	<u>100.00%</u>	<u>\$ (3,149,335)</u>	

The Charges for Services decreased by \$2,682,102 as a result of a decreased in program revenues affected by COVID-19 closure and winding down of the existing capital projects.

City of Hercules
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

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

Revenue by Source – Governmental Activities



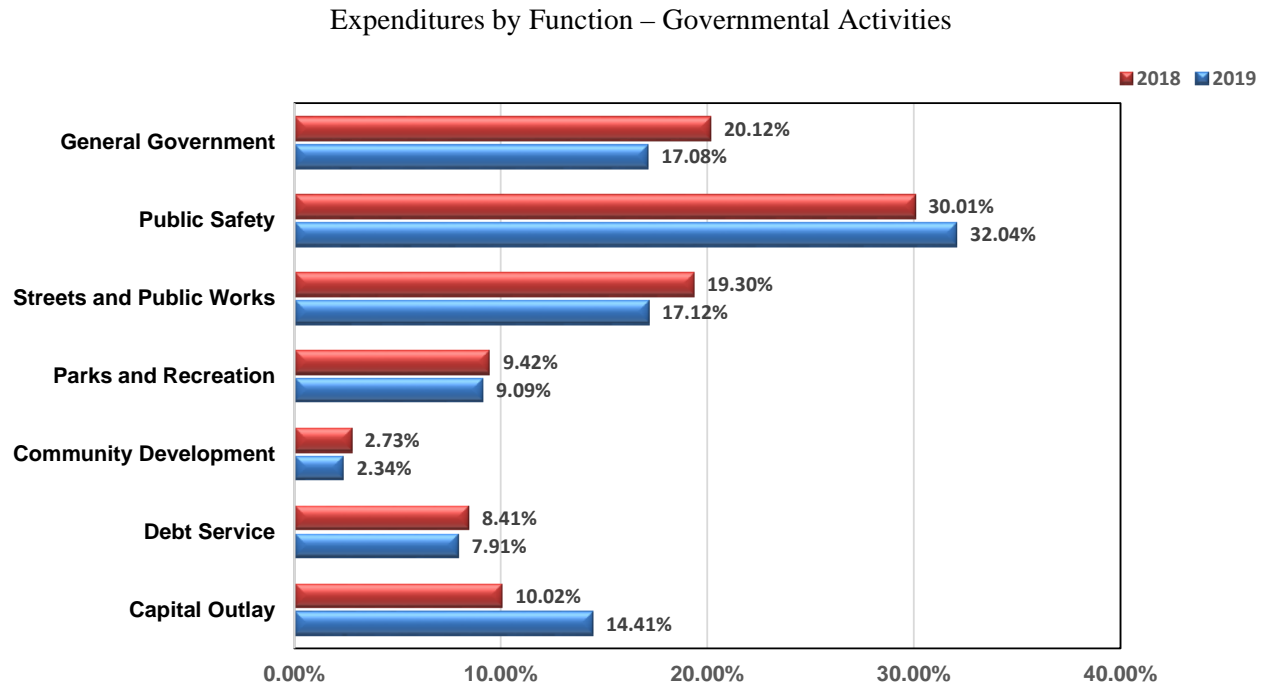
The following table presents expenditures by function compared to prior year amounts.

Expenditures Classified by Function
Governmental Funds

	2020		2019		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General Government	\$ 4,070,428	17.08%	\$ 4,542,651	20.12%	\$ (472,223)	-10%
Public Safety	7,634,971	32.04%	6,776,245	30.01%	858,726	13%
Streets and Public Works	4,080,345	17.12%	4,357,212	19.30%	(276,867)	-6%
Parks and Recreation	2,165,547	9.09%	2,128,110	9.42%	37,437	2%
Community Development	557,672	2.34%	616,899	2.73%	(59,227)	-10%
Debt Service	1,885,774	7.91%	1,898,891	8.41%	(13,117)	-1%
Capital Outlay	3,434,295	14.41%	2,261,555	10.02%	1,172,740	52%
	\$ 23,829,032	100.00%	\$ 22,581,563	100.00%	\$ 1,247,469	

City of Hercules
Management’s Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

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 flows using the full accrual basis of accounting.

Enterprise funds report the business-type activities of the City. Enterprise funds are used to account for the operations of the Wastewater Fund.

Enterprise fund net position net investment in capital assets at fiscal year-end was \$11,587,259. Restricted for Debt Service was \$7,674,002. Unrestricted net position at fiscal year-end was \$23,244,232.

Internal service funds are an accounting device to accumulate and allocate costs internally among the City’s various functions. Internal service funds are used to account for its vehicle replacement, IT replacement, and facilities maintenance functions.

Total net position of the internal service funds at fiscal year-end were \$2,849,019 and include \$624,426 invested in capital assets. The net position of the internal service funds increased by \$842,453 over the prior fiscal year.

City of Hercules
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2020, amounted to \$119,150,774 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, leasehold improvements, equipment, and infrastructure (roads and bridges).

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	
	2020	2019	2020	2019	2020	2019
Land	\$ 5,081,587	\$ 4,781,589	\$ 191,700	\$ 191,700	\$ 5,273,287	\$ 4,973,289
Construction in progress	462,977	10,115,631	-	25,198,496	462,977	35,314,127
Land Improvements	11,807,105	11,720,361	-	-	11,807,105	11,720,361
Buildings & Improvements	27,076,100	26,886,670	38,325,271	11,335,199	65,401,371	38,221,869
Equipment	6,881,849	4,763,790	250,345	250,345	7,132,194	5,014,135
Infrastructure	110,928,058	101,115,641	14,857,483	13,729,500	125,785,541	114,845,141
Total	162,237,676	159,383,682	53,624,799	50,705,240	215,862,475	210,088,922
Accumulated Depreciation	(83,129,490)	(78,858,234)	(13,582,211)	(12,914,009)	(96,711,701)	(91,772,243)
Net Capital Assets	\$ 79,108,186	\$ 80,525,448	\$ 40,042,588	\$ 37,791,231	\$ 119,150,774	\$ 118,316,679

Additional information regarding capital assets is presented in note 6.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total outstanding long-term obligations of \$52,675,971. Of this amount, \$14,290,000 comprised of bonds that are secured by the City's lease rental payments and other dedicated sources of revenue.

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	
	2020	2019	2020	2019	2020	2019
Bonds Payable	\$14,290,000	\$ 14,760,000	\$9,535,000	\$9,810,000	\$ 23,825,000	\$ 24,570,000
Unamortized Discount/Refunding	(311,332)	(328,629)	(145,434)	(152,706)	(456,766)	(481,335)
Lease Payable	478,284	654,485	-	-	478,284	654,485
Loans Payable	5,350,000	5,350,000	25,457,695	22,305,600	30,807,695	27,655,600
Compensated Absences	584,351	493,170	46,251	39,595	630,602	532,765
Total	20,391,303	20,929,026	34,893,512	32,002,489	55,284,815	52,931,515
Less Current Portion	(1,175,169)	(1,122,802)	(1,433,675)	(314,595)	(2,608,844)	(1,437,397)
Net Long-Term Obligations	\$ 19,216,134	\$ 19,806,224	\$ 33,459,837	\$ 31,687,894	\$ 52,675,971	\$ 51,494,118

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.

City of Hercules
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

HIGHLIGHTS

Most certainly, the 2019/20 fiscal year did not play out as anticipated given the impacts of the COVID-19 Pandemic, which became truly impactful starting on March. Unlike most other cities, Hercules did not close its City Hall, and we continued to provide services with the exception of Parks & Recreation programs, which had to be canceled due to health restrictions. The budget for 2019/20, as adopted in June 2019, was a continuation of anticipated positive upward trends in revenues and with funding, especially of a one-time nature, committed to operations and capital needs. It also addressed some of the lingering redevelopment dissolution related obligations with first payments made pursuant to a settlement agreement with the State of California related to a disputed repayment of a loan which the City made to the former Redevelopment Agency. The City's prudent fiscal policies set the stage for us to navigate this turn of events in a way that will still meet our reserve goals. The final year-end results were better than those anticipated in the budget, and that will assist the City as we continue to navigate the Pandemic and the recessionary climate in which we find ourselves.

Expansion of the City's tax base through new development remains a priority. Permits were issued for the site preparation and grading for the Willow Avenue auto service park and self-storage, which will provide the City with sales tax and an annual in-lieu payment from the self-storage component with construction now underway. An approved retail center and the City's first hotel and a residential component, called Sycamore Crossing, are making progress on their site preparation design and project a 2021 start of construction. An application has been received for the Franklin Canyon Golf Course property to be transformed into a high-end recreational vehicle park, which would generate transient occupancy taxes, together with a clubhouse, , and other amenities, together with some land to be dedicated to a permanent open space. The new Safeway and related retail at San Pablo and Sycamore are under construction and will open in March 2021.

The first phase of the Bayfront development, the 172-unit Exchange with ground floor retail, was completed shortly after the close of the fiscal year. The second phase of the Bayfront development on Blocks Q & R with 235 residential units (which includes 15 affordable units) continues to be underway with May 2021 completion date. Permits are ready to be pulled for the third phase on Blocks M, P & O with a total of 476 units (which includes 25 affordable units), with a mid-2021 start date anticipated. The Muir Pointe subdivision has been completed, and two new City parks are dedicated. The Willow Glen Apartment complex has been rehabilitated and upgraded and is now a 100% affordable community. Entitlements were also approved for the nearly 600 unit Hilltown community.

An update of the City's General Plan Safety Element and preparation of the City's first Hazards Mitigation Plan is underway.

Capital investment continues to be made in critical areas. The Hercules Avenue, Traffic Calming project, was completed; resurfacing of the Refugio Valley Tennis Courts was undertaken, and a major energy efficiency project with Engie was approved by the City Council. Failing hollow-core wood light poles were replaced in L&LAD Zones 1 and 7 by new metal poles with energy-efficient light fixtures. The upgrade and expansion of the joint Pinole/Hercules Wastewater Treatment Plant were completed.

Design of the replacement of the Sewer Truck Main Line is underway and will be completed in 2021. As will be the comprehensive review of the long-term needs of the Wastewater Fund.

Sustaining police staffing remains a priority, and a succession planning effort prepared an internal candidate to promote to one of the Commander positions with the over-hire program assisting in reducing the length of vacancies due to other turn-over. Also, a part-time support position was added to the Police Department. The re-instated Traffic Enforcement Unit was provided with a motorcycle to enhance its effectiveness as well. The City refinanced the 2003B Public Financing Authority Lease Revenue Bonds in July 2020 with more than \$900,000 in savings structured to occur in the first two years. Another existing debt is being considered for refinancing, including the existing sewer bonds pending the completion of the assessment of the Wastewater Fund's long-term needs. Additional one-time contributions were made to the IRS Section 115 Pension Trust, and the OPEB Trust, with an on-going 1% of payroll

City of Hercules
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2020

included as an operating cost and added to the Pension Trust funding. A comprehensive update of the City's Personnel Rules was completed. The City continues to refine its fledgling customer service request tracking system, and the budget document has been reformatted and greatly enhanced with additional information provided and this upgraded budget was awarded the Distinguished Budget Presentation Award from Government Finance Officers Association (GFOA). These efforts are all designed to improve our operations and financial circumstances.

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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 22,731,713	\$ 23,937,404	\$ 46,669,117
Cash and investments with fiscal agent	3,969,984	7,674,002	11,643,986
Accounts receivable	2,126,998	-	2,126,998
Prepays	7,772	-	7,772
Loans receivable	1,549,628	-	1,549,628
Lease receivable	8,988,656	-	8,988,656
Due from Private Purpose Trust Fund (Note 5)	39,908,402	10,587,627	50,496,029
Net OPEB assets - PEHMCA	160,654	11,718	172,372
Capital Assets:			
Nondepreciable	5,544,564	191,700	5,736,264
Depreciable, net	73,563,622	39,850,888	113,414,510
Total assets	158,551,993	82,253,339	240,805,332
DEFERRED OUTFLOWS OF RESOURCES			
Pensions related deferred outflows of resources	3,772,781	193,603	3,966,384
OPEB-related deferred outflows of resources (PEHMCA)	294,718	16,117	310,835
OPEB-related deferred outflows of resources (SOMAR)	315,230	17,844	333,074
Total deferred outflows of resources	4,382,729	227,564	4,610,293
LIABILITIES			
Accounts payable	660,039	2,802,480	3,462,519
Retentions payable	-	1,159,221	1,159,221
Salaries and benefits payable	315,995	24,824	340,819
Accrued interest payable	815,447	192,958	1,008,405
Deposit payable	1,047,717	-	1,047,717
Claims and judgments payable	587,079	-	587,079
Settlement payable	1,812,075	-	1,812,075
Amounts due to Private Purpose Trust Fund	322,055	-	322,055
Long-term debt:			
Due within one year	1,175,169	1,433,675	2,608,844
Due in more than one year	19,216,134	33,459,837	52,675,971
Net aggregate pension liabilities	16,307,230	694,727	17,001,957
Net OPEB liabilities - SOMAR	1,764,894	99,901	1,864,795
Total liabilities	44,023,834	39,867,623	83,891,457
DEFERRED INFLOWS OF RESOURCES			
Pensions-related deferred inflows of resources	461,753	34,750	496,503
OPEB-related deferred inflows of resources (PEHMCA)	1,290,330	73,037	1,363,367
Total deferred inflows of resources	1,752,083	107,787	1,859,870
NET POSITION			
Net investment in capital assets	73,639,890	11,587,259	85,227,149
Restricted for:			
Public safety	914,731	-	914,731
Streets and roads	2,472,888	-	2,472,888
Development	7,677,420	-	7,677,420
Debt Service	8,982,668	7,674,002	16,656,670
Total restricted	20,047,707	7,674,002	27,721,709
Unrestricted	23,471,208	23,244,232	46,715,440
Total net position	\$ 117,158,805	\$ 42,505,493	\$ 159,664,298

See accompanying Notes to the Basic Financial Statements.

City of Hercules
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities:					
General government	4,634,707	719,485	-	-	719,485
Public safety	8,844,059	546,519	196,943	-	743,462
Streets and public works	8,447,150	3,142,678	1,748,723	655,467	5,546,868
Parks and recreation	2,786,635	1,030,758	-	-	1,030,758
Community development	595,927	517,920	-	-	517,920
Interest and fiscal agent fees	1,159,848	-	-	-	-
Total governmental activities	26,468,326	5,957,360	1,945,666	655,467	8,558,493
Business-Type Activities:					
Wastewater	4,593,120	5,719,257	-	-	5,719,257
Total business-type activities	4,593,120	5,719,257	-	-	5,719,257
Total primary government	\$ 31,061,446	\$ 11,676,617	\$ 1,945,666	\$ 655,467	\$ 14,277,750

City of Hercules
Statement of Activities (Continued)
For the Year Ended June 30, 2020

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary Government			
Governmental Activities:			
General government	(3,915,222)	-	(3,915,222)
Public safety	(8,100,597)	-	(8,100,597)
Streets and public works	(2,900,282)	-	(2,900,282)
Parks and recreation	(1,755,877)	-	(1,755,877)
Community development	(78,007)	-	(78,007)
Interest and fiscal agent fees	(1,159,848)	-	(1,159,848)
Total governmental activities	(17,909,833)	-	(17,909,833)
Business-Type Activities:			
Wastewater	-	1,126,137	1,126,137
Total business-type activities	-	1,126,137	1,126,137
Total primary government	(17,909,833)	1,126,137	(16,783,696)
General Revenues:			
Property taxes	1,415,995	-	1,415,995
Sales and use taxes	4,212,285	-	4,212,285
Franchise taxes	948,503	-	948,503
Other taxes	4,402,327	-	4,402,327
Unrestricted motor vehicle taxes in-lieu	2,128,054	-	2,128,054
Use of money and property	1,748,131	501,741	2,249,872
Total general revenues	14,855,295	501,741	15,357,036
Special Items (Note 16)	(3,624,150)	-	(3,624,150)
Changes in net position	(6,678,688)	1,627,878	(5,050,810)
Net Position:			
Beginning of year	123,837,493	40,877,615	164,715,108
End of year	\$ 117,158,805	\$ 42,505,493	\$ 159,664,298



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.

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 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, 2020

	Major Funds			Total
	General	Hercules	Other	
	Fund	Debt Service Fund	Governmental Funds	
ASSETS				
Cash and investments	\$ 12,888,125	\$ 283,688	\$ 6,599,493	\$ 19,771,306
Cash and investments with fiscal agent	1,974,254	1,995,730	-	3,969,984
Accounts receivable	1,743,214	-	383,784	2,126,998
Prepays	7,772	-	-	7,772
Due from other funds	166,650	-	-	166,650
Loans receivable	1,549,628	-	-	1,549,628
Lease receivable	-	8,988,656	-	8,988,656
Due from Private Purpose Trust Fund	27,787,637	6,703,250	5,417,515	39,908,402
Total assets	\$ 46,117,280	\$ 17,971,324	\$ 12,400,792	\$ 76,489,396
LIABILITIES				
Accounts payable	\$ 221,729	\$ -	\$ 275,870	\$ 497,599
Accrued wages	239,576	-	56,590	296,166
Deposit payable	694,633	-	353,084	1,047,717
Claims and judgments payable	587,079	-	-	587,079
Due to other funds	-	-	166,650	166,650
Amounts due to Private Purpose Trust Fund	-	-	322,055	322,055
Total liabilities	1,743,017	-	1,174,249	2,917,266
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	8,988,656	257,962	9,246,618
Total deferred inflows of resources	-	8,988,656	257,962	9,246,618
FUND BALANCES				
Nonspendable	29,769,663	-	-	29,769,663
Restricted	-	8,982,668	10,638,487	19,621,155
Committed	-	-	428,552	428,552
Assigned	6,205,655	-	-	6,205,655
Unassigned (deficit)	8,398,945	-	(98,458)	8,300,487
Total fund balances	44,374,263	8,982,668	10,968,581	64,325,512
Total liabilities, deferred inflows of resources and fund balances	\$ 46,117,280	\$ 17,971,324	\$ 12,400,792	\$ 76,489,396

City of Hercules
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2020

Total fund balances of governmental funds \$ 64,325,512

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	79,108,186
Less: Amount reported in Internal Service Funds	(624,426)

Pensions and OPEB related deferred outflows and inflows of resources in the governmental activities were not financial resources (uses) and therefore were not reported in the Governmental Funds Balance Sheet.

Amount reported in Government-Wide Statement of Net Position:

Pensions-related deferred outflows of resources	3,772,781
OPEB-related deferred outflows of resources (PEHMCA)	294,718
OPEB-related deferred outflows of resources (SOMAR)	315,230
Pensions-related deferred inflows of resources	(461,753)
OPEB-related deferred inflows of resources (PEHMCA)	(1,290,330)
Less: Amount reported in Internal Service Funds	
Pensions-related deferred outflows of resources	(103,422)
OPEB-related deferred outflows of resources (PEHMCA)	(12,383)
OPEB-related deferred outflows of resources (SOMAR)	(17,844)
Pensions-related deferred inflows of resources	11,319
OPEB-related deferred inflows of resources (PEHMCA)	73,022

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.	(815,447)
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Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds	9,246,618
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Long-term liabilities, including capital leases, are not due and payable in the current period, and therefore are not reported in the governmental funds

Amount reported in Government-Wide Statement of Net Position:

Long-term debt, due within one year	(1,175,169)
Long-term debt, due in more than one year	(19,216,134)
Settlement payable	(1,812,075)
Net pension liability	(16,307,230)
Net OPEB assets - PEHMCA	160,654
Net OPEB liability - SOMAR	(1,764,894)
Less: Amount reported in Internal Service Funds	
Long-term debt, due within one year	36,280
Net pension liability	492,795
Net OPEB assets - PEHMCA	(26,123)
Net OPEB liability - SOMAR	99,901

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

2,849,019

Net position of governmental activities	<u><u>\$ 117,158,805</u></u>
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City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2020

	Major Funds			Total
	General Fund	Hercules Debt Service Fund	Other Governmental Funds	
REVENUES:				
Taxes and assessments	\$ 10,663,599	\$ -	\$ 64,093	\$ 10,727,692
Licenses and permits	586,072	-	210,325	796,397
Fines and forfeitures	62,582	-	-	62,582
Use of money and property	579,398	997,116	126,241	1,702,755
Intergovernmental	2,151,433	-	1,922,287	4,073,720
Charges for services	2,379,070	-	2,903,374	5,282,444
Other revenues	57,355	-	10,000	67,355
Total revenues	16,479,509	997,116	5,236,320	22,712,945
EXPENDITURES:				
Current:				
General government	4,070,428	-	-	4,070,428
Public safety	7,562,031	-	72,940	7,634,971
Streets and public works	338,091	-	3,742,254	4,080,345
Parks and recreation	2,165,547	-	-	2,165,547
Community development	557,672	-	-	557,672
Capital outlays	5,975	-	3,428,320	3,434,295
Debt services:				
Principal	-	646,201	-	646,201
Interest and fiscal agent fee	200,000	1,039,573	-	1,239,573
Total expenditures	14,899,744	1,685,774	7,243,514	23,829,032
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,579,765	(688,658)	(2,007,194)	(1,116,087)
OTHER FINANCING SOURCES (USES)				
Transfers in	227,335	771,209	732,355	1,730,899
Transfers (out)	(988,310)	-	(742,589)	(1,730,899)
Contributed capital	-	-	655,467	655,467
Special items	(1,812,075)	-	-	(1,812,075)
Total other financing sources (uses)	(2,573,050)	771,209	645,233	(1,156,608)
NET CHANGE IN FUND BALANCES	(993,285)	82,551	(1,361,961)	(2,272,695)
FUND BALANCES:				
Beginning of year	45,367,548	8,900,117	12,330,542	66,598,207
End of year	<u>\$ 44,374,263</u>	<u>\$ 8,982,668</u>	<u>\$ 10,968,581</u>	<u>\$ 64,325,512</u>

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, 2020

Net change in fund balances - total governmental funds: \$ (2,272,695)

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 expense. This is the amount by which capital expenditures exceeded depreciation in the current period:

Capital outlay expenditures, net of \$235,578 reported in Internal Service Funds	\$ 3,434,295	
Non-capital expenditures reclassified to functional expense	(762,340)	
Depreciation expense, net of \$278,264 reported in Internal Service Funds	(4,046,531)	(1,374,576)

Certain accrued revenues such as taxes, grants, and City's general billing charges, do not provide current financial resources and therefore, are not reported in the governmental funds as revenues. This is the amount of the net change in these accrued revenue amounts during the current period. (150,625)

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:

Long term debt payment	646,201	
Settlement with department of finance	(1,812,075)	
Amortization of long term debt	(17,297)	
Interest expense	97,022	
Change in compensated absences	(81,431)	
Pension expense of CalPERS Plan, net of pension contribution made after measurement date in the amount of \$2,063,337	(1,278,095)	
OPEB (PEHMCA) expense, net of OPEB (PEHMCA) contribution made during the measurement period in the amount of \$204,421	90,037	
OPEB (SOMAR) expense, net of OPEB (SOMAR) contribution made during the measurement period in the amount of \$38,556	(1,367,607)	

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 (net of \$1,938 allocated to business-type activities). 842,453

Change in net position of governmental activities \$ (6,678,688)



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

City of Hercules
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Wastewater Fund	
ASSETS		
Current assets:		
Cash and investments	\$ 23,937,404	\$ 2,960,407
Cash and investments with fiscal agent	7,674,002	-
Total current assets	31,611,406	2,960,407
Noncurrent assets:		
Advances to Private Purpose Trust Fund	10,587,627	-
Net OPEB assets - PEHMCA	11,718	26,123
Capital assets:		
Nondepreciable	191,700	-
Depreciable, net	39,850,888	624,426
Total noncurrent assets	50,641,933	650,549
Total assets	82,253,339	3,610,956
DEFERRED OUTFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	193,603	103,422
OPEB-related deferred outflows of resources (PEHMCA)	16,117	12,383
OPEB-related deferred outflows of resources (SOMAR)	17,844	17,844
Total deferred outflows of resources	227,564	133,649
LIABILITIES		
Current liabilities:		
Accounts payable	2,802,480	162,440
Retentions payable	1,159,221	-
Salaries and benefits payable	24,824	19,829
Accrued interest payable	192,958	-
Long-term debt - due within one year	1,433,675	36,280
Total current liabilities	5,613,158	218,549
Noncurrent liabilities:		
Long-term debt - due in more than one year	33,459,837	-
Net pension liabilities	694,727	492,795
Net OPEB liabilities - SOMAR	99,901	99,901
Total noncurrent liabilities	34,254,465	592,696
Total liabilities	39,867,623	811,245
DEFERRED INFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	34,750	11,319
OPEB-related deferred outflows of resources (SOMAR)	73,037	73,022
Total deferred inflows of resources	107,787	84,341
NET POSITION		
Net investment in capital assets	11,587,259	624,426
Restricted for debt services	7,674,002	-
Unrestricted	23,244,232	2,224,593
Total net position	\$ 42,505,493	\$ 2,849,019

City of Hercules
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type	
	Activities	
	Enterprise	Governmental
	Fund	Activities
	Wastewater	Internal
	Fund	Service Funds
OPERATING REVENUES:		
Charges for services	\$ 5,719,257	\$ 2,129,793
Other operating revenues	-	195,040
Total operating revenues	<u>5,719,257</u>	<u>2,324,833</u>
OPERATING EXPENSES:		
Salaries and benefits	655,363	445,553
Services and supplies	2,803,653	824,576
Depreciation	668,202	278,264
Total operating expenses	<u>4,127,218</u>	<u>1,548,393</u>
Operating income	1,592,039	776,440
NONOPERATING REVENUES (EXPENSES):		
Interest income	501,741	45,376
Interest (expenses)	(465,902)	-
Gain (loss) from disposal of capital assets	-	20,637
Total nonoperating revenues (expenses)	<u>35,839</u>	<u>66,013</u>
CHANGES IN NET POSITION	1,627,878	842,453
NET POSITION:		
Beginning of year	40,877,615	2,006,566
End of year	<u>\$ 42,505,493</u>	<u>\$ 2,849,019</u>

City of Hercules
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities	
	Enterprise Fund	Governmental Activities
	Wastewater Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 5,719,257	\$ -
Cash receipts from internal services provided	-	2,385,833
Cash paid to suppliers for goods and services	(2,086,155)	(858,898)
Cash paid to employees for services	(599,359)	(343,872)
Net cash provided by (used in) operating activities	3,033,743	1,183,063
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of debt	3,152,095	-
Payments related to the acquisition of capital assets	(2,919,559)	(235,578)
Proceed from sale of capital assets	-	20,637
Principal repayments related to capital purposes	(275,000)	-
Interest repayments related to capital purposes	(458,631)	-
Net cash provided by (used in) capital and related financing activities	(501,095)	(214,941)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	501,741	45,376
Net cash provided by (used in) investing activities	501,741	45,376
NET CHANGES IN CASH AND CASH EQUIVALENTS	3,034,389	1,013,498
CASH AND CASH EQUIVALENTS:		
Beginning of year	28,577,017	1,946,909
End of year	\$ 31,611,406	\$ 2,960,407
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and investments	\$ 23,937,404	\$ 2,960,407
Cash and investments with fiscal agent	7,674,002	-
Total cash and cash equivalents	\$ 31,611,406	\$ 2,960,407

(Continued)

City of Hercules
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities	
	Enterprise Fund	Governmental Activities
	Wastewater Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,592,039	\$ 776,440
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities:		
Depreciation	668,202	278,264
(Increase) Decrease in Assets and Deferred Outflows		
Account receivables	-	61,000
Pensions-related deferred outflows	(63,489)	(9,412)
OPEB-related deferred outflows	(15,898)	(15,898)
Increase (Decrease) in Liabilities and Deferred Inflows		
Accounts payable	717,498	(34,322)
Salaries and benefits payable	3,353	9,074
Net pension liability	57,727	33,469
Pensions-related deferred inflows	(24,900)	(17,856)
Net OPEB liability	21,709	21,709
OPEB-related deferred inflows	70,845	70,845
Compensated absences	6,657	9,750
Total adjustments	1,441,704	406,623
Net cash provided by (used in) operating activities	\$ 3,033,743	\$ 1,183,063

(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.

Agency Funds are used to account for assets held by the government in a trustee capacity. Agency 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, 2020

	Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ 8,230,169	\$ 498,770
Cash and investments with fiscal agent	8,992,960	1,077
Accounts receivable	357,032	-
Amounts due from City of Hercules	322,055	-
Loans receivable	9,242,902	-
Land held for resale	4,898,570	-
Capital Assets:		
Nondepreciable	28,205,119	-
Depreciable, net	3,442,249	-
Total assets	<u>63,691,056</u>	<u>\$ 499,847</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refundings	<u>145,585</u>	
Total deferred outflows of resources	<u>145,585</u>	
LIABILITIES		
Accounts payable	15,528,207	\$ -
Unearned revenue	55,446	-
Amounts due to City of Hercules	50,496,029	-
Due to bondholders	-	406,903
Due to property owners	-	92,944
Long-term debt:		
Due within one year	3,505,000	-
Due in more than one year	95,765,967	-
Total liabilities	<u>165,350,649</u>	<u>\$ 499,847</u>
NET POSITION		
Held in trust (deficit)		<u>\$ (101,514,008)</u>

City of Hercules
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	Successor Agency Private Purpose Trust Fund
ADDITIONS:	
Taxes and assessments	\$ 9,520,566
Investment income	467,441
Capital contributions	12,645
Other revenue	<u>75,675</u>
Total additions	<u>10,076,327</u>
DEDUCTIONS:	
Community development	1,749,807
Depreciation	310,158
Interest expenses	<u>4,912,580</u>
Total deductions	<u>6,972,545</u>
CHANGES IN FIDUCIARY NET POSITION	3,103,782
FIDUCIARY NET POSITION:	
Beginning of year	<u>(104,617,790)</u>
End of year	<u><u>\$ (101,514,008)</u></u>



NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Hercules
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For the Year Ended June 30, 2020

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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, 2020

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Hercules, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States (“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 of Hercules (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 (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, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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. The City recognizes business license revenue collected within 60 days as revenue at June 30. 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.

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.

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 four individual funds that provide services directly to other City funds. These services include risk management, health and welfare, and equipment replacement.

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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

The City reports the following major Proprietary Funds:

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.

Internal service funds are presented in the proprietary fund financial statements. Internal service funds account for activities related to vehicle replacement, IT equipment replacement, 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 agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for 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.

Agency Funds – These funds account for resources held by the City in a trustee capacity as an agent for individuals, private organizations, other governments, and/or other funds. The City maintains eight fiduciary funds —Westcat Transit Fund, Reassessment District 91-1 Debt Service Fund, Reassessment District 05-1 Debt Service Fund, A. Nobel Reassessment Debt Service Fund, Taylor Woodrow Maintenance LMOD Fund, Hercules Community Library Fund, Hercules Golf Club Fund, and Pinole/Hercules Wastewater Treatment Plant Fund. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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).

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fair Value Measurement

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.

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.

E. 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).

F. Prepaid Items

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

G. Inventory

Inventory consists of materials and supplies held for future consumption and are priced at average cost using the first-in, first-out method.

H. Capital Assets

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations 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 effective interest 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.

J. 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Unearned and Unavailable Revenue (Continued)

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 in accordance with GASB Statement No. 65. 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.

K. Compensated Absences

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

L. Property Taxes Receivable

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

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

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

M. 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).

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

N. 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.

O. 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, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 - June 30, 2019

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.

P. 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, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 - June 30, 2020

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Other Postemployment Benefits (“OPEB”) (Continued)

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.

Q. Net Position

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

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, related debt, and deferred inflows of resources.

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.

R. Fund Balances

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

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

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

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Fund Balances (Continued)

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.

S. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

- Committed
- Assigned
- Unassigned

T. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. Implementation of New GASB Pronouncements

GASB Statement No. 95 - In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Application of this statement is effective immediately and did not have a material effect on City's financial statements for the fiscal year ended June 30, 2020.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020:

	Primary Government		Fiduciary Funds	Total
	Governmental Activities	Business-type Activities		
Cash and investments	\$ 22,731,713	\$ 23,937,404	\$ 8,728,939	\$ 55,398,056
Cash and investments with fiscal agents	3,969,984	7,674,002	8,994,037	20,638,023
Total	\$ 26,701,697	\$ 31,611,406	\$ 17,722,976	\$ 76,036,079

The City's cash and investments at June 30, 2020 in more detail:

Deposits with financial institutions	\$ 12,019,057
Investments:	
Local Agency Investment Fund	39,635,834
CalTrust	20,055
Investments with fiscal agents:	
Section 115 Pension Stabilization Fund	1,974,254
Money Market Mutual Funds	22,386,879
Total	\$ 76,036,079

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$12,019,057 at June 30, 2020. Bank balances at that date were \$12,606,476, the total amount of which was insured or collateralized with accounts held by the pledging financial institutions in the City's name as discussed below.

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

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

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

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurement

At June 30, 2020, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within the fair value hierarchy in which the fair value measurements fall at June 30, 2020:

Investment Type	Uncategorized	Total
Investments:		
Local Agency Investment Fund	\$ 39,635,834	\$ 39,635,834
CalTrust	20,055	20,055
Investments with fiscal agents:		
Section 115 Pension Stabilization Fund	1,974,254	1,974,254
Money Market Mutual Funds	22,386,879	22,386,879
Total	\$ 64,017,022	\$ 64,017,022

E. 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	\$ 39,635,834	\$ 39,635,834
Cal Trust	20,055	20,055
Investments with fiscal agents:		
Section 115 Pension Stabilization Fund	1,974,254	1,974,254
Money Market Mutual Funds	22,386,879	22,386,879
Total	\$ 64,017,022	\$ 64,017,022

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

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

Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	S&P Rating as of Fiscal Year Ended	
			AAA	Not Rated
Investments:				
Local Agency Investment Fund	\$ 39,635,834	N/A	\$ -	\$ 39,635,834
CalTrust	20,055	N/A	-	20,055
Investments with fiscal agents:				
Section 115 Pension Stabilization Fund	1,974,254	N/A	-	1,974,254
Money Market Mutual Funds	22,386,879	N/A	22,386,879	-
Total	\$ 64,017,022		\$ 22,386,879	\$ 41,630,143

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Disclosures Relating to Credit Risk (Continued)

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.

F. 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. The City’s investments with LAIF at June 30, 2020 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities, which included the following:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, collateralized mortgage obligations), or credit card receivables.

As of June 30, 2020, the City had \$39,635,834 invested in LAIF, which had invested 3.37% of the pool investment funds in structured notes and asset-backed securities.

Note 3 – Loans Receivable

A. Governmental Activities

At June 30, 2020, loans receivable consisted of the following:

Bio-Rad Loan	\$ 1,549,628
Total	\$ 1,549,628

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, 2020 was \$1,549,628.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 3 – Loans Receivable (Continued)

B. Fiduciary Fund Financial Statements

At June 30, 2020, loans receivable consisted of the following:

Business Development Loans	\$	1,366,509
Bridge Housing Corporation		2,113,868
Home Emergency Loan		9,867
First Time Homebuyers		1,746,403
Homeowner Retention/Loss Mitigation		2,575,491
Revitalization and Beautification		264,242
Other Assistance Programs		1,166,522
Total	\$	9,242,902

Amounts shown above are net of an allowance for uncollectible accounts of \$700,000 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

On August 14, 2008, the City of Hercules and Bio-Rad Laboratories, Inc. entered in to a lease agreement, which Bio-Rad agreed to lease from the City of Hercules, 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 of Hercules written notice of such election within 30 days prior to either of the following dates: (i) the fifteenth (15th) anniversary date; (ii) the twentieth (20th) anniversary date; or (iii) the twenty-fifth (25th) anniversary date, If Bio-Rad Laboratories, Inc. has not elected to exercise the Purchase Option during the time period said above, then the Purchase Option shall automatically be deemed elected by Bio-Rad Laboratories, Inc. as of the expiration date unless Bio-Rad Laboratories, Inc., provides prior written notice to the City of Hercules within fifteen (15) days prior to the expiration date electing not to pursue the Purchase Option, If Bio-Rad Laboratories, Inc. elects to exercise the Purchase Option on the expiration date, the purchase price for the premises shall be one dollar (\$1.00).

Total lease revenue of \$26,723,100 will be received from the Bio-Rad Laboratories, Inc. during the term of lease. The interest rate on the lease payments is 8.0381%. Monthly lease payments vary from \$55,300 to \$83,699 will be received on the first day of each month without notice, offset, deduction, or demand, in advance, during the lease term.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 4 – Lease Receivable (Continued)

Future estimated minimum lease payments to be received are as follows:

Year Ending June 30	Amount
2021	\$ 902,222
2022	908,474
2023	914,726
2024	920,978
2025	927,230
2026-2030	4,751,150
2031-2035	4,933,280
2036-2039	3,168,550
Subtotal	17,426,610
Less: Unearned Income	(8,437,954)
Lease Receivable, Net	<u>\$ 8,988,656</u>

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2020, 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	Stormwater Special Revenue Fund	\$ 166,650
Successor Agency Private Purpose Trust Fund	Grant Special Revenue Fund	322,055
	Total	<u>\$ 488,705</u>

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

B. Advances To and From Other Funds

At June 30, 2020, the City’s Advances to and from other funds are as follows:

Advances To Other Funds (Receivable)	Advances From Other Funds (Payable)	Amount
General Fund	Successor Agency Private Purpose Trust Fund	\$ 27,787,637
Public Financing Authority Debt Service Fund	Successor Agency Private Purpose Trust Fund	6,703,250
Nonmajor Governmental Funds	Successor Agency Private Purpose Trust Fund	5,417,515
Wastewater Fund	Successor Agency Private Purpose Trust Fund	10,587,627
	Total	<u>\$ 50,496,029</u>

Of the \$46.1 million reported as assets in the General Fund, 60.3% of the balance represents amounts due from the Private Trust Fund, the Successor Agency to the City of Hercules Redevelopment Agency. The City is also reporting significant advances to the Agency in other funds. Amounts are not expected to be repaid within the next year.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 5 – Interfund Transactions (Continued)

C. Transfers In and Out

Transfer In	Transfer Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 227,335
Public Financing Authority Debt Service Fund	General Fund	771,209
Nonmajor Governmental Funds	General Fund	217,101
Nonmajor Governmental Funds	Nonmajor Governmental Funds	515,254
	Total	<u>\$ 1,730,899</u>

The transfer in and out are to fund City operations, debt service obligations, and maintenance of the arterial roadways.

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2020
Nondepreciable assets:					
Land	\$ 4,781,589	\$ -	\$ -	\$ 299,998	\$ 5,081,587
Construction in progress	10,115,631	462,978	-	(10,115,632)	462,977
Total nondepreciable assets	<u>14,897,220</u>	<u>462,978</u>	<u>-</u>	<u>(9,815,634)</u>	<u>5,544,564</u>
Depreciable assets:					
Land improvements	11,720,361	40,653	-	46,091	11,807,105
Building and improvements	26,886,670	242,969	(53,539)	-	27,076,100
Machinery and equipment	4,763,790	2,118,059	-	-	6,881,849
Infrastructure	101,115,641	-	-	9,812,417	110,928,058
Subtotal	<u>144,486,462</u>	<u>2,401,681</u>	<u>(53,539)</u>	<u>9,858,508</u>	<u>156,693,112</u>
Less: accumulated depreciation:					
Land improvements	(8,646,252)	(630,899)	-	-	(9,277,151)
Building and improvements	(11,018,283)	(285,653)	53,539	-	(11,250,397)
Machinery and equipment	(4,044,086)	(2,946,901)	-	-	(6,990,987)
Infrastructure	(55,149,613)	(461,342)	-	-	(55,610,955)
Subtotal	<u>(78,858,234)</u>	<u>(4,324,795)</u>	<u>53,539</u>	<u>-</u>	<u>(83,129,490)</u>
Total depreciable assets, net	<u>65,628,228</u>	<u>(1,923,114)</u>	<u>-</u>	<u>9,858,508</u>	<u>73,563,622</u>
Total capital assets, net	<u>\$ 80,525,448</u>	<u>\$ (1,460,136)</u>	<u>\$ -</u>	<u>\$ 42,874</u>	<u>\$ 79,108,186</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Depreciation expense was charged to functions/programs of governmental activities for the year ended June 30, 2020 as follows:

Depreciation Expenses	Allocation
General government	\$ 350,987
Public safety	37,201
Public works	3,257,499
Parks and recreation	400,844
Internal service funds	278,264
Total	\$ 4,324,795

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Reclassification/ Transfers	Balance June 30, 2020
Nondepreciable assets:				
Land	\$ 191,700	\$ -	\$ -	\$ 191,700
Construction in progress	25,198,496	-	(25,198,496)	-
Total nondepreciable assets	25,390,196	-	(25,198,496)	191,700
Depreciable assets:				
Building and improvements	11,335,199	2,919,559	24,070,513	38,325,271
Machinery and equipment	250,345	-	-	250,345
Infrastructure	13,729,500	-	1,127,983	14,857,483
Subtotal	25,315,044	2,919,559	25,198,496	53,433,099
Less: accumulated depreciation:				
Building and improvements	(10,556,851)	(162,018)	-	(10,718,869)
Machinery and equipment	(180,449)	(16,905)	-	(197,354)
Infrastructure	(2,176,709)	(489,279)	-	(2,665,988)
Subtotal	(12,914,009)	(668,202)	-	(13,582,211)
Total depreciable assets, net	12,401,035	2,251,357	25,198,496	39,850,888
Total capital assets, net	\$ 37,791,231	\$ 2,251,357	\$ -	\$ 40,042,588

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

Depreciation Expenses	Allocation
Wastewater	\$ 668,202
Total	\$ 668,202

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 – Capital Assets (Continued)

C. Fiduciary Fund Financial Statements

Summary of changes in Fiduciary Fund capital assets for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Reclassification/ Transfers	Balance June 30, 2020
Nondepreciable assets:				
Land	\$ 217,040	\$ -	\$ 12,645	\$ 229,685
Construction in progress	27,975,434	-	-	27,975,434
Total nondepreciable assets	<u>28,192,474</u>	<u>-</u>	<u>12,645</u>	<u>28,205,119</u>
Depreciable assets:				
Land improvements	11,379	-	-	11,379
Building and improvements	4,965,778	-	-	4,965,778
Machinery and equipment	116,445	-	-	116,445
Infrastructure	4,232,722	-	-	4,232,722
Subtotal	<u>9,326,324</u>	<u>-</u>	<u>-</u>	<u>9,326,324</u>
Less: accumulated depreciation:				
Land improvements	(11,379)	-	-	(11,379)
Building and improvements	(3,043,894)	(99,437)	-	(3,143,331)
Machinery and equipment	(58,100)	(5,810)	-	(63,910)
Infrastructure	(2,460,544)	(204,911)	-	(2,665,455)
Subtotal	<u>(5,573,917)</u>	<u>(310,158)</u>	<u>-</u>	<u>(5,884,075)</u>
Total depreciable assets, net	<u>3,752,407</u>	<u>(310,158)</u>	<u>-</u>	<u>3,442,249</u>
Total capital assets, net	<u>\$ 31,944,881</u>	<u>\$ (310,158)</u>	<u>\$ 12,645</u>	<u>\$ 31,647,368</u>

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

	Depreciation Expenses	Allocation
Successor Agency		\$ 310,158
Total		<u>\$ 310,158</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt

A. Governmental Activities

Summary of changes in Governmental Activities long-term debt for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in More Than One Year
Publicly Offered:						
2003B PFA Lease Revenue Bonds	\$ 5,985,000	\$ -	\$ (280,000)	\$ 5,705,000	\$ 295,000	\$ 5,410,000
2009 PFA Taxable Lease Revenue Bonds	8,775,000	-	(190,000)	8,585,000	200,000	8,385,000
Less: Discount on issuance	(328,629)	-	17,297	(311,332)	-	(311,332)
H.E.L.P. Loan	1,600,000	-	-	1,600,000	84,479	1,515,521
R.D.L.P. Loan	3,750,000	-	-	3,750,000	-	3,750,000
SunTrust Lease	654,485	-	(176,201)	478,284	184,634	293,650
Compensated Absences	493,170	398,869	(307,688)	584,351	411,056	173,295
Total	<u>\$ 20,929,026</u>	<u>\$ 398,869</u>	<u>\$ (936,592)</u>	<u>\$ 20,391,303</u>	<u>\$ 1,175,169</u>	<u>\$ 19,216,134</u>

2003B PFA Lease Revenue Bonds

The Public Financing Authority issued lease revenue bonds, series 2003B, dated October 15, 2003, totaling \$9,150,000. The purpose of the bonds was to refinance the 1994 Refunding Certificates of Participation and to finance a portion of the construction for a public library. The interest rate on the bonds ranges from 2.00% to 5.00%. The interest is payable semiannually on June 1 and December 1, commencing December 1, 2003. The bonds are subject to optional and mandatory early redemption provisions. The bonds are payable from and secured by revenues consisting primarily of the base rental payments of the facility lease. Principal is due annually beginning on December 1, 2005, in amounts ranging from \$170,000 to \$2,480,000. The bonds mature on December 1, 2033. The balance at June 30, 2020 is \$5,705,000.

The City is obligated to pay only its Base Rental Payments and Additional Payments under the Lease. The obligation of the City to pay Base Rental Payments or Additional Payments does not constitute an obligation of the city for 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.

The annual debt service requirements to maturity for the 2003B Public Financing Authority Lease Revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 295,000	\$ 269,805	\$ 564,805
2022	310,000	255,735	565,735
2023	325,000	240,731	565,731
2024	340,000	224,938	564,938
2025	355,000	208,431	563,431
2026-2030	2,050,000	765,505	2,815,505
2031-2035	2,030,000	209,250	2,239,250
Total	<u>\$ 5,705,000</u>	<u>\$ 2,174,395</u>	<u>\$ 7,879,395</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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 balance at June 30, 2020 is \$8,585,000.

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
2021	\$ 200,000	\$ 708,465	\$ 908,465
2022	220,000	691,140	911,140
2023	235,000	672,371	907,371
2024	255,000	652,159	907,159
2025	275,000	630,296	905,296
2026-2030	1,765,000	2,753,420	4,518,420
2031-2035	2,625,000	1,851,150	4,476,150
2036-2039	3,010,000	530,880	3,540,880
Total	<u>\$ 8,585,000</u>	<u>\$ 8,489,881</u>	<u>\$ 17,074,881</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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 of Hercules 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, 2020 is \$1,600,000.

The annual debt service requirements to maturity for the H.E.L.P. Loan as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 84,479	\$ 15,521	\$ 100,000
2022	75,933	24,067	100,000
2023	76,067	23,933	100,000
2024	75,933	24,067	100,000
2025	76,133	23,867	100,000
2026-2027	1,211,455	18,733	1,230,188
Total	<u>\$ 1,600,000</u>	<u>\$ 130,188</u>	<u>\$ 1,730,188</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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 August 2026 and to reduce the interest rate to 1.5% simple interest effective October 31, 2013. The balance at June 30, 2020 is \$3,750,000.

The annual debt service requirements to maturity for the R.D.L.P. Loan as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ -	\$ 100,000	\$ 100,000
2022	-	100,000	100,000
2023	-	100,000	100,000
2024	-	100,000	100,000
2025	-	100,000	100,000
2026-2027	3,750,000	213,572	3,963,572
Total	<u>\$ 3,750,000</u>	<u>\$ 713,572</u>	<u>\$ 4,463,572</u>

SunTrust Lease

On September 27, 2007, the City entered into master lease agreements with SunTrust Leasing Corporation in order to provide funds for the financing of the EMS Project performed by Siemens Building Technologies in the amount of \$2,185,538. Payments are due semiannually on September 27 and March 27, at an interest rate of 4.73%. The Master Lease Agreement matures on September 27, 2022. The balance at June 30, 2020 is \$478,284. The costs of these assets is \$2,358,636 and the net book value at June 30, 2018 is \$654,485.

The annual debt service requirements to maturity for the SunTrust master lease agreement as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 184,634	\$ 20,465	\$ 205,099
2022	193,470	11,629	205,099
2023	100,180	2,369	102,549
Total	<u>\$ 478,284</u>	<u>\$ 34,463</u>	<u>\$ 512,747</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities

Summary of changes in Business-Type Activities long-term debt for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in More Than One Year
Publicly Offered:						
2010 PFA Wastewater Revenue Bonds	\$ 9,810,000	\$ -	\$ (275,000)	\$ 9,535,000	\$ 285,000	\$ 9,250,000
Less: Discount on issuance	(152,706)	-	7,272	(145,434)	-	(145,434)
Publicly Owned Treatment Works						
Construction Loan	22,305,600	3,152,095	-	25,457,695	1,102,424	24,355,271
Compensated Absences	39,595	33,327	(26,671)	46,251	46,251	-
Total	<u>\$ 32,002,489</u>	<u>\$ 3,185,422</u>	<u>\$ (294,399)</u>	<u>\$ 34,893,512</u>	<u>\$ 1,433,675</u>	<u>\$ 33,459,837</u>

2010 PFA Wastewater Revenue Bonds

The Public Financing Authority issued revenue bonds, series 2010, dated August 1, 2010, totaling \$11,765,000. The purpose of the bonds was to finance improvements to the City’s wastewater system, fund a reserve fund for the bonds, and pay the costs of issuances of the bonds. The interest rates on the bonds range from 2.00% to 5.130%. Principal and interest payment are due annually beginning August 1, 2011, in amounts ranging from \$230,000 to \$700,000. The bonds mature on August 1, 2040. The balance at June 30, 2020 is \$9,535,000.

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. The full faith and credit of the Authority and the Agency and the City, which are parties to the agreement creating the Authority, are not pledged for the payment of the principal of, or interest on, the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the principal and interest on the Bonds.

The annual debt service requirements to maturity for the 2010 PFA Wastewater Revenue Bonds as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 285,000	\$ 449,175	\$ 734,175
2022	295,000	438,288	733,288
2023	305,000	426,288	731,288
2024	315,000	413,691	728,691
2025	330,000	400,181	730,181
2026-2030	1,885,000	1,755,660	3,640,660
2031-2035	2,385,000	1,243,088	3,628,088
2036-2040	3,035,000	569,375	3,604,375
2041	700,000	17,500	717,500
Total	<u>\$ 9,535,000</u>	<u>\$ 5,713,246</u>	<u>\$ 15,248,246</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Publicly Owned Treatment Works 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 \$25,457,695 of the loan principal including construction loan interest as of June 30, 2020.

The annual debt service requirements to maturity for the Publicly Owned Treatment Works Construction Loan as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,102,424	\$ 408,414	\$ 1,510,838
2022	1,096,780	414,057	1,510,837
2023	1,115,425	395,412	1,510,837
2024	1,134,388	376,450	1,510,838
2025	1,153,672	357,165	1,510,837
2026-2030	6,069,301	1,484,886	7,554,187
2031-2035	6,603,033	951,153	7,554,186
2036-2040	7,182,672	370,486	7,553,158
Total	<u>\$ 25,457,695</u>	<u>\$ 4,758,023</u>	<u>\$ 30,215,718</u>

C. Fiduciary Fund Financial Statements

A summary of changes in Fiduciary Fund long-term debt for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in More Than One Year
Publicly Offered:						
2005 Tax Allocation Bonds	\$ 33,865,000	\$ -	\$ (1,510,000)	\$ 32,355,000	\$ 1,585,000	\$ 30,770,000
Plus: Bond Premium	1,160,520	-	(72,531)	1,087,989	-	1,087,989
2007A Housing Tax Allocation Bonds	9,790,000	-	(420,000)	9,370,000	445,000	8,925,000
2007B Housing Tax Allocation Bonds	7,835,000	-	(370,000)	7,465,000	385,000	7,080,000
Plus: Bond Premium	44,054	-	(3,146)	40,908	-	40,908
2007 RDA Tax Allocation Bonds	49,680,000	-	(1,075,000)	48,605,000	1,090,000	47,515,000
Notes Payable	347,070	-	-	347,070	-	347,070
Total	<u>\$ 102,721,644</u>	<u>\$ -</u>	<u>\$ (3,450,677)</u>	<u>\$ 99,270,967</u>	<u>\$ 3,505,000</u>	<u>\$ 95,765,967</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2005 Tax Allocation Bonds

On August 5, 2005, the former Redevelopment Agency (Agency) issued Hercules Merged Project Area Tax Allocation Bonds, Series 2005, in the amount of \$56,260,000. The proceeds of the bonds were used to finance certain public capital improvements within the Agency’s Merged Project Area and refund the Agency Subordinate Tax Allocation Bonds, Series 2001. The Bonds mature annually each August 1 from 2006 to 2035, in amounts ranging from \$740,000 to \$2,960,000 and bear interest at rates ranging from 3.50% to 5.00%. Interest is payable semi-annually on February 1 and August 1. The Bonds maturing on or after August 1, 2016, are subject to optional redemption prior to maturity at the option of the Agency on or after August 1, 2015, as a whole or in part, on any interest payment date, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposit in certain funds and accounts, including the reserve account and the revenue account. The balance at June 30, 2020 is \$32,355,000.

The annual debt service requirements to maturity for the 2005 Tax Allocation Bonds as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,585,000	\$ 1,561,074	\$ 3,146,074
2022	1,655,000	1,484,431	3,139,431
2023	1,735,000	1,400,356	3,135,356
2024	1,825,000	1,312,069	3,137,069
2025	1,915,000	1,219,325	3,134,325
2026-2030	11,100,000	4,536,108	15,636,108
2031-2035	11,765,000	1,480,638	13,245,638
2036	775,000	19,025	794,025
Total	<u>\$ 32,355,000</u>	<u>\$ 13,013,026</u>	<u>\$ 45,368,026</u>

In connection with the issuance of the 2005 Tax Allocation Bonds, the Agency recorded a deferred loss on refunding of debt which is reported as a deferred outflow. This deferred loss was in connection with interest payments made to the escrow agent for future payments of interest. The total amount of the deferred loss was \$291,160 which will be amortized over the life of the bond. The amortization for the fiscal year 2018-2019 was \$9,705, and the accumulated amortization at June 30, 2020 was \$145,585.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2007 Housing Tax Allocation Bonds Series A and B

On July 26, 2007, the former Redevelopment Agency issued Hercules Merged Project Area Housing Tax Allocation Bonds, 2007 Series A, in the amount of \$13,130,000 and 2007 Series B, in the amount of \$12,760,000. The proceeds of the bonds were used to finance certain public capital improvements within the Agency’s Merged Project Area. The Bonds mature annually each August 1 from 2009 to 2033, in amounts ranging from \$220,000 to \$950,000 and bear interest at rates ranging from 3.50% to 6.125%. Interest is payable semi-annually on February 1 and August 1. The Bonds maturing on or after August 1, 2018, are subject to optional redemption prior to maturity at the option of the Agency on or after August 1, 2017, as a whole or in part, on any interest payment date, at a price equal to the principal amount plus accrued interest on the redemption date. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposit in certain funds and accounts, including the reserve account and the revenue account. The balance at June 30, 2020 for 2007 Series A and Series B are \$9,370,000 and \$7,465,000, respectively.

The annual debt service requirements to maturity for the 2007A Housing Tax Allocation Bonds as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 445,000	\$ 558,794	\$ 1,003,794
2022	470,000	531,344	1,001,344
2023	500,000	502,244	1,002,244
2024	530,000	471,013	1,001,013
2025	560,000	437,631	997,631
2026-2030	3,360,000	1,612,406	4,972,406
2031-2034	3,505,000	445,134	3,950,134
Total	<u>\$ 9,370,000</u>	<u>\$ 4,558,566</u>	<u>\$ 13,928,566</u>

The annual debt service requirements to maturity for the 2007B Housing Tax Allocation Bonds as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 385,000	\$ 354,988	\$ 739,988
2022	405,000	337,213	742,213
2023	420,000	318,650	738,650
2024	-	309,200	309,200
2025	-	309,200	309,200
2026-2030	2,435,000	1,241,625	3,676,625
2031-2034	3,820,000	400,475	4,220,475
Total	<u>\$ 7,465,000</u>	<u>\$ 3,271,351</u>	<u>\$ 10,736,351</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2007 Tax Allocation Bonds Series A

On December 20, 2007, the former Redevelopment Agency issued Hercules Merged Project Area Tax Allocation Bonds, 2007 Series A, in the amount of \$60,555,000. The proceeds of the bonds will be used to finance certain public capital improvements within the Agency’s Merged Project Area. The Bonds mature annually each August 1 from 2009 to 2043, in amounts ranging from \$260,000 to \$3,315,000 and bear interest at rates ranging from 3.50% to 5.00%. Interest is payable semi-annually on February 1 and August 1. The Bonds maturing on or after August 1, 2018, are subject to optional redemption prior to maturity at the option of the Agency on or after February 1, 2018, as a whole or in part, on any interest payment date, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposit in certain funds and accounts, including the reserve account and the revenue account. The balance at June 30, 2020 is \$48,605,000.

The annual debt service requirements to maturity for the 2007 Tax Allocation Bonds Series A as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,090,000	\$ 2,268,950	\$ 3,358,950
2022	1,110,000	2,222,881	3,332,881
2023	1,140,000	2,170,794	3,310,794
2024	1,170,000	2,113,044	3,283,044
2025	1,200,000	2,053,794	3,253,794
2026-2030	6,465,000	9,371,384	15,836,384
2031-2035	9,625,000	7,716,217	17,341,217
2036-2040	17,310,000	4,132,020	21,442,020
2041-2043	9,495,000	702,813	10,197,813
Total	<u>\$ 48,605,000</u>	<u>\$ 32,751,897</u>	<u>\$ 81,356,897</u>

Notes Payable

In 1987, the Agency entered into Owner Participation Agreements with certain property owners (East Group and Bio Rad Laboratories) 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, 2020, the Agency’s long-term notes payable for East Group and Bio Rad Laboratories were \$130,912 and \$216,159, respectively, and are all considered due in the current period.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 – Long-Term Debt (Continued)

D. Non-City Obligations

The 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, 2020
Reassessment District 2005-1 (John Muir Parkway)	\$ 6,550,345	\$ -
Refunding Reassessment District 2005-1 (John Muir Parkway)	3,006,859	3,006,859

Note 8 – Retirement Plans

Summary of changes in 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, 2020 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 679,225	\$ 95,532	\$ 774,757
CalPERS Safety	1,384,112	-	1,384,112
Total pension contribution made after measurement date	2,063,337	95,532	2,158,869
Change in assumptions			
CalPERS Miscellaneous	296,996	41,772	338,768
CalPERS Safety	404,194	-	404,194
Total change in assumptions	701,190	41,772	742,962
Difference between expected and actual experience			
CalPERS Miscellaneous	400,281	56,299	456,580
CalPERS Safety	607,973	-	607,973
Total difference between expected and actual experience	1,008,254	56,299	1,064,553
Total deferred outflows of resources			
CalPERS Miscellaneous	1,376,502	193,603	1,570,105
CalPERS Safety	2,396,279	-	2,396,279
Total deferred outflows of resources	\$ 3,772,781	\$ 193,603	\$ 3,966,384

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Retirement Plans (Continued)

	Governmental Activities	Business-Type Activities	Total
Net pension liabilities:			
CalPERS Miscellaneous	\$ 6,459,466	\$ 694,727	\$ 7,154,193
CalPERS Safety	9,847,764	-	9,847,764
Total net pension liabilities	<u>\$ 16,307,230</u>	<u>\$ 694,727</u>	<u>\$ 17,001,957</u>
Deferred inflows of resources:			
Change in assumptions			
CalPERS Miscellaneous	\$ 105,283	\$ 14,808	\$ 120,091
CalPERS Safety	78,878	-	78,878
Total change in assumptions	<u>184,161</u>	<u>14,808</u>	<u>198,969</u>
Difference between projected and actual investment earnings:			
CalPERS Miscellaneous	108,273	15,228	123,501
CalPERS Safety	135,802	-	135,802
Total difference between projected and actual investment earnings:	<u>244,075</u>	<u>15,228</u>	<u>259,303</u>
Difference between expected and actual experience			
CalPERS Miscellaneous	33,517	4,714	38,231
Total difference between expected and actual experience	<u>33,517</u>	<u>4,714</u>	<u>38,231</u>
Total deferred inflows of resources			
CalPERS Miscellaneous	247,073	34,750	281,823
CalPERS Safety	214,680	-	214,680
Total deferred inflows of resources	<u>\$ 461,753</u>	<u>\$ 34,750</u>	<u>\$ 496,503</u>
Pension expenses:			
CalPERS Miscellaneous	\$ 758,878	\$ (30,662)	\$ 728,216
CalPERS Safety	1,930,428	-	1,930,428
Total net pension expenses	<u>\$ 2,689,306</u>	<u>\$ (30,662)</u>	<u>\$ 2,658,644</u>

A. General Information About the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Employees Covered by Benefit Terms

At the June 30, 2019 measurement date the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Miscellaneous PEPRA</u>	<u>Safety</u>	<u>Safety Tier 2</u>	<u>Safety PEPRA</u>
Active employees	35	17	11	2	12
Transferred employees	47	10	8	-	3
Separated employees	95	14	3	1	7
Retired employees and beneficiaries	87	-	33	-	-
Total	<u>264</u>	<u>41</u>	<u>55</u>	<u>3</u>	<u>22</u>

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, 2020, are summarized below:

	<u>Miscellaneous</u>	<u>Miscellaneous Tier 2</u>	<u>Safety</u>	<u>Safety Tier 2</u>	<u>Safety PEPRA</u>
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	7.0%	6.25%	9.000%	9.000%	11.500%
Required employer contribution rate	9.680%	6.985%	21.927%	20.073%	13.034%

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

For the year ended June 30, 2020, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety	CalPERS Total
Contributions - employer	\$ 774,757	\$ 1,384,112	\$ 2,158,869

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: 6/30/18 (Valuation date)	\$ 26,975,171	\$ 20,289,126	\$ 6,686,045
Balance at: 6/30/19 (Measurement date)	28,696,810	21,542,617	7,154,193
Net changes during 2018-2019	1,721,639	1,253,491	468,148
Safety			
Balance at: 6/30/18 (Valuation date)	\$ 31,698,494	\$ 22,429,628	\$ 9,268,866
Balance at: 6/30/19 (Measurement date)	33,743,015	23,895,251	9,847,764
Net changes during 2018-2019	2,044,521	1,465,623	578,898

The City's net pension liability/(asset) for each Plan is measured as the proportionate share of the net pension liability/(asset). The net pension liability/(asset) of each of the Plans is measured as of June 30, 2019, and the total pension liability/(asset) for each Plan used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability/(asset) was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability/(asset) for each Plan as of the June 30, 2018 measurement date (June 30, 2019 reporting date) and 2019 measurement date (June 30, 2020 reporting date) was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2019	0.15970%	0.14303%
Proportion - June 30, 2020	0.15751%	0.14724%
Change - Increase/(Decrease)	-0.00219%	0.00421%

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

For the year ended June 30, 2020, the City recognized pension expense of \$1,610,725 and \$1,930,428, for the Miscellaneous and Safety plans, respectively. At June 30, 2020, 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
Contribution made after the measurement date	\$ 774,757	\$ -
Difference between expected and actual experience	456,580	(38,231)
Changes of assumptions	338,768	(120,091)
Net difference between projected and actual earnings on pension plan investments	-	(123,501)
Total	<u>\$ 1,570,105</u>	<u>\$ (281,823)</u>

Safety Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 1,384,112	\$ -
Difference between expected and actual experience	607,973	-
Changes of assumptions	404,194	(78,878)
Net difference between projected and actual earnings on pension plan investments	-	(135,802)
Total	<u>\$ 2,396,279</u>	<u>\$ (214,680)</u>

CalPERS Aggregate Total		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 2,158,869	\$ -
Difference between expected and actual experience	1,064,553	(38,231)
Changes of assumptions	742,962	(198,969)
Net difference between projected and actual earnings on pension plan investments	-	(259,303)
Total	<u>\$ 3,966,384</u>	<u>\$ (496,503)</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

For the Miscellaneous Plan and Safety Plan, \$774,757 and \$1,384,112, respectively, were reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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 Ended June 30	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous Plan	Safety Plan	Total
2020	\$ 509,761	\$ 706,839	\$ 1,216,600
2021	(69,984)	(38,550)	(108,534)
2022	48,472	102,840	151,312
2023	25,276	26,358	51,634
2024	-	-	-
Thereafter	-	-	-
Total	\$ 513,525	\$ 797,487	\$ 1,311,012

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
Investment Rate of Return	7.3755%
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2014. Further details of the Experience Study can be found on the CalPERS website.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Discount Rate

In determining the long-term expected rate of return, CalPERS took into account, both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11 +²
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹ An expected inflation of 2.0% was used for this period.

² An expected inflation of 2.92% was used for this period.

The discount rate used to measure the total pension liability was 7.15% for the plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 Section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference was deemed immaterial to the Public Agency Cost Sharing Multiple-Employer Defined Benefit Pension Plan.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

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

The following presents the City’s proportionate share of the net position liability for the Plan, calculated using the discount rate for each Plan, 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 or 1-percentage point higher than the current rate:

	Plan's Net Pension Liability		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.15%)	Rate (7.15%)	(8.15%)
Miscellaneous	\$ 10,814,985	\$ 7,154,193	\$ 3,363,295
Safety	\$ 14,052,277	\$ 9,847,764	\$ 5,326,700
Total	\$ 24,867,262	\$ 17,001,957	\$ 8,689,995

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

B Payable to the CalPERS Pension Plans

At June 30, 2020, the City had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2020.

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 a third party administrator (ICMA) 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 Comprehensive Annual Financial Report.

B. 401A Plan

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 9 – Deferred Compensation Plan (Continued)

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%.

Note 10 – Other Postemployment Benefits

A. Retiree Healthcare Plan (PEHMCA)

Plan Descriptions and Administration

The City Retiree Healthcare Plan (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 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 conformance 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 (\$136/month for 2019 and \$139/month for 2020).

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.

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 \$334.74/month for 2019 and \$355.08 for 2020 (Police), \$227.52 for 2019 and \$234.34 for 2020 (Executive Management), and are contractually indexed each year by 3%.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

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, 2020 were \$215,990.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Active plan members		69
Retirees		15
		84
Total		84

Actuarial Assumptions

The net OPEB liability of the Plan was determined using an actuarial valuation as of July 1, 2019 using the following actuarial assumptions:

Actuarial Assumptions:	
Discount Rate	5.40%
Inflation	2.25%
Aggregate pay roll increases	2.75%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 1997-2014
Mortality Improvement Scale	RP-2014 Employee and Healthy Annuitant Mortality Tables for males and females.
Healthcare Trend Rate	4%

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Discount Rate

The discount rate used to measure the total Plan’s OPEB liability was 5.4%. 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Discount Rate (Continued)

The expected long-term rate of return on OPEB plan investments of 5.4%, 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%	7.50%
All Fixed Income	65.00%	4.50%
Short-Term Gov't Fixed	5.00%	3.25%
	100.00%	

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, 2020:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019	\$ 3,741,964	\$ 2,454,746	\$ 1,287,218
Changes Recognized for the Measurement Period:			
Service Cost	175,142	-	175,142
Interest on the total OPEB liability	188,135	123,227	64,908
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(1,203,506)	-	(1,203,506)
Changes of assumptions	(293,525)	-	(293,525)
Contributions from the employer	-	215,990	(215,990)
Net investment income	-	-	-
Administrative expenses	-	(13,381)	13,381
Benefit payments	(115,990)	(115,990)	-
Net Changes during July 1, 2019 to June 30, 2020	(1,249,744)	209,846	(1,459,590)
Balance at June 30, 2020 (Measurement Date)	\$ 2,492,220	\$ 2,664,592	\$ (172,372)

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

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

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

Net OPEB Liability (Asset)		
Discount Rate - 1% (3.4%)	Current Discount Rate (5.4%)	Discount Rate + 1% (5.4%)
\$ 161,753	\$ (172,372)	\$ (449,500)

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%
\$ (506,543)	\$ (172,372)	\$ 231,955

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$197,039 for the Plan. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2020, 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	\$ 28,636	\$ (1,096,050)
Changes of assumptions	250,239	(267,317)
Net difference between projected and actual earning on OPEB plan investments	31,960	-
Total	\$ 310,835	\$ (1,363,367)

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
2020	\$ (54,716)
2021	(54,718)
2022	(55,066)
2023	(65,045)
2024	(127,940)
Thereafter	(695,047)
Total	\$ (1,052,532)

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan)

Plan Description

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

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

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

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 – Other Postemployment Benefits (Continued)

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

Employees Covered by Benefit Terms

At the June 30, 2020 measurement date the following employees were covered by the benefit terms:

	<u>Executives</u>	<u>Police</u>	<u>Total</u>
Participating active employees	19	27	46
Inactive employees receiving benefits	2	9	11
Total	<u>21</u>	<u>36</u>	<u>57</u>

Benefits Provided

The SOMAR plan’s provisions and benefits in effect at June 30, 2020, 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	\$263 per month pre- 65; based on Kaiser premium post-65	\$350 per month pre- 65; based on Kaiser premium post-65

Contributions

For the year ended June 30, 2020, the contributions recognized as part of OPEB expense for the SOMAR plan were as follows:

Contributions - employer	<u>SOMAR Plan</u> <u>\$ 40,738</u>
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Actuarial Assumptions

The net pension liability of the SOMAR Plan was determined using an actuarial valuation as of July 1, 2019 using the following actuarial assumptions:

Actuarial Assumptions:	
Cost method	Entry age normal
Discount Rate	2.20%
Inflation	2.75%
Aggregate payroll increases	2.75%
Mortality, retirement, and turnover	2017 CalPERS tables
Mortality Improvement Scale	RP-2014 Employee and Healthy Annuitant Mortality Tables for males and females.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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 pension liability, the plan fiduciary net position, and the net OPEB liability (asset) of the SOMAR plan as of June 30, 2020:

	SOMAR Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 1,390,661	\$ -	\$ 1,390,661
Changes Recognized for the Measurement Period:			
Service cost	98,801	-	98,801
Interest on the total pension liability	49,689	-	49,689
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	366,382	-	366,382
Contributions from the employer as benefit payments	-	40,738	(40,738)
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments	(40,738)	(40,738)	-
Net changes during July 1, 2019 to June 30, 2020	474,134	-	474,134
Balance at June 30, 2020 (measurement date)	\$ 1,864,795	\$ -	\$ 1,864,795

Discount Rate

The discount rate used to measure the total OPEB liability for the SOMAR plan was 2.2%. This discount rate estimates investment earnings for assets earmarked to cover retiree cash benefit liabilities. Since the SOMAR plan is an unfunded plan, the discount rate is based on an index of 20-year General Obligation municipal bonds.

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

The following presents the net pension liability of the SOMAR Plan, as well as what the SOMAR Plan's net pension 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% (1.2%)	Current Discount Rate (2.2%)	Discount Rate + 1% (3.2%)
\$ 2,215,519	\$ 1,864,795	\$ 1,571,051

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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 Pension

For the year ended June 30, 2020, the City recognized pension expense of \$181,798 for the SOMAR plan. OPEB expense represents the change in the net pension 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, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources for the SOMAR plan:

	SOMAR Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 333,074	\$ -
Total	\$ 333,074	\$ -

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

Measurement Period Ending June 30	SOMAR Plan Deferred Outflows/ (Inflows) of Resources
2020	\$ 33,308
2021	33,308
2022	33,308
2023	33,308
2024	33,308
Thereafter	166,534
Total	\$ 333,074

Payable to the Pension Plan

At June 30, 2020, the City had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2020.

Note 11 – Risk Management

General Liability Insurance

Coverage is maintained with the Municipal Pooling Authority (MPA) with coverage limits of \$10,000,000 per occurrence. The City maintains a deductible of \$5,000 per occurrence.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 11 – Risk Management (Continued)

Workers' Compensation

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

MPA	\$0 to \$500,000
American Safety Insurance	\$500,000
CSAC-EIA	\$1,000,000 to \$4,000,000
ACE American Insurance Company	\$5,000,000 to \$45,000,000

At June 30, 2020, the City's estimated claims liabilities were as follows:

General liabilities	\$ 586,273
Workers' Compensation	807
Total	\$ 587,080

Changes in the claims liabilities for the fiscal years ended June 30, 2020, 2019 and 2018 are as follows:

Fiscal Year	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2017-2018	\$ 169,171	\$ 1,051,975	\$ (988,755)	\$ 232,391
2018-2019	232,391	1,037,099	(723,968)	545,522
2019-2020	545,522	1,194,289	(1,152,731)	587,080

Miscellaneous Coverages

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

	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
Boiler and Machinery	5,000	100,000,000

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

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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*

AMBAC Litigation – On January 30, 2012, AMBAC filed an action in the Contra Costa County Superior Court against the City, the former Redevelopment Agency, and each individual member of the City Council, seeking to, among other things, compel the City to transfer \$4,100,000 from the Pooled Cash Account, which AMBAC alleges constitute the December 2011 tax increment receipts, to the Trustee, and in the alternative to impose a constructive trust on such funds and prevent the City from using those funds for any other purpose. The City, Agency, and Council members have vigorously opposed this action. The City believes that, unless the \$4,100,000 of December receipts are allowed to be accounted for to reimburse the temporary advance from the Pooled Cash Account made on August 1, 2011 to the Trustee, that advance will have been an unlawful diversion of legally restricted funds which itself would need to be reversed in order to avoid violation of various state statutory and constitutional restrictions on the use of those funds. On January 31, 2012, AMBAC filed an ex parte application seeking, among other thing, a temporary restraining order effectively freezing \$4,100,000 of City funds and, in the alternative, a writ of attachment on certain real estate owned by the City. The court denied AMBAC's request for immediate relief on all points but issued an order to show cause why a preliminary injunction freezing the funds should not issue against the City in several weeks. The City and AMBAC briefed the issue for the court and at a hearing on February 21, 2012, the Court was to evaluate whether AMBAC had demonstrated sufficient urgency to warrant issuing a preliminary injunction against the City, which injunction would have compelled the City in some way to set aside \$4,100,000.

On March 8, 2012, a stipulation and Writ of Attachment was signed between AMBAC and the Hercules Redevelopment Agency and the City of Hercules. It was agreed that as consideration for AMBAC's forbearance on seeking an immediate writ of mandate and preliminary injunction on March 20, 2012, AMBAC received a Writ of Attachment on the real property commonly known as "Parcel C" (Contra Costa County Assessor's Parcel No. 404-020-076-0) (Property "A") and the real property commonly known as "Victoria Crescent" (Contra Costa County Assessor's Parcel No. 404-040-062-6)(Property "B"). These properties were to be sold in 2014 to satisfy what is owed to AMBAC.

On February 24, 2014, the City of Hercules sold the real property commonly known as "Victoria Crescent" (Contra Costa County Assessor's Parcel No. 404-040-062-6) (Property "B") and on August 26, 2014, the City of Hercules sold the real property commonly known as "Parcel C" (Contra Costa County Assessor's Parcel No. 404-020-076-0)(Property "A"), net proceeds from both properties were paid to AMBAC.

In August 2014, the City, and the City as Successor Agency to the Redevelopment Agency entered into a stipulation with AMBAC that resulted in a dismissal of the litigation against the City and Agency which confirmed that AMBAC would receive the unencumbered proceeds from the sale of Victoria Crescent and Parcel C, and there is no obligation to the City's general fund. These proceeds were paid to AMBAC.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 12 – Commitments and Contingencies (Continued)

B. Commitments (Continued)

In addition, the remaining obligations to AMBAC were satisfied through the sale of the Sycamore Crossing site (Contra Costa County Assessor's Parcel Nos. 404-020-057 and 058) to Sycamore Crossing Land Developer, LLC, on October 13, 2016. The final related obligation to AMBAC which requires the Successor Agency to replenish the debt service reserve fund held by the Bond Trustee will be satisfied from former redevelopment tax increment received by the City of Hercules as the Successor Agency for Non-Housing Assets.

C. COVID-19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the City could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the City and the duration cannot be estimated at this time.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 13 – Joint Powers Agreements (Continued)

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, 2020, the following funds had a deficit fund balance/net position:

Nonmajor Governmental Funds:	
Stormwater Special Revenue Fund	\$ (98,277)
STMP Traffic Impact Fees Special Revenue Fund	(181)
Fiduciary Funds:	
Successor Agency Private Purpose Trust Fund	(101,514,008)

The Stormwater Special Revenue Fund negative fund balance of \$98,277 will be financed through future assessment.

The STMP Traffic Impact Fees Special Revenue Fund negative fund balance of \$181 will be subsidized by General Fund.

Private Purpose Trust Fund negative net position of \$104,617,793 will be financed through future Redevelopment Property Tax Trust Fund.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 15 – Fund Balance Classification

The Governmental Fund’s fund balance classification at June 30, 2020 is follows:

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Hercules Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	
Nonspendable:				
Prepaid items	\$ 7,772	\$ -	\$ -	\$ 7,772
Pension Section 115 trust	1,974,254	-	-	1,974,254
Advances	27,787,637	-	-	27,787,637
Total Nonspendable	29,769,663	-	-	29,769,663
Restricted for:				
Debt Service	-	8,982,668	-	8,982,668
Streets and roads	-	-	953,918	953,918
Development activities	-	-	-	-
Development Services	-	-	400,239	400,239
Development Impact Fees	-	-	7,225,607	7,225,607
Public safety	-	-	88,926	88,926
Integrated Waste Management	-	-	825,805	825,805
Assessment district	-	-	1,092,418	1,092,418
Regional Water Quality	-	-	51,574	51,574
Total Restricted	-	8,982,668	10,638,487	19,621,155
Committed to:				
Capital projects	-	-	428,552	428,552
Total Committed	-	-	428,552	428,552
Assigned:				
Encumbrances	79,314	-	-	79,314
Assigned by City Manager:				
Capital Projects	450,000	-	-	450,000
Earthquake Insurance Deductible	500,000	-	-	500,000
Planning & Building	846,800	-	-	846,800
Reusable Bags	19,000	-	-	19,000
PEG Fees	70,000	-	-	70,000
Decision Packages Carryovers	49,205	-	-	49,205
Economic uncertainty	4,191,336	-	-	4,191,336
Total Assigned	6,205,655	-	-	6,205,655
Unassigned:				
Negative Fund Balance	-	-	(98,458)	(98,458)
Others Assets	3,383,911	-	-	3,383,911
Available Cash Balance	5,015,034	-	-	5,015,034
Total Unassigned	8,398,945	-	(98,458)	8,300,487
Total Fund Balances	\$ 44,374,263	\$ 8,982,668	\$ 10,968,581	\$ 64,325,512

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 16 – Special Items – Settlement Payable to Department of Finance

On March 19, 2020, the City has entered a settlement agreement with Successor Agency to the Redevelopment Agency for the City of Hercules, the California Department of Finance related to completely resolve any and all disputes between the Parties pertaining to *California Department of Finance v. City of Hercules; Successor Agency to the Hercules Redevelopment Agency*, Sacramento County Superior Court Case No. 34-2019-80003245 ("Finance Action") and *Successor Agency to the Hercules Redevelopment Agency; City of Hercules v. Keely Bosler, in her official capacity as Director of the California Department of Finance; California Department of Finance; Betty T. Yee, in her official capacity as Controller of the State of California; Robert Campbell, in his official capacity as Auditor-Controller of the County of Contra Costa*, Sacramento County Superior Court Case No. 34-2018-80003038 ("Hercules Action") (collectively, the "Actions").

The Actions relate to the wind down of the Redevelopment Agency for the City of Hercules ("RDA") pursuant to Assembly Bill 26 of the 2011-12 First Extraordinary Session of the California Legislature ("AB xi 26"), Assembly Bill 1484 of the 2011-12 Regular Session of the California Legislature ("AB 1484"), and Senate Bill 107 of the 2015-16 Regular Session of the California Legislature ("SB 107"). (AB x I 26, AB 1484, SB 107 and all other laws codified in Parts 1.8 and 1.85 of Division 24 of the Health and Safety Code are collectively referred to as the "Dissolution Law".)

In this settlement, the City and Successor Agency is obligated to pay up to \$3.6 million to Auditor-Controller. At June 30, 2020, settlement payable reflected in the Statement of Net Position is \$1,812,075 and statement of activities is \$3,624,150. The outstanding settlement will be paid with \$604,025 due on May 1 for the next three years.

Note 17 – Subsequent Events

Coronavirus Relief Funds Allocation

On June 29, 2020, the State approved the budget and authorized the Department of Finance to allocate \$1,289,065,000 to address the public health and public safety impacts of COVID-19 including homelessness. Pursuant to the provisions of Control Section 11.90, cities with populations between 300,000 and 500,000 were allocated \$225 million and cities with populations of less than 300,000 were allocated \$275 million. Based on the City's population, the City is allocated \$315,222 and will be received in six installments starting July 2020.

Refinanced 2003B Lease Revenue Bonds

On August 1, 2020, the Hercules Public Financing Authority refinanced the proceeds of the Lease Revenue Bonds, Series 2003B, in the aggregate principal amount of \$5,876,843. The interest rates of 2.21% with the final maturity due on December 1, 2033. The debt service payments are scheduled semi-annually at amounts that range from \$106,428 to \$560,249.



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Hercules
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2020

BUDGETARY PRINCIPLES

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

1. In June, the City Manager submits to the City Council a proposed operating budget for the following fiscal year. This budget includes proposed expenditures, by fund and department, and the revenues expected to finance them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution before July 1.
4. The City Manager is authorized to transfer budgeted amounts between objects within the same department; however, any revisions, which alter total expenditures of any fund, must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device. Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP) and are consistent with the basis used for financial reporting. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any reconciliation. The General Fund budget is adopted on the budgetary basis, which is not consistent with accounting principles generally accepted in the United States of America. Commitments for material and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations, which are encumbered at year-end lapse, then are added to the following year's budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2019, 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.



City of Hercules
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actuals	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 9,982,822	\$ 9,782,822	\$ 10,663,599	\$ 880,777
Licenses and permits	402,302	402,302	586,072	183,770
Fines and forfeitures	35,000	35,000	62,582	27,582
Use of money and property	335,000	335,000	579,398	244,398
Intergovernmental	2,135,545	2,104,545	2,151,433	46,888
Charges for services	2,793,895	2,799,895	2,379,070	(420,825)
Other revenues	303,812	308,812	57,355	(251,457)
Total revenues	<u>15,988,376</u>	<u>15,768,376</u>	<u>16,479,509</u>	<u>711,133</u>
EXPENDITURES:				
Current:				
General government	4,949,766	4,519,576	4,070,428	449,148
Public safety	7,203,907	7,815,432	7,562,031	253,401
Streets and public works	745,410	486,667	338,091	148,576
Parks and recreation	2,397,150	2,500,729	2,165,547	335,182
Community development	677,339	733,690	557,672	176,018
Capital outlays	9,300	9,319	5,975	3,344
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	200,000	200,000	200,000	-
Total expenditures	<u>16,182,872</u>	<u>16,265,413</u>	<u>14,899,744</u>	<u>1,365,669</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(194,496)	(497,037)	1,579,765	2,076,802
OTHER FINANCING SOURCES (USES)				
Transfers in	28,899	265,766	227,335	(38,431)
Transfers (out)	(907,209)	(907,209)	(988,310)	(81,101)
Contributed capital	-	-	-	-
Special items	-	-	(1,812,075)	(1,812,075)
Total financing sources (uses)	<u>(878,310)</u>	<u>(641,443)</u>	<u>(2,573,050)</u>	<u>(1,931,607)</u>
NET CHANGES IN FUND BALANCES	<u>\$ (1,072,806)</u>	<u>\$ (1,138,480)</u>	(993,285)	<u>\$ 145,195</u>
FUND BALANCES:				
Beginning of year			<u>45,367,548</u>	
End of year			<u>\$ 44,374,263</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2020

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans					
	June 30, 2019 ¹	June 30, 2018 ¹	June 30, 2017 ¹	June 30, 2016 ¹	June 30, 2015 ¹	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.17%	0.16%	0.17%	0.17%	0.18%	0.19%
City's Proportionate Share of the Net Pension Liability	\$ 7,154,193	\$ 6,686,045	\$ 6,891,269	\$ 6,031,627	\$ 4,815,777	\$ 4,699,656
City's Covered-Employee Payroll	\$ 2,856,625	\$ 2,773,422	\$ 2,705,492	\$ 2,697,183	\$ 2,655,670	\$ 3,241,378
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee	250.44%	241.08%	254.71%	223.63%	181.34%	144.99%
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%	78.10%
	Safety Plans					
Measurement Date:	June 30, 2019 ¹	June 30, 2018 ¹	June 30, 2017 ¹	June 30, 2016 ¹	June 30, 2015 ¹	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.16%	0.14%	0.16%	0.16%	0.18%	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	\$ 6,858,740
City's Covered-Employee Payroll	\$ 3,053,645	\$ 2,964,704	\$ 2,259,824	\$ 2,220,165	\$ 2,118,549	\$ 1,942,665
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee	322.49%	312.64%	412.56%	383.30%	346.36%	353.06%
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%	72.43%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan
For the Year Ended June 30, 2020

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans					
	2019-20 ¹	2018-19 ¹	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹
Actuarially Determined Contribution ²	\$ 774,757	\$ 770,639	\$ 659,810	\$ 558,315	\$ 529,212	\$ 353,148
Contribution in Relation to the Actuarially Determined Contribution ²	(774,757)	(770,639)	(659,810)	(558,315)	(529,212)	(353,148)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll ³	\$ 2,856,625	\$ 2,773,422	\$ 2,705,492	\$ 2,697,183	\$ 2,655,670	\$ 3,241,378
Contributions as a Percentage of Covered-Employee Payroll	27.12%	27.79%	24.39%	20.70%	19.93%	10.89%

Fiscal Year:	Safety Plans					
	2019-20 ¹	2018-19 ¹	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹
Actuarially Determined Contribution ²	\$ 1,384,112	\$ 1,080,225	\$ 1,033,755	\$ 1,203,357	\$ 1,024,115	\$ 798,844
Contribution in Relation to the Actuarially Determined Contribution ²	(1,384,112)	(1,080,225)	(1,033,755)	(1,203,357)	(1,024,115)	(798,844)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll ³	\$ 3,053,645	\$ 2,964,704	\$ 2,259,824	\$ 2,220,165	\$ 2,118,549	\$ 1,942,665
Contributions as a Percentage of Covered-Employee Payroll	45.33%	36.44%	45.74%	54.20%	48.34%	41.12%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of the Two Years Additional Service Credit (a.k.a. Golden Handshakes).

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, 2020

Last Ten Fiscal Years

Measurement period, year ending:	<u>6/30/2020</u> ²	<u>6/30/2019</u> ¹	<u>6/30/2018</u> ¹
Total OPEB liability			
Service cost	\$ 175,142	\$ 127,197	\$ 99,270
Interest	188,135	180,251	179,763
Differences between expected and actual experience	(1,203,506)	40,091	437,919
Changes of assumptions	(293,525)	-	-
Benefit payments, including refunds of member contributions	(115,990)	(166,793)	(105,034)
Net change in total OPEB liability	<u>(1,249,744)</u>	<u>180,746</u>	<u>611,918</u>
Total OPEB liability - beginning	<u>3,741,964</u>	<u>3,561,218</u>	<u>2,949,300</u>
Total OPEB liability - ending (a)	<u><u>\$ 2,492,220</u></u>	<u><u>\$ 3,741,964</u></u>	<u><u>\$ 3,561,218</u></u>
OPEB fiduciary net position			
Contributions - employer	\$ 215,990	\$ 361,275	\$ 205,034
Net investment income	123,227	155,134	123,771
Benefit payments, including refunds of member contributions	(115,990)	(166,793)	(105,034)
Administrative expense	(13,381)	-	-
Net change in plan fiduciary net position	<u>209,846</u>	<u>349,616</u>	<u>223,771</u>
Plan fiduciary net position - beginning	<u>2,454,746</u>	<u>2,105,130</u>	<u>1,881,359</u>
Plan fiduciary net position - ending (b)	<u>2,664,592</u>	<u>2,454,746</u>	<u>2,105,130</u>
Plan net OPEB liability - ending (a) - (b)	<u><u>\$ (172,372)</u></u>	<u><u>\$ 1,287,218</u></u>	<u><u>\$ 1,456,088</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	106.92%	65.60%	59.11%
Covered payroll	\$ 10,646,286	\$ 10,336,200	\$ 10,035,146
Plan net OPEB liability (asset) as a percentage of covered payroll	-1.62%	12.45%	14.51%

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

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

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - SOMAR Plan
For the Year Ended June 30, 2020

Last Ten Fiscal Years

Measurement period, year ending:	<u>6/30/2020</u> ^{1 2}
Total OPEB liability	
Service cost	\$ 98,801
Interest	49,689
Differences between expected and actual experience	-
Changes of assumptions	366,382
Benefit payments, including refunds of member contributions	(40,738)
Net change in total OPEB liability	474,134
Total OPEB liability - beginning	1,390,661
Total OPEB liability - ending (a)	\$ 1,864,795
Fiduciary net position	
Contributions - employer	\$ 40,738
Net investment income	-
Benefit payments, including refunds of member contributions	(40,738)
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	-
Plan net OPEB liability - ending (a) - (b)	\$ 1,864,795
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	\$ -
Plan net OPEB liability as a percentage of covered payroll	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, 2020

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	2019-20¹	2018-19¹	2017-18¹
Actuarially Determined Contribution ²	\$ 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-Employee Payroll ³	\$ 10,646,286	\$ 10,336,200	\$ 10,035,146
Contributions as a Percentage of Covered-Employee 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 the City's Contributions to the SOMAR OPEB Plan
For the Year Ended June 30, 2020

Last Ten Fiscal Years¹

SOMAR Plan

Fiscal Year:	<u>2019-20^{1,2}</u>
Actuarially Determined Contribution	\$ 40,738
Contribution in Relation to the Actuarially Determined Contribution	<u>(40,738)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
City's Covered-Employee Payroll	<u>\$ -</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>0.00%</u>

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



NONMAJOR GOVERNMENTAL FUNDS

City of Hercules
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			
	State Gas Tax Fund	Measure "C" Street Fund	C.O.P.S. Program (AB 3229)	Landscape & Lighting Assessment District (LLAD) No. 83-2
ASSETS				
Cash and investments	\$ 501,430	\$ 500,391	\$ -	\$ 484,162
Accounts receivable	-	-	-	-
Due from Private Purpose Trust Fund	-	-	-	-
Total assets	\$ 501,430	\$ 500,391	\$ -	\$ 484,162
LIABILITIES				
Accounts payable	\$ 27,122	\$ 3,117	\$ -	\$ 65,818
Accrued wages	8,623	9,041	-	18,710
Deposit payable	-	-	-	-
Due to other funds	-	-	-	-
Amounts due to Private Purpose Trust Fund	-	-	-	-
Total liabilities	35,745	12,158	-	84,528
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted	465,685	488,233	-	399,634
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	465,685	488,233	-	399,634
Total liabilities, deferred inflows of resources and fund balances	\$ 501,430	\$ 500,391	\$ -	\$ 484,162

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			
	Victoria by the bay LLAD No. 2002-1	Hercules Village LLAD No. 2002-2	Baywood LLAD No. 2004-1	Bayside LLAD No. 2005-1
ASSETS				
Cash and investments	\$ 101,664	\$ 252,756	\$ 72,839	\$ 166,307
Accounts receivable	-	-	-	-
Due from Private Purpose Trust Fund	-	-	-	-
Total assets	\$ 101,664	\$ 252,756	\$ 72,839	\$ 166,307
LIABILITIES				
Accounts payable	\$ 24,530	\$ 15,792	\$ 11,105	\$ 6,931
Accrued wages	4,250	1,377	2,846	939
Deposit payable	-	-	-	-
Due to other funds	-	-	-	-
Amounts due to Private Purpose Trust Fund	-	-	-	-
Total liabilities	28,780	17,169	13,951	7,870
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted	72,884	235,587	58,888	158,437
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	72,884	235,587	58,888	158,437
Total liabilities, deferred inflows of resources and fund balances	\$ 101,664	\$ 252,756	\$ 72,839	\$ 166,307

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			
	Arterial Roadways	Stormwater	Development Services	STMP Traffic Impact Fees
ASSETS				
Cash and investments	\$ 200,132	\$ 203	\$ 238,324	\$ -
Accounts receivable	-	82,401	-	-
Due from Private Purpose Trust Fund	-	-	163,200	-
Total assets	\$ 200,132	\$ 82,604	\$ 401,524	\$ -
LIABILITIES				
Accounts payable	\$ 33,144	\$ 6,581	\$ -	\$ -
Accrued wages	-	7,831	1,285	-
Deposit payable	-	-	-	-
Due to other funds	-	166,469	-	181
Amounts due to Private Purpose Trust Fund	-	-	-	-
Total liabilities	33,144	180,881	1,285	181
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted	166,988	-	400,239	-
Committed	-	-	-	-
Unassigned (deficit)	-	(98,277)	-	(181)
Total fund balances	166,988	(98,277)	400,239	(181)
Total liabilities, deferred inflows of resources and fund balances	\$ 200,132	\$ 82,604	\$ 401,524	\$ -

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			Capital Projects Funds
	AB939 JPA	Regional Water Quality	Asset Forfeiture	City Capital Projects Fund
ASSETS				
Cash and investments	\$ 854,106	\$ 51,574	\$ 445,020	\$ 757,942
Accounts receivable	43,421	-	-	257,962
Due from Private Purpose Trust Fund	-	-	-	-
Total assets	\$ 897,527	\$ 51,574	\$ 445,020	\$ 1,015,904
LIABILITIES				
Accounts payable	\$ 71,319	\$ -	\$ 3,010	\$ 7,335
Accrued wages	403	-	-	-
Deposit payable	-	-	353,084	-
Due to other funds	-	-	-	-
Amounts due to Private Purpose Trust Fund	-	-	-	322,055
Total liabilities	71,722	-	356,094	329,390
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	257,962
Total deferred inflows of resources	-	-	-	257,962
FUND BALANCES				
Restricted	825,805	51,574	88,926	-
Committed	-	-	-	428,552
Unassigned (deficit)	-	-	-	-
Total fund balances	825,805	51,574	88,926	428,552
Total liabilities, deferred inflows of resources and fund balances	\$ 897,527	\$ 51,574	\$ 445,020	\$ 1,015,904

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2020

	<u>Capital Projects Funds</u>	
	<u>Development Impact Fees</u>	<u>Total</u>
ASSETS		
Cash and investments	\$ 1,972,643	\$ 6,599,493
Accounts receivable	-	383,784
Due from Private Purpose Trust Fund	5,254,315	5,417,515
Total assets	<u>\$ 7,226,958</u>	<u>\$ 12,400,792</u>
LIABILITIES		
Accounts payable	\$ 66	\$ 275,870
Accrued wages	1,285	56,590
Deposit payable	-	353,084
Due to other funds	-	166,650
Amounts due to Private Purpose Trust Fund	-	322,055
Total liabilities	<u>1,351</u>	<u>1,174,249</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	-	257,962
Total deferred inflows of resources	<u>-</u>	<u>257,962</u>
FUND BALANCES		
Restricted	7,225,607	10,638,487
Committed	-	428,552
Unassigned (deficit)	-	(98,458)
Total fund balances	<u>7,225,607</u>	<u>10,968,581</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,226,958</u>	<u>\$ 12,400,792</u>

(Concluded)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Funds			
	State Gas Tax Fund	Measure "C" Street Fund	C.O.P.S. Program (AB 3229)	Landscape & Lighting Assessment District (LLAD) No. 83-2
REVENUES:				
Taxes and assessments	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	9,824	9,985	-	24,326
Intergovernmental	1,078,252	468,246	155,948	-
Charges for services	-	-	-	1,800,832
Other revenues	-	-	-	-
Total revenues	1,088,076	478,231	155,948	1,825,158
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	374,099	268,059	-	1,371,105
Capital outlays	849,136	352,224	-	834,937
Total expenditures	1,223,235	620,283	-	2,206,042
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(135,159)	(142,052)	155,948	(380,884)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	(9,038)	(9,038)	(155,948)	(238,714)
Contributed capital	-	-	-	-
Total financing sources (uses)	(9,038)	(9,038)	(155,948)	(238,714)
NET CHANGES IN FUND BALANCES	(144,197)	(151,090)	-	(619,598)
FUND BALANCES:				
Beginning of year	609,882	639,323	-	1,019,232
End of year	<u>\$ 465,685</u>	<u>\$ 488,233</u>	<u>\$ -</u>	<u>\$ 399,634</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, 2020

	Special Revenue Funds			
	Victoria by the bay LLAD No. 2002-1	Hercules Village LLAD No. 2002-2	Baywood LLAD No. 2004-1	Bayside LLAD No. 2005-1
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Use of money and property	1,830	4,954	1,397	3,376
Intergovernmental	-	-	-	-
Charges for services	439,238	150,780	137,970	132,022
Other revenues	-	-	-	-
Total revenues	<u>441,068</u>	<u>155,734</u>	<u>139,367</u>	<u>135,398</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	498,848	197,357	155,707	68,901
Capital outlays	51,127	-	22,305	-
Total expenditures	<u>549,975</u>	<u>197,357</u>	<u>178,012</u>	<u>68,901</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(108,907)	(41,623)	(38,645)	66,497
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	(24,960)	(3,524)	(2,835)	(13,145)
Contributed capital	-	-	-	-
Total financing sources (uses)	<u>(24,960)</u>	<u>(3,524)</u>	<u>(2,835)</u>	<u>(13,145)</u>
NET CHANGES IN FUND BALANCES	(133,867)	(45,147)	(41,480)	53,352
FUND BALANCES:				
Beginning of year	206,751	280,734	100,368	105,085
End of year	<u>\$ 72,884</u>	<u>\$ 235,587</u>	<u>\$ 58,888</u>	<u>\$ 158,437</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, 2020

	Special Revenue Funds			
	Arterial Roadways	Stormwater	Development Services	STMP Traffic Impact Fees
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Use of money and property	4,249	998	4,676	(1,124)
Intergovernmental	-	-	-	-
Charges for services	-	242,532	-	-
Other revenues	-	-	-	-
Total revenues	<u>4,249</u>	<u>243,530</u>	<u>4,676</u>	<u>(1,124)</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	237,233	372,913	34,652	-
Capital outlays	-	-	-	-
Total expenditures	<u>237,233</u>	<u>372,913</u>	<u>34,652</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(232,984)	(129,383)	(29,976)	(1,124)
OTHER FINANCING SOURCES (USES)				
Transfers in	301,254	214,000	-	-
Transfers (out)	-	(71,387)	-	-
Contributed capital	-	-	-	-
Total financing sources (uses)	<u>301,254</u>	<u>142,613</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	68,270	13,230	(29,976)	(1,124)
FUND BALANCES:				
Beginning of year	98,718	(111,507)	430,215	943
End of year	<u>\$ 166,988</u>	<u>\$ (98,277)</u>	<u>\$ 400,239</u>	<u>\$ (181)</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, 2020

	Special Revenue Funds			Capital Projects Funds
	AB939 JPA	Regional Water Quality	Asset Forfeiture	City Capital Projects Fund
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 64,093
Licenses and permits	210,325	-	-	-
Use of money and property	16,776	1,023	1,511	2,223
Intergovernmental	-	-	17,615	202,226
Charges for services	-	-	-	-
Other revenues	-	-	-	10,000
Total revenues	<u>227,101</u>	<u>1,023</u>	<u>19,126</u>	<u>278,542</u>
EXPENDITURES:				
Current:				
Public safety	-	-	72,940	-
Streets and public works	667	-	-	127,571
Capital outlays	107,683	-	-	1,171,858
Total expenditures	<u>108,350</u>	<u>-</u>	<u>72,940</u>	<u>1,299,429</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	118,751	1,023	(53,814)	(1,020,887)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	142,740	74,361
Transfers (out)	(214,000)	-	-	-
Contributed capital	-	-	-	655,467
Total financing sources (uses)	<u>(214,000)</u>	<u>-</u>	<u>142,740</u>	<u>729,828</u>
NET CHANGES IN FUND BALANCES	(95,249)	1,023	88,926	(291,059)
FUND BALANCES:				
Beginning of year	921,054	50,551	-	719,611
End of year	<u>\$ 825,805</u>	<u>\$ 51,574</u>	<u>\$ 88,926</u>	<u>\$ 428,552</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, 2020

	<u>Capital Projects Funds</u>	
	Development Impact Fees	Total
REVENUES:		
Taxes and assessments	\$ -	\$ 64,093
Licenses and permits	-	210,325
Use of money and property	40,217	126,241
Intergovernmental	-	1,922,287
Charges for services	-	2,903,374
Other revenues	-	10,000
Total revenues	40,217	5,236,320
EXPENDITURES:		
Current:		
Public safety	-	72,940
Streets and public works	35,142	3,742,254
Capital outlays	39,050	3,428,320
Total expenditures	74,192	7,243,514
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(33,975)	(2,007,194)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	732,355
Transfers (out)	-	(742,589)
Contributed capital	-	655,467
Total financing sources (uses)	-	645,233
NET CHANGES IN FUND BALANCES	(33,975)	(1,361,961)
FUND BALANCES:		
Beginning of year	7,259,582	12,330,542
End of year	\$ 7,225,607	\$ 10,968,581

(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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ 9,824	\$ 9,824
Intergovernmental	1,133,219	1,078,252	(54,967)
Total revenues	<u>1,133,219</u>	<u>1,088,076</u>	<u>(45,143)</u>
EXPENDITURES:			
Current:			
Streets and public works	393,780	374,099	19,681
Capital outlays	1,044,989	849,136	195,853
Total expenditures	<u>1,438,769</u>	<u>1,223,235</u>	<u>215,534</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(305,550)	(135,159)	170,391
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(9,038)	(9,038)	-
Total financing sources (uses)	<u>(9,038)</u>	<u>(9,038)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (314,588)</u>	<u>(144,197)</u>	<u>\$ 170,391</u>
FUND BALANCE:			
Beginning of year		<u>609,882</u>	
End of year		<u>\$ 465,685</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Measure C Special Revenue Fund
For the Year Ended June 30, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ 9,985	\$ 9,985
Intergovernmental	446,711	468,246	21,535
Total revenues	<u>446,711</u>	<u>478,231</u>	<u>31,520</u>
EXPENDITURES:			
Current:			
Streets and public works	286,784	268,059	18,725
Capital outlays	459,936	352,224	107,712
Total expenditures	<u>746,720</u>	<u>620,283</u>	<u>126,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(300,009)	(142,052)	157,957
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(9,038)	(9,038)	-
Total financing sources (uses)	<u>(9,038)</u>	<u>(9,038)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (309,047)</u>	<u>(151,090)</u>	<u>\$ 157,957</u>
FUND BALANCE:			
Beginning of year		<u>639,323</u>	
End of year		<u>\$ 488,233</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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Intergovernmental	\$ 100,000	\$ 155,948	\$ 55,948
Total revenues	<u>100,000</u>	<u>155,948</u>	<u>55,948</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	100,000	155,948	55,948
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(194,379)	(155,948)	38,431
Total financing sources (uses)	<u>(194,379)</u>	<u>(155,948)</u>	<u>38,431</u>
NET CHANGE IN FUND BALANCE	<u>\$ (94,379)</u>	-	<u>\$ 94,379</u>
FUND BALANCE:			
Beginning of year		-	
End of year		<u>\$ -</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Landscape and Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund
For the Year Ended June 30, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ 24,326	\$ 24,326
Charges for services	1,875,036	1,800,832	(74,204)
Total revenues	<u>1,875,036</u>	<u>1,825,158</u>	<u>(49,878)</u>
EXPENDITURES:			
Current:			
Streets and public works	1,346,408	1,371,105	(24,697)
Capital outlays	925,070	834,937	90,133
Total expenditures	<u>2,271,478</u>	<u>2,206,042</u>	<u>65,436</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(396,442)	(380,884)	15,558
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(238,714)	(238,714)	-
Total financing sources (uses)	<u>(238,714)</u>	<u>(238,714)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (635,156)</u>	<u>(619,598)</u>	<u>\$ 15,558</u>
FUND BALANCE:			
Beginning of year		<u>1,019,232</u>	
End of year		<u>\$ 399,634</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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ 1,830	\$ 1,830
Charges for services	448,158	439,238	(8,920)
Total revenues	<u>448,158</u>	<u>441,068</u>	<u>(7,090)</u>
EXPENDITURES:			
Current:			
Streets and public works	400,052	498,848	(98,796)
Capital outlays	50,000	51,127	(1,127)
Total expenditures	<u>450,052</u>	<u>549,975</u>	<u>(99,923)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,894)	(108,907)	(107,013)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(24,960)	(24,960)	-
Total financing sources (uses)	<u>(24,960)</u>	<u>(24,960)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (26,854)</u>	<u>(133,867)</u>	<u>\$ (107,013)</u>
FUND BALANCE:			
Beginning of year		<u>206,751</u>	
End of year		<u>\$ 72,884</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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ 4,954	\$ 4,954
Charges for services	155,030	150,780	(4,250)
Total revenues	<u>155,030</u>	<u>155,734</u>	<u>704</u>
EXPENDITURES:			
Current:			
Streets and public works	191,776	197,357	(5,581)
Total expenditures	<u>191,776</u>	<u>197,357</u>	<u>(5,581)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(36,746)	(41,623)	(4,877)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(3,524)	(3,524)	-
Total financing sources (uses)	<u>(3,524)</u>	<u>(3,524)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (40,270)</u>	(45,147)	<u>\$ (4,877)</u>
FUND BALANCE:			
Beginning of year		<u>280,734</u>	
End of year		<u>\$ 235,587</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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ 1,397	\$ 1,397
Charges for services	141,368	137,970	(3,398)
Total revenues	<u>141,368</u>	<u>139,367</u>	<u>(2,001)</u>
EXPENDITURES:			
Current:			
Streets and public works	120,081	155,707	(35,626)
Capital outlays	20,000	22,305	(2,305)
Total expenditures	<u>140,081</u>	<u>178,012</u>	<u>(37,931)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,287	(38,645)	(39,932)
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(2,835)	(2,835)	-
Total financing sources (uses)	<u>(2,835)</u>	<u>(2,835)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,548)</u>	(41,480)	<u>\$ (39,932)</u>
FUND BALANCE:			
Beginning of year		<u>100,368</u>	
End of year		<u>\$ 58,888</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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ 3,376	\$ 3,376
Charges for services	123,239	132,022	8,783
Total revenues	<u>123,239</u>	<u>135,398</u>	<u>12,159</u>
EXPENDITURES:			
Current:			
Streets and public works	77,895	68,901	8,994
Total expenditures	<u>77,895</u>	<u>68,901</u>	<u>8,994</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,344	66,497	21,153
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(13,145)	(13,145)	-
Total financing sources (uses)	<u>(13,145)</u>	<u>(13,145)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 32,199</u>	53,352	<u>\$ 21,153</u>
FUND BALANCE:			
Beginning of year		<u>105,085</u>	
End of year		<u>\$ 158,437</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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ 998	\$ 998
Charges for services	249,000	242,532	(6,468)
Total revenues	<u>249,000</u>	<u>243,530</u>	<u>(5,470)</u>
EXPENDITURES:			
Current:			
Streets and public works	446,826	372,913	73,913
Total expenditures	<u>446,826</u>	<u>372,913</u>	<u>73,913</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(197,826)	(129,383)	68,443
OTHER FINANCING SOURCES (USES)			
Transfers in	214,000	214,000	-
Transfers (out)	(71,387)	(71,387)	-
Total financing sources (uses)	<u>142,613</u>	<u>142,613</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (55,213)</u>	13,230	<u>\$ 68,443</u>
FUND BALANCE:			
Beginning of year		<u>(111,507)</u>	
End of year		<u>\$ (98,277)</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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ 4,676	\$ 4,676
Charges for services	487,500	-	(487,500)
Total revenues	<u>487,500</u>	<u>4,676</u>	<u>(482,824)</u>
EXPENDITURES:			
Current:			
Streets and public works	28,640	34,652	(6,012)
Total expenditures	<u>28,640</u>	<u>34,652</u>	<u>(6,012)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 458,860</u>	(29,976)	<u>\$ (488,836)</u>
FUND BALANCE:			
Beginning of year		<u>430,215</u>	
End of year		<u>\$ 400,239</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
STMP Traffic Impact Fees Special Revenue Fund
For the Year Ended June 30, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ -	\$ (1,124)	\$ (1,124)
Charges for services	870,675	-	(870,675)
Total revenues	870,675	(1,124)	(871,799)
 NET CHANGE IN FUND BALANCE	 \$ 870,675	 (1,124)	 \$ (871,799)
 FUND BALANCE:			
Beginning of year		943	
End of year		\$ (181)	

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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Licenses and permits	\$ -	\$ 210,325	\$ 210,325
Use of money and property	-	16,776	16,776
Total revenues	-	227,101	227,101
EXPENDITURES:			
Current:			
Streets and public works	-	667	(667)
Capital outlays	34	107,683	(107,649)
Total expenditures	34	108,350	(108,316)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34)	118,751	118,785
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(214,000)	(214,000)	-
Total financing sources (uses)	(214,000)	(214,000)	-
NET CHANGE IN FUND BALANCE	\$ (214,034)	(95,249)	\$ 118,785
FUND BALANCE:			
Beginning of year		921,054	
End of year		<u>\$ 825,805</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Regional Water Quality Special Revenue Fund
For the Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actuals</u>	<u>Variance with Final Budget</u>
REVENUES:			
Use of money and property	\$ -	\$ 1,023	\$ 1,023
Total revenues	<u>-</u>	<u>1,023</u>	<u>1,023</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ -</u>	 <u>1,023</u>	 <u>\$ 1,023</u>
 FUND BALANCE:			
Beginning of year		<u>50,551</u>	
End of year		<u>\$ 51,574</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, 2020

	Final Budget	Actuals	Variance with Final Budget
REVENUES:			
Use of money and property	\$ 290,941	\$ 40,217	\$ (250,724)
Charges for services	1,699,425	-	(1,699,425)
Total revenues	<u>1,990,366</u>	<u>40,217</u>	<u>(1,950,149)</u>
EXPENDITURES:			
Current:			
Streets and public works	29,130	35,142	(6,012)
Community development	336,700	-	336,700
Capital outlays	40,000	39,050	950
Total expenditures	<u>405,830</u>	<u>74,192</u>	<u>331,638</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,584,536</u>	<u>(33,975)</u>	<u>\$ (1,618,511)</u>
FUND BALANCE:			
Beginning of year		<u>7,259,582</u>	
End of year		<u>\$ 7,225,607</u>	



INTERNAL SERVICE FUNDS

City of Hercules
Combining Statement of Net Position
Internal Service Funds
June 30, 2020

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 845,415	\$ 1,377,801	\$ 737,191	\$ 2,960,407
Total current assets	845,415	1,377,801	737,191	2,960,407
Noncurrent assets:				
Net OPEB asset - PEHMCA	-	17,416	8,707	26,123
Capital assets:				
Depreciable, net	359,584	264,842	-	624,426
Total noncurrent assets	359,584	282,258	8,707	650,549
Total assets	1,204,999	1,660,059	745,898	3,610,956
DEFERRED OUTFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	70,090	33,332	103,422
OPEB-related deferred outflows of resources (PEHMCA)		8,255	4,128	12,383
OPEB-related deferred outflows of resources (SOMAR)	-	11,896	5,948	17,844
Total deferred outflows of resources	-	90,241	43,408	133,649
LIABILITIES				
Current liabilities:				
Accounts payable	-	133,934	28,506	162,440
Salaries and benefits payable	-	14,800	5,029	19,829
Compensated absences	-	27,344	8,936	36,280
Total current liabilities	-	176,078	42,471	218,549
Noncurrent liabilities:				
Net pension liability	-	333,971	158,824	492,795
Net OPEB liability - SOMAR	-	66,602	33,299	99,901
Total noncurrent liabilities	-	400,573	192,123	592,696
Total liabilities	-	576,651	234,594	811,245
DEFERRED INFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	7,671	3,648	11,319
OPEB-related deferred outflows of resources (PEHMCA)	-	48,681	24,341	73,022
Total deferred inflows of resources	-	56,352	27,989	84,341
NET POSITION				
Investment in capital assets	359,584	264,842	-	624,426
Unrestricted	845,415	852,455	526,723	2,224,593
Total net position	\$ 1,204,999	\$ 1,117,297	\$ 526,723	\$ 2,849,019

City of Hercules
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2020

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
OPERATING REVENUES:				
Charges for services	\$ 165,489	\$ 976,874	\$ 987,430	\$ 2,129,793
Other operating revenues	5,737	6,515	182,788	195,040
Total operating revenues	<u>171,226</u>	<u>983,389</u>	<u>1,170,218</u>	<u>2,324,833</u>
OPERATING EXPENSES:				
Salaries and benefits	-	220,006	225,547	445,553
Services and supplies	-	444,234	380,342	824,576
Depreciation	118,798	159,466	-	278,264
Total operating expenses	<u>118,798</u>	<u>823,706</u>	<u>605,889</u>	<u>1,548,393</u>
Operating income (loss)	<u>52,428</u>	<u>159,683</u>	<u>564,329</u>	<u>776,440</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	12,304	21,318	11,754	45,376
Gain (loss) from disposal of capital assets	20,637	-	-	20,637
Total nonoperating revenues (expenses)	<u>32,941</u>	<u>21,318</u>	<u>11,754</u>	<u>66,013</u>
CHANGES IN NET POSITION	85,369	181,001	576,083	842,453
NET POSITION:				
Beginning of year	1,119,630	936,296	(49,360)	2,006,566
End of year	<u>\$ 1,204,999</u>	<u>\$ 1,117,297</u>	<u>\$ 526,723</u>	<u>\$ 2,849,019</u>

City of Hercules
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from internal services provided	\$ 171,226	\$ 983,389	\$ 1,231,218	\$ 2,385,833
Cash paid to suppliers for goods and services	-	(443,984)	(414,914)	(858,898)
Cash paid to employees for services	-	(226,241)	(117,631)	(343,872)
Net cash provided by (used in) operating activities	<u>171,226</u>	<u>313,164</u>	<u>698,673</u>	<u>1,183,063</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments related to the acquisition of capital assets	(167,400)	(68,178)	-	(235,578)
Proceed from sale of capital assets	20,637	-	-	20,637
Net cash provided by (used in) capital and related financing activities	<u>(146,763)</u>	<u>(68,178)</u>	<u>-</u>	<u>(214,941)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	12,304	21,318	11,754	45,376
Net cash provided by (used in) investing activities	<u>12,304</u>	<u>21,318</u>	<u>11,754</u>	<u>45,376</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	36,767	266,304	710,427	1,013,498
CASH AND CASH EQUIVALENTS:				
Beginning of year	808,648	1,111,497	26,764	1,946,909
End of year	<u>\$ 845,415</u>	<u>\$ 1,377,801</u>	<u>\$ 737,191</u>	<u>\$ 2,960,407</u>

City of Hercules
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2020

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES:				
Operating income (loss)	\$ 52,428	\$ 159,683	\$ 564,329	\$ 776,440
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	118,798	159,466	-	278,264
(Increase) Decrease in Assets and Deferred Outflows				
Account receivables	-	-	61,000	61,000
Pensions-related deferred outflows	-	7,570	(16,982)	(9,412)
OPEB-related deferred outflows	-	(5,319)	(10,579)	(15,898)
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	-	250	(34,572)	(34,322)
Salaries and benefits payable	-	7,329	1,745	9,074
Net pension liability	-	(38,845)	72,314	33,469
Pensions-related deferred inflows	-	(23,626)	5,770	(17,856)
Net OPEB liability	-	(5,899)	27,608	21,709
OPEB-related deferred inflows	-	47,211	23,634	70,845
Compensated absences	-	5,344	4,406	9,750
Total adjustments	118,798	153,481	134,344	406,623
Net cash provided by (used in) operating activities	\$ 171,226	\$ 313,164	\$ 698,673	\$ 1,183,063



AGENCY FUNDS

City of Hercules
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2020

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Hercules Community Library	West Contra Costa Integrated Management Authority
ASSETS				
Cash and investments	\$ 405,826	\$ 70,041	\$ 118	\$ 9,504
Cash and investments with fiscal agents	1,077	-	-	-
Total assets	<u>\$ 406,903</u>	<u>\$ 70,041</u>	<u>\$ 118</u>	<u>\$ 9,504</u>
LIABILITIES				
Due to bondholders	\$ 406,903	\$ -	\$ -	\$ -
Due to property owners	-	70,041	118	9,504
Total liabilities	<u>\$ 406,903</u>	<u>\$ 70,041</u>	<u>\$ 118</u>	<u>\$ 9,504</u>

(Continued)

City of Hercules
Combining Statement of Fiduciary Net Position (Continued)
Agency Funds
June 30, 2020

	Hercules Golf Club	Total
ASSETS		
Cash and investments	\$ 13,281	\$ 498,770
Cash and investments with fiscal agents	-	1,077
Total assets	\$ 13,281	\$ 499,847
LIABILITIES		
Due to bondholders	\$ -	\$ 406,903
Due to property owners	13,281	92,944
Total liabilities	\$ 13,281	\$ 499,847

(Concluded)

City of Hercules
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2020

REASSESSMENT DISTRICT 05-01	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
ASSETS				
Cash and investments	\$ 245,813	\$ 309,837	\$ (149,824)	\$ 405,826
Cash and investments with fiscal agents	353,432	142,821	(495,176)	1,077
Total assets	\$ 599,245	\$ 452,658	\$ (645,000)	\$ 406,903
LIABILITIES				
Due to bondholders	\$ 599,245	\$ 452,658	\$ (645,000)	\$ 406,903
Total assets	\$ 599,245	\$ 452,658	\$ (645,000)	\$ 406,903
TAYLOR WOODROW MAINTENANCE LMOD				
ASSETS				
Cash and investments	\$ 68,652	\$ 2,796	\$ (1,407)	\$ 70,041
Total assets	\$ 68,652	\$ 2,796	\$ (1,407)	\$ 70,041
LIABILITIES				
Due to property owners	\$ 68,652	\$ 2,796	\$ (1,407)	\$ 70,041
Total assets	\$ 68,652	\$ 2,796	\$ (1,407)	\$ 70,041
HERCULES COMMUNITY LIBRARY				
ASSETS				
Cash and investments	\$ 115	\$ 5	\$ (2)	\$ 118
Total assets	\$ 115	\$ 5	\$ (2)	\$ 118
LIABILITIES				
Due to property owners	\$ 115	\$ 5	\$ (2)	\$ 118
Total assets	\$ 115	\$ 5	\$ (2)	\$ 118

(Continued)

City of Hercules
Combining Statement of Changes in Assets and Liabilities (Continued)
All Agency Funds
For the Year Ended June 30, 2020

WEST CONTRA COSTA INTEGRATED WASTE MANAGEMENT AUTHORITY	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
ASSETS				
Cash and investments	\$ 9,504	\$ -	\$ -	\$ 9,504
Total assets	\$ 9,504	\$ -	\$ -	\$ 9,504
LIABILITIES				
Due to property owners	\$ 9,504	\$ -	\$ -	\$ 9,504
Total assets	\$ 9,504	\$ -	\$ -	\$ 9,504
HERCULES GOLF CLUB				
ASSETS				
Cash and investments	\$ 23,032	\$ 547	\$ (10,298)	\$ 13,281
Total assets	\$ 23,032	\$ 547	\$ (10,298)	\$ 13,281
LIABILITIES				
Due to property owners	\$ 23,032	\$ 547	\$ (10,298)	\$ 13,281
Total assets	\$ 23,032	\$ 547	\$ (10,298)	\$ 13,281
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 347,116	\$ 313,185	\$ (161,531)	\$ 498,770
Cash and investments with fiscal agents	353,432	142,821	(495,176)	1,077
Total assets	\$ 700,548	\$ 456,006	\$ (656,707)	\$ 499,847
LIABILITIES				
Due to bondholders	\$ 599,245	\$ 452,658	\$ (645,000)	\$ 406,903
Due to property owners	101,303	3,348	(11,707)	92,944
Total assets	\$ 700,548	\$ 456,006	\$ (656,707)	\$ 499,847

(Concluded)



STATISTICAL SECTION



City of Hercules

Description of Statistical Section Contents

This part of the City of Hercules' comprehensive annual 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 154-163)

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 164-171)

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 172-178)

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

Demographic and Economic Information (pages 179)

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 180-187)

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

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

	For the Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
<i>Governmental activities</i>					
Invested in capital assets, net of related debt	\$110,726,108	\$67,178,014	\$65,157,839	\$62,588,422	\$65,597,425
Restricted	77,740,608	26,631,294	22,334,668	13,670,630	21,070,727
Unrestricted	(123,394,769)	14,262,530	20,635,123	36,350,966	16,564,422
Total governmental activities net position	<u>65,071,947</u>	<u>108,071,838</u>	<u>108,127,630</u>	<u>112,610,018</u>	<u>103,232,574</u>
<i>Business-type activities</i>					
Invested in capital assets, net of related debt	\$13,643,827	\$11,246,807	\$10,746,142	\$9,897,549	\$9,942,508
Restricted					
Unrestricted	16,423,504	20,088,304	24,351,569	20,211,271	22,931,509
Total business-type activities net position	<u>\$30,067,331</u>	<u>\$31,335,111</u>	<u>\$35,097,711</u>	<u>\$30,108,820</u>	<u>\$32,874,017</u>
<i>Primary government</i>					
Invested in capital assets, net of related debt	\$124,369,935	\$78,424,821	\$75,903,981	\$72,485,971	\$75,539,933
Restricted	77,740,608	26,631,294	22,334,668	13,670,630	21,070,727
Unrestricted	(106,971,265)	34,350,834	44,986,692	56,562,237	39,495,931
Total primary government net position	<u>\$95,139,278</u>	<u>\$139,406,949</u>	<u>\$143,225,341</u>	<u>\$142,718,838</u>	<u>\$136,106,591</u>

Source: City Finance Department

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

	For the Fiscal Year Ended June 30,				
	2016	2017	2018	2019	2020
<i>Governmental activities</i>					
Invested in capital assets, net of related debt	\$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>					
Invested in capital assets, net of related debt	\$11,637,225	\$9,503,346	\$10,572,862	\$9,384,765	\$11,587,259
Restricted	7,026,074	18,239,035	21,086,055	29,078,056	27,721,709
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>					
Invested in capital assets, net of related debt	\$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
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Expenses					
Governmental Activities:					
General Government	\$6,269,958	\$5,503,393	\$3,900,757	\$4,350,428	\$3,133,995
Public Safety	6,320,275	4,692,607	4,560,766	4,905,837	5,094,319
Public Works	5,118,202	5,301,525	5,244,823	5,761,359	4,880,174
Parks and recreation	2,923,255	2,148,213	2,087,597	2,147,560	2,074,783
Community Development	11,148,193	2,247,460	1,275,685	3,295,068	742,529
Interest on Long-Term Debt	10,086,698	1,147,415	1,284,713	1,073,240	1,277,353
Total Governmental Activities	41,866,581	21,040,613	18,354,341	21,533,492	17,203,153
Business-Type Activities:					
Sewer	3,522,905	3,236,147	3,336,974	3,494,287	2,834,835
Hercules Municipal Utility	3,671,524	3,329,348	3,369,406	2,491,837	-
Total Business-Type Activities Expenses	7,194,429	6,565,495	6,706,380	5,986,124	2,834,835
Total Primary Government Expenses	\$49,061,010	\$27,606,108	\$25,060,721	\$27,519,616	\$20,037,988
Program Revenues					
Governmental Activities:					
General Government	\$743,278	\$184,647	\$236,231	\$282,512	\$361,223
Public Safety	430,437	562,779	473,929	576,345	523,708
Public Works	2,301,351	3,509,646	3,273,051	4,570,184	6,150,061
Parks and recreation	1,639,623	1,487,192	1,544,429	1,623,655	1,604,294
Community Development	337,561	302,960	170,740	200,601	890,867
Total Government Activities Program Revenues	5,452,250	6,047,224	5,698,380	7,253,297	9,530,153
Business-Type Activities:					
Sewer	4,687,549	4,970,329	5,282,963	5,619,601	6,028,122
Hercules Municipal Utility	2,814,936	2,693,486	2,756,288	2,070,923	-
Total Business-Type Activities Program Revenue	7,502,485	7,663,815	8,039,251	7,690,524	6,028,122
Total Primary Government Program Revenues	\$12,954,735	\$13,711,039	\$13,737,631	\$14,943,821	\$15,558,275
Net (Expense)/Revenue					
Governmental Activities	(36,414,331)	(14,993,389)	(12,655,961)	(14,280,195)	(7,673,000)
Business-Type Activities	308,056	1,098,320	1,332,871	1,704,400	3,193,287
Total Primary Government Net Expense	(\$36,106,275)	(\$13,895,069)	(\$11,323,090)	(\$12,575,795)	(\$4,479,713)

Source: City Finance Department

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

	For the Fiscal Year Ended June 30,				
	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	<u>17,591,928</u>	<u>19,338,546</u>	<u>22,326,310</u>	<u>23,328,141</u>	<u>26,468,326</u>
Business-Type Activities:					
Sewer	3,854,974	3,092,380	3,750,261	5,343,759	4,593,120
Hercules Municipal Utility	-	-	-	-	-
Total Business-Type Activities Expenses	<u>3,854,974</u>	<u>3,092,380</u>	<u>3,750,261</u>	<u>5,343,759</u>	<u>4,593,120</u>
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	<u>15,359,792</u>	<u>15,839,761</u>	<u>12,840,237</u>	<u>10,522,051</u>	<u>8,558,493</u>
Business-Type Activities:					
Sewer	5,595,044	5,797,766	6,145,215	6,003,202	5,719,257
Hercules Municipal Utility	-	-	-	-	-
Total Business-Type Activities Program Revenue	<u>5,595,044</u>	<u>5,797,766</u>	<u>6,145,215</u>	<u>6,003,202</u>	<u>5,719,257</u>
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)

	For the Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$11,887,015	\$6,116,169	\$1,233,335	\$992,934	\$1,173,026
Sales Taxes and use taxes	1,243,835	1,628,386	2,153,244	2,593,675	2,693,075
Franchise Tax	-	645,196	669,723	799,180	1,011,888
Other Taxes	2,471,349	2,209,580	2,284,442	3,265,624	3,511,023
Unrestricted Motor Vehicle Taxes In-Lieu	1,567,903	1,393,766	1,312,179	1,323,651	1,554,491
Use of Money and properties	3,481,783	2,083,873	993,098	1,002,389	1,055,791
Miscellaneous	2,716,016	1,109,636	758,854	1,397,677	476,033
Special items	2,874,410	-	3,686,647	-	-
Extraordinary item - RDA Dissolution	-	42,806,674	-	-	-
Transfers	1,908	-	-	7,387,453	(92,736)
Total Government Activities	26,244,219	57,993,280	13,091,522	18,762,583	11,382,591
Business-Type Activities:					
Use of Money and properties	728,643	123,150	44,326	45,822	23,484
Miscellaneous	16,063	46,310	101,207	86,637	-
Special items	(2,874,410)	-	2,874,410	561,703	-
Transfers	(1,908)	-	-	(7,387,453)	92,736
Total Business-Type Activities	(2,131,612)	169,460	3,019,943	(6,693,291)	116,220
Total Primary Government	\$24,112,607	\$58,162,740	\$16,111,465	\$12,069,292	\$11,498,811
Change in Net Position					
Governmental Activities	(\$10,170,112)	\$42,999,891	\$435,561	\$4,482,388	\$3,709,591
Business-Type Activities	(1,823,556)	1,267,780	4,352,814	(4,988,891)	3,309,507
Total Primary Government	(\$11,993,668)	\$44,267,671	\$4,788,375	(\$506,503)	\$7,019,098

Source: City Finance Department

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

	For the Fiscal Year Ended June 30,				
	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)
Extraordinary item - RDA Dissolution	-	-	-	-	-
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	\$9,066,400	\$4,302,029	\$1,867,837	(\$6,678,688)
Business-Type Activities	1,774,580	2,752,810	2,595,234	1,304,410	1,627,878
Total Primary Government	\$12,373,268	\$11,819,210	\$6,897,263	\$3,172,247	(\$5,050,810)

Source: City Finance Department

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

	For the Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
General Fund					
Nonspendable	\$9,257,631	\$21,136,465	\$23,063,118	\$27,801,759	\$27,806,063
Assigned	2,100,604	561,482	554,985	1,359,328	1,363,528
Unassigned	13,791,494	(240,256)	2,700,418	5,389,258	7,969,320
Total General Fund	\$25,149,729	\$21,457,691	\$26,318,521	\$34,550,345	\$37,138,911
All Other Governmental Funds					
Nonspendable	\$53,129,334	\$8,434,036	\$12,131,778	\$12,131,778	\$11,013
Restricted	28,374,166	13,079,793	19,147,732	8,253,115	21,070,727
Committed	-	-	-	-	-
Assigned	-	-	71,386	-	35,395
Unassigned	(24,217,538)	(173,527)	(193,469)	(857,203)	(2,770,225)
Total all other governmental funds	\$57,285,962	\$21,340,302	\$31,157,427	\$19,527,690	\$18,346,910

Source: Finance Department

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

	For the Fiscal Year Ended June 30,				
	2016	2017	2018	2019	2020
General Fund					
Nonspendable	\$28,643,374	\$30,092,172	\$27,799,824	\$29,402,817	\$29,769,663
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	\$39,106,470	\$41,694,932	\$44,315,832	\$45,367,548	\$44,374,263
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	(7,036,753)	(4,048,580)	(1,473,498)	(226,591)	(98,458)
Total all other governmental funds	\$13,435,259	\$16,550,397	\$19,093,658	\$21,230,659	\$19,951,249

Source: Finance Department

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

	For the Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Revenues					
Taxes and Assessments	\$17,373,261	\$10,599,331	\$6,340,744	\$7,651,413	\$8,389,012
Licenses and permits	467,194	343,071	294,737	315,086	480,645
Fines and forfeitures	57,548	62,858	87,128	66,488	62,069
Use of money and property	3,465,844	2,077,929	1,012,177	1,003,729	1,082,244
Intergovernmental	2,873,044	2,926,750	2,413,531	3,374,022	6,194,872
Charges For Services	3,184,824	4,207,135	4,139,898	4,434,327	5,079,255
Other Revenues	1,293,396	991,537	758,854	1,015,728	476,033
Total Revenues	28,715,111	21,208,611	15,047,069	17,860,793	21,764,130
Expenditures					
Current:					
General government	4,867,847	4,061,861	3,482,323	3,934,402	2,635,701
Public Safety	6,409,105	4,727,262	4,578,363	4,869,782	5,158,435
Streets and Public Works	2,712,530	2,805,974	2,731,992	3,820,523	3,104,609
Parks And Recreation	2,695,844	2,082,076	1,833,902	1,878,925	1,827,391
Community Development	10,920,987	1,902,907	1,628,258	1,882,181	743,110
Lease expense	780,504	779,109	-	-	-
Capital outlay	5,414,132	670,331	853,299	1,161,622	4,994,173
Debt service:					
Principal	3,755,686	3,906,223	457,025	583,104	604,474
Interest And Fiscal Agent Fees	9,839,803	4,416,241	1,233,175	1,213,038	1,189,346
Bond issuance costs	-	-	-	-	-
Total Expenditures	47,396,438	25,351,984	16,798,337	19,343,577	20,257,239
Excess (deficiency) of revenues over (under) expenditures	(18,681,327)	(4,143,373)	(1,751,268)	(1,482,784)	1,506,891
Other Financing Sources (Uses)					
Transfers in	31,210,241	11,935,013	2,653,429	8,621,221	1,482,134
Transfers (out)	(31,231,862)	(11,935,013)	(1,899,798)	(1,363,768)	(1,574,870)
Sale of capital assets	-	-	-	381,949	-
Contributed Capital	-	-	-	-	-
Special Item	-	-	-	-	-
Total other financing sources (uses)	(21,621)	-	753,631	7,639,402	(92,736)
Special/Extraordinary Item	2,874,410	(35,494,325)	3,686,647	-	-
Net Change in fund balances	(\$15,828,538)	(\$39,637,698)	\$2,689,010	\$6,156,618	\$1,414,155
Debt service as a percentage of noncapital expenditures	32%	34%	11%	10%	12%

NOTE:

(a Calculation of percentage only includes non-capitalized expenditures that is not being reflected on the capital outlay line.

Source: City Finance Department

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

	For the Fiscal Year Ended June 30,				
	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
Lease expense					
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
Bond issuance costs	-	-	-	-	-
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)					
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)
Sale of capital assets	-	-	-	-	-
Contributed Capital	-	-	-	-	655,467
Special Item	-	-	-	-	(1,812,075)
Total other financing sources (uses)	(16,377)	-	-	(92,000)	(1,156,608)
Special/Extraordinary Item	-	-	-	-	-
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:

(a Calculation of percentage only includes non-capitalized expenditures that is not being reflected on the capital outlay line.

Source: City Finance Department

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

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Less: Tax-Exempt Property	Taxable Assessed Value
2011	\$2,375,576,621	\$68,850,344	\$174,581,136	\$57,275,653	\$53,009,409	\$87,595,721	\$2,641,697,442
2012	2,288,518,594	70,486,650	171,206,105	41,626,038	57,110,126	90,298,501	2,538,649,012
2013	2,145,156,967	68,182,982	166,377,521	41,803,608	54,863,064	89,677,874	2,386,706,268
2014	2,177,990,007	78,806,569	181,255,580	33,879,853	53,405,561	92,483,903	2,432,853,667
2015	2,567,234,136	71,672,395	175,156,171	28,510,114	56,578,518	75,454,264	2,823,697,070
2016	2,762,167,273	78,083,558	178,580,502	39,547,425	54,269,399	77,407,676	3,035,240,481
2017	2,984,511,909	79,706,704	192,358,822	58,775,769	58,945,949	94,538,055	3,279,761,098
2018	3,171,302,525	86,604,265	199,079,514	88,645,176	56,327,147	96,165,729	3,505,792,898
2019	3,322,501,416	85,620,650	196,779,448	91,306,290	56,782,463	97,967,035	3,655,023,232
2020	3,549,607,367	90,938,555	199,145,259	83,462,351	59,062,998	108,788,587	3,873,427,943

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

* 2019-20 Other Property includes State Unitary tax \$79,567.

(1) Total tax rate is represented by TRA 4-001

from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated

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

Fiscal Year Ended June 30,	Total Tax Rate (1)	Estimated Actual Taxable Value (2)	Taxable Assessed Value (2)
2011	5.4221%	\$2,641,697,442	1.000000
2012	5.4221%	2,538,649,012	1.000000
2013	5.4221%	2,386,706,268	1.000000
2014	5.4221%	2,432,853,667	1.000000
2015	5.4221%	2,823,697,070	1.000000
2016	5.4221%	3,035,240,481	1.000000
2017	5.4221%	3,279,761,098	1.000000
2018	5.4221%	3,505,792,898	1.000000
2019	5.4221%	6,047,063,713	1.654453
2020	5.4221%	6,578,416,066	1.698345

City of Hercules
Assessed Value of Property by Use Code
Last Ten Fiscal Years

Category	For the Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Residential	\$2,375,576,621	\$2,288,518,594	\$2,145,156,967	\$2,177,990,007	\$2,567,234,136
Industrial	174,581,136	171,206,105	166,377,521	181,255,580	175,156,171
Commercial	68,850,344	70,486,650	68,182,982	78,806,569	71,672,395
Vacant	30,578,278	15,279,054	15,065,418	13,529,847	16,167,550
Institution	14,586,730	14,696,564	14,990,493	15,192,385	496,945
Recreation	7,200,009	9,229,662	9,282,254	2,735,888	9,411,388
Social	875,490	882,082	899,723	836,400	840,196
Miscellaneous	752,815	758,482	773,649	789,119	792,700
Rural	201,677	203,194	207,256	211,399	212,358
Unitary	-	-	7,815	7,815	11,977
Agriculture	2,434,414	-	-	-	-
Government	-	-	-	-	-
Professional	646,240	577,000	577,000	577,000	577,000
Gross Secured Value	<u>2,676,283,754</u>	<u>2,571,837,387</u>	<u>2,421,521,078</u>	<u>2,471,932,009</u>	<u>2,842,572,816</u>
Unsecured	53,009,409	57,110,126	54,863,064	53,405,561	56,578,518
Exemptions	<u>87,595,721</u>	<u>90,298,501</u>	<u>89,677,874</u>	<u>92,483,903</u>	<u>75,454,264</u>
	<u>\$2,641,697,442</u>	<u>\$2,538,649,012</u>	<u>\$2,386,706,268</u>	<u>\$2,432,853,667</u>	<u>\$2,823,697,070</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

<u>Category</u>	<u>For the Fiscal Year Ended June 30,</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
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
Agriculture	-	-	-	-	-
Government	-	-	-	-	-
Professional	-	-	-	-	-
Gross Secured Value	<u>3,058,378,758</u>	<u>3,315,353,204</u>	<u>3,545,631,480</u>	<u>3,696,207,804</u>	<u>3,923,153,532</u>
Unsecured	54,269,399	58,945,949	56,327,147	56,782,463	59,062,998
Exemptions	<u>77,407,676</u>	<u>94,538,055</u>	<u>96,165,729</u>	<u>97,967,035</u>	<u>108,788,587</u>
	<u><u>\$3,035,240,481</u></u>	<u><u>\$3,279,761,098</u></u>	<u><u>\$3,505,792,898</u></u>	<u><u>\$3,655,023,232</u></u>	<u><u>\$3,873,427,943</u></u>

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

City of Hercules
Direct and Overlapping Property Tax Rates
Last Two Fiscal Years

	<u>2018-19</u>	<u>2019-20</u>
Basic City and County Levy		
City of Hercules	0.054221	0.054221
County of Contra Costa	0.945779	0.945779
	<hr/>	<hr/>
Total 1% Breakout	1.000000	1.000000
Override Assessments		
Bart	0.007000	0.012000
East Bay Reg Pk Bd	0.002100	0.009400
West CC Unified Bd 98	0.004700	0.004500
West Contra Costa Unified	0.186300	0.185400
WCCUSD 2012 Bond	0.048000	0.048000
Community College	0.011000	0.018800
	<hr/>	<hr/>
Total Override Rate	0.259100	0.278100
Total Tax Rate	<u>1.259100</u>	<u>1.278100</u>

Source: County Auditor/Controller data, MuniServices, LLC / Avenu Insights
& Analytics Rates are not adjusted for ERAF

TRA 4-001 is represented for this report

*2012-13 is the city's first CAFR publication, therefore prior year data is unavailable.

City of Hercules
Principal Property Taxpayers
Last Fiscal Year and Nine Fiscal Years Ago

Taxpayer	2019-20		2010-11	
	(\$) Taxable Value	Percentage of Total City Assessed Value	Assessed Value	Percentage of Total City Assessed Value
Bio Rad Laboratories Inc.	167,972,300	4.34%	147,076,201	5.57%
Hercules Urban Partners Llc	43,062,254	1.11%		
Hercules Land Partners Lp	29,389,316	0.76%		
Hd Dev Of Maryland	18,574,817	0.48%	16,607,411	0.63%
Taylor Morrison Of Ca Llc	15,498,193	0.40%		
Hercules Block N Dev Partners	13,390,994	0.35%		
Hercules Spe Mw Llc	12,203,890	0.32%		
Vacaville Mobile Home Park Llc	10,450,689	0.27%		
Tulloch Brian Tre	10,077,760	0.26%	8,323,646	0.32%
Santa Clara Vly Housing Group	8,100,000	0.21%	14,239,419	0.54%
Cs Creekside Hercules Llc	8,003,319	0.21%		
Orinda Investors Lp	7,703,347	0.20%	6,670,329	0.25%
Dathe Robert P Carlotta R	7,578,033	0.20%	6,548,869	0.25%
Hercules Sycamore Hills Llc	7,433,108	0.19%	6,423,626	0.24%
La Costalot Llc	7,412,464	0.19%		
Hercules Real Est Ltd. Ptnship	6,758,000	0.17%	5,975,036	0.23%
Mechanics Bank Of Richmond	6,356,606	0.16%	9,235,020	0.35%
1560 Sycamore Llc	6,125,332	0.16%	4,100,000	0.16%
North First Street Properties	6,065,532	0.16%		
Creekside Shopping Center Llc	5,865,000	0.15%	3,600,000	0.14%
Madison Mrh 1 Franklin Llc	5,774,220	0.15%		
Comcast Corp	5,184,511	0.13%	3,159,471	0.12%
Arrow Investment Partners Llc	5,114,000	0.13%	\$4,067,901	0.15%
Multiple O Holdings Llc	5,022,772	0.13%		
Adalan Properties Llc	4,661,377	0.12%	4,028,325	0.15%
Rago Dev Corp			14,605,088	0.55%
Three Trees Holdings I Llc			7,200,000	0.27%
Serb Andrew C Janet C			5,680,000	0.22%
Golden Gateway Assoc			5,445,611	0.21%
Robinson Theodore Deanna			4,960,866	0.19%
Bay To Bay Properties			4,950,676	0.19%
Hercules New Town Center Llc			4,326,000	0.16%
Emmerich Victor H Janet			3,871,161	0.15%
Hercules Bayfront Llc			3,678,042	0.14%
ORB Partnership			3,380,488	0.13%
US Bank National Assoc			2,842,964	0.11%
Total Top 25 Taxpayers	423,777,834	10.94%	\$300,996,150	11.39%
Total Taxable Value	3,873,427,943	100.00%	2,641,697,442	100.00%

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics
Total Taxable Value includes State Unitary of \$79,567.

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
2011	\$ 900,445	\$ 900,445	100%	\$ 900,445	100%
2012	898,957	898,957	100%	898,957	100%
2013	1,238,594	1,238,594	100%	1,238,594	100%
2014	878,899	878,899	100%	878,899	100%
2015	1,044,373	1,044,373	100%	1,044,373	100%
2016	1,110,223	1,110,223	100%	1,110,223	100%
2017	1,168,687	1,168,687	100%	1,168,687	100%
2018	1,233,140	1,233,140	100%	1,233,140	100%
2019	1,296,155	1,296,155	100%	1,296,155	100%
2020	1,342,265	1,342,265	100%	1,342,265	100%

Source: City of Hercules Records

City of Hercules
Principal Sales Tax Producers
Last Ten Fiscal Years

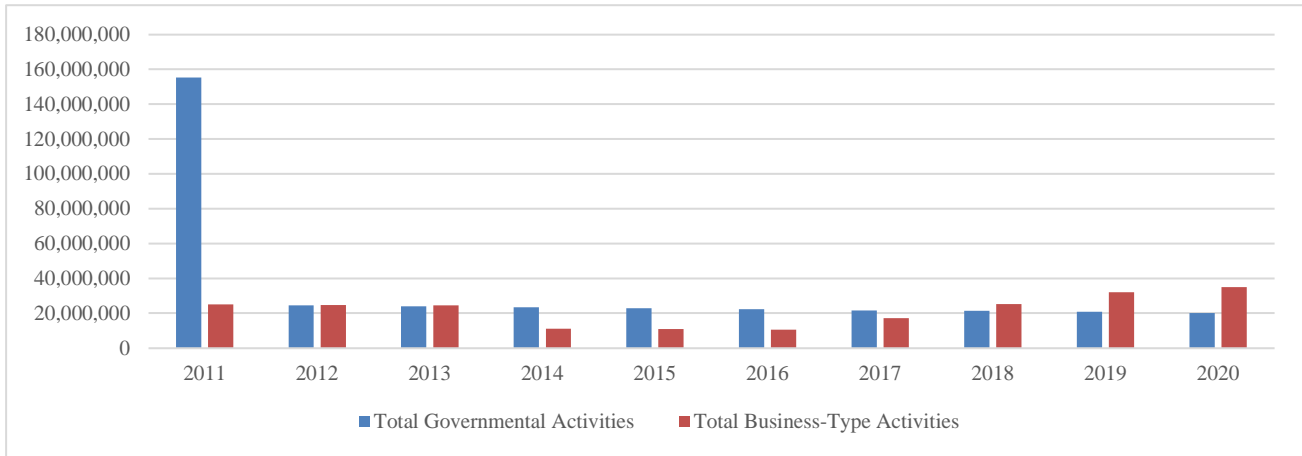
2019-20		2010-11	
Taxpayer	Business Type	Taxpayer	Business Type
Big Lots	Department Stores	44 Sports Lounge	Restaurants
Bio Rad Laboratories	Chemical Products	A & B Die Casting	Heavy Industry
Burger King Restaurants	Restaurants	American Golf Club	Restaurants
Cabalen Filipino Cuisine	Restaurants	Big Lots	Department Stores
City Mechanical Incorporated	Bldg.Matls-Whsle	Bio Rad Laboratories	Chemical Products
City of Ember	Miscellaneous Retail	Burger King Restaurants	Restaurants
Claws and Craws	Restaurants	Extreme Pizza	Restaurants
Conservation Mechanical System	Bldg.Matls-Whsle	Home Depot	Bldg.Matls-Retail
Domino's Pizza	Restaurants	Jack In The Box Restaurants	Restaurants
Dragon Terrace Restaurant	Restaurants	Kinder's Meats Deli & BBQ	Restaurants
Home Depot	Bldg.Matls-Retail	KMS Convenience Marts	Food Markets
Jack In The Box Restaurants	Restaurants	Mazatlan Taqueria & Grill	Restaurants
Kinder's Meats Deli & BBQ	Food Markets	McDonald's Restaurants	Restaurants
Lucky Food Centers	Food Markets	Pro Media Ultrasound	Electronic Equipment
Mazatlan Taqueria & Grill	Restaurants	Radio Shack	Furniture/Appliance
McDonald's Restaurants	Restaurants	Radston's	Business Services
Mountain Mike's Pizza	Restaurants	Rite Aid Drug Stores	Drug Stores
Rite Aid Drug Stores	Drug Stores	Round Table Pizza	Restaurants
Round Table Pizza	Restaurants	Sala Restaurant	Restaurants
Shell Service Stations	Service Stations	Save Mart Supermarkets	Food Markets
Starbucks Coffee	Food Markets	Shell Service Stations	Service Stations
Taco Bell	Restaurants	Snap-On Tools	Bldg.Matls-Retail
The Powder Keg Pub	Restaurants	Taco Bell	Restaurants
Union 76 Service Stations	Service Stations	The Powder Keg Pub	Restaurants
Willow Food & Liquor	Food Markets	Union 76 Service Stations	Service Stations

City of Hercules

Ratio of Outstanding Debt by Type Last Ten Fiscal Years

Governmental Activities

Fiscal Year	Tax Allocation Bonds	Revenue Bonds	Loans & Lease Purchases	Total
2011	\$129,610,000	\$17,770,000	\$8,006,854	\$155,386,854
2012	(b)	17,450,000	7,032,006	24,482,006
2013	(b)	17,120,000	6,904,982	24,024,982
2014	(b)	16,770,000	6,671,878	23,441,878
2015	(b)	16,405,000	6,432,404	22,837,404
2016	(b)	16,025,000	6,186,255	22,211,255
2017	(b)	15,625,000	5,933,111	21,558,111
2018	(b)	15,205,000	6,172,638	21,377,638
2019	(b)	14,760,000	6,004,485	20,764,485
2020	(b)	14,290,000	5,828,284	20,118,284



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.
- (b) Upon the dissolution of the Hercules Redevelopment Agency effective January 31, 2012, a Successor Agency assumed the liabilities of the former Hercules Redevelopment Agency, including the Tax Allocation Bonds.

City of Hercules
Ratio of Outstanding Debt by Type (Continued)
Last Ten Fiscal Years

Fiscal Year	Business-Type Activities			Total	Percentage of Personal Income (a)	Debt Per Capita (a)
	Revenue Bonds	Loans & Lease Purchases	Total			
2011	\$24,965,000		\$24,965,000	\$180,351,854	19.65%	7,430
2012	24,735,000		24,735,000	49,217,006	5.49%	2,012
2013	24,400,000		24,400,000	48,424,982	5.29%	1,965
2014	11,070,000		11,070,000	34,511,878	3.78%	1,390
2015	10,830,000		10,830,000	33,667,404	3.54%	1,346
2016	10,585,000		10,585,000	32,796,255	3.48%	1,296
2017	10,335,000	\$6,786,667	17,121,667	38,679,778	3.93%	1,497
2018	10,075,000	15,165,494	25,240,494	46,618,132	4.28%	1,795
2019	9,810,000	22,305,600	32,115,600	52,880,085	4.58%	2,016
2020	9,535,000	25,457,695	34,992,695	55,110,979	4.72%	2,159

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

Sources:

(a) Demographic Statistics for personal income and population data.

(b) Upon the dissolution of the Hercules Redevelopment Agency effective January 31, 2012, a Successor Agency assumed the liabilities of the former Hercules Redevelopment Agency, including the Tax Allocation Bonds.



City of Hercules
Computation of Direct and Overlapping Debt
June 30, 2020

2019-20 Assessed Valuation: \$3,905,899,543

	Total Debt 6/30/20	% Applicable (a)	City's Share of Debt 6/30/18
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Bay Area Rapid Transit District	\$1,282,740,000	0.485%	\$6,221,289
Contra Costa Community College District	513,955,000	1.816%	9,333,423
John Swett Unified School District	70,502,762	7.244%	5,107,220
West Contra Costa Unified School District	1,244,226,187	10.983%	136,653,362
West Contra Costa Healthcare Parcel Tax Obligations	51,577,000	10.832%	5,586,821
East Bay Regional Park District	155,835,000	0.774%	1,206,163
California Statewide Communities development Authority Assessment Districts	4,240,461	100.000%	4,240,461
City of Hercules 1915 Act Bonds	3,006,859	100.000%	3,006,859
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$171,355,598
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Contra Costa County General Fund Obligations	\$232,484,653	1.810%	\$4,207,972
Contra Costa County Pension Obligation Bonds	85,690,000	1.810%	1,550,989
West Contra Costa Unified School District Certificates of Participation	8,160,000	10.983%	896,213
City of Hercules General Fund Obligations	14,290,000	100.000%	14,290,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$20,945,173
Less: Contra Costa County obligations supported from revenue funds			1,677,994
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$19,267,179
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$99,025,000	100%	\$99,025,000
TOTAL DIRECT DEBT			14,290,000
TOTAL GROSS OVERLAPPING DEBT			\$277,035,772
TOTAL NET OVERLAPPING DEBT			\$275,357,778
GROSS COMBINED TOTAL DEBT			\$291,325,772
NET COMBINED TOTAL DEBT			\$289,647,778

(a) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were

(b) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	4.39%
Total Direct Debt (\$14,290,000)	0.37%
Gross Combined Total Debt	7.46%
Net Combined Total Debt	7.42%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,489,281,567)

Total Overlapping Tax Increment Debt	6.65%
--	-------

Source: Avenue Insights & Analytics

City of Hercules
Legal Debt Margin Information
Last Ten Fiscal Years

For the Fiscal Year Ended June 30,

	2011	2012	2013	2014	2015
Assessed Valuation	\$ 2,641,697,442	\$ 2,538,649,012	\$ 2,386,706,268	\$ 2,432,853,667	\$ 2,823,697,070
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 660,424,361	\$ 634,662,253	\$ 596,676,567	\$ 608,213,417	\$ 705,924,268
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 99,063,654	\$ 95,199,338	\$ 89,501,485	\$ 91,232,013	\$ 105,888,640
Total net debt applicable to limit: General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 99,063,654</u>	<u>\$ 95,199,338</u>	<u>\$ 89,501,485</u>	<u>\$ 91,232,013</u>	<u>\$ 105,888,640</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

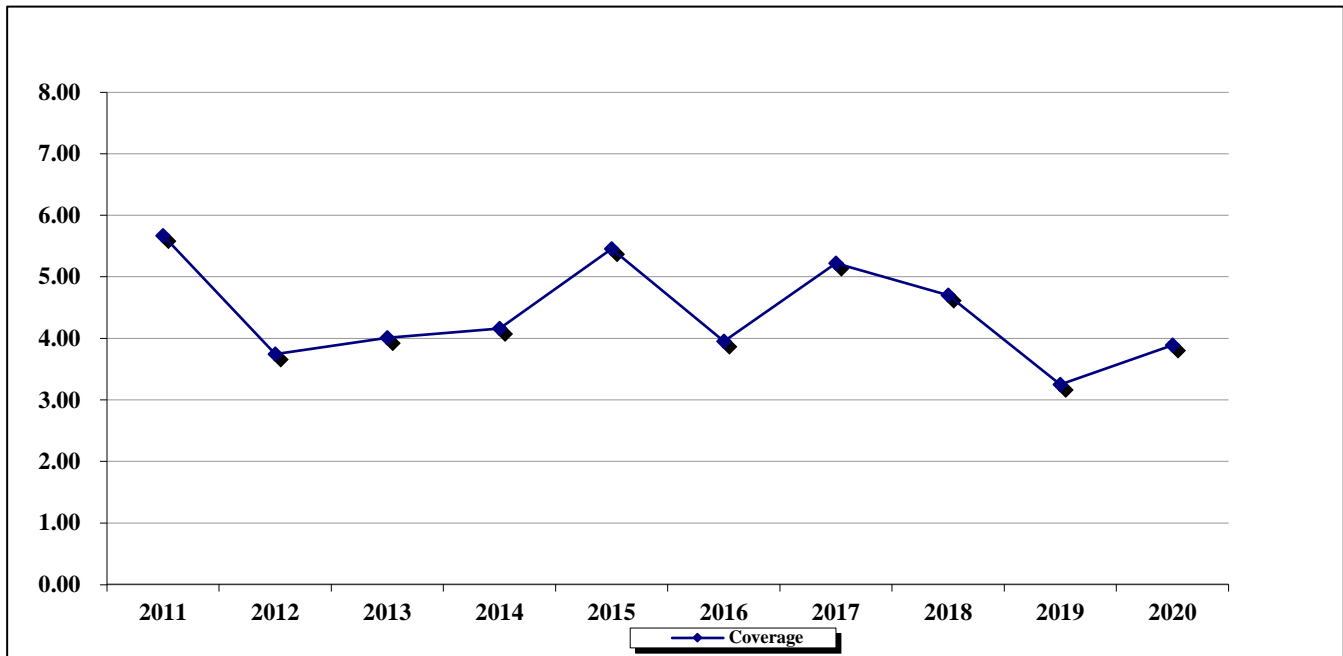
For the Fiscal Year Ended June 30,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
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					

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	
2011	5,376,083	4,067	2,696,795	2,675,221	230,000	241,923	471,923	5.67
2012	5,067,181		2,306,754	2,760,427	230,000	507,013	737,013	3.75
2013	5,318,437		2,383,009	2,935,428	230,000	502,413	732,413	4.01
2014	5,656,760		2,606,826	3,049,934	235,000	497,763	732,763	4.16
2015	6,144,342	372,165	1,773,138	3,999,039	240,000	493,013	733,013	5.46
2016	5,629,550		2,733,393	2,896,157	245,000	487,856	732,856	3.95
2017	5,845,188	155,367	1,868,853	3,820,968	250,000	481,975	731,975	5.22
2018	6,345,495	510,645	2,380,221	3,454,629	260,000	474,950	734,950	4.70
2019	6,648,269	299,022	3,968,987	2,380,260	265,000	467,075	732,075	3.25
2020	6,220,998		3,367,478	2,853,520	275,000	458,631	733,631	3.89

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
2011	24,273	917,834,949	37,813	36.9	NA	11.0%	7.4%	1,061,691
2012	24,457	897,253,959	36,687	37.0	29,883	10.3%	6.9%	1,073,520
2013	24,640	914,612,160	37,119	37.2	30,398	8.9%	6.0%	1,086,731
2014	24,826	913,423,018	36,793	37.3	30,720	7.5%	5.0%	1,099,843
2015	25,021	950,247,538	37,978	37.4	30,596	6.2%	4.1%	1,113,759
2016	25,299	942,311,853	37,247	37.6	30,973	5.0%	3.3%	1,128,574
2017	25,833	985,089,789	38,133	37.7	31,267	4.5%	4.0%	1,139,746
2018	25,964	1,089,501,368	41,962	37.8	31,649	3.8%	3.5%	1,147,879
2019	26,224	1,153,383,968	43,982	40.3	31,760	2.6%	2.3%	1,155,879
2020	25,530	1,167,844,320	45,744	40.2	32,143	13.6%	13.7%	1,153,561

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**

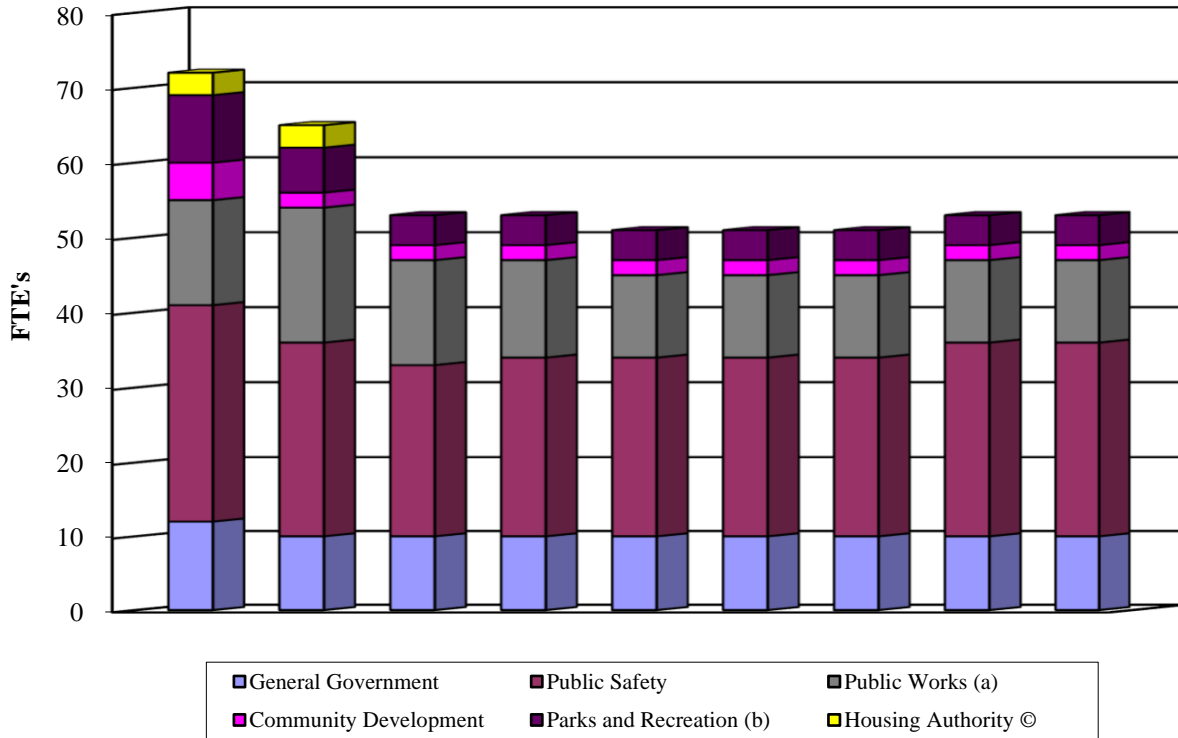
Business Name	2019-20	
	Number of Employees	Percentage of Total City Employment
Bio-Rad Laboratories Inc	2,271	17.1%
West Contra Costa Unified School District	238	1.79%
Home Depot	198	1.49%
Contra Costa County Social Services	106	0.80%
Lucky Supermarkets	100	0.75%
Pacific Bio Labs Inc	94	0.71%
City of Hercules	60	0.45%
Kinder's Meats & Deli BBQ & Catering	40	0.30%
Benda Tool & Model Works Inc	36	0.27%
Big Lots	25	0.19%
Total Top 10 Employers	3,168	23.82%
Total City Labor Force (1)	13,300	

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 is the city's first CAFR Statistical publication,
therefore, prior year data is unavailable.

City of Hercules
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



For the Fiscal Year Ended June 30,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function										
General Government	12.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00
Public Safety	29.00	26.00	23.00	24.00	24.00	24.00	24.00	26.00	26.00	28.00
Public Works ^(a)	14.00	18.00	14.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00
Community Development	5.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation ^(b)	9.00	6.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Housing Authority ©	3.00	3.00								
Total	72.00	65.00	53.00	53.00	51.00	51.00	51.00	53.00	53.00	56.00

NOTE:

- (a) Public Works includes Wastewater and Solid Waste
- (b) Parks and Recreation includes Library, Recreation and Park and Golf
- (c) The Housing Authority became a separate legal entity during Fiscal Year 2011-12

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,				
	2011	2012	2013	2014	2015
General Information					
Area in square miles	18.2	18.2	18.2	18.2	18.2
Number of registered voters	11,500	0	21,862	0	17,280
Number of Hospitals	0	0	0	0	0
Education:					
Student enrollment	3,028	3,042	3,007	2,928	2,799
Elementary schools	1238	1274	1277	1240	1228
Junior high schools	772	767	724	673	636
High schools	1018	1001	1006	1015	935
Teachers (full & part time)	133	157	143	144	148
Function/Program					
Police:					
Police calls for Service	15,482	12,960	12,309	12,550	1,843
Law violations:					
Part I and Part II crimes	100	761	822	811	96
Physical arrests (adult and juvenile)	573	351	410	450	45
Traffic violations	2,100	1,142	792	1,000	85
Sewer					
Sewer service connections	8,235	8,235	8,235	8,235	8,235

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
General Information					
Area in square miles	18.2	18.2	18.2	18.2	18.2
Number of registered voters	2,671	18,738	0	14,804	0
Number of Hospitals	0	0	0	0	0
Education:					
Student enrollment	2,823	2,823	2,825	2,797	2,753
Elementary schools	1211	1243	1296	1327	1305
Junior high schools	632	584	594	603	596
High schools	980	996	935	867	852
Teachers (full & part time)	127	134	127	125	124
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	8,326	8,327	8,327

Source: City of Hercules

City of Hercules
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Planning & Building:					
Number of Building Permits issued	718	661	672	631	622
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	0	0	0	10	11
Number of youth attendees	0	0	0	534	723
Aquatics:					
Number of aquatics programs	2	4	4	4	4
Number of aquatics attendees	1,064	3,041	1,793	2,898	1,396
Recreation Classes:					
Number of recreation programs	7	7	7	7	7
Number of recreation attendees	1,652	1,990	1,598	2,569	2,366
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	13	12	10	11	12
Number of preschool/gradeschool attendees	3,273	3,241	2,880	3,151	3,358
Seniors:					
Number of senior programs	14	14	14	14	14
Number of senior attendees	9,728	10,368	10,186	18,873	10,415
Number of meals served	8,253	8,258	8,347	8,702	8,791
Finance:					
Number of Business Licenses issued	764	941	614	647	664

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	782	778	753	389	675
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
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Function/Program					
Police:					
Police stations	1	1	1	1	1
Public works:					
Miles of streets	58	58	58	58	58
Miles of bike lanes	7	7	7	7	7
Street and parking lot fixtures	1,466	1,466	1,466	1,466	1,466
Traffic Signals	14	14	14	14	14
Wastewater					
Miles of sanitary sewers	62	62	62	62	62
Recreation and Parks:					
City parks	11	11	11	11	11
City parks acreage	98	98	98	98	98
Playgrounds	7	7	7	7	7
City trails/Bike paths	1	1	1	1	2
Community Swim Center	1	1	1	1	1
Community centers	2	2	2	2	2
Performing arts centers					
Teen Center	1	1	1	1	1
Swimming pools (a)	2	2	2	2	2
Tennis courts (b)	8	8	8	8	8
Baseball/softball diamonds	2	2	2	2	2
Soccer/football fields (c)	1	1	1	1	1
Library:					
City Libraries	1	1	1	1	1

Source: City of Hercules

City of Hercules
Capital Asset Statistics by Function/Program (Continued)
Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2016	2017	2018	2019	2020
Function/Program					
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	1,494	1,494	1,494	1,494
Traffic Signals	14	14	14	14	14
Wastewater					
Miles of sanitary sewers	62	62	62	62	62
Recreation and Parks:					
City parks	11	11	11	11	13
City parks acreage	98	98	98	98	99
Playgrounds	7	7	7	7	8
City trails/Bike paths	2	2	2	2	2
Community Swim Center	1	1	1	1	1
Community centers	2	2	2	2	4
Performing arts centers					
Teen Center	1	1	1	1	1
Swimming pools (a)	2	2	2	2	2
Tennis courts (b)	8	8	8	8	8
Baseball/softball diamonds	2	2	2	2	2
Soccer/football fields (c)	1	1	1	1	1
Library:					
City Libraries	1	1	1	1	1

Source: City of Hercules





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2020, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

200 E. Sandpointe Ave., Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

To the Honorable Mayor and Members of City Council
of the City of Hercules
Hercules, California
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Santa Ana, California
December 18, 2020