

FISCAL YEAR

2020-21

ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF HERCULES, CALIFORNIA



CITY OF HERCULES, CALIFORNIA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

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

**FOR THE YEAR ENDED
JUNE 30, 2021**

City of Hercules
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021
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CITY OF HERCULES
111 CIVIC DRIVE, HERCULES CA 94547
PHONE: (510) 799-8200

January 19, 2022

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) 20-21 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, 2021, 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, 2021, 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 most 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 a slow 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.

MAJOR INITIATIVES

- The City welcomed the opening of a new retail center including a Safeway grocery store, a 20-pump fuel center, Peet's Coffee and Chase Bank in March 2021. This will add to the City's retail tax base.
- The Willow Avenue Auto Service Center & Self Storage facility is nearing completion. The facility is anticipated to open in Q1 2022. Through a unique development agreement, the City will receive 10% of the gross revenue generated once the storage units reach 90% occupancy.
- The first phase of the Bayfront project, the Exchange, was completed and opened in August of 2020. The second phase of the project opened in July 2021 and offers 232 apartments, ranging from studios to 2-bedrooms, including 15 units designated for households making 60% of area median income.
- 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 mid-2022.
- In 2020, the Hilltown community with just under 600 residential units received its final entitlements and looks to start construction in 2022 as well. These projects will all further expand the City's tax base.
- The Hercules Regional Intermodal Transportation Center received an additional \$300K in Subregional Transportation Mitigation Program (STMP) funding from the West Contra Costa Transportation Advisory Committee to advance the Utility Relocation Phase of the project. Design work for this project is also underway using \$1.2M in previously awarded grant funds.
- Infrastructure investment remained a key focus for the City in FY 20/21 including:
 - Completion of Turquoise Way rehabilitation
 - Near completion of a pedestrian safety project at Civic and Sycamore

- Design of a traffic calming project for Village Parkway
- Design of a grant-funded pedestrian enhancements for Sycamore/Palm/Willow Avenues
- Installation of energy-efficient streetlights on metal poles, replacing failing hollow-core wood poles, in Landscape & Lighting Assessment Districts – Zones 6 (complete) and Zones 3 and 4 (in-progress).

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,

DocuSigned by:

664EC62BC8D8428...

Dante Hall
City Manager

DocuSigned by:

A5E16C1270684C1...

Edwin Gato
Finance Director



CITY COUNCIL



CHRIS KELLEY
Mayor



DION BAILEY
Vice Mayor



**ALEXANDER
WALKER-GRIFFIN**
Council Member



DAN ROMERO
Council Member



TIFFANY GRIMSLEY
Council Member

DEPARTMENT HEADS

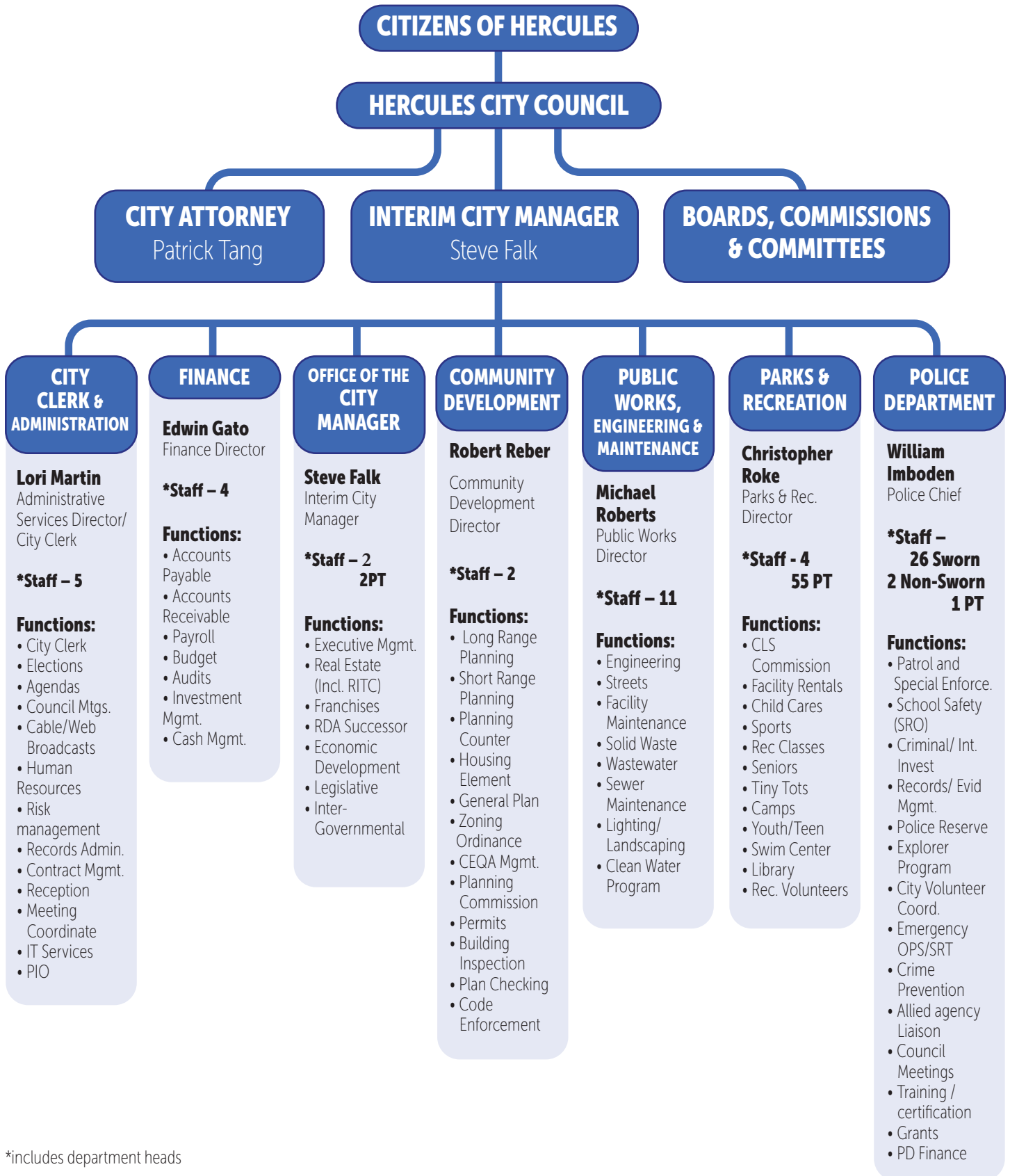
- Steve Falk**, Interim City Manager
- Patrick Tang**, City Attorney
- Lori Martin**, Administrative Services Director/City Clerk
- Michael Roberts**, Public Works Director
- William Imboden**, Police Chief
- Edwin Gato**, Finance Director
- Christopher Roke**, Parks & Recreation Director
- Robert Reber**, Community Development Director

FINANCE COMMITTEE

- Andrew Gabriel**, Chair
- Edward Ulle**, Vice Chair
- Lori Tretasco**, Commissioner
- Lori Risby**, Commissioner
- Orit Samson**, Commissioner



ORGANIZATION CHART SENIOR MANAGEMENT



*includes department heads



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hercules
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION





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, 2021, 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, 2021, 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.

Emphasis of Matter

Implementation of GASB 84

As discussed in Note 1V to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 84, *Fiduciary Activities*. The adoption of the standard resulted in the custodial funds reporting beginning fiduciary net deficit in the amount of \$476,962, and governmental activities and governmental funds reporting net position prior period adjustments of \$22,903 and \$476,962, respectively (Note 17). Our opinion is not modified with respect to this matter.

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 17 and 103 to 111 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, 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 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 January 19, 2022 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
January 19, 2022





MANAGEMENT'S DISCUSSION AND ANALYSIS



**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021. 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 \$158,267,355 (*net position*). Net position of \$27,727,432 are restricted for specific purposes (*restricted net position*), and \$76,859,451 represents net investment in capital assets. Unrestricted net position was \$53,680,472. The government's total net position, as adjusted, decreased by \$1,419,847 in comparison with the prior year.
- The City's net investment in capital assets decreased by \$8,367,698 compared to the prior year.
- The City's governmental funds reported combined fund balances of \$66,736,226, an increase of \$2,387,811 in comparison with the prior year, as adjusted. The unassigned portion of those fund balances was \$9,845,385.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 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.

**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

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.

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 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, 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.

**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

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, technology services, 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.

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 \$158,267,355 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 18% of the City's net position is subject to external restrictions on how they may be used.

**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

Condensed Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Assets | | | | | | |
| Current and other assets | \$ 81,949,344 | \$ 79,466,710 | \$ 39,917,628 | \$ 42,210,751 | \$ 121,866,972 | \$ 121,677,461 |
| Capital assets | 79,826,858 | 79,108,186 | 39,987,792 | 40,042,588 | 119,814,650 | 119,150,774 |
| Total assets | <u>161,776,202</u> | <u>158,574,896</u> | <u>79,905,420</u> | <u>82,253,339</u> | <u>241,681,622</u> | <u>240,828,235</u> |
| Deferred Outflows of Resources | | | | | | |
| Related to OPEB | 568,750 | 609,948 | 32,195 | 16,117 | 600,945 | 626,065 |
| Related to pensions | 2,710,833 | 3,772,781 | 180,108 | 211,447 | 2,890,941 | 3,984,228 |
| Total Deferred Outflows of Resources | <u>3,279,583</u> | <u>4,382,729</u> | <u>212,303</u> | <u>227,564</u> | <u>3,491,886</u> | <u>4,610,293</u> |
| Liabilities | | | | | | |
| Long-term Liabilities | 41,822,221 | 37,288,258 | 32,942,838 | 34,254,465 | 74,765,059 | 71,542,723 |
| Other Liabilities | 6,069,079 | 6,735,576 | 2,673,706 | 5,613,158 | 8,742,785 | 12,348,734 |
| Total Liabilities | <u>47,891,300</u> | <u>44,023,834</u> | <u>35,616,544</u> | <u>39,867,623</u> | <u>83,507,844</u> | <u>83,891,457</u> |
| Deferred Inflows of Resources | | | | | | |
| Related to OPEB | 1,940,227 | 1,290,330 | 109,826 | 73,037 | 2,050,053 | 1,363,367 |
| Related to pensions | 1,341,909 | 461,753 | 6,347 | 34,750 | 1,348,256 | 496,503 |
| Total Deferred Inflows of Resources | <u>3,282,136</u> | <u>1,752,083</u> | <u>116,173</u> | <u>107,787</u> | <u>3,398,309</u> | <u>1,859,870</u> |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 69,628,982 | 73,639,890 | 7,230,469 | 11,587,260 | 76,859,451 | 85,227,150 |
| Restricted | 20,047,707 | 20,047,707 | 7,679,725 | 7,674,002 | 27,727,432 | 27,721,709 |
| Unrestricted | 24,205,660 | 23,494,111 | 29,474,812 | 23,244,231 | 53,680,472 | 46,738,342 |
| Total Net Position | <u>\$ 113,882,349</u> | <u>\$ 117,181,708</u> | <u>\$ 44,385,006</u> | <u>\$ 42,505,493</u> | <u>\$ 158,267,355</u> | <u>\$ 159,687,201</u> |

A significant portion of the City's net position, \$76,859,451, 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.

The restricted portion of the City's net position, \$27,727,432 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 \$53,680,472. 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 \$1,419,847 during the current fiscal year. The decreased in net position is primarily attributed to Charges for Services due to COVID-19 mandatory closure.

**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|------------------------------|------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Fees, Fines and Charges for | | | | | | |
| Services | \$ 2,461,704 | \$ 5,957,360 | 5,769,396 | \$ 5,719,257 | \$ 8,231,100 | \$ 11,676,617 |
| Operating Grants/Contributions | 4,566,850 | 1,945,666 | - | - | 4,566,850 | 1,945,666 |
| Capital Grants/Contributions | - | 655,467 | - | - | - | 655,467 |
| General revenues | | | | | | |
| Property taxes | 1,451,716 | 1,415,995 | - | - | 1,451,716 | 1,415,995 |
| Sales taxes | 4,775,496 | 4,212,285 | - | - | 4,775,496 | 4,212,285 |
| Franchise Taxes | 862,104 | 948,503 | - | - | 862,104 | 948,503 |
| Other taxes | 4,293,889 | 4,402,327 | - | - | 4,293,889 | 4,402,327 |
| Motor Vehicles Taxes In-Lieu | 2,239,058 | 2,128,054 | - | - | 2,239,058 | 2,128,054 |
| Interest and Investment Income | 1,456,269 | 1,748,131 | 4,537 | 501,741 | 1,460,806 | 2,249,872 |
| Special Item | - | (3,624,150) | - | - | - | (3,624,150) |
| Total revenues | <u>22,107,086</u> | <u>19,789,638</u> | <u>5,773,933</u> | <u>6,220,998</u> | <u>27,881,019</u> | <u>26,010,636</u> |
| Expenses | | | | | | |
| General Government | 4,435,331 | 4,634,707 | - | - | 4,435,331 | 4,634,707 |
| Public Safety | 9,273,713 | 8,844,059 | - | - | 9,273,713 | 8,844,059 |
| Streets and Public Works | 7,715,011 | 8,447,150 | - | - | 7,715,011 | 8,447,150 |
| Parks and Recreation | 2,104,559 | 2,786,635 | - | - | 2,104,559 | 2,786,635 |
| Community Development | 918,476 | 595,927 | - | - | 918,476 | 595,927 |
| Interest on Long-Term Debt | 959,355 | 1,159,848 | - | - | 959,355 | 1,159,848 |
| Wastewater | - | - | 3,894,420 | 4,593,120 | 3,894,420 | 4,593,120 |
| Total expenses | <u>25,406,445</u> | <u>26,468,326</u> | <u>3,894,420</u> | <u>4,593,120</u> | <u>29,300,865</u> | <u>31,061,446</u> |
| Increase (Decrease) in Net Position | (3,299,359) | (6,678,688) | 1,879,513 | 1,627,878 | (1,419,846) | (5,050,810) |
| Net Position - Beginning, as Restated | 117,181,708 | 123,860,396 | 42,505,493 | 40,877,615 | 159,687,201 | 164,738,011 |
| Net Position - Ending | <u><u>\$ 113,882,349</u></u> | <u><u>\$ 117,181,708</u></u> | <u><u>44,385,006</u></u> | <u><u>\$ 42,505,493</u></u> | <u><u>\$ 158,267,355</u></u> | <u><u>\$ 159,687,201</u></u> |

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

On June 30, 2021, the City's governmental funds reported combined fund balances of \$66,736,226. Of these combined fund balances, \$9,845,385 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. On June 30, 2021, unassigned fund balance was \$10,008,178, while total fund balance was \$45,958,422. 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 71% of total General Fund expenditures, while the total fund balance represents 325% of total General Fund expenditures.

**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

Total governmental funds Fund Balance increased by \$2,387,811 in the current year. The major governmental funds had changes in fund balance as follows:

The major funds, General Fund increased by \$1,561,256, Hercules Debt Service Fund decreased by \$66,058, and nonmajor (other) governmental funds increased by \$892,613.

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

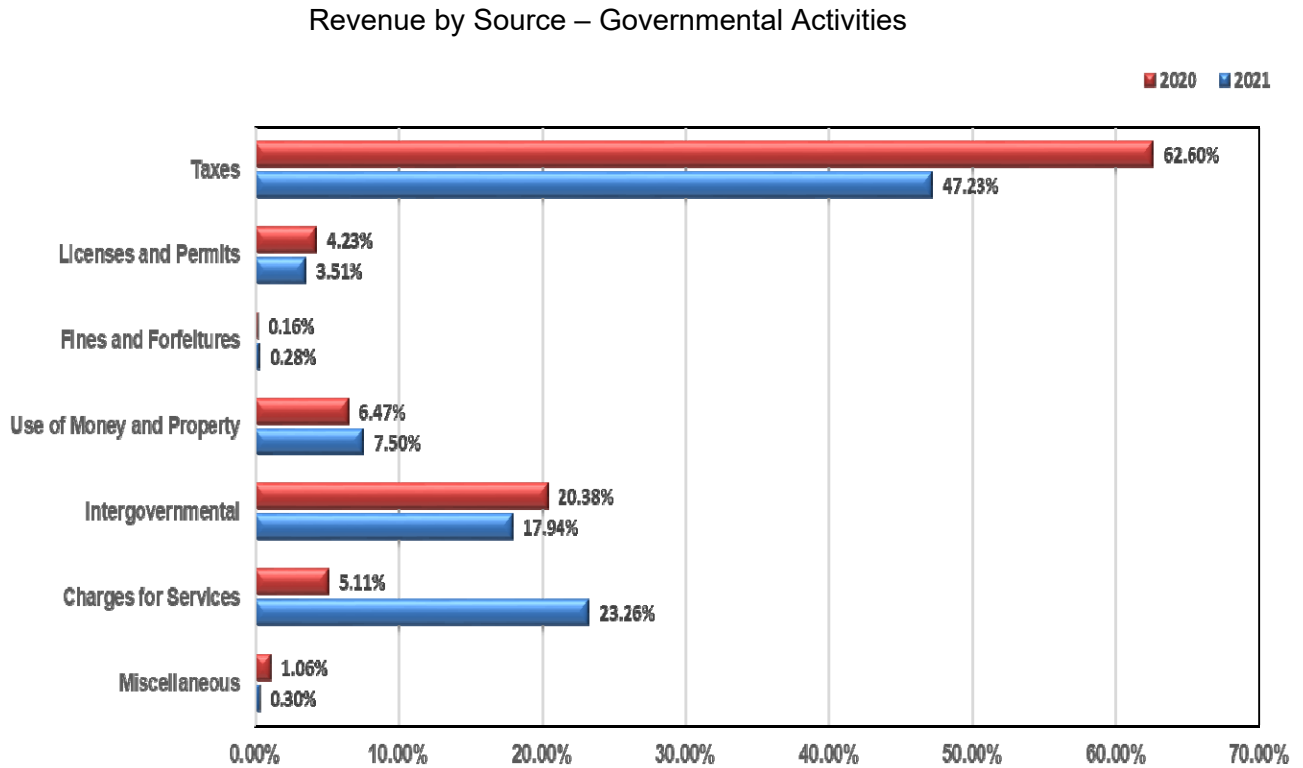
Revenues Classified by Source
Governmental Funds

| | 2021 | | 2020 | | Increase (Decrease) | |
|---------------------------|----------------------|------------------|----------------------|------------------|---------------------|-------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Change |
| Taxes | \$ 14,098,060 | 62.60% | \$ 10,727,692 | 47.23% | \$ 3,370,368 | 31% |
| Licenses and Permits | 952,294 | 4.23% | 796,397 | 3.51% | 155,897 | 20% |
| Fines and Forfeitures | 36,586 | 0.16% | 62,582 | 0.28% | (25,996) | -42% |
| Use of Money and Property | 1,456,271 | 6.47% | 1,702,755 | 7.50% | (246,484) | -14% |
| Intergovernmental | 4,589,299 | 20.38% | 4,073,720 | 17.94% | 515,579 | 13% |
| Charges for Services | 1,150,164 | 5.11% | 5,282,444 | 23.26% | (4,132,280) | -78% |
| Miscellaneous | 239,610 | 1.06% | 67,355 | 0.30% | 172,255 | 256% |
| | <u>\$ 22,522,284</u> | <u>100.00%</u> | <u>\$ 22,712,945</u> | <u>100.00%</u> | <u>\$ (190,661)</u> | |

The decrease in revenues is due primarily to charges for services and interest income because of program revenues affected by COVID-19 closure and the effect of the economic fallout from the pandemic offset by year-over-year growth in overall general tax revenues.

**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

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



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

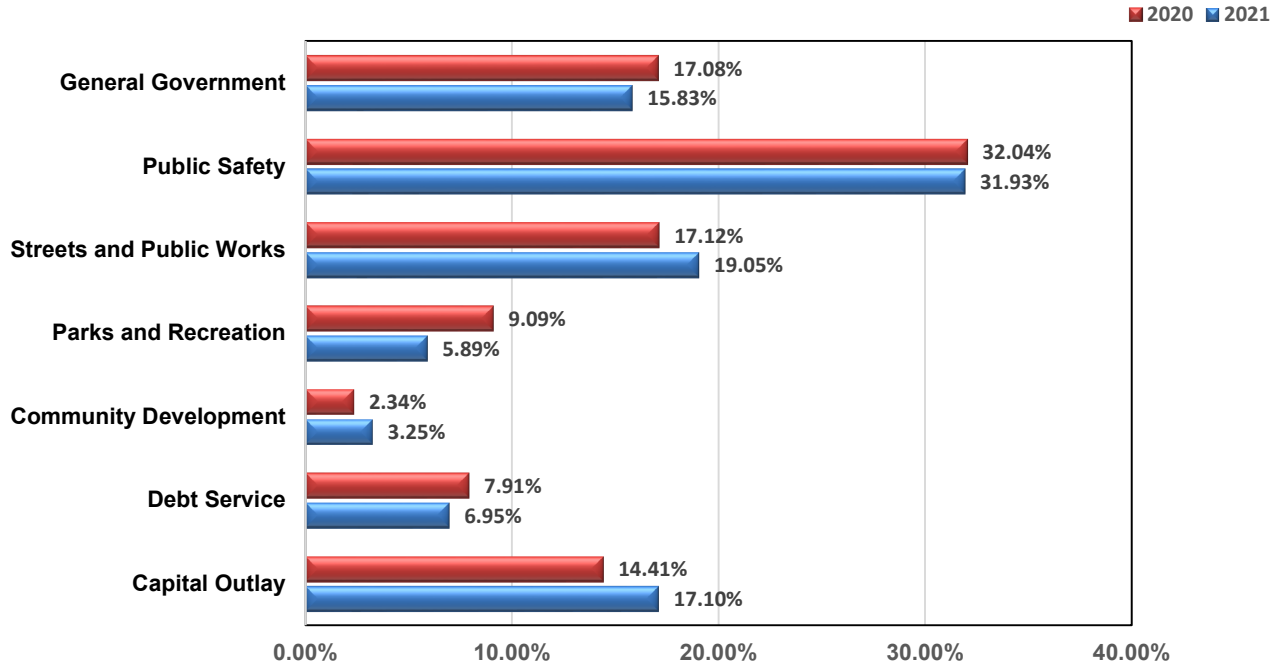
Expenditures Classified by Function
Governmental Funds

| | 2021 | | 2020 | | Increase (Decrease) | |
|--------------------------|----------------------|------------------|----------------------|------------------|---------------------|------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Total |
| General Government | \$ 3,854,043 | 15.83% | \$ 4,070,428 | 17.08% | \$ (216,385) | -5% |
| Public Safety | 7,774,932 | 31.93% | 7,634,971 | 32.04% | 139,961 | 2% |
| Streets and Public Works | 4,638,912 | 19.05% | 4,080,345 | 17.12% | 558,567 | 14% |
| Parks and Recreation | 1,434,988 | 5.89% | 2,165,547 | 9.09% | (730,559) | -34% |
| Community Development | 792,456 | 3.25% | 557,672 | 2.34% | 234,784 | 42% |
| Debt Service | 1,693,231 | 6.95% | 1,885,774 | 7.91% | (192,543) | -10% |
| Capital Outlay | 4,163,726 | 17.10% | 3,434,295 | 14.41% | 729,431 | 21% |
| | \$ 24,352,288 | 100.00% | \$ 23,829,032 | 100.00% | \$ 523,256 | |

**2021 HERCULES AUDIT
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

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

Expenditures by Function – Governmental Activities



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 \$7,230,469. Restricted for Debt Service was \$7,679,725. Unrestricted net position at fiscal year-end was \$29,474,812.

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 \$2,605,371 and include \$582,267 invested in capital assets. The net position of the internal service funds decreased by \$243,648 over the prior fiscal year.

**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2021, amounted to \$119,814,650 (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 | |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 5,081,587 | \$ 5,081,587 | \$ 191,700 | \$ 191,700 | \$ 5,273,287 | \$ 5,273,287 |
| Construction in progress | 4,228,176 | 462,977 | 968,587 | - | 5,196,763 | 462,977 |
| Land Improvements | 11,720,361 | 11,807,105 | - | - | 11,720,361 | 11,807,105 |
| Buildings & Improvements | 26,973,413 | 27,076,100 | 38,325,271 | 38,325,270 | 65,298,684 | 65,401,370 |
| Equipment | 5,080,999 | 6,881,849 | 250,345 | 250,345 | 5,331,344 | 7,132,194 |
| Infrastructure | 113,444,645 | 110,928,058 | 14,857,483 | 14,857,483 | 128,302,128 | 125,785,541 |
| Total | 166,529,181 | 162,237,676 | 54,593,386 | 53,624,798 | 221,122,567 | 215,862,474 |
| Accumulated Depreciation | (86,702,323) | (83,129,490) | (14,605,594) | (13,582,210) | (101,307,917) | (96,711,700) |
| Net Capital Assets | <u>\$ 79,826,858</u> | <u>\$ 79,108,186</u> | <u>\$ 39,987,792</u> | <u>\$ 40,042,588</u> | <u>\$ 119,814,650</u> | <u>\$ 119,150,774</u> |

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 \$55,381,570. Of this amount, \$14,261,843 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.

**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

Long-Term Obligations

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Bonds Payable | \$ 14,261,843 | \$ 14,290,000 | \$ 9,250,000 | \$ 9,535,000 | \$ 23,511,843 | \$ 23,825,000 |
| Unamortized Discount/Refunding | (294,035) | (311,332) | (138,162) | (145,434) | (432,197) | (456,766) |
| Lease Payable | 4,503,004 | 478,284 | - | - | 4,503,004 | 478,284 |
| Loans Payable | 5,265,521 | 5,350,000 | 24,356,298 | 25,457,694 | 29,621,819 | 30,807,694 |
| Compensated Absences | 608,384 | 584,351 | 47,180 | 46,251 | 655,564 | 630,602 |
| Total | <u>24,344,717</u> | <u>20,391,303</u> | <u>33,515,316</u> | <u>34,893,511</u> | <u>57,860,033</u> | <u>55,284,814</u> |
| Less Current Portion | <u>(1,039,503)</u> | <u>(1,175,169)</u> | <u>(1,438,960)</u> | <u>(1,433,674)</u> | <u>(2,478,463)</u> | <u>(2,608,843)</u> |
| Net Long-Term Obligations | <u>\$ 23,305,214</u> | <u>\$ 19,216,134</u> | <u>\$ 32,076,356</u> | <u>\$ 33,459,837</u> | <u>\$ 55,381,570</u> | <u>\$ 52,675,971</u> |

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.

HIGHLIGHTS

As we entered 2021 fiscal year, the City of Hercules was positioned for continued progress on our path to a fiscally sustainable future. While we knew there were some possible bumps in the road, we now face many difficulties that have arisen not only from lingering issues from the past but now from more recent events of COVID-19. Unlike most other cities, Hercules did not close its City Hall, and we continued to provide services except for Parks & Recreation programs, which continue to be closed due to health restrictions. The COVID-19 Pandemic began to directly impact the City operations in mid-March 2020 when the initial County Health Order resulted in a stay-home order for all but essential services workers. The City's response to the COVID-19 or coronavirus event, which started unfolding in the United States in the first quarter of the calendar year and continued into this fiscal year, has directly reduced programmatic revenues specifically for the Parks & Recreation. Those impacts, together with the lingering influences on the overall economy, and the delayed start on new commercial projects, are expected to reduce the City's overall revenues in 20/21. While not yet formally a recession, our budgeting is based on what we would characterize as a recessionary outlook. The budget for FY 20/21, as adopted in June 2020, was a continuation of anticipated revenue trends 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 a second payment 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 City continues to expand its tax base and quality of life through new development on critical sites. The first phase of the Bayfront project, the 172 units building called the Exchange and ground floor retail, was expecting first occupancies in July 2020. The second phase of 235 units in the form of the Grand is under construction with completion set for 2021, and the City Council granted final approvals, in late 2019, for development on three blocks as the third phase with a total of 476 units and that phase is in plan check. The City and Bayfront developer also entered into a Cooperative Agreement regarding future steps to develop a parking entity to manage the shared parking in the Bayfront. Entitlements were approved for the future Sycamore Crossing project, including a retail center, hotel, and residential community in late 2019. Site preparation is underway, with the construction to start this year. A parcel map was approved for the Willow Avenue Auto Service Park & Self Storage project, which had previously been fully entitled, with the construction of that project set to start later in 2020. In April 2020, final entitlements for the nearly 600-unit Hilltown residential community were approved. Investment in infrastructure also remains a high priority.

**2021 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2021**

The Hercules Regional Intermodal Transportation Center, which will eventually see the bus, rail, and ferry service instituted at the Bayfront, was designated in October 2019, an official candidate station by the Board of the Capital Corridor Joint Powers Authority, which operates the Capital Corridor trains. The City has also awarded the next phase design contract for the track, platform, and station improvements. It is actively seeking the funding needed to allow the subsequent phases to proceed. Interim improvements needed to let bus service start at the Bayfront is now underway and will be completed soon; these improvements will also provide a safer temporary connection for pedestrians between the East and West segments of the Bay Trail. These improvements were facilitated by approving a Memorandum of Understanding with an adjacent property owner to use an existing alley.

Other key efforts included completing the street repair project, which was the resurfacing of portions of Pheasant Avenue. The City also completed various projects such as the acceptance of the Refugio Path repaving project; a calming traffic project along Hercules Avenue; a design contract was awarded for the summer 2020 street repair project; the design on grant-funded pedestrian and bike enhancements for Sycamore/Palm/Willow; a contract was awarded for the resurfacing of the Refugio Park tennis courts, and a significant energy retrofit project with a company called Engie for a variety of City facilities. In two of the Citywide Landscape & Lighting Assessment Districts – Zones 1 and 7, property owners approved increased assessments in summer 2019 for new energy-efficient streetlights on metal poles replacing failing hollow-core wood poles and those lights have been installed.

In February, as part of the mid-year budget review, the FY 2020-21 budget was modified to assume no Parks & Rec programming, other than the current limited offerings, before the end of the fiscal year with revenues and expenses adjusted downwards. In addition to the debt service savings associated with the Library Bond refinance and the receipt of CARES Act funding, the other main change was the reinstatement of the previously deferred 2020 employee retention payments. We continue to be able to accomplish many things in Hercules to enhance the community and to offer programs and services desired by our residents due to the efforts of employees daily. This has been especially true as we have navigated the COVID-19 Pandemic, and our employees as Essential Services Workers can be considered heroes in my book. The above accomplishments were only possible due to the efforts of our small, but the talented and dedicated staff truly is Hercules' Team Dynamic. Our dedicated and committed elected leaders also work hard to ensure the City is on a strong financial footing while at the same time looking at opportunities to enhance services and improve the community. They are good stewards of the public funds entrusted to them and ensure that our budgeting and financial operations are done in a manner consistent with the Council's adopted Financial Policies & Principles.

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, 2021

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and investments | \$ 25,269,319 | \$ 21,611,402 | \$ 46,880,721 |
| Cash and investments with fiscal agent | 1,995,351 | 7,679,725 | 9,675,076 |
| Cash and investments held in trust | 2,237,248 | - | 2,237,248 |
| Accounts receivable | 1,770,590 | 10,822 | 1,781,412 |
| Prepays | 10,112 | - | 10,112 |
| Loan receivable | 1,502,773 | - | 1,502,773 |
| Lease receivable | 8,806,323 | - | 8,806,323 |
| Due from Private Purpose Trust Fund (Note 5) | 39,908,402 | 10,587,627 | 50,496,029 |
| Net OPEB assets - PEHMCA | 449,226 | 28,052 | 477,278 |
| Capital Assets: | | | |
| Nondepreciable | 9,309,763 | 1,160,287 | 10,470,050 |
| Depreciable, net | 70,517,095 | 38,827,505 | 109,344,600 |
| Total assets | 161,776,202 | 79,905,420 | 241,681,622 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension-related deferred outflows of resources | 2,710,833 | 180,108 | 2,890,941 |
| OPEB-related deferred outflows of resources (PEHMCA) | 275,261 | 15,581 | 290,842 |
| OPEB-related deferred outflows of resources (SOMAR) | 293,489 | 16,614 | 310,103 |
| Total deferred outflows of resources | 3,279,583 | 212,303 | 3,491,886 |
| LIABILITIES | | | |
| Accounts payable | 783,259 | 674,700 | 1,457,959 |
| Salaries and benefits payable | 414,397 | 30,880 | 445,277 |
| Accrued interest payable | 533,387 | 529,166 | 1,062,553 |
| Deposit payable | 1,192,084 | - | 1,192,084 |
| Claims and judgments payable | 576,344 | - | 576,344 |
| Due from fiduciary fund | 322,055 | - | 322,055 |
| Long-term debt: | | | |
| Due within one year | 1,009,554 | 1,438,960 | 2,448,514 |
| Due in more than one year | 23,335,163 | 32,076,356 | 55,411,519 |
| Settlement payable | 1,208,050 | - | 1,208,050 |
| Net aggregate pension liabilities | 16,985,954 | 779,817 | 17,765,771 |
| Net OPEB liabilities - SOMAR | 1,531,053 | 86,665 | 1,617,718 |
| Total liabilities | 47,891,300 | 35,616,544 | 83,507,844 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension-related deferred inflows of resources | 1,341,909 | 6,347 | 1,348,256 |
| OPEB-related deferred inflows of resources (PEHMCA) | 1,596,358 | 90,361 | 1,686,719 |
| OPEB-related deferred inflows of resources (SOMAR) | 343,869 | 19,465 | 363,334 |
| Total deferred inflows of resources | 3,282,136 | 116,173 | 3,398,309 |
| NET POSITION | | | |
| Net investment in capital assets | 69,628,982 | 7,230,469 | 76,859,451 |
| 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 | 7,679,725 | 16,662,393 |
| Total restricted | 20,047,707 | 7,679,725 | 27,727,432 |
| Unrestricted | 24,205,660 | 29,474,812 | 53,680,472 |
| Total net position | \$ 113,882,349 | \$ 44,385,006 | \$ 158,267,355 |

City of Hercules
Statement of Activities
For the Year Ended June 30, 2021

| Functions/Programs | Expenses | Program Revenues | | | Total |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 4,435,331 | \$ 1,343,812 | \$ - | \$ - | \$ 1,343,812 |
| Public safety | 9,273,713 | 92,674 | 447,564 | - | 540,238 |
| Streets and public works | 7,715,011 | 76,839 | 4,119,286 | - | 4,196,125 |
| Parks and recreation | 2,104,559 | 396,289 | - | - | 396,289 |
| Community development | 918,476 | 552,090 | - | - | 552,090 |
| Interest and fiscal agent fees | 959,355 | - | - | - | - |
| Total governmental activities | 25,406,445 | 2,461,704 | 4,566,850 | - | 7,028,554 |
| Business-Type Activities: | | | | | |
| Wastewater | 3,894,420 | 5,769,396 | - | - | 5,769,396 |
| Total business-type activities | 3,894,420 | 5,769,396 | - | - | 5,769,396 |
| Total primary government | \$ 29,300,865 | \$ 8,231,100 | \$ 4,566,850 | \$ - | \$ 12,797,950 |

City of Hercules
Statement of Activities (Continued)
For the Year Ended June 30, 2021

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | |
|--|--|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | |
| Governmental Activities: | | | |
| General government | \$ (3,091,519) | \$ - | \$ (3,091,519) |
| Public safety | (8,733,475) | - | (8,733,475) |
| Streets and public works | (3,518,886) | - | (3,518,886) |
| Parks and recreation | (1,708,270) | - | (1,708,270) |
| Community development | (366,386) | - | (366,386) |
| Interest and fiscal agent fees | (959,355) | - | (959,355) |
| Total governmental activities | (18,377,891) | - | (18,377,891) |
| Business-Type Activities: | | | |
| Wastewater | - | 1,874,976 | 1,874,976 |
| Total business-type activities | - | 1,874,976 | 1,874,976 |
| Total primary government | (18,377,891) | 1,874,976 | (16,502,915) |
| General Revenues: | | | |
| Property taxes | 1,451,716 | - | 1,451,716 |
| Sales and use taxes | 4,775,496 | - | 4,775,496 |
| Franchise taxes | 862,104 | - | 862,104 |
| Utility users taxes | 3,590,649 | - | 3,590,649 |
| Other taxes | 703,240 | - | 703,240 |
| Unrestricted motor vehicle taxes in-lieu | 2,239,058 | - | 2,239,058 |
| Use of money and property | 1,456,269 | 4,537 | 1,460,806 |
| Total general revenues | 15,078,532 | 4,537 | 15,083,069 |
| Changes in net position | (3,299,359) | 1,879,513 | (1,419,846) |
| Net Position: | | | |
| Beginning of year, as restated (Note 17) | 117,181,708 | 42,505,493 | 159,687,201 |
| End of year | <u>\$ 113,882,349</u> | <u>\$ 44,385,006</u> | <u>\$ 158,267,355</u> |



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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, 2021

| | Major Funds | | Other | Total |
|---|----------------------|-------------------------------|-----------------------|----------------------|
| | General Fund | Hercules Debt Service Fund | Governmental Funds | |
| ASSETS | | | | |
| Cash and investments | \$ 15,114,211 | \$ 218,009 | \$ 7,098,197 | \$ 22,430,417 |
| Cash and investments with fiscal agent | - | 1,995,351 | - | 1,995,351 |
| Cash and investments held in trust | 2,237,248 | - | - | 2,237,248 |
| Accounts receivable | 1,369,906 | - | 400,684 | 1,770,590 |
| Prepays | 10,112 | - | - | 10,112 |
| Due from other funds | 190,014 | - | 157 | 190,171 |
| Loans receivable | 1,502,773 | - | - | 1,502,773 |
| Lease receivable | - | 8,806,323 | - | 8,806,323 |
| Due from Private Purpose Trust Fund | 27,787,637 | 6,703,250 | 5,417,515 | 39,908,402 |
| Total assets | \$ 48,211,901 | \$ 17,722,933 | \$ 12,916,553 | \$ 78,851,387 |
| LIABILITIES | | | | |
| Accounts payable | \$ 305,124 | \$ - | \$ 309,065 | \$ 614,189 |
| Accrued wages | 325,340 | - | 63,558 | 388,898 |
| Deposit payable | 1,046,514 | - | 145,570 | 1,192,084 |
| Claims and judgments payable | 576,344 | - | - | 576,344 |
| Due to other funds | 157 | - | 190,014 | 190,171 |
| Amounts due to Private Purpose Trust Fund | - | - | 322,055 | 322,055 |
| Total liabilities | 2,253,479 | - | 1,030,262 | 3,283,741 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | - | 8,806,323 | 25,097 | 8,831,420 |
| Total deferred inflows of resources | - | 8,806,323 | 25,097 | 8,831,420 |
| FUND BALANCES | | | | |
| Nonspendable | 30,034,997 | - | - | 30,034,997 |
| Restricted | - | 8,916,610 | 10,632,799 | 19,549,409 |
| Committed | - | - | 1,391,188 | 1,391,188 |
| Assigned | 5,915,247 | - | - | 5,915,247 |
| Unassigned (deficit) | 10,008,178 | - | (162,793) | 9,845,385 |
| Total fund balances | 45,958,422 | 8,916,610 | 11,861,194 | 66,736,226 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 48,211,901 | \$ 17,722,933 | \$ 12,916,553 | \$ 78,851,387 |

City of Hercules
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2021

| | |
|---|-----------------------|
| Total fund balances of governmental funds | \$ 66,736,226 |
| 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 | 79,826,858 |
| Less: Amount reported in Internal Service Funds | (582,267) |
| 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: | |
| 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. | |
| | (533,387) |
| Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds | |
| | 8,831,420 |
| Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds: | |
| Compensated absences, net of Internal Service Fund of \$39,932 | (568,452) |
| Loans, leases, and bonds | (23,736,333) |
| Settlements payable | (1,208,050) |
| Net pension liability and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as governmental funds' liabilities. They are reported in the Statement of Net Position. | |
| Pensions-related deferred outflows of resources, net of Internal Service Fund of \$94,408 | 2,616,425 |
| Net pension liability, net of Internal Service Fund of \$549,627 | (16,436,327) |
| Pensions-related deferred inflows of resources, net of Internal Service Fund of \$4,239 | (1,337,670) |
| Net OPEB liability and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as governmental funds' liabilities. They are reported in the Statement of Net Position. | |
| OPEB-related deferred outflows of resources (PEHMCA), net of Internal Service Fund of \$15,581 | 259,680 |
| OPEB-related deferred outflows of resources (SOMAR), net of Internal Service Fund of \$16,614 | 276,875 |
| Net OPEB assets - PEHMCA, net of Internal Service Fund of \$42,457 | 406,769 |
| Net OPEB liability - SOMAR, net of Internal Service Fund of \$86,665 | (1,444,388) |
| OPEB-related deferred inflows of resources (PEHMCA), net of Internal Service Fund of \$90,361 | (1,505,997) |
| OPEB-related deferred outflows of resources (SOMAR), net of Internal Service Fund of \$19,465 | (324,404) |
| 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 | |
| | 2,605,371 |
| Net position of governmental activities | \$ 113,882,349 |

City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2021

| | Major Funds | | Other | Total |
|--|----------------------|-------------------------------|-----------------------|----------------------|
| | General Fund | Hercules Debt Service Fund | Governmental Funds | |
| REVENUES: | | | | |
| Taxes and assessments | \$ 11,063,092 | \$ - | \$ 3,034,968 | \$ 14,098,060 |
| Licenses and permits | 776,572 | - | 175,722 | 952,294 |
| Fines and forfeitures | 36,586 | - | - | 36,586 |
| Use of money and property | 476,520 | 942,241 | 37,510 | 1,456,271 |
| Intergovernmental | 2,647,128 | - | 1,942,171 | 4,589,299 |
| Charges for services | 1,295,954 | - | (145,790) | 1,150,164 |
| Other revenues | 168,101 | - | 71,509 | 239,610 |
| Total revenues | 16,463,953 | 942,241 | 5,116,090 | 22,522,284 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 3,854,043 | - | - | 3,854,043 |
| Public safety | 7,549,028 | - | 225,904 | 7,774,932 |
| Streets and public works | 305,963 | - | 4,332,949 | 4,638,912 |
| Parks and public works | 1,434,988 | - | - | 1,434,988 |
| Community development | 792,456 | - | - | 792,456 |
| Capital outlays | - | - | 4,163,726 | 4,163,726 |
| Debt services: | | | | |
| Principal | 84,479 | 384,634 | - | 469,113 |
| Interest and fiscal agent fee | 115,521 | 935,702 | 172,895 | 1,224,118 |
| Total expenditures | 14,136,478 | 1,320,336 | 8,895,474 | 24,352,288 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,327,475 | (378,095) | (3,779,384) | (1,830,004) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from loan | - | - | 4,209,354 | 4,209,354 |
| Proceeds from refunded bond | - | - | 5,876,843 | 5,876,843 |
| Payment to refunded bond escrow agent | - | - | (5,705,000) | (5,705,000) |
| Transfers in | 150,000 | 312,037 | 943,518 | 1,405,555 |
| Transfers (out) | (312,194) | - | (652,718) | (964,912) |
| Special items | (604,025) | - | - | (604,025) |
| Total other financing sources (uses) | (766,219) | 312,037 | 4,671,997 | 4,217,815 |
| NET CHANGE IN FUND BALANCES | 1,561,256 | (66,058) | 892,613 | 2,387,811 |
| FUND BALANCES: | | | | |
| Beginning of year, as restated (Note 17) | 44,397,166 | 8,982,668 | 10,968,581 | 64,348,415 |
| End of year | <u>\$ 45,958,422</u> | <u>\$ 8,916,610</u> | <u>\$ 11,861,194</u> | <u>\$ 66,736,226</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, 2021

Net change in fund balances - total governmental funds: \$ 2,387,811

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 \$214,241 reported in Internal Service Funds | \$ 4,163,726 | |
| Depreciation expense, net of \$256,400 reported in Internal Service Funds | <u>(3,402,895)</u> | 760,831 |

Revenues that are measurable but not available and are reported as unavailable revenue under the modified accrual basis of accounting in the governmental funds. (415,198)

Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

| | | |
|---|--|-------------|
| Proceeds from loan | | (4,209,354) |
| Proceeds from refunded bond | | (5,876,843) |
| Payment to refunded bond escrow agent | | 5,705,000 |
| Principal repayment of loans, leases, and bonds | | 469,113 |

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:

| | | |
|---|--|-------------|
| Interest expense | | 282,060 |
| Amortization of long term debt | | (17,297) |
| Change in compensated absences, net of Internal Service Fund of \$3,652 | | (20,381) |
| Pension expense of CalPERS Plan, net of pension contribution made after measurement date in the amount of \$637,942 | | (2,562,062) |
| OPEB (PEHMCA) expense | | (39,106) |
| OPEB (SOMAR) expense | | (124,310) |
| Settlement with department of finance | | 604,025 |

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. (243,648)

Change in net position of governmental activities \$ (3,299,359)



PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

City of Hercules
Statement of Net Position
Proprietary Funds
June 30, 2021

| | Business-Type | |
|--|--|---|
| | Activities | |
| | Enterprise Fund Wastewater Fund | Governmental Activities Internal Service Funds |
| ASSETS | | |
| Current assets: | | |
| Cash and investments | \$ 21,611,402 | \$ 2,838,902 |
| Cash and investments with fiscal agent | 7,679,725 | - |
| Accounts receivable | 10,822 | - |
| Total current assets | 29,301,949 | 2,838,902 |
| Noncurrent assets: | | |
| Advances to Private Purpose Trust Fund | 10,587,627 | - |
| Net OPEB assets - PEHMCA | 28,052 | 42,457 |
| Capital assets: | | |
| Nondepreciable | 1,160,287 | - |
| Depreciable, net | 38,827,505 | 582,267 |
| Total noncurrent assets | 50,603,471 | 624,724 |
| Total assets | 79,905,420 | 3,463,626 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pensions-related deferred outflows of resources | 180,108 | 94,408 |
| OPEB-related deferred outflows of resources (PEHMCA) | 15,581 | 15,581 |
| OPEB-related deferred outflows of resources (SOMAR) | 16,614 | 16,614 |
| Total deferred outflows of resources | 212,303 | 126,603 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 674,700 | 169,070 |
| Salaries and benefits payable | 30,880 | 25,499 |
| Accrued interest payable | 529,166 | - |
| Long-term debt - due within one year | 1,438,960 | 9,983 |
| Total current liabilities | 2,673,706 | 204,552 |
| Noncurrent liabilities: | | |
| Long-term debt - due in more than one year | 32,076,356 | - |
| Net pension liabilities | 779,817 | 549,627 |
| Net OPEB liabilities - SOMAR | 86,665 | 86,665 |
| Total noncurrent liabilities | 32,942,838 | 636,292 |
| Total liabilities | 35,616,544 | 840,844 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pensions-related deferred outflows of resources | 6,347 | 4,239 |
| OPEB-related deferred outflows of resources (PEHMCA) | 90,361 | 90,361 |
| OPEB-related deferred outflows of resources (SOMAR) | 19,465 | 19,465 |
| Total deferred inflows of resources | 116,173 | 114,065 |
| NET POSITION | | |
| Net investment in capital assets | 7,230,469 | 582,267 |
| Restricted for debt services | 7,679,725 | - |
| Unrestricted | 29,474,812 | 2,023,104 |
| Total net position | \$ 44,385,006 | \$ 2,605,371 |

City of Hercules
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

| | Business-Type | |
|---|----------------------|---------------------|
| | Activities | |
| | Enterprise | Governmental |
| | Fund | Activities |
| | Wastewater | Internal |
| | Fund | Service Funds |
| OPERATING REVENUES: | | |
| Charges for services | \$ 5,769,396 | \$ 1,896,276 |
| Other operating revenues | - | 8,778 |
| Total operating revenues | <u>5,769,396</u> | <u>1,905,054</u> |
| OPERATING EXPENSES: | | |
| Salaries and benefits | 741,238 | 559,773 |
| Services and supplies | 927,704 | 891,886 |
| Depreciation | 1,023,383 | 256,400 |
| Total operating expenses | <u>2,692,325</u> | <u>1,708,059</u> |
| Operating income | 3,077,071 | 196,995 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest income | 4,537 | - |
| Interest (expenses) | (1,202,095) | - |
| Total nonoperating revenues (expenses) | <u>(1,197,558)</u> | <u>-</u> |
| Income (loss) before transfers | | |
| TRANSFERS: | | |
| Transfers out | - | (440,643) |
| Total transfers | <u>-</u> | <u>(440,643)</u> |
| CHANGES IN NET POSITION | 1,879,513 | (243,648) |
| NET POSITION: | | |
| Beginning of year | 42,505,493 | 2,849,019 |
| End of year | <u>\$ 44,385,006</u> | <u>\$ 2,605,371</u> |

City of Hercules
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

| | Business-Type Activities | |
|--|-----------------------------|----------------------------|
| | Enterprise Fund | Governmental Activities |
| | Wastewater Fund | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash receipts from customers | \$ 5,758,574 | \$ - |
| Cash receipts from internal services provided | - | 1,905,054 |
| Cash paid to suppliers for goods and services | (4,214,705) | (885,256) |
| Cash paid to employees for services | (655,086) | (486,419) |
| Net cash provided by operating activities | 888,783 | 533,379 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| Transfers out | - | (440,643) |
| Net cash (used in) non-capital financing activities | - | (440,643) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Payments related to the acquisition of capital assets | (968,587) | (214,241) |
| Principal repayments related to capital purposes | (1,386,397) | - |
| Interest repayments related to capital purposes | (858,615) | - |
| Net cash (used in) capital and related financing activities | (3,213,599) | (214,241) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received | 4,537 | - |
| Net cash provided by investing activities | 4,537 | - |
| NET CHANGES IN CASH AND CASH EQUIVALENTS | (2,320,279) | (121,505) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 31,611,406 | 2,960,407 |
| End of year | \$ 29,291,127 | \$ 2,838,902 |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION: | | |
| Cash and investments | \$ 21,611,402 | \$ 2,838,902 |
| Cash and investments with fiscal agent | 7,679,725 | - |
| Total cash and cash equivalents | \$ 29,291,127 | \$ 2,838,902 |

(Continued)

City of Hercules
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2021

| | Business-Type Activities | |
|---|-----------------------------|----------------------------|
| | Enterprise Fund | Governmental Activities |
| | Wastewater Fund | Internal Service Funds |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating income | \$ 3,077,071 | \$ 196,995 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,023,383 | 256,400 |
| (Increase) Decrease in Assets and Deferred Outflows | | |
| Pensions-related deferred outflows | 13,495 | 9,014 |
| OPEB-related deferred outflows | 1,766 | (1,968) |
| Increase (Decrease) in Liabilities and Deferred Inflows | | |
| Accounts receivable | (10,822) | - |
| Accounts payable | (2,127,780) | 6,630 |
| Retentions payable | (1,159,221) | - |
| Salaries and benefits payable | 6,056 | 5,670 |
| Net pension liability | 85,090 | 56,832 |
| Net OPEB liability | (29,570) | (4,529) |
| Pensions-related deferred inflows | (28,403) | (7,080) |
| OPEB-related deferred inflows | 36,789 | 11,763 |
| Compensated absences | 929 | 3,652 |
| Total adjustments | (2,188,288) | 336,384 |
| Net cash provided by operating activities | \$ 888,783 | \$ 533,379 |

(Concluded)



FIDUCIARY FUND FINANCIAL STATEMENTS

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

Custodial Funds - are used to account for assets held by the government in a trustee capacity. 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, 2021

| | Successor Agency Private Purpose Trust Fund | Custodial Funds |
|--|--|--------------------|
| ASSETS | | |
| Cash and investments | \$ 10,325,875 | \$ 382,000 |
| Cash and investments with fiscal agent | 8,991,869 | 70,297 |
| Accounts receivable | 357,032 | - |
| Loans receivable, net | 8,551,079 | - |
| Due from the City | 322,055 | - |
| Land held for resale | 4,898,570 | - |
| Capital Assets: | | |
| Nondepreciable | 28,205,119 | - |
| Depreciable, net | 3,132,091 | - |
| Total assets | 64,783,690 | 452,297 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amount on refundings | 135,880 | |
| Total deferred outflows of resources | 135,880 | |
| LIABILITIES | | |
| Accounts payable | 15,463,262 | - |
| Unearned revenue | 37,122 | - |
| Amounts due to City of Hercules | 50,496,029 | - |
| Long-term debt: | | |
| Due within one year | 3,640,000 | - |
| Due in more than one year | 92,050,289 | - |
| Total liabilities | 161,686,702 | - |
| NET POSITION | | |
| Held in trust (deficit) individuals, organization, and other government | (96,767,132) | - |
| | - | 452,297 |
| | \$ (96,767,132) | \$ 452,297 |

City of Hercules
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

| | Successor Agency Private Purpose Trust Fund | Custodial Funds |
|--|--|--------------------|
| ADDITIONS: | | |
| Taxes and assessments | \$ 12,019,210 | \$ 229,064 |
| Investment income | 48,323 | (440) |
| Capital contributions | 5,066 | - |
| Losses | (131,877) | - |
| Proceeds from issuance of debt | - | 3,313,813 |
| Other revenue | 532,251 | - |
| Total additions | 12,472,973 | 3,542,437 |
| DEDUCTIONS: | | |
| Community development | 2,532,430 | - |
| Administration | - | 115,564 |
| Depreciation | 310,158 | - |
| Interest expenses | 4,883,509 | 232,218 |
| Principal payment to refunding escrow | - | 3,219,320 |
| Total deductions | 7,726,097 | 3,567,102 |
| CHANGES IN FIDUCIARY NET POSITION | 4,746,876 | (24,665) |
| FIDUCIARY NET POSITION: | | |
| Beginning of year, as restated (Note 17) | (101,514,008) | 476,962 |
| End of year | \$ (96,767,132) | \$ 452,297 |



NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Hercules
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For the Year Ended June 30, 2021

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City of Hercules
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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, 2021

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, 2021

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, 2021

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 custodial 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.

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

C. Cash and Investments

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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 asserts 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, 2021

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, 2021

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. 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).

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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:

| <u>CalPERS</u> | |
|--------------------|------------------------------|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Measurement Period | July 1, 2019 - June 30, 2020 |

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:

| <u>OPEB</u> | |
|--------------------|------------------------------|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2021 |
| Measurement Period | July 1, 2020 - June 30, 2021 |

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Deferred Outflows of Resources and Deferred Inflows of Resources

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; 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; therefore, are not recognized as a revenue until that time.

R. 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.

S. 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.

T. 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

T. Fund Balances (Continued)

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

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

U. 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

V. Implementation of New GASB Pronouncements

GASB Statement No. 84, *Fiduciary Activities*. This statement establishes standards relating accounting and financial reporting for identifying and financial reporting of fiduciary activities. Those provisions are effective for reporting periods beginning after December 15, 2019, as amended by GASB Statement No. 95. Application of this statement was effective starting in fiscal year ending June 30, 2021. See Note 17 for details.

GASB Statement No. 90, *Majority Equity Interests*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. Those provisions are effective for reporting periods beginning after December 15, 2019. Application of this statement did not have a material effect on the City’s financial statements for the fiscal year ending June 30, 2021.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

V. Implementation of New GASB Pronouncements (Continued)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses those and other accounting and financial reporting implications that result from the replacement of London Interbank Offered Rate (IBOR). The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Application of this statement did not have a material effect on the City’s financial statements for the fiscal year ending June 30, 2021.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Those provision are effective for fiscal years ending after December 15, 2021. The City has elected early implementation of this statement. Application of this statement did not have a material effect on the City’s financial statements for the fiscal year ending June 30, 2021.

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, 2021:

| | Primary Government | | Fiduciary Funds | Total |
|---|----------------------------|-----------------------------|----------------------|----------------------|
| | Governmental Activities | Business-type Activities | | |
| Cash and investments | \$ 25,269,319 | \$ 21,611,402 | \$ 10,707,875 | \$ 57,588,596 |
| Cash and investments with fiscal agents | 4,232,599 | 7,679,725 | 9,062,166 | 20,974,490 |
| Total | \$ 29,501,918 | \$ 29,291,127 | \$ 19,770,041 | \$ 78,563,086 |

The City’s cash and investments at June 30, 2021 in more detail:

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 2,255 |
| Deposits with financial institutions | 16,153,983 |
| Deposits with trust | 2,237,248 |
| Investments | 60,169,600 |
| Total | \$ 78,563,086 |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

A. Demand Deposits

The carrying amounts of the City’s demand deposits were \$16,153,983 at June 30, 2021. Bank balances at that date were \$16,342,530, the total amount of which was insured or collateralized with accounts held by the pledging financial institutions in the City’s name as discussed below.

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

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

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

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

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

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

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

| Investment Type | Total | Maturity 12 Months or Less |
|---------------------------------|----------------------|----------------------------------|
| Investments: | | |
| Local Agency Investment Fund | \$ 39,786,654 | \$ 39,786,654 |
| Investments with fiscal agents: | | |
| Money Market Mutual Funds | 20,382,946 | 20,382,946 |
| Total | \$ 60,169,600 | \$ 60,169,600 |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

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

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

Disclosures Relating to Credit Risk

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

| Investment Type | Total | Minimum Legal Rating | S&P Rating as of Fiscal Year Ended | |
|---------------------------------|----------------------|----------------------|------------------------------------|----------------------|
| | | | AAA | Not Rated |
| Investments: | | | | |
| Local Agency Investment Fund | \$ 39,786,654 | N/A | \$ - | \$ 39,786,654 |
| Investments with fiscal agents: | | | | |
| Money Market Mutual Funds | 20,382,946 | N/A | 20,382,946 | - |
| Total | \$ 60,169,600 | | \$ 20,382,946 | \$ 39,786,654 |

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

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

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2021 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, 2021, the City had \$39,786,654 invested in LAIF, which had invested 1.10% of the pool investment funds in structured notes and asset-backed securities.

F. Investment in Money Market Mutual Funds

At June 30, 2021, investments in money market mutual funds are reported at fair value. The City values investments in money market mutual funds at NAV based on amortized cost. The funds investment objectives seek preservation of capital, daily liquidity and maximum current income. The portfolios consist of liquid, high-quality debt securities issued by the U.S. Government. The fund seeks to preserve the NAV at \$1.00 per share but cannot guarantee to do so. The funds offer same day liquidity and as of June 30, 2021 the City had \$20,382,946 invested in Money Market Mutual Funds.

Note 3 – Loans Receivable

A. Governmental Activities

At June 30, 2021, loans receivable consisted of the following:

| | |
|--------------|---------------------|
| Bio-Rad Loan | \$ 1,502,773 |
| Total | <u>\$ 1,502,773</u> |

Bio-Rad Loan

The City advanced Bio-Rad Laboratories, Inc. \$2,000,000 to construct various tenant improvements in one or more of the buildings located at 203-295 Linus Pauling Drive. The terms of the loan call for monthly payments of \$10,418, at an interest rate of 4.5% per annum, with repayments commencing May 15, 2010 through September 14, 2038. The balance outstanding as of June 30, 2021 was \$1,502,773.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 3 – Loans Receivable (Continued)

B. Fiduciary Fund Financial Statements

At June 30, 2021, loans receivable consisted of the following:

| | | |
|-------------------------------------|----|-----------|
| Business Development Loans | \$ | 1,285,518 |
| Bridge Housing Corporation | | 2,163,993 |
| Home Emergency Loan | | 8,293 |
| First Time Homebuyers | | 1,178,322 |
| Homeowner Retention/Loss Mitigation | | 2,564,398 |
| Revitalization and Beautification | | 214,198 |
| Other Assistance Programs | | 1,136,357 |
| Total | \$ | 8,551,079 |

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, 2021

Note 4 – Lease Receivable (Continued)

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

| Year Ending June 30 | Amount |
|------------------------|--------------|
| 2022 | \$ 908,474 |
| 2023 | 914,726 |
| 2024 | 920,978 |
| 2025 | 927,230 |
| 2026 | 933,482 |
| 2026-2030 | 4,797,460 |
| 2031-2035 | 4,950,440 |
| 2036-2039 | 2,171,598 |
| Subtotal | 16,524,388 |
| Less: Unearned income | (7,718,065) |
| Lease receivable, net | \$ 8,806,323 |

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2021, the City’s Due to and from Other Funds are as follows:

| Due From Other Funds (Receivable) | Due To Other Funds (Payable) | Amount |
|---|------------------------------|------------|
| General Fund | Nonmajor Governmental Funds | \$ 190,014 |
| Nonmajor Governmental Funds | General Fund | 157 |
| Successor Agency Private Purpose Trust Fund | Grant Special Revenue Fund | 322,055 |
| | Total | \$ 512,226 |

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, 2021, 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 |
| Hercules 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 | \$ 50,496,029 |

Of the \$48.2 million reported as assets in the General Fund, 57.7% 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, 2021

Note 5 – Interfund Transactions (Continued)

C. Transfers In and Out

| Transfer In | Transfer Out | Amount |
|-----------------------------|-----------------------------|---------------------|
| General Fund | Nonmajor Governmental Funds | \$ 150,000 |
| Debt Service Fund | General Fund | 312,037 |
| Nonmajor Governmental Funds | General Fund | 157 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 502,718 |
| Nonmajor Governmental Funds | Internal Service Fund | 440,643 |
| | Total | <u>\$ 1,405,555</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, 2021 was as follows:

| | Balance June 30, 2020 | Additions | Retirements | Reclassification/ Transfers | Balance June 30, 2021 |
|--------------------------------------|--------------------------|--------------------|-----------------|--------------------------------|--------------------------|
| Nondepreciable assets: | | | | | |
| Land | \$ 5,081,587 | \$ - | \$ - | \$ - | \$ 5,081,587 |
| Construction in progress | 462,977 | 4,026,454 | - | (261,255) | 4,228,176 |
| Total nondepreciable assets | <u>5,544,564</u> | <u>4,026,454</u> | <u>-</u> | <u>(261,255)</u> | <u>9,309,763</u> |
| Depreciable assets: | | | | | |
| Land improvements | 11,807,105 | - | - | (86,744) | 11,720,361 |
| Building and improvements | 27,076,100 | - | - | (102,687) | 26,973,413 |
| Machinery and equipment | 6,881,849 | 214,241 | (86,462) | (1,928,629) | 5,080,999 |
| Infrastructure | 110,928,058 | 137,272 | - | 2,379,315 | 113,444,645 |
| Subtotal | <u>156,693,112</u> | <u>351,513</u> | <u>(86,462)</u> | <u>261,255</u> | <u>157,219,418</u> |
| Less: accumulated depreciation: | | | | | |
| Land improvements | (9,277,151) | (423,598) | - | - | (9,700,749) |
| Building and improvements | (11,250,397) | (596,097) | - | - | (11,846,494) |
| Machinery and equipment | (6,990,987) | (264,027) | 86,462 | - | (7,168,552) |
| Infrastructure | (55,610,955) | (2,375,573) | - | - | (57,986,528) |
| Subtotal | <u>(83,129,490)</u> | <u>(3,659,295)</u> | <u>86,462</u> | <u>-</u> | <u>(86,702,323)</u> |
| Total depreciable assets, net | <u>73,563,622</u> | <u>(3,307,782)</u> | <u>-</u> | <u>261,255</u> | <u>70,517,095</u> |
| Total capital assets, net | <u>\$ 79,108,186</u> | <u>\$ 718,672</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 79,826,858</u> |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021 as follows:

| Depreciation Expenses | Allocation |
|------------------------|--------------|
| General government | \$ 311,664 |
| Public safety | 37,201 |
| Public works | 2,680,503 |
| Parks and recreation | 373,527 |
| Internal service funds | 256,400 |
| Total | \$ 3,659,295 |

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2021 was as follows:

| | Balance July 1, 2020 | Additions | Reclassification/ Transfers | Balance June 30, 2021 |
|--------------------------------------|-------------------------|-------------|--------------------------------|--------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 191,700 | \$ - | \$ - | \$ 191,700 |
| Construction in progress | - | 968,587 | - | 968,587 |
| Total nondepreciable assets | 191,700 | 968,587 | - | 1,160,287 |
| Depreciable assets: | | | | |
| Building and improvements | 38,325,271 | - | - | 38,325,271 |
| Machinery and equipment | 250,345 | - | - | 250,345 |
| Infrastructure | 14,857,483 | - | - | 14,857,483 |
| Subtotal | 53,433,099 | - | - | 53,433,099 |
| Less: accumulated depreciation: | | | | |
| Building and improvements | (10,718,869) | (150,678) | - | (10,869,547) |
| Machinery and equipment | (197,354) | (13,353) | - | (210,707) |
| Infrastructure | (2,665,988) | (859,352) | - | (3,525,340) |
| Subtotal | (13,582,211) | (1,023,383) | - | (14,605,594) |
| Total depreciable assets, net | 39,850,888 | (1,023,383) | - | 38,827,505 |
| Total capital assets, net | \$ 40,042,588 | \$ (54,796) | \$ - | \$ 39,987,792 |

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

| Depreciation Expenses | Allocation |
|-----------------------|--------------|
| Wastewater | \$ 1,023,383 |
| Total | \$ 1,023,383 |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Capital Assets (Continued)

C. Fiduciary Fund Financial Statements

Summary of changes in Fiduciary Fund capital assets for the year ended June 30, 2021 was as follows:

| | Balance July 1, 2020 | Additions | Reclassification/ Transfers | Balance June 30, 2021 |
|--------------------------------------|-------------------------|---------------------|--------------------------------|--------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 229,685 | \$ - | \$ - | \$ 229,685 |
| Construction in progress | 27,975,434 | - | - | 27,975,434 |
| Total nondepreciable assets | 28,205,119 | - | - | 28,205,119 |
| 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 | 9,326,324 | - | - | 9,326,324 |
| Less: accumulated depreciation: | | | | |
| Land improvements | (11,379) | - | - | (11,379) |
| Building and improvements | (3,143,331) | (99,437) | - | (3,242,768) |
| Machinery and equipment | (63,910) | (5,810) | - | (69,720) |
| Infrastructure | (2,665,455) | (204,911) | - | (2,870,366) |
| Subtotal | (5,884,075) | (310,158) | - | (6,194,233) |
| Total depreciable assets, net | 3,442,249 | (310,158) | - | 3,132,091 |
| Total capital assets, net | \$ 31,647,368 | \$ (310,158) | \$ - | \$ 31,337,210 |

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 | \$ | 310,158 |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Long-Term Debt

A. Governmental Activities

Summary of changes in Governmental Activities long-term debt for the year ended June 30, 2021 was as follows:

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 | Due within One Year | Due in More Than One Year |
|--|-------------------------|----------------------|-----------------------|--------------------------|------------------------|------------------------------|
| Publicly Offered: | | | | | | |
| 2003B PFA Lease Revenue Bonds | \$ 5,705,000 | \$ - | \$ (5,705,000) | \$ - | \$ - | \$ - |
| 2009 PFA Taxable Lease Revenue Bonds | 8,585,000 | - | (200,000) | 8,385,000 | 220,000 | 8,165,000 |
| Less: Discount on issuance | (311,332) | - | 17,297 | (294,035) | - | (294,035) |
| 2020 PFA Lease Revenue Refunding Bonds | - | 5,876,843 | - | 5,876,843 | - | 5,876,843 |
| H.E.L.P. Loan | 1,600,000 | - | (84,479) | 1,515,521 | 75,933 | 1,439,588 |
| R.D.L.P. Loan | 3,750,000 | - | - | 3,750,000 | - | 3,750,000 |
| Engie Energy Conservation | - | 4,209,354 | - | 4,209,354 | 93,812 | 4,115,542 |
| SunTrust Lease | 478,284 | - | (184,634) | 293,650 | 193,470 | 100,180 |
| Compensated Absences | 584,351 | 315,418 | (291,385) | 608,384 | 426,339 | 182,045 |
| Total | <u>\$ 20,391,303</u> | <u>\$ 10,401,615</u> | <u>\$ (6,448,201)</u> | <u>\$ 24,344,717</u> | <u>\$ 1,009,554</u> | <u>\$ 23,335,163</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 outstanding balance was refunded with 2020 PFA Lease Revenue Refunding Bond during the year ended June 30, 2021.

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, 2021 is \$8,385,000.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|----------------------|
| 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 | 300,000 | 606,578 | 906,578 |
| 2027-2031 | 1,910,000 | 2,601,491 | 4,511,491 |
| 2032-2036 | 2,845,000 | 1,621,410 | 4,466,410 |
| 2037-2039 | 2,345,000 | 305,970 | 2,650,970 |
| Total | <u>\$ 8,385,000</u> | <u>\$ 7,781,415</u> | <u>\$ 16,166,415</u> |

2020 Hercules Public Financing Authority 2020 Lease Revenue Refunding Bond

The Hercules Public Financing Authority issued Lease Revenue Refunding Bond series 2020, dated August 1, 2020, totaling \$5,876,843. The purpose of the bonds was to finance and to refinance the acquisition and or construction of certain real property and public capital improvements of the City. The issuance of the 2020 Lease Revenue Refunding Bond (the “2020 Refunding Bond”) resulted in cash flow savings of \$947,702 over the life of the Bond. The City has structured the refinancing to achieve nearly all of the cash flow savings in the first three fiscal years: \$458,377 in FY 2021, \$435,857 in FY 2022, and \$53,463 in FY 2023.

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ - | \$ 129,878 | \$ 129,878 |
| 2023 | 386,663 | 125,606 | 512,269 |
| 2024 | 448,561 | 116,376 | 564,937 |
| 2025 | 457,061 | 106,369 | 563,430 |
| 2026 | 465,032 | 96,180 | 561,212 |
| 2027-2031 | 2,494,386 | 319,649 | 2,814,035 |
| 2032-2035 | 1,625,140 | 54,357 | 1,679,497 |
| Total | <u>\$ 5,876,843</u> | <u>\$ 948,416</u> | <u>\$ 6,825,259</u> |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021 is \$1,515,521.

The annual debt service requirements to maturity for the H.E.L.P. Loan as of June 30, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 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 | 1,211,455 | 18,733 | 1,230,188 |
| Total | <u>\$ 1,515,521</u> | <u>\$ 114,667</u> | <u>\$ 1,630,188</u> |

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, 2021 is \$3,750,000.

The annual debt service requirements to maturity for the R.D.L.P. Loan as of June 30, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ - | \$ 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 | 3,750,000 | 113,572 | 3,863,572 |
| Total | <u>\$ 3,750,000</u> | <u>\$ 613,572</u> | <u>\$ 4,363,572</u> |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Engie Construction Loan

On August 14, 2020, the City entered into an equipment lease purchase agreement for the implementation of the “Option A” Energy Services Contract. Interest rate is 2.71%, 30/360 basis, and payment commencing August 14, 2020 and ending on September 14, 2040.

The annual debt service requirements to maturity for the rental payment as of June 30, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2022 | \$ 93,812 | \$ 123,580 | \$ 217,392 |
| 2023 | 114,900 | 111,531 | 226,431 |
| 2024 | 127,479 | 108,417 | 235,896 |
| 2025 | 130,064 | 104,963 | 235,027 |
| 2026 | 143,641 | 101,438 | 245,079 |
| 2027-2031 | 953,119 | 440,612 | 1,393,731 |
| 2032-2036 | 1,440,698 | 286,572 | 1,727,270 |
| 2037-2039 | 1,205,641 | 101,396 | 1,307,037 |
| Total | <u>\$ 4,209,354</u> | <u>\$ 1,378,509</u> | <u>\$ 5,587,863</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, 2021 is \$293,650. The costs of these assets were \$2,358,636 and the net book value at June 30, 2021 were \$293,650.

The annual debt service requirements to maturity for the SunTrust master lease agreement as of June 30, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------|------------------|-------------------|
| 2022 | \$ 193,470 | \$ 11,629 | \$ 205,099 |
| 2023 | 100,180 | 2,369 | 102,549 |
| Total | <u>\$ 293,650</u> | <u>\$ 13,998</u> | <u>\$ 307,648</u> |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021 was as follows:

| | Balance June 30, 2020 | Additions | Deletions | Balance June 30, 2021 | Due within One Year | Due in More Than One Year |
|---|--------------------------|------------------|-----------------------|--------------------------|------------------------|------------------------------|
| 2010 PFA Wastewater | | | | | | |
| Revenue Bonds | \$ 9,535,000 | \$ - | \$ (285,000) | \$ 9,250,000 | \$ 295,000 | \$ 8,955,000 |
| Less: Discount on issuance | (145,434) | - | 7,272 | (138,162) | - | (138,162) |
| State Water Resources Construction Loan | | | | | | |
| Construction Loan | 25,457,695 | - | (1,101,397) | 24,356,298 | 1,096,780 | 23,259,518 |
| Compensated Absences | 46,251 | 29,704 | (28,775) | 47,180 | 47,180 | - |
| Total | <u>\$ 34,893,512</u> | <u>\$ 29,704</u> | <u>\$ (1,407,900)</u> | <u>\$ 33,515,316</u> | <u>\$ 1,438,960</u> | <u>\$ 32,076,356</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, 2021 is \$9,250,000.

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, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|----------------------|
| 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 | 345,000 | 385,622 | 730,622 |
| 2027-2031 | 1,970,000 | 1,664,750 | 3,634,750 |
| 2032-2036 | 2,505,000 | 1,121,375 | 3,626,375 |
| 2037-2041 | 3,185,000 | 413,876 | 3,598,876 |
| Total | <u>\$ 9,250,000</u> | <u>\$ 5,264,070</u> | <u>\$ 14,514,070</u> |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

State Water Resources Construction Loan

In June 2016, the City entered into an installment sale agreement with the California State Water Resources Control Board in the amount of \$26,500,000. The funds are for construction costs for the Pinole-Hercules Wastewater Pollution Control Plant Improvement Project. The interest rate on the loan is 1.7%. The first principal and interest payment are due August 31, 2019, and is contingent on the total drawdowns at project completion. The loan matures on August 31, 2038. The City has drawn down \$25,458,720 of the loan principal including construction loan interest as of June 30, 2021. The balance at June 30, 2021 is \$24,356,298.

The annual debt service requirements to maturity for the Publicly Owned Treatment Works Construction Loan as of June 30, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|---------------------|----------------------|
| 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 | 1,173,285 | 337,553 | 1,510,838 |
| 2027-2031 | 6,172,479 | 1,381,707 | 7,554,186 |
| 2032-2036 | 6,715,284 | 838,902 | 7,554,186 |
| 2037-2041 | 5,794,985 | 248,361 | 6,043,346 |
| Total | <u>\$ 24,356,298</u> | <u>\$ 4,349,605</u> | <u>\$ 28,705,903</u> |

C. Fiduciary Fund Financial Statements

A summary of changes in Fiduciary Fund long-term debt for the year ended June 30, 2021 was as follows:

| | Balance June 30, 2020 | Additions | Deletions | Balance June 30, 2021 | Due within One Year | Due in More Than One Year |
|------------------------------------|--------------------------|-------------|-----------------------|--------------------------|------------------------|------------------------------|
| Publicly Offered: | | | | | | |
| 2005 Tax Allocation Bonds | \$ 32,355,000 | \$ - | \$ (1,585,000) | \$ 30,770,000 | \$ 1,655,000 | \$ 29,115,000 |
| Plus: Bond Premium | 1,087,989 | - | (72,532) | 1,015,457 | - | 1,015,457 |
| 2007A Housing Tax Allocation Bonds | 9,370,000 | - | (445,000) | 8,925,000 | 470,000 | 8,455,000 |
| 2007B Housing Tax Allocation Bonds | 7,465,000 | - | (385,000) | 7,080,000 | 405,000 | 6,675,000 |
| Plus: Bond Premium | 40,908 | - | (3,146) | 37,762 | - | 37,762 |
| 2007 RDA Tax Allocation Bonds | 48,605,000 | - | (1,090,000) | 47,515,000 | 1,110,000 | 46,405,000 |
| Notes Payable | 347,070 | - | - | 347,070 | - | 347,070 |
| Total | <u>\$ 99,270,967</u> | <u>\$ -</u> | <u>\$ (3,580,678)</u> | <u>\$ 95,690,289</u> | <u>\$ 3,640,000</u> | <u>\$ 92,050,289</u> |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021 is \$30,770,000.

The annual debt service requirements to maturity for the 2005 Tax Allocation Bonds as of June 30, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 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 | 2,010,000 | 1,121,988 | 3,131,988 |
| 2027-2031 | 11,650,000 | 3,971,900 | 15,621,900 |
| 2032-2036 | 9,980,000 | 941,881 | 10,921,881 |
| Total | <u>\$ 30,770,000</u> | <u>\$ 11,451,950</u> | <u>\$ 42,221,950</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 2020-2021 was \$9,705, and the accumulated amortization at June 30, 2021 was \$155,280.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021 for 2007 Series A and Series B are \$8,925,000 and \$7,080,000, respectively.

The annual debt service requirements to maturity for the 2007A Housing Tax Allocation Bonds as of June 30, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|----------------------|
| 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 | 595,000 | 402,259 | 997,259 |
| 2027-2031 | 3,565,000 | 1,400,328 | 4,965,328 |
| 2032-2036 | 2,705,000 | 254,953 | 2,959,953 |
| Total | <u>\$ 8,925,000</u> | <u>\$ 3,999,772</u> | <u>\$ 12,924,772</u> |

The annual debt service requirements to maturity for the 2007B Housing Tax Allocation Bonds as of June 30, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 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 | - | 309,200 | 309,200 |
| 2027-2031 | 4,210,000 | 1,077,275 | 5,287,275 |
| 2032-2036 | 2,045,000 | 255,625 | 2,300,625 |
| Total | <u>\$ 7,080,000</u> | <u>\$ 2,916,363</u> | <u>\$ 9,996,363</u> |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021 is \$47,515,000.

The annual debt service requirements to maturity for the 2007 Tax Allocation Bonds Series A as of June 30, 2021 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 2022 | \$ 1,110,000 | \$ 2,222,881 | \$ 3,332,881 |
| 2023 | 1,140,000 | 2,170,793 | 3,310,793 |
| 2024 | 1,170,000 | 2,113,044 | 3,283,044 |
| 2025 | 1,200,000 | 2,053,794 | 3,253,794 |
| 2026 | 1,235,000 | 1,992,919 | 3,227,919 |
| 2027-2031 | 6,615,000 | 9,067,271 | 15,682,271 |
| 2032-2036 | 12,270,000 | 7,206,210 | 19,476,210 |
| 2037-2041 | 16,295,000 | 3,339,237 | 19,634,237 |
| 2042-2043 | 6,480,000 | 316,793 | 6,796,793 |
| Total | <u>\$ 47,515,000</u> | <u>\$ 30,482,942</u> | <u>\$ 77,997,942</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, 2021, the Agency’s long-term notes payable for East Group and Bio Rad Laboratories were \$130,911 and \$216,159, respectively.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021 |
|--|----------------------|--------------------------|
| Reassessment District 2005-1 (John Muir Parkway) | \$ 6,550,345 | \$ - |
| Refunding Reassessment District 2005-1 (John Muir Parkway) | 3,006,859 | 2,774,642 |

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, 2021 are as follows:

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|--------------|
| Deferred outflows of resources: | | | |
| Pension contribution made after measurement date: | | | |
| CalPERS Miscellaneous | \$ 194,040 | \$ 30,105 | \$ 224,145 |
| CalPERS Safety | 443,902 | - | 443,902 |
| Total pension contribution made after measurement date | 637,942 | 30,105 | 668,047 |
| Difference between projected and actual investment earnings: | | | |
| CalPERS Miscellaneous | 201,638 | 31,283 | 232,921 |
| CalPERS Safety | 215,712 | - | 215,712 |
| Total difference between projected and actual investment earnings: | 417,350 | 31,283 | 448,633 |
| Adjustment due to difference in proportions | | | |
| CalPERS Miscellaneous | 415,435 | 64,450 | 479,885 |
| CalPERS Safety | 120,683 | - | 120,683 |
| Total adjustment due to difference in proportions | 536,118 | 64,450 | 600,568 |
| Difference between expected and actual experience | | | |
| CalPERS Miscellaneous | 349,791 | 54,270 | 404,061 |
| CalPERS Safety | 769,632 | - | 769,632 |
| Total difference between expected and actual experience | 1,119,423 | 54,270 | 1,173,693 |
| Total deferred outflows of resources | | | |
| CalPERS Miscellaneous | 1,160,904 | 180,108 | 1,341,012 |
| CalPERS Safety | 1,549,929 | - | 1,549,929 |
| Total deferred outflows of resources | \$ 2,710,833 | \$ 180,108 | \$ 2,890,941 |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Retirement Plans (Continued)

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Net pension liabilities: | | | |
| CalPERS Miscellaneous | \$ 7,060,991 | \$ 779,817 | \$ 7,840,808 |
| CalPERS Safety | 9,924,963 | - | 9,924,963 |
| Total net pension liabilities | <u>\$ 16,985,954</u> | <u>\$ 779,817</u> | <u>\$ 17,765,771</u> |
| Deferred inflows of resources: | | | |
| Change in assumptions | | | |
| CalPERS Miscellaneous | \$ 54,822 | \$ 1,101 | \$ 55,923 |
| CalPERS Safety | 33,061 | - | 33,061 |
| Total change in assumptions | <u>87,883</u> | <u>1,101</u> | <u>88,984</u> |
| Adjustment due to difference in proportions | | | |
| CalPERS Miscellaneous | 165,775 | 3,328 | \$ 169,103 |
| CalPERS Safety | 395,681 | - | 395,681 |
| Total adjustment due to difference in proportions | <u>561,456</u> | <u>3,328</u> | <u>564,784</u> |
| Employer contributions in excess of proportionate share of contribution | | | |
| CalPERS Miscellaneous | 95,585 | 1,918 | 97,503 |
| CalPERS Safety | 596,985 | - | 596,985 |
| Total employer contributions in excess of proportionate share of contribution | <u>692,570</u> | <u>1,918</u> | <u>694,488</u> |
| Total deferred inflows of resources | | | |
| CalPERS Miscellaneous | 316,182 | 6,347 | 322,529 |
| CalPERS Safety | 1,025,727 | - | 1,025,727 |
| Total deferred inflows of resources | <u>\$ 1,341,909</u> | <u>\$ 6,347</u> | <u>\$ 1,348,256</u> |
| Pension expenses: | | | |
| CalPERS Miscellaneous | \$ 1,253,790 | \$ 106,798 | \$ 1,360,588 |
| CalPERS Safety | 2,161,553 | - | 2,161,553 |
| Total net pension expenses | <u>\$ 3,415,343</u> | <u>\$ 106,798</u> | <u>\$ 3,522,141</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, 2021

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Employees Covered by Benefit Terms

At the June 30, 2020 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 | 30 | 16 | 11 | 1 | 11 |
| Transferred employees | 46 | 11 | 8 | 1 | 6 |
| Separated employees | 98 | 17 | 3 | 1 | 7 |
| Retired employees and beneficiaries | 89 | - | 33 | - | - |
| Total | <u>263</u> | <u>44</u> | <u>55</u> | <u>3</u> | <u>24</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, 2021, 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 | 7.00% | 6.75% | 9.00% | 9.00% | 13.00% |
| Required employer contribution rate | 10.484% | 7.732% | 23.674% | 21.746% | 13.044% |

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, 2021

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

For the year ended June 30, 2021, the contributions recognized as part of pension expense for each Plan were as follows:

| | Miscellaneous | Safety | CalPERS Total |
|--------------------------|----------------------|---------------|----------------------|
| Contributions - employer | \$ 224,145 | \$ 443,902 | \$ 668,047 |

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: 6/30/19 (Valuation date) | \$ 28,696,810 | \$ 21,542,617 | \$ 7,154,193 |
| Balance at: 6/30/20 (Measurement date) | 29,729,683 | 21,888,875 | 7,840,808 |
| Net changes during 2019-2020 | \$ 1,032,873 | \$ 346,258 | \$ 686,615 |
| Safety | | | |
| Balance at: 6/30/19 (Valuation date) | \$ 33,743,015 | \$ 23,895,251 | \$ 9,847,764 |
| Balance at: 6/30/20 (Measurement date) | 36,992,828 | 27,067,865 | 9,924,963 |
| Net changes during 2018-2019 | \$ 3,249,813 | \$ 3,172,614 | \$ 77,199 |

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2019 measurement date (June 30, 2020 reporting date) and 2020 measurement date (June 30, 2021 reporting date) was as follows:

| | Miscellaneous | Safety |
|------------------------------|----------------------|---------------|
| Proportion - June 30, 2019 | 0.15751% | 0.14724% |
| Proportion - June 30, 2020 | 0.18589% | 0.14897% |
| Change - Increase/(Decrease) | 0.02838% | 0.00173% |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$1,360,588 and \$2,161,553, for the Miscellaneous and Safety plans, respectively. At June 30, 2021, 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 | \$ 224,145 | \$ - |
| Difference between expected and actual experience | 404,061 | |
| Changes of assumptions | - | (55,923) |
| Net difference between projected and actual earnings on pension plan investments | 232,921 | - |
| Employer contributions in excess/(under) proportionate share of contributions | | (97,503) |
| Adjustments due to difference in proportions | 479,885 | (169,103) |
| Total | <u>\$ 1,341,012</u> | <u>\$ (322,529)</u> |

| Safety Plan | | |
|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Contribution made after the measurement date | \$ 443,902 | \$ - |
| Difference between expected and actual experience | 769,632 | - |
| Changes of assumptions | - | (33,061) |
| Net difference between projected and actual earnings on pension plan investments | 215,712 | - |
| Employer contributions in excess/(under) proportionate share of contributions | - | (596,985) |
| Adjustments due to difference in proportions | 120,683 | (395,681) |
| Total | <u>\$ 1,549,929</u> | <u>\$ (1,025,727)</u> |

| CalPERS Aggregate Total | | |
|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Contribution made after the measurement date | \$ 668,047 | \$ - |
| Difference between expected and actual experience | 1,173,693 | - |
| Changes of assumptions | - | (88,984) |
| Net difference between projected and actual earnings on pension plan investments | 448,633 | - |
| Employer contributions in excess/(under) proportionate share of contributions | - | (694,488) |
| Adjustments due to difference in proportions | 600,568 | (564,784) |
| Total | <u>\$ 2,890,941</u> | <u>\$ (1,348,256)</u> |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

For the Miscellaneous Plan and Safety Plan, \$224,145 and \$443,902, 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, 2021. 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 |
| 2021 | \$ 112,371 | \$ (236,427) | \$ (124,056) |
| 2022 | 396,532 | 74,398 | 470,930 |
| 2023 | 173,719 | 134,244 | 307,963 |
| 2024 | 111,716 | 108,085 | 219,801 |
| 2025 | - | - | - |
| Thereafter | - | - | - |
| Total | <u>\$ 794,338</u> | <u>\$ 80,300</u> | <u>\$ 874,638</u> |

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

| | |
|-----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB 68 |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table ¹ | Derived using CalPERS’ Membership Data for all Funds. |
| Post Retirement Benefit Increase | The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter. |

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. 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, 2021

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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 In the System's CAFR, Fixed Income is included in Global Debt Securities;

Liquidity is included in Short-term Investments; Inflation assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% 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, 2021

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 | \$ 12,521,141 | \$ 7,840,808 | \$ 3,973,605 |
| Safety | \$ 14,938,674 | \$ 9,924,963 | \$ 5,810,759 |
| Total | \$ 27,459,816 | \$ 17,765,771 | \$ 9,784,364 |

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, 2021, the City had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2021.

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 Annual Comprehensive 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, 2021

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 (\$139/month for 2020 and \$143/month for 2021).

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 \$355.08/per month for 2020 and \$365.73/per month for 2021 (Police), \$234.34 for 2020 and \$241.37/per month for 2021 (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, 2021

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, 2021 were \$22,016.

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

| | | |
|---------------------|--|----|
| Active plan members | | 54 |
| Retirees | | 17 |
| Total | | 71 |

Actuarial Assumptions

The net OPEB liability of the Plan was determined using an actuarial valuation as of July 1, 2020 using the following actuarial assumptions:

| | |
|--|------------------------|
| Actuarial Assumptions: | |
| Discount Rate | 5.15% |
| Inflation | 2.50% |
| Aggregate payroll increases | 2.75% |
| Expected long-term investment rate of return | n/a |
| Mortality, Termination, and Disability | 2017 CalPERS Mortality |
| Healthcare Trend Rate | 4% |

The mortality assumptions are based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Discount Rate

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

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

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, 2021:

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
|---|----------------------|-----------------------------|----------------------------|
| Balance at June 30, 2020 | \$ 2,492,220 | \$ 2,664,592 | \$ (172,372) |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 167,563 | - | 167,563 |
| Interest on the total OPEB liability | 139,104 | 359,682 | (220,578) |
| Difference between expected and actual experience | (311,195) | - | (311,195) |
| Changes of assumptions | 65,097 | - | 65,097 |
| Contributions from the employer | - | 22,016 | (22,016) |
| Net investment income | - | - | - |
| Administrative expenses | - | (16,223) | 16,223 |
| Benefit payments | (123,619) | (123,619) | - |
| Net Changes during July 1, 2020 to June 30, 2021 | (63,050) | 241,856 | (304,906) |
| Balance at June 30, 2021 (Measurement Date) | <u>\$ 2,429,170</u> | <u>\$ 2,906,448</u> | <u>\$ (477,278)</u> |

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%) |
| \$ (187,026) | \$ (477,278) | \$ (722,165) |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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 (Continued)

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% |
| \$ (782,975) | \$ (477,278) | \$ (99,715) |

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$60,455 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, 2021, 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 | \$ 22,908 | \$ (1,270,430) |
| Changes of assumptions | 246,634 | (241,109) |
| Net difference between projected and actual earning on OPEB plan investments | 21,300 | (175,180) |
| Total | \$ 290,842 | \$ (1,686,719) |

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 |
|---|--|
| 2022 | \$ (121,730) |
| 2023 | (122,078) |
| 2024 | (132,057) |
| 2025 | (194,952) |
| 2026 | (156,881) |
| Thereafter | (668,179) |
| Total | \$ (1,395,877) |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021

Note 10 – Other Postemployment Benefits (Continued)

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

Employees Covered by Benefit Terms

At the June 30, 2021 measurement date the following employees were covered by the benefit terms:

| | <u>Executives</u> | <u>Police</u> | <u>Total</u> |
|---------------------------------------|-------------------|---------------|--------------|
| Participating active employees | 11 | 20 | 31 |
| Inactive employees receiving benefits | 2 | 11 | 13 |
| Total | <u>13</u> | <u>31</u> | <u>44</u> |

Benefits Provided

The SOMAR plan's provisions and benefits in effect at June 30, 2021, 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, 2021, the contributions recognized as part of OPEB expense for the SOMAR plan were as follows:

| | |
|--------------------------|---------------------------------------|
| Contributions - employer | <u>SOMAR Plan</u> <u>\$ 43,536</u> |
|--------------------------|---------------------------------------|

Actuarial Assumptions

The net OPEB liability of the SOMAR Plan was determined using an actuarial valuation as of July 1, 2020 using the following actuarial assumptions:

| | |
|-------------------------------------|--|
| Actuarial Assumptions: | |
| Cost method | Entry age normal |
| Discount Rate | 2.16% |
| Inflation | 2.50% |
| 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, 2021

Note 10 – Other Postemployment Benefits (Continued)

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

Changes in the Net OPEB Liability

This table shows the changes in the total OPEB liability, the plan fiduciary net position, and the net OPEB liability (asset) of the SOMAR plan as of June 30, 2021:

| | SOMAR Plan | | |
|---|---------------------------------|--|-------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at June 30, 2019 | \$ 1,864,795 | \$ - | \$ 1,864,795 |
| Changes Recognized for the Measurement Period: | | | |
| Service cost | 141,956 | - | 141,956 |
| Interest on the total pension liability | 42,108 | - | 42,108 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | (398,956) | - | (398,956) |
| Changes of assumptions | 11,351 | - | 11,351 |
| Contributions from the employer as benefit payments | - | 43,536 | (43,536) |
| Net investment income | - | - | - |
| Administrative expenses | - | - | - |
| Benefit payments | (43,536) | (43,536) | - |
| Net changes during July 1, 2019 to June 30, 2020 | (247,077) | - | (247,077) |
| Balance at June 30, 2020 (measurement date) | \$ 1,617,718 | \$ - | \$ 1,617,718 |

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

| SOMAR Plan's Total OPEB Liability | | |
|--|---------------------------------|------------------------------|
| Discount Rate - 1% (1.2%) | Current Discount Rate (2.2%) | Discount Rate + 1% (3.2%) |
| \$ 1,942,727 | \$ 1,617,718 | \$ 1,365,073 |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 10 – Other Postemployment Benefits (Continued)

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

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$182,764 for the SOMAR plan. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources for the SOMAR plan:

| | SOMAR Plan | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ - | \$ (363,334) |
| Changes of assumptions | 310,103 | - |
| Total | \$ 310,103 | \$ (363,334) |

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

| Measurement Period Ending June 30 | SOMAR Plan Deferred Outflows/ (Inflows) of Resources |
|--|---|
| 2022 | \$ (1,300) |
| 2023 | (1,300) |
| 2024 | (1,300) |
| 2025 | (1,300) |
| 2026 | (1,300) |
| Thereafter | (46,731) |
| Total | \$ (53,231) |

Payable to the OPEB Plan

At June 30, 2021, the City had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2021.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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.

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, 2021, the City's estimated claims liabilities were as follows:

| | |
|-----------------------|------------|
| General liabilities | \$ 474,548 |
| Workers' Compensation | 101,796 |
| Total | \$ 576,344 |

The City's claims liability of \$576,344 consists of \$10,736 due within one year and the remainder of \$565,609 due in more than one year. Changes in the claims liabilities for the fiscal years ended June 30, 2021, 2020 and 2019 are as follows:

| Fiscal Year | Beginning Balance | Claims and Changes in Estimates | Claims Payments | Ending Balance |
|-------------|-------------------|---------------------------------|-----------------|----------------|
| 2018-2019 | \$ 232,391 | \$ 1,037,099 | \$ (723,968) | \$ 545,522 |
| 2019-2020 | 545,522 | 1,194,289 | (1,152,731) | 587,080 |
| 2020-2021 | 587,080 | 452,015 | (462,751) | 576,344 |

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, 2021

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

American Municipal Bond Assurance Corporation ("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, 2021

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.

The AMBAC Litigation has been settled and the debt service reserve has been funded during fiscal year end June 30, 2021.

Note 13 – Joint Powers Agreements

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

A. West Contra Costa Transportation Advisory Committee (WCCTAC)

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

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

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

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

C. Pinole/Hercules Wastewater Treatment Plant

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 14 – Stewardship, Compliance, and Accountability

A. Deficit Fund Balances/Net Position

At June 30, 2021, the following funds had a deficit fund balance/net position:

| | | |
|---|----|--------------|
| Nonmajor Special Revenue Funds: | | |
| Victoria by the bay LLAD No. 2002-01 | \$ | (60,540) |
| Stormwater | | (102,253) |
| STMP Traffic Impact Fees Special Revenue Fund | | - |
| Fiduciary Funds: | | |
| Successor Agency Private Purpose Trust Fund | | (96,767,132) |

Victoria by the bay LLAD No. 2002-01 Special Revenue Fund negative fund balance of \$60,540 will be financed through future assessments.

The Stormwater Special Revenue Fund negative fund balance of \$102,253 will be financed through future assessments.

Private Purpose Trust Fund negative net position of \$96,767,131 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, 2021

Note 15 – Fund Balance Classification

The Governmental Fund’s fund balance classification at June 30, 2021 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 | \$ 10,112 | \$ - | \$ - | \$ 10,112 |
| Pension section 115 trust | 2,237,248 | - | - | 2,237,248 |
| Advances | 27,787,637 | - | - | 27,787,637 |
| Total Nonspendable | <u>30,034,997</u> | <u>-</u> | <u>-</u> | <u>30,034,997</u> |
| Restricted for: | | | | |
| Debt service | - | 8,916,610 | - | 8,916,610 |
| Streets and roads | - | - | 817,895 | 817,895 |
| Development services | - | - | 403,008 | 403,008 |
| Development impact fees | - | - | 7,090,298 | 7,090,298 |
| Public safety | - | - | 106,187 | 106,187 |
| Integrated waste management | - | - | 867,734 | 867,734 |
| Transportation | - | - | 240,737 | 240,737 |
| Assessment district | - | - | 1,055,371 | 1,055,371 |
| Regional water quality | - | - | 51,569 | 51,569 |
| Total Restricted | <u>-</u> | <u>8,916,610</u> | <u>10,632,799</u> | <u>19,549,409</u> |
| Committed to: | | | | |
| Capital projects | - | - | 1,391,188 | 1,391,188 |
| Total Committed | <u>-</u> | <u>-</u> | <u>1,391,188</u> | <u>1,391,188</u> |
| Assigned: | | | | |
| Assigned by City Manager: | | | | |
| Earthquake insurance deductible | 500,000 | - | - | 500,000 |
| Fiscal neutrality reserve | 4,034,517 | - | - | 4,034,517 |
| Capital projects | 450,000 | - | - | 450,000 |
| Planning & building | 846,800 | - | - | 846,800 |
| Reusable bags | 13,930 | - | - | 13,930 |
| Public, education and government (PEG) | 70,000 | - | - | 70,000 |
| Total Assigned | <u>5,915,247</u> | <u>-</u> | <u>-</u> | <u>5,915,247</u> |
| Unassigned (deficit) | <u>10,008,178</u> | <u>-</u> | <u>(162,793)</u> | <u>9,845,385</u> |
| Total Fund Balances | <u>\$ 45,958,422</u> | <u>\$ 8,916,610</u> | <u>\$ 11,861,194</u> | <u>\$ 66,736,226</u> |

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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 related 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, 2021, settlement payable reflected in the Statement of Net Position is \$1,208,050. The first outstanding settlement of \$604,025 was paid during the fiscal year June 30, 2021 and additional two payments of \$604,025 are due on May 1 for the next two years.

Note 17 – Prior Period Adjustments

Following prior period adjustments were made:

| | <u>Governmental Activities</u> | <u>Fiduciary Funds Custodial Funds</u> | <u>Governmental Funds</u> |
|---|------------------------------------|--|-------------------------------|
| Net Position at July 1, 2020 | \$ 117,158,805 | \$ - | \$ 64,325,512 |
| Required by GASB 84 - Fiduciary Activities ⁽¹⁾ | 22,903 | 476,962 | 22,903 |
| Net Position at July 1, 2020, as restated | <u>\$ 117,181,708</u> | <u>\$ 476,962</u> | <u>\$ 64,348,415</u> |

⁽¹⁾ Restatements to the beginning net positions to Reassessment District 05-01 and Taylor Woodrow Maintenance LMOD Custodial Funds were made due to the applicability of GASB Statement No. 84. Adjustments were also made to the Hercules Community Library, Hercules Golf Club, and West Contra Costa Integrated Management Authority in Governmental Funds and Governmental Activities due to this implementation. These assets and activities have merged into the City's General Fund.

| | <u>Custodial Funds</u> | | | |
|--|------------------------|--|--|----------------------|
| | <u>General Fund</u> | <u>Reassessment District 05-01</u> | <u>Taylor Woodrow Maintenance LMOD</u> | |
| Net Position at July 1, 2020 | \$ 44,374,263 | \$ - | \$ - | \$ 44,374,263 |
| Required by GASB 84 - Fiduciary Activities | 22,903 | 406,921 | 70,041 | 499,865 |
| Net Position at July 1, 2020, as restated | <u>\$ 44,397,166</u> | <u>\$ 406,921</u> | <u>\$ 70,041</u> | <u>\$ 44,874,128</u> |



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Hercules
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2021

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. A budget is not adopted for the City's Debt Service Fund.
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, 2021, 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
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

| | Budgeted Amounts | | Actuals | Variance with Final Budget |
|--|---------------------|-------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes and assessments | \$ 10,437,000 | \$ 10,807,000 | \$ 11,063,092 | \$ 256,092 |
| Licenses and permits | 400,169 | 400,169 | 776,572 | 376,403 |
| Fines and forfeitures | 36,000 | 36,000 | 36,586 | 586 |
| Use of money and property | 307,000 | 307,000 | 476,520 | 169,520 |
| Intergovernmental | 2,369,000 | 2,714,530 | 2,647,128 | (67,402) |
| Charges for services | 2,240,638 | 1,105,038 | 1,295,954 | 190,916 |
| Other revenues | 360,672 | 385,672 | 168,101 | (217,571) |
| Total revenues | <u>16,150,479</u> | <u>15,755,409</u> | <u>16,463,953</u> | <u>708,544</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 4,457,463 | 4,370,763 | 3,854,043 | 516,720 |
| Public safety | 7,551,799 | 7,795,599 | 7,549,028 | 246,571 |
| Streets and public works | 251,933 | 301,723 | 305,963 | (4,240) |
| Parks and recreation | 2,517,748 | 1,257,622 | 1,434,988 | (177,366) |
| Community development | 661,812 | 719,935 | 792,456 | (72,521) |
| Capital outlay | 9,300 | 9,300 | - | 9,300 |
| Debt services: | | | | |
| Principal | - | - | 84,479 | (84,479) |
| Interest and fiscal agent fee | - | - | 115,521 | (115,521) |
| Total expenditures | <u>15,450,055</u> | <u>14,454,942</u> | <u>14,136,478</u> | <u>318,464</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 700,424 | 1,300,467 | 2,327,475 | 1,027,008 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 173,000 | 173,000 | 150,000 | (23,000) |
| Transfers (out) | (769,938) | (311,938) | (312,194) | (256) |
| Special item | (604,025) | (604,025) | (604,025) | - |
| Total financing sources (uses) | <u>(1,200,963)</u> | <u>(742,963)</u> | <u>(766,219)</u> | <u>(23,256)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ (500,539)</u> | <u>\$ 557,504</u> | 1,561,256 | <u>\$ 1,003,752</u> |
| FUND BALANCES: | | | | |
| Beginning of year, as restated (Note 17) | | | 44,397,166 | |
| End of year | | | <u>\$ 45,958,422</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, 2021

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Miscellaneous Plans

| Measurement Date: | June 30, 2020 ¹ | June 30, 2019 ¹ | June 30, 2018 ¹ | June 30, 2017 ¹ | June 30, 2016 ¹ | June 30, 2015 ¹ |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| City's Proportion of the Net Pension Liability | 0.19% | 0.17% | 0.16% | 0.17% | 0.17% | 0.18% |
| City's Proportionate Share of the Net Pension Liability | \$ 7,840,808 | \$ 7,154,193 | \$ 6,686,045 | \$ 6,891,269 | \$ 6,031,627 | \$ 4,815,777 |
| City's Covered-Employee Payroll | \$ 3,376,629 | \$ 3,411,264 | \$ 3,369,924 | \$ 3,154,200 | \$ 2,697,183 | \$ 2,655,670 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee | 232.21% | 209.72% | 198.40% | 218.48% | 223.63% | 181.34% |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 73.63% | 75.07% | 77.69% | 75.39% | 75.87% | 78.32% |

Safety Plans

| Measurement Date: | June 30, 2020 ¹ | June 30, 2019 ¹ | June 30, 2018 ¹ | June 30, 2017 ¹ | June 30, 2016 ¹ | June 30, 2015 ¹ |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| City's Proportion of the Net Pension Liability | 0.15% | 0.16% | 0.14% | 0.16% | 0.16% | 0.18% |
| City's Proportionate Share of the Net Pension Liability | \$ 9,924,963 | \$ 9,847,764 | \$ 9,268,866 | \$ 9,323,198 | \$ 8,509,821 | \$ 7,337,854 |
| City's Covered-Employee Payroll | \$ 2,702,843 | \$ 2,668,574 | \$ 2,436,633 | \$ 2,591,015 | \$ 2,220,165 | \$ 2,118,549 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee | 367.20% | 369.03% | 380.40% | 359.83% | 383.30% | 346.36% |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 73.17% | 70.82% | 73.39% | 71.74% | 72.69% | 71.64% |

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, 2021

Last Ten Fiscal Years
California Public Employees' Retirement System (CalPERS)

| Fiscal Year: | Miscellaneous Plans | | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2020-21¹ | 2019-20¹ | 2018-19¹ | 2017-18¹ | 2016-17¹ | 2015-16¹ |
| Actuarially Determined Contribution ² | \$ 224,145 | \$ 774,757 | \$ 770,639 | \$ 659,810 | \$ 558,315 | \$ 529,212 |
| Actuarially Determined Contribution ² | (224,145) | (774,757) | (770,639) | (659,810) | (558,315) | (529,212) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered-Employee Payroll ³ | <u>\$ 3,477,928</u> | <u>\$ 3,376,629</u> | <u>\$ 3,411,264</u> | <u>\$ 3,369,924</u> | <u>\$ 3,154,200</u> | <u>\$ 2,697,183</u> |
| Contributions as a Percentage of Covered-Employee Payroll | <u>6.44%</u> | <u>22.94%</u> | <u>22.59%</u> | <u>19.58%</u> | <u>17.70%</u> | <u>19.62%</u> |
| | Safety Plans | | | | | |
| Fiscal Year: | 2020-21¹ | 2019-20¹ | 2018-19¹ | 2017-18¹ | 2016-17¹ | 2015-16¹ |
| Actuarially Determined Contribution ² | \$ 443,902 | \$ 1,384,112 | \$ 1,080,225 | \$ 1,033,755 | \$ 1,203,357 | \$ 1,024,115 |
| Actuarially Determined Contribution ² | (443,902) | (1,384,112) | (1,080,225) | (1,033,755) | (1,203,357) | (1,024,115) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered-Employee Payroll ³ | <u>\$ 2,783,928</u> | <u>\$ 2,702,843</u> | <u>\$ 2,668,574</u> | <u>\$ 2,436,633</u> | <u>\$ 2,591,015</u> | <u>\$ 2,220,165</u> |
| Contributions as a Percentage of Covered-Employee Payroll | <u>15.95%</u> | <u>51.21%</u> | <u>40.48%</u> | <u>42.43%</u> | <u>46.44%</u> | <u>46.13%</u> |

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, 2021

Last Ten Fiscal Years

| Measurement period, year ending: | <u>6/30/2021</u> ¹ | <u>6/30/2020</u> ¹ | <u>6/30/2019</u> ¹ | <u>6/30/2018</u> ¹ |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 167,563 | \$ 175,142 | \$ 127,197 | \$ 99,270 |
| Interest | 139,104 | 188,135 | 180,251 | 179,763 |
| Differences between expected and actual experience | (311,195) | (1,203,506) | 40,091 | 437,919 |
| Changes of assumptions | 65,097 | (293,525) | - | - |
| Benefit payments, including refunds of member contributions | (123,619) | (115,990) | (166,793) | (105,034) |
| Net change in total OPEB liability | <u>(63,050)</u> | <u>(1,249,744)</u> | <u>180,746</u> | <u>611,918</u> |
| Total OPEB liability - beginning | <u>2,492,220</u> | <u>3,741,964</u> | <u>3,561,218</u> | <u>2,949,300</u> |
| Total OPEB liability - ending (a) | <u><u>\$ 2,429,170</u></u> | <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 | \$ 22,016 | \$ 215,990 | \$ 361,275 | \$ 205,034 |
| Net investment income | 359,682 | 123,227 | 155,134 | 123,771 |
| Benefit payments, including refunds of member contributions | (123,619) | (115,990) | (166,793) | (105,034) |
| Administrative expense | (16,223) | (13,381) | - | - |
| Net change in plan fiduciary net position | <u>241,856</u> | <u>209,846</u> | <u>349,616</u> | <u>223,771</u> |
| Plan fiduciary net position - beginning | <u>2,664,592</u> | <u>2,454,746</u> | <u>2,105,130</u> | <u>1,881,359</u> |
| Plan fiduciary net position - ending (b) | <u>2,906,448</u> | <u>2,664,592</u> | <u>2,454,746</u> | <u>2,105,130</u> |
| Plan net OPEB liability - ending (a) - (b) | <u><u>\$ (477,278)</u></u> | <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 | 119.65% | 106.92% | 65.60% | 59.11% |
| Covered payroll | \$ 10,965,675 | \$ 10,646,286 | \$ 10,336,200 | \$ 10,035,146 |
| Plan net OPEB liability (asset) as a percentage of covered payroll | -4.35% | -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, 2021

Last Ten Fiscal Years

| Measurement period, year ending: | 6/30/2021 ¹ | 6/30/2020 ^{1 2} |
|--|------------------------|--------------------------|
| Total OPEB liability | | |
| Service cost | \$ 141,956 | \$ 98,801 |
| Interest | 42,108 | 49,689 |
| Differences between expected and actual experience | (398,956) | - |
| Changes of assumptions | 11,351 | 366,382 |
| Benefit payments, including refunds of member contributions | (43,536) | (40,738) |
| Net change in total OPEB liability | (247,077) | 474,134 |
| Total OPEB liability - beginning | 1,864,795 | 1,390,661 |
| Total OPEB liability - ending (a) | \$ 1,617,718 | \$ 1,864,795 |
| Fiduciary net position | | |
| Contributions - employer | \$ 43,536 | \$ 40,738 |
| Net investment income | - | - |
| Benefit payments, including refunds of member contributions | (43,536) | (40,738) |
| Administrative expense | - | - |
| Net change in plan fiduciary net position | - | - |
| Plan fiduciary net position - beginning | - | - |
| Plan fiduciary net position - ending (b) | - | - |
| Plan net OPEB liability - ending (a) - (b) | \$ 1,617,718 | \$ 1,864,795 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% |
| Covered payroll | \$ - | \$ - |
| Plan net OPEB liability as a percentage of covered payroll | 0.00% | 0.00% |

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

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

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the OPEB Plan
For the Year Ended June 30, 2021

Last Ten Fiscal Years¹

PEHMCA Plan

| Fiscal Year: | 2020-21¹ | 2019-20¹ | 2018-19¹ | 2017-18¹ |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Actuarially Determined Contribution ² | \$ 22,016 | \$ 215,990 | \$ 361,275 | \$ 205,034 |
| Contribution ² | (22,016) | (215,990) | (361,275) | (205,034) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - |
| City's Covered-Employee Payroll ³ | \$ 10,965,675 | \$ 10,646,286 | \$ 10,336,200 | \$ 10,035,146 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.20% | 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, 2021

Last Ten Fiscal Years¹

SOMAR Plan

| Fiscal Year: | 2020-21² | 2019-20¹ |
|--|----------------------------|----------------------------|
| Actuarially Determined Contribution | \$ 43,536 | \$ 40,738 |
| Contribution in Relation to the Actuarially Determined Contribution | (43,536) | (40,738) |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| City's Covered-Employee Payroll | \$ - | \$ - |
| Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 0.00% |

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

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



SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

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

STMP Traffic Impact Fees Fund - To account for the collection of Sub-regional Transportation Mitigation Program (STMP) fees and remits to West Contra Costa Transportation Advisory Committee (WCCTAC) in accordance with the Master Cooperative Agreement.

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Nonmajor Capital Projects Funds:

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

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

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



NONMAJOR GOVERNMENTAL FUNDS

City of Hercules
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

| | Special Revenue Funds | | | |
|---|-----------------------|-----------------------|----------------------------------|--|
| | State Gas Tax | Measure "C" Street | C.O.P.S. Program (AB 3229) | Landscape & Lighting Assessment District (LLAD) No. 83-2 |
| ASSETS | | | | |
| Cash and investments | \$ 850,578 | \$ 25,527 | \$ 6,727 | \$ 558,119 |
| Accounts receivable | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from Private Purpose Trust Fund | - | - | - | - |
| Total assets | \$ 850,578 | \$ 25,527 | \$ 6,727 | \$ 558,119 |
| LIABILITIES | | | | |
| Accounts payable | \$ 29,640 | \$ 6,223 | \$ - | \$ 70,188 |
| Accrued wages | 10,806 | 11,541 | - | 21,454 |
| Deposit payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| Amounts due to Private Purpose Trust Fund | - | - | - | - |
| Total liabilities | 40,446 | 17,764 | - | 91,642 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - |
| FUND BALANCES | | | | |
| Restricted | 810,132 | 7,763 | 6,727 | 466,477 |
| Committed | - | - | - | - |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | 810,132 | 7,763 | 6,727 | 466,477 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 850,578 | \$ 25,527 | \$ 6,727 | \$ 558,119 |

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2021

| | 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 | \$ - | \$ 221,702 | \$ 85,706 | \$ 168,532 |
| Accounts receivable | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from Private Purpose Trust Fund | - | - | - | - |
| Total assets | \$ - | \$ 221,702 | \$ 85,706 | \$ 168,532 |
| LIABILITIES | | | | |
| Accounts payable | \$ 32,917 | \$ 9,119 | \$ 3,830 | \$ 21,487 |
| Accrued wages | 4,259 | 1,438 | 2,263 | 1,483 |
| Deposit payable | - | - | - | - |
| Due to other funds | 23,364 | - | - | - |
| Amounts due to Private Purpose Trust Fund | - | - | - | - |
| Total liabilities | 60,540 | 10,557 | 6,093 | 22,970 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - |
| FUND BALANCES | | | | |
| Restricted | - | 211,145 | 79,613 | 145,562 |
| Committed | - | - | - | - |
| Unassigned (deficit) | (60,540) | - | - | - |
| Total fund balances | (60,540) | 211,145 | 79,613 | 145,562 |
| Total liabilities, deferred inflows of resources and fund balances | \$ - | \$ 221,702 | \$ 85,706 | \$ 168,532 |

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2021

| | Special Revenue Funds | | | |
|---|-----------------------|------------------|-------------------------|-----------------------------------|
| | Arterial Roadways | Stormwater | Development Services | STMP Traffic Impact Fees |
| ASSETS | | | | |
| Cash and investments | \$ 185,434 | \$ 81,623 | \$ 239,808 | \$ 5,768 |
| Accounts receivable | - | - | - | - |
| Due from other funds | - | - | - | 157 |
| Due from Private Purpose Trust Fund | - | - | 163,200 | - |
| Total assets | \$ 185,434 | \$ 81,623 | \$ 403,008 | \$ 5,925 |
| LIABILITIES | | | | |
| Accounts payable | \$ 32,109 | \$ 8,398 | \$ - | \$ 5,744 |
| Accrued wages | 751 | 9,009 | - | - |
| Deposit payable | - | - | - | - |
| Due to other funds | - | 166,469 | - | 181 |
| Amounts due to Private Purpose Trust Fund | - | - | - | - |
| Total liabilities | 32,860 | 183,876 | - | 5,925 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - |
| FUND BALANCES | | | | |
| Restricted | 152,574 | - | 403,008 | - |
| Committed | - | - | - | - |
| Unassigned (deficit) | - | (102,253) | - | - |
| Total fund balances | 152,574 | (102,253) | 403,008 | - |
| Total liabilities, deferred inflows of resources and fund balances | \$ 185,434 | \$ 81,623 | \$ 403,008 | \$ 5,925 |

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2021

| | Special Revenue Funds | | | |
|---|-----------------------|------------------------------|---------------------|-----------------------|
| | AB939 JPA | Regional Water Quality | Asset Forfeiture | Bart Park and Ride |
| ASSETS | | | | |
| Cash and investments | \$ 895,911 | \$ 51,569 | \$ 245,030 | \$ 241,747 |
| Accounts receivable | 43,867 | - | - | - |
| Due from other funds | - | - | - | - |
| Due from Private Purpose Trust Fund | - | - | - | - |
| Total assets | \$ 939,778 | \$ 51,569 | \$ 245,030 | \$ 241,747 |
| LIABILITIES | | | | |
| Accounts payable | \$ 71,490 | \$ - | \$ - | \$ 1,010 |
| Accrued wages | 554 | - | - | - |
| Deposit payable | - | - | 145,570 | - |
| Due to other funds | - | - | - | - |
| Amounts due to Private Purpose Trust Fund | - | - | - | - |
| Total liabilities | 72,044 | - | 145,570 | 1,010 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - |
| FUND BALANCES | | | | |
| Restricted | 867,734 | 51,569 | 99,460 | 240,737 |
| Committed | - | - | - | - |
| Unassigned (deficit) | - | - | - | - |
| Total fund balances | 867,734 | 51,569 | 99,460 | 240,737 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 939,778 | \$ 51,569 | \$ 245,030 | \$ 241,747 |

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2021

| | Capital Projects Funds | | |
|---|------------------------|---------------------|----------------------|
| | City Capital | Development | Total |
| | Projects Fund | Impact Fees | |
| ASSETS | | | |
| Cash and investments | \$ 1,397,538 | \$ 1,836,878 | \$ 7,098,197 |
| Accounts receivable | 356,817 | - | 400,684 |
| Due from other funds | - | - | 157 |
| Due from Private Purpose Trust Fund | - | 5,254,315 | 5,417,515 |
| Total assets | \$ 1,754,355 | \$ 7,091,193 | \$ 12,916,553 |
| LIABILITIES | | | |
| Accounts payable | \$ 16,015 | \$ 895 | \$ 309,065 |
| Accrued wages | - | - | 63,558 |
| Deposit payable | - | - | 145,570 |
| Due to other funds | - | - | 190,014 |
| Amounts due to Private Purpose Trust Fund | 322,055 | - | 322,055 |
| Total liabilities | 338,070 | 895 | 1,030,262 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | 25,097 | - | 25,097 |
| Total deferred inflows of resources | 25,097 | - | 25,097 |
| FUND BALANCES | | | |
| Restricted | - | 7,090,298 | 10,632,799 |
| Committed | 1,391,188 | - | 1,391,188 |
| Unassigned (deficit) | - | - | (162,793) |
| Total fund balances | 1,391,188 | 7,090,298 | 11,861,194 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,754,355 | \$ 7,091,193 | \$ 12,916,553 |

(Concluded)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

| | Special Revenue Funds | | | |
|--|-----------------------|-----------------------|----------------------------------|--|
| | State Gas Tax | Measure "C" Street | C.O.P.S. Program (AB 3229) | Landscape & Lighting Assessment District (LLAD) No. 83-2 |
| REVENUES: | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ 1,852,313 |
| Licenses and permits | - | - | - | - |
| Use of money and property | 1,662 | (2,125) | - | 10,054 |
| Intergovernmental | 1,023,113 | - | 156,727 | - |
| Charges for services | - | - | - | - |
| Other revenues | 43,566 | - | - | - |
| Total revenues | <u>1,068,341</u> | <u>(2,125)</u> | <u>156,727</u> | <u>1,862,367</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Streets and public works | 344,804 | 321,623 | - | 1,502,531 |
| Capital outlays | 324,102 | 156,722 | - | 111,362 |
| Debt services: | | | | |
| Interest and fiscal agent fee | - | - | - | - |
| Total expenditures | <u>668,906</u> | <u>478,345</u> | <u>-</u> | <u>1,613,893</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 399,435 | (480,470) | 156,727 | 248,474 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from loan | - | - | - | - |
| Proceeds from refunding bond | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Transfers in | - | - | - | 93,707 |
| Transfers (out) | (54,988) | - | (150,000) | (275,338) |
| Total financing sources (uses) | <u>(54,988)</u> | <u>-</u> | <u>(150,000)</u> | <u>(181,631)</u> |
| NET CHANGES IN FUND BALANCES | 344,447 | (480,470) | 6,727 | 66,843 |
| FUND BALANCES: | | | | |
| Beginning of year | 465,685 | 488,233 | - | 399,634 |
| End of year | <u>\$ 810,132</u> | <u>\$ 7,763</u> | <u>\$ 6,727</u> | <u>\$ 466,477</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, 2021

| | 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 | \$ 452,011 | \$ 155,165 | \$ 137,968 | \$ 140,467 |
| Licenses and permits | - | - | - | - |
| Use of money and property | (207) | (138) | 49 | (476) |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Other revenues | - | - | - | - |
| Total revenues | <u>451,804</u> | <u>155,027</u> | <u>138,017</u> | <u>139,991</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Streets and public works | 569,427 | 170,366 | 116,903 | 138,721 |
| Capital outlays | - | 5,840 | 850 | - |
| Debt services: | | | | |
| Interest and fiscal agent fee | - | - | - | - |
| Total expenditures | <u>569,427</u> | <u>176,206</u> | <u>117,753</u> | <u>138,721</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (117,623) | (21,179) | 20,264 | 1,270 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from loan | - | - | - | - |
| Proceeds from refunding bond | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Transfers in | 7,991 | 3,224 | 2,750 | 1,442 |
| Transfers (out) | (23,792) | (6,487) | (2,289) | (15,587) |
| Total financing sources (uses) | <u>(15,801)</u> | <u>(3,263)</u> | <u>461</u> | <u>(14,145)</u> |
| NET CHANGES IN FUND BALANCES | (133,424) | (24,442) | 20,725 | (12,875) |
| FUND BALANCES: | | | | |
| Beginning of year | 72,884 | 235,587 | 58,888 | 158,437 |
| End of year | <u>\$ (60,540)</u> | <u>\$ 211,145</u> | <u>\$ 79,613</u> | <u>\$ 145,562</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, 2021

| | Special Revenue Funds | | | |
|--|-----------------------|---------------------|-------------------------|-----------------------------------|
| | Arterial Roadways | Stormwater | Development Services | STMP Traffic Impact Fees |
| REVENUES: | | | | |
| Taxes and assessments | \$ - | \$ 245,628 | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Use of money and property | 2,520 | (203) | (16) | 24 |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | 1,500 | 5,744 |
| Other revenues | - | - | - | - |
| Total revenues | <u>2,520</u> | <u>245,425</u> | <u>1,484</u> | <u>5,768</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Streets and public works | 286,301 | 373,638 | (1,285) | 5,744 |
| Capital outlays | - | - | - | - |
| Debt services: | | | | |
| Interest and fiscal agent fee | - | - | - | - |
| Total expenditures | <u>286,301</u> | <u>373,638</u> | <u>(1,285)</u> | <u>5,744</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (283,781) | (128,213) | 2,769 | 24 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from loan | - | - | - | - |
| Proceeds from refunding bond | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Transfers in | 269,367 | 124,237 | - | 157 |
| Transfers (out) | - | - | - | - |
| Total financing sources (uses) | <u>269,367</u> | <u>124,237</u> | <u>-</u> | <u>157</u> |
| NET CHANGES IN FUND BALANCES | (14,414) | (3,976) | 2,769 | 181 |
| FUND BALANCES: | | | | |
| Beginning of year | 166,988 | (98,277) | 400,239 | (181) |
| End of year | <u>\$ 152,574</u> | <u>\$ (102,253)</u> | <u>\$ 403,008</u> | <u>\$ -</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, 2021

| | Special Revenue Funds | | | |
|--|-----------------------|------------------------------|---------------------|-----------------------|
| | AB939 JPA | Regional Water Quality | Asset Forfeiture | Bart Park and Ride |
| REVENUES: | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | 175,722 | - | - | - |
| Use of money and property | 622 | (5) | 1,924 | - |
| Intergovernmental | - | - | 234,514 | - |
| Charges for services | - | - | - | - |
| Other revenues | - | - | - | 27,943 |
| Total revenues | <u>176,344</u> | <u>(5)</u> | <u>236,438</u> | <u>27,943</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | - | - | 225,904 | - |
| Streets and public works | 1,122 | - | - | 227,849 |
| Capital outlays | 9,056 | - | - | - |
| Debt services: | | | | |
| Interest and fiscal agent fee | - | - | - | - |
| Total expenditures | <u>10,178</u> | <u>-</u> | <u>225,904</u> | <u>227,849</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 166,166 | (5) | 10,534 | (199,906) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from loan | - | - | - | - |
| Proceeds from refunding bond | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Transfers in | - | - | - | 440,643 |
| Transfers (out) | (124,237) | - | - | - |
| Total financing sources (uses) | <u>(124,237)</u> | <u>-</u> | <u>-</u> | <u>440,643</u> |
| NET CHANGES IN FUND BALANCES | 41,929 | (5) | 10,534 | 240,737 |
| FUND BALANCES: | | | | |
| Beginning of year | 825,805 | 51,574 | 88,926 | - |
| End of year | <u>\$ 867,734</u> | <u>\$ 51,569</u> | <u>\$ 99,460</u> | <u>\$ 240,737</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, 2021

| | <u>Capital Projects Funds</u> | | <u>Total</u> |
|--|---------------------------------------|--|----------------------|
| | <u>City Capital Projects Fund</u> | <u>Development Impact Fees</u> | |
| REVENUES: | | | |
| Taxes and assessments | \$ 51,416 | \$ - | \$ 3,034,968 |
| Licenses and permits | - | - | 175,722 |
| Use of money and property | 4,112 | 19,713 | 37,510 |
| Intergovernmental | 527,817 | - | 1,942,171 |
| Charges for services | - | (153,034) | (145,790) |
| Other revenues | - | - | 71,509 |
| Total revenues | <u>583,345</u> | <u>(133,321)</u> | <u>5,116,090</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | - | - | 225,904 |
| Streets and public works | 273,217 | 1,988 | 4,332,949 |
| Capital outlays | 3,555,794 | - | 4,163,726 |
| Debt services: | | | |
| Interest and fiscal agent fee | 172,895 | - | 172,895 |
| Total expenditures | <u>4,001,906</u> | <u>1,988</u> | <u>8,895,474</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (3,418,561) | (135,309) | (3,779,384) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from loan | 4,209,354 | - | 4,209,354 |
| Proceeds from refunding bond | 5,876,843 | - | 5,876,843 |
| Payment to refunded bond escrow agent | (5,705,000) | - | (5,705,000) |
| Transfers in | - | - | 943,518 |
| Transfers (out) | - | - | (652,718) |
| Total financing sources (uses) | <u>4,381,197</u> | <u>-</u> | <u>4,671,997</u> |
| NET CHANGES IN FUND BALANCES | 962,636 | (135,309) | 892,613 |
| FUND BALANCES: | | | |
| Beginning of year | 428,552 | 7,225,607 | 10,968,581 |
| End of year | <u>\$ 1,391,188</u> | <u>\$ 7,090,298</u> | <u>\$ 11,861,194</u> |

(Concluded)

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|------------------|-------------------|-------------------------------|
| REVENUES: | | | |
| Use of money and property | \$ - | \$ 1,662 | \$ 1,662 |
| Intergovernmental | 1,079,236 | 1,023,113 | (56,123) |
| Other revenues | - | 43,566 | 43,566 |
| Total revenues | <u>1,079,236</u> | <u>1,068,341</u> | <u>(10,895)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 394,491 | 344,804 | 49,687 |
| Capital outlays | 566,865 | 324,102 | 242,763 |
| Total expenditures | <u>961,356</u> | <u>668,906</u> | <u>292,450</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 117,880 | 399,435 | 281,555 |
| OTHER FINANCING (USES) | | | |
| Transfers (out) | (54,988) | (54,988) | - |
| Total financing (uses) | <u>(54,988)</u> | <u>(54,988)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 62,892</u> | 344,447 | <u>\$ 281,555</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>465,685</u> | |
| End of year | | <u>\$ 810,132</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|-----------------------------------|--------------------|------------------|-------------------------------|
| REVENUES: | | | |
| Use of money and property | \$ - | \$ (2,125) | \$ (2,125) |
| Intergovernmental | 405,200 | - | (405,200) |
| Total revenues | <u>405,200</u> | <u>(2,125)</u> | <u>(407,325)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 284,532 | 321,623 | (37,091) |
| Capital outlays | 137,471 | 156,722 | (19,251) |
| Total expenditures | <u>422,003</u> | <u>478,345</u> | <u>(56,342)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (16,803)</u> | <u>(480,470)</u> | <u>\$ (463,667)</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>488,233</u> | |
| End of year | | <u>\$ 7,763</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|-----------------------------------|-----------------|------------|-------------------------------|
| REVENUES: | | | |
| Intergovernmental | \$ 150,000 | \$ 156,727 | \$ 6,727 |
| Total revenues | 150,000 | 156,727 | 6,727 |
| OTHER FINANCING (USES) | | | |
| Transfers (out) | (150,000) | (150,000) | - |
| Total financing (uses) | (150,000) | (150,000) | - |
| NET CHANGE IN FUND BALANCE | \$ - | 6,727 | \$ 6,727 |
| FUND BALANCE: | | | |
| Beginning of year | | - | |
| End of year | | \$ 6,727 | |

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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|---------------------|-------------------|-------------------------------|
| REVENUES: | | | |
| Taxes and assessments | \$ 1,853,243 | \$ 1,852,313 | \$ (930) |
| Use of money and property | - | 10,054 | 10,054 |
| Total revenues | <u>1,853,243</u> | <u>1,862,367</u> | <u>9,124</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 1,344,064 | 1,502,531 | (158,467) |
| Capital outlays | 606,159 | 111,362 | 494,797 |
| Total expenditures | <u>1,950,223</u> | <u>1,613,893</u> | <u>336,330</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (96,980) | 248,474 | 345,454 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 93,707 | 93,707 |
| Transfers (out) | (275,338) | (275,338) | - |
| Total financing sources (uses) | <u>(275,338)</u> | <u>(181,631)</u> | <u>93,707</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (372,318)</u> | 66,843 | <u>\$ 439,161</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>399,634</u> | |
| End of year | | <u>\$ 466,477</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|------------------|--------------------|-------------------------------|
| REVENUES: | | | |
| Taxes and assessments | \$ 452,011 | \$ 452,011 | \$ - |
| Use of money and property | - | (207) | (207) |
| Total revenues | <u>452,011</u> | <u>451,804</u> | <u>(207)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 414,181 | 569,427 | (155,246) |
| Total expenditures | <u>414,181</u> | <u>569,427</u> | <u>(155,246)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 37,830 | (117,623) | (155,453) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in | - | 7,991 | 7,991 |
| Transfers (out) | (23,792) | (23,792) | - |
| Total financing (uses) | <u>(23,792)</u> | <u>(15,801)</u> | <u>7,991</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 14,038</u> | <u>(133,424)</u> | <u>\$ (147,462)</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>72,884</u> | |
| End of year | | <u>\$ (60,540)</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|--------------------|-------------------|-------------------------------|
| REVENUES: | | | |
| Taxes and assessments | \$ 155,165 | \$ 155,165 | \$ - |
| Use of money and property | - | (138) | (138) |
| Total revenues | <u>155,165</u> | <u>155,027</u> | <u>(138)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 167,253 | 170,366 | (3,113) |
| Capital outlays | 7,500 | 5,840 | 1,660 |
| Total expenditures | <u>174,753</u> | <u>176,206</u> | <u>(1,453)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (19,588) | (21,179) | (1,591) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 3,224 | 3,224 |
| Transfers (out) | (6,487) | (6,487) | - |
| Total financing sources (uses) | <u>(6,487)</u> | <u>(3,263)</u> | <u>3,224</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (26,075)</u> | <u>(24,442)</u> | <u>\$ 1,633</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>235,587</u> | |
| End of year | | <u>\$ 211,145</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|-------------------|------------------|-------------------------------|
| REVENUES: | | | |
| Taxes and assessments | \$ 137,968 | \$ 137,968 | \$ - |
| Use of money and property | - | 49 | 49 |
| Total revenues | <u>137,968</u> | <u>138,017</u> | <u>49</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 117,694 | 116,903 | 791 |
| Capital outlays | 20,000 | 850 | 19,150 |
| Total expenditures | <u>137,694</u> | <u>117,753</u> | <u>19,941</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 274 | 20,264 | 19,990 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 2,750 | 2,750 |
| Transfers (out) | (2,289) | (2,289) | - |
| Total financing sources (uses) | <u>(2,289)</u> | <u>461</u> | <u>2,750</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (2,015)</u> | 20,725 | <u>\$ 22,740</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>58,888</u> | |
| End of year | | <u>\$ 79,613</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|------------------|-------------------|-------------------------------|
| REVENUES: | | | |
| Taxes and assessments | \$ 135,858 | \$ 140,467 | \$ 4,609 |
| Use of money and property | - | (476) | (476) |
| Total revenues | <u>135,858</u> | <u>139,991</u> | <u>4,133</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 97,882 | 138,721 | (40,839) |
| Total expenditures | <u>97,882</u> | <u>138,721</u> | <u>(40,839)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 37,976 | 1,270 | (36,706) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 1,442 | 1,442 |
| Transfers (out) | (15,587) | (15,587) | - |
| Total financing sources (uses) | <u>(15,587)</u> | <u>(14,145)</u> | <u>1,442</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 22,389</u> | <u>(12,875)</u> | <u>\$ (35,264)</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>158,437</u> | |
| End of year | | <u>\$ 145,562</u> | |

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Arterial Roadways Special Revenue Fund
For the Year Ended June 30, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|------------------|-------------------|-------------------------------|
| REVENUES: | | | |
| Use of money and property | \$ - | \$ 2,520 | \$ 2,520 |
| Total revenues | <u>-</u> | <u>2,520</u> | <u>2,520</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 252,033 | 286,301 | (34,268) |
| Total expenditures | <u>252,033</u> | <u>286,301</u> | <u>(34,268)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (252,033) | (283,781) | (31,748) |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 269,367 | 269,367 | - |
| Total financing sources | <u>269,367</u> | <u>269,367</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 17,334</u> | (14,414) | <u>\$ (31,748)</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>166,988</u> | |
| End of year | | <u>\$ 152,574</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|--------------------|---------------------|-------------------------------|
| REVENUES: | | | |
| Taxes and assessments | \$ 243,585 | \$ 245,628 | \$ 2,043 |
| Use of money and property | - | (203) | (203) |
| Total revenues | <u>243,585</u> | <u>245,425</u> | <u>1,840</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 418,387 | 373,638 | 44,749 |
| Total expenditures | <u>418,387</u> | <u>373,638</u> | <u>44,749</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (174,802) | (128,213) | 46,589 |
| OTHER FINANCING SOURCES | | | |
| Transfers in | 124,237 | 124,237 | - |
| Total financing sources | <u>124,237</u> | <u>124,237</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (50,565)</u> | <u>(3,976)</u> | <u>\$ 46,589</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>(98,277)</u> | |
| End of year | | <u>\$ (102,253)</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|-----------------------------------|-------------------|--------------|-------------------------------|
| REVENUES: | | | |
| Use of money and property | \$ 23,700 | \$ (16) | \$ (23,716) |
| Charges for services | 894,000 | 1,500 | (892,500) |
| Total revenues | 917,700 | 1,484 | (916,216) |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 650 | (1,285) | 1,935 |
| Total expenditures | 650 | (1,285) | 1,935 |
| NET CHANGE IN FUND BALANCE | \$ 917,050 | 2,769 | \$ (914,281) |
| FUND BALANCE: | | | |
| Beginning of year | | 400,239 | |
| End of year | | \$ 403,008 | |

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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|-----------------------------------|------------------|--------------|-------------------------------|
| REVENUES: | | | |
| Use of money and property | \$ - | \$ 24 | \$ 24 |
| Charges for services | 2,129,304 | 5,744 | (2,123,560) |
| Total revenues | 2,129,304 | 5,768 | (2,123,536) |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 2,129,304 | 5,744 | 2,123,560 |
| Total expenditures | 2,129,304 | 5,744 | 2,123,560 |
| NET CHANGE IN FUND BALANCE | \$ - | 181 | \$ 181 |
| FUND BALANCE: | | | |
| Beginning of year | | (181) | |
| End of year | | <u>\$ -</u> | |

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
AB939 JPA Special Revenue Fund
For the Year Ended June 30, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|-------------------|-------------------|-------------------------------|
| REVENUES: | | | |
| Licenses and permits | \$ 175,000 | \$ 175,722 | \$ 722 |
| Use of money and property | - | 622 | 622 |
| Total revenues | <u>175,000</u> | <u>176,344</u> | <u>1,344</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 3,000 | 1,122 | 1,878 |
| Capital outlays | 8,034 | 9,056 | (1,022) |
| Total expenditures | <u>11,034</u> | <u>10,178</u> | <u>856</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 163,966 | 166,166 | 2,200 |
| OTHER FINANCING (USES) | | | |
| Transfers (out) | - | (124,237) | (124,237) |
| Total financing (uses) | <u>-</u> | <u>(124,237)</u> | <u>(124,237)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 163,966</u> | 41,929 | <u>\$ (122,037)</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>825,805</u> | |
| End of year | | <u>\$ 867,734</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|-----------------------------------|-----------------|------------|-------------------------------|
| REVENUES: | | | |
| Use of money and property | \$ 757 | \$ (5) | \$ (762) |
| Total revenues | 757 | (5) | (762) |
| NET CHANGE IN FUND BALANCE | \$ 757 | (5) | \$ (762) |
| FUND BALANCE: | | | |
| Beginning of year | | 51,574 | |
| End of year | | \$ 51,569 | |

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|-----------------------------------|--------------------|------------------|-------------------------------|
| REVENUES: | | | |
| Use of money and property | \$ - | \$ 1,924 | \$ 1,924 |
| Intergovernmental | 31,692 | 234,514 | 202,822 |
| Total revenues | <u>31,692</u> | <u>236,438</u> | <u>204,746</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | 45,000 | 225,904 | (180,904) |
| Total expenditures | <u>45,000</u> | <u>225,904</u> | <u>(180,904)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (13,308)</u> | 10,534 | <u>\$ 23,842</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>88,926</u> | |
| End of year | | <u>\$ 99,460</u> | |

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Bart Park and Ride Special Revenue Fund
For the Year Ended June 30, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|---------------------|-------------------|-------------------------------|
| REVENUES: | | | |
| Other revenue | \$ 50,000 | \$ 27,943 | \$ (22,057) |
| Total revenues | <u>50,000</u> | <u>27,943</u> | <u>(22,057)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 229,000 | 227,849 | 1,151 |
| Total expenditures | <u>229,000</u> | <u>227,849</u> | <u>1,151</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (179,000) | (199,906) | (20,906) |
| OTHER FINANCING SOURCES | | | |
| Transfers in | - | 440,643 | 440,643 |
| Total financing sources | <u>-</u> | <u>440,643</u> | <u>440,643</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (179,000)</u> | 240,737 | <u>\$ 419,737</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>-</u> | |
| End of year | | <u>\$ 240,737</u> | |

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
City Capital Projects Fund
For the Year Ended June 30, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|--|-----------------------|---------------------|-------------------------------|
| REVENUES: | | | |
| Taxes and assessments | \$ - | \$ 51,416 | \$ 51,416 |
| Use of money and property | - | 4,112 | 4,112 |
| Intergovernmental | 436,000 | 527,817 | 91,817 |
| Total revenues | <u>436,000</u> | <u>583,345</u> | <u>147,345</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 2,399,629 | 273,217 | 2,126,412 |
| Capital outlays | 3,555,794 | 3,555,794 | - |
| Debt services: | | | |
| Interest and fiscal agent fee | - | 172,895 | (172,895) |
| Total expenditures | <u>5,955,423</u> | <u>4,001,906</u> | <u>1,953,517</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (5,519,423) | (3,418,561) | 2,100,862 |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from loan | - | 4,209,354 | 4,209,354 |
| Proceeds from refunding bond | 4,209,354 | 5,876,843 | 1,667,489 |
| Payment to refunded bond escrow agent | - | (5,705,000) | (5,705,000) |
| Total financing sources (uses) | <u>4,209,354</u> | <u>4,381,197</u> | <u>(4,037,511)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (1,310,069)</u> | 962,636 | <u>\$ (1,936,649)</u> |
| FUND BALANCE: | | | |
| Beginning of year | | <u>428,552</u> | |
| End of year | | <u>\$ 1,391,188</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, 2021

| | Final Budget | Actuals | Variance with Final Budget |
|-----------------------------------|---------------------|------------------|-------------------------------|
| REVENUES: | | | |
| Use of money and property | \$ 55,844 | \$ 19,713 | \$ (36,131) |
| Charges for services | 3,525,464 | (153,034) | (3,678,498) |
| Total revenues | 3,581,308 | (133,321) | (3,714,629) |
| EXPENDITURES: | | | |
| Current: | | | |
| Streets and public works | 523,134 | 1,988 | 521,146 |
| Total expenditures | 523,134 | 1,988 | 521,146 |
| NET CHANGE IN FUND BALANCE | \$ 3,058,174 | (135,309) | \$ (3,193,483) |
| FUND BALANCE: | | | |
| Beginning of year | | 7,225,607 | |
| End of year | | \$ 7,090,298 | |



INTERNAL SERVICE FUNDS



City of Hercules
Combining Statement of Net Position
Internal Service Funds
June 30, 2021

| | Vehicle Replacement | Technology Services | Facilities Maintenance | Total |
|--|------------------------|------------------------|---------------------------|---------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 642,668 | \$ 1,580,575 | \$ 615,659 | \$ 2,838,902 |
| Total current assets | 642,668 | 1,580,575 | 615,659 | 2,838,902 |
| Noncurrent assets: | | | | |
| Net OPEB asset - PEHMCA | - | 28,305 | 14,152 | 42,457 |
| Capital assets: | | | | |
| Depreciable, net | 409,031 | 173,236 | - | 582,267 |
| Total noncurrent assets | 409,031 | 201,541 | 14,152 | 624,724 |
| Total assets | 1,051,699 | 1,782,116 | 629,811 | 3,463,626 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pensions-related deferred outflows of resources | - | 64,291 | 30,117 | 94,408 |
| OPEB-related deferred inflows of resources (PEHMCA) | - | 10,387 | 5,194 | 15,581 |
| OPEB-related deferred outflows of resources (SOMAR) | - | 11,076 | 5,538 | 16,614 |
| Total deferred outflows of resources | - | 85,754 | 40,849 | 126,603 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | - | 149,339 | 19,731 | 169,070 |
| Salaries and benefits payable | - | 17,664 | 7,835 | 25,499 |
| Compensated absences, due in one year | - | 7,794 | 2,189 | 9,983 |
| Total current liabilities | - | 174,797 | 29,755 | 204,552 |
| Noncurrent liabilities: | | | | |
| Compensated absences | - | 23,381 | 6,568 | 29,949 |
| Net pension liability | - | 370,530 | 179,097 | 549,627 |
| Net OPEB liability - SOMAR | - | 57,777 | 28,888 | 86,665 |
| Total noncurrent liabilities | - | 451,688 | 214,553 | 666,241 |
| Total liabilities | - | 626,485 | 244,308 | 870,793 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pensions-related deferred outflows of resources | - | 3,117 | 1,122 | 4,239 |
| OPEB-related deferred outflows of resources (PEHMCA) | - | 60,241 | 30,120 | 90,361 |
| OPEB-related deferred outflows of resources (SOMAR) | - | 12,977 | 6,488 | 19,465 |
| Total deferred inflows of resources | - | 76,335 | 37,730 | 114,065 |
| NET POSITION | | | | |
| Investment in capital assets | 409,031 | 173,236 | - | 582,267 |
| Unrestricted | 642,668 | 991,814 | 388,622 | 2,023,104 |
| Total net position | \$ 1,051,699 | \$ 1,165,050 | \$ 388,622 | \$ 2,605,371 |

City of Hercules
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2021

| | Vehicle Replacement | Technology Services | Facilities Maintenance | Total |
|---------------------------------|------------------------|------------------------|---------------------------|---------------------|
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 2,926 | \$ 1,010,200 | \$ 883,150 | \$ 1,896,276 |
| Other operating revenues | 701 | 8,077 | - | 8,778 |
| Total operating revenues | <u>3,627</u> | <u>1,018,277</u> | <u>883,150</u> | <u>1,905,054</u> |
| OPERATING EXPENSES: | | | | |
| Salaries and benefits | - | 378,517 | 181,256 | 559,773 |
| Services and supplies | 1,333 | 491,201 | 399,352 | 891,886 |
| Depreciation | 155,594 | 100,806 | - | 256,400 |
| Total operating expenses | <u>156,927</u> | <u>970,524</u> | <u>580,608</u> | <u>1,708,059</u> |
| OPERATING INCOME (LOSS) | <u>(153,300)</u> | <u>47,753</u> | <u>302,542</u> | <u>196,995</u> |
| TRANSFERS: | | | | |
| Transfers out | - | - | (440,643) | (440,643) |
| Total transfers | <u>-</u> | <u>-</u> | <u>(440,643)</u> | <u>(440,643)</u> |
| CHANGES IN NET POSITION | <u>(153,300)</u> | <u>47,753</u> | <u>(138,101)</u> | <u>(243,648)</u> |
| NET POSITION: | | | | |
| Beginning of year | <u>1,204,999</u> | <u>1,117,297</u> | <u>526,723</u> | <u>2,849,019</u> |
| End of year | <u>\$ 1,051,699</u> | <u>\$ 1,165,050</u> | <u>\$ 388,622</u> | <u>\$ 2,605,371</u> |

City of Hercules
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2021

| | Vehicle Replacement | Technology Services | Facilities Maintenance | Total |
|--|------------------------|------------------------|---------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash receipts from internal services provided | \$ 3,627 | \$ 1,018,277 | \$ 883,150 | \$ 1,905,054 |
| Cash paid to suppliers for goods and services | (1,333) | (475,796) | (408,127) | (885,256) |
| Cash paid to employees for services | - | (330,507) | (155,912) | (486,419) |
| Net cash provided by operating activities | <u>2,294</u> | <u>211,974</u> | <u>319,111</u> | <u>533,379</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers (out) | - | - | (440,643) | (440,643) |
| Net cash (used in) non-capital financing activities | <u>-</u> | <u>-</u> | <u>(440,643)</u> | <u>(440,643)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Payments related to the acquisition of capital assets | (205,041) | (9,200) | - | (214,241) |
| Net cash (used in) capital and related financing activities | <u>(205,041)</u> | <u>(9,200)</u> | <u>-</u> | <u>(214,241)</u> |
| NET CHANGES IN CASH AND CASH EQUIVALENTS | (202,747) | 202,774 | (121,532) | (121,505) |
| CASH AND CASH EQUIVALENTS: | | | | |
| Beginning of year | 845,415 | 1,377,801 | 737,191 | 2,960,407 |
| End of year | <u>\$ 642,668</u> | <u>\$ 1,580,575</u> | <u>\$ 615,659</u> | <u>\$ 2,838,902</u> |

City of Hercules
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2021

| | Vehicle Replacement | Technology Services | Facilities Maintenance | Total |
|---|------------------------|------------------------|---------------------------|-------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) | | | | |
| TO NET CASH PROVIDED BY (USED IN) | | | | |
| OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ (153,300) | \$ 47,753 | \$ 302,542 | \$ 196,995 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 155,594 | 100,806 | - | 256,400 |
| (Increase) Decrease in Assets and Deferred Outflows | | | | |
| Pensions-related deferred outflows | - | 5,799 | 3,215 | 9,014 |
| OPEB-related deferred outflows | - | (1,312) | (656) | (1,968) |
| Increase (Decrease) in Liabilities and Deferred Inflows | | | | |
| Accounts Payable | - | 15,405 | (8,775) | 6,630 |
| Salaries and benefits payable | - | 2,864 | 2,806 | 5,670 |
| Net pension liability | - | 36,559 | 20,273 | 56,832 |
| Net OPEB liability | - | (8,825) | 4,296 | (4,529) |
| Pensions-related deferred inflows | - | (4,554) | (2,526) | (7,080) |
| OPEB-related deferred inflows | - | 13,648 | (1,885) | 11,763 |
| Compensated absences | - | 3,831 | (179) | 3,652 |
| Total adjustments | 155,594 | 164,221 | 16,569 | 336,384 |
| Net cash provided by (used in) operating activities | \$ 2,294 | \$ 211,974 | \$ 319,111 | \$ 533,379 |

FIDUCIARY-CUSTODIAL FUNDS



City of Hercules
Combining Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2021

| | Reassessment District 05-01 | Taylor Woodrow Maintenance LMOD | Total |
|--|-----------------------------------|--|------------|
| ASSETS | | | |
| Cash and investments | \$ 311,965 | \$ 70,035 | \$ 382,000 |
| Cash and investments with fiscal agents | 70,297 | - | 70,297 |
| Total assets | 382,262 | 70,035 | 452,297 |
| NET POSITION | | | |
| Restricted for individuals, organization, and other government | 382,262 | 70,035 | 452,297 |
| Total net position | \$ 382,262 | \$ 70,035 | \$ 452,297 |

(Concluded)

City of Hercules
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Year Ended June 30, 2021

| | Reassessment District 05-01 | Taylor Woodrow Maintenance LMOD | Total |
|--|-----------------------------------|--|-------------------|
| ADDITIONS: | | | |
| Taxes and assessments | \$ 229,064 | \$ - | \$ 229,064 |
| Investment income/(loss) | (434) | (6) | (440) |
| Proceeds from issuance of debt | 3,313,813 | - | 3,313,813 |
| Total additions | 3,542,443 | (6) | 3,542,437 |
| DEDUCTIONS: | | | |
| Administration | 115,564 | - | 115,564 |
| Interest and fiscal agent fee | 232,218 | - | 232,218 |
| Principal payment to refunding escrow | 3,219,320 | - | 3,219,320 |
| Total deductions | 3,567,102 | - | 3,567,102 |
| CHANGES IN FIDUCIARY NET POSITION | (24,659) | (6) | (24,665) |
| NET POSITION: | | | |
| Beginning of year, as restated (Note 17) | 406,921 | 70,041 | 476,962 |
| End of year | <u>\$ 382,262</u> | <u>\$ 70,035</u> | <u>\$ 452,297</u> |

(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 160-169)

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 170-177)

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 178-184)

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 185)

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 186-193)

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,

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | | |
| Invested in capital assets, net of related debt | \$ 67,178,014 | \$ 65,157,839 | \$ 62,588,422 | \$ 65,597,425 | \$ 67,814,198 |
| Restricted | 26,631,294 | 22,334,668 | 13,670,630 | 21,070,727 | 7,026,074 |
| Unrestricted | 14,262,530 | 20,635,123 | 36,350,966 | 16,564,422 | 34,482,114 |
| Total governmental activities net position | <u>\$ 108,071,838</u> | <u>\$ 108,127,630</u> | <u>\$ 112,610,018</u> | <u>\$ 103,232,574</u> | <u>\$ 109,322,386</u> |
| Business-type activities | | | | | |
| Invested in capital assets, net of related debt | \$ 11,246,807 | \$ 10,746,142 | \$ 9,897,549 | \$ 9,942,508 | \$ 11,637,225 |
| Restricted | - | - | - | - | - |
| Unrestricted | 20,088,304 | 24,351,569 | 20,211,271 | 22,931,509 | 22,643,219 |
| Total business-type activities net position | <u>\$ 31,335,111</u> | <u>\$ 35,097,711</u> | <u>\$ 30,108,820</u> | <u>\$ 32,874,017</u> | <u>\$ 34,280,444</u> |
| Primary government | | | | | |
| Invested in capital assets, net of related debt | \$ 78,424,821 | \$ 75,903,981 | \$ 72,485,971 | \$ 75,539,933 | \$ 79,451,423 |
| Restricted | 26,631,294 | 22,334,668 | 13,670,630 | 21,070,727 | 7,026,074 |
| Unrestricted | 34,350,834 | 44,986,692 | 56,562,237 | 39,495,931 | 57,125,333 |
| Total primary government net position | <u>\$ 139,406,949</u> | <u>\$ 143,225,341</u> | <u>\$ 142,718,838</u> | <u>\$ 136,106,591</u> | <u>\$ 143,602,830</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, | | | | |
|--|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| <i>Governmental activities</i> | | | | | |
| Invested in capital assets, net of related debt | \$ 73,286,966 | \$ 76,304,118 | \$ 76,082,830 | \$ 73,639,890 | \$ 69,628,982 |
| Restricted | 18,239,035 | 21,086,055 | 21,495,653 | 20,047,707 | 20,047,707 |
| Unrestricted | 27,146,535 | 24,579,483 | 26,259,010 | 23,471,208 | 24,205,660 |
| Total governmental activities net position | <u>\$ 118,672,536</u> | <u>\$ 121,969,656</u> | <u>\$ 123,837,493</u> | <u>\$ 117,158,805</u> | <u>\$ 113,882,349</u> |
| <i>Business-type activities</i> | | | | | |
| Invested in capital assets, net of related debt | \$ 9,503,346 | \$ 10,572,862 | \$ 9,384,765 | \$ 11,587,259 | \$ 7,230,469 |
| Restricted | - | - | 7,582,403 | 7,674,002 | 7,679,725 |
| Unrestricted | 27,529,908 | 29,000,343 | 23,910,447 | 23,244,232 | 29,474,812 |
| Total business-type activities net position | <u>\$ 37,033,254</u> | <u>\$ 39,573,205</u> | <u>\$ 40,877,615</u> | <u>\$ 42,505,493</u> | <u>\$ 44,385,006</u> |
| <i>Primary government</i> | | | | | |
| Invested in capital assets, net of related debt | \$ 82,790,312 | \$ 86,876,980 | \$ 85,467,595 | \$ 85,227,149 | \$ 76,859,451 |
| Restricted | 18,239,035 | 21,086,055 | 29,078,056 | 27,721,709 | 27,727,432 |
| Unrestricted | 54,676,443 | 53,579,826 | 50,169,457 | 46,715,440 | 53,680,472 |
| Total primary government net position | <u>\$ 155,705,790</u> | <u>\$ 161,542,861</u> | <u>\$ 164,715,108</u> | <u>\$ 159,664,298</u> | <u>\$ 158,267,355</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,

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------------------------|------------------------|------------------------|-----------------------|----------------------|
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 5,503,393 | \$ 3,900,757 | \$ 4,350,428 | \$ 3,133,995 | \$ 3,706,717 |
| Public Safety | 4,692,607 | 4,560,766 | 4,905,837 | 5,094,319 | 5,299,440 |
| Public Works | 5,301,525 | 5,244,823 | 5,761,359 | 4,880,174 | 4,667,439 |
| Parks and recreation | 2,148,213 | 2,087,597 | 2,147,560 | 2,074,783 | 2,216,525 |
| Community Development | 2,247,460 | 1,275,685 | 3,295,068 | 742,529 | 400,754 |
| Interest on Long-Term Debt | 1,147,415 | 1,284,713 | 1,073,240 | 1,277,353 | 1,301,053 |
| Total Governmental Activities | <u>21,040,613</u> | <u>18,354,341</u> | <u>21,533,492</u> | <u>17,203,153</u> | <u>17,591,928</u> |
| Business-Type Activities: | | | | | |
| Sewer | 3,236,147 | 3,336,974 | 3,494,287 | 2,834,835 | 3,854,974 |
| Hercules Municipal Utility | 3,329,348 | 3,369,406 | 2,491,837 | | |
| Total Business-Type Activities Expenses | <u>6,565,495</u> | <u>6,706,380</u> | <u>5,986,124</u> | <u>2,834,835</u> | <u>3,854,974</u> |
| Total Primary Government Expenses | <u>\$ 27,606,108</u> | <u>\$ 25,060,721</u> | <u>\$ 27,519,616</u> | <u>\$ 20,037,988</u> | <u>\$ 21,446,902</u> |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 184,647 | \$ 236,231 | \$ 282,512 | \$ 361,223 | \$ 128,430 |
| Public Safety | 562,779 | 473,929 | 576,345 | 523,708 | 543,761 |
| Public Works | 3,509,646 | 3,273,051 | 4,570,184 | 6,150,061 | 12,784,856 |
| Parks and recreation | 1,487,192 | 1,544,429 | 1,623,655 | 1,604,294 | 1,538,554 |
| Community Development | 302,960 | 170,740 | 200,601 | 890,867 | 364,191 |
| Total Government Activities Program Revenues | <u>6,047,224</u> | <u>5,698,380</u> | <u>7,253,297</u> | <u>9,530,153</u> | <u>15,359,792</u> |
| Business-Type Activities: | | | | | |
| Sewer | 4,970,329 | 5,282,963 | 5,619,601 | 6,028,122 | 5,595,044 |
| Hercules Municipal Utility | 2,693,486 | 2,756,288 | 2,070,923 | | |
| Total Business-Type Activities Program Revenue | <u>7,663,815</u> | <u>8,039,251</u> | <u>7,690,524</u> | <u>6,028,122</u> | <u>5,595,044</u> |
| Total Primary Government Program Revenues | <u>\$ 13,711,039</u> | <u>\$ 13,737,631</u> | <u>\$ 14,943,821</u> | <u>\$ 15,558,275</u> | <u>\$ 20,954,836</u> |
| Net (Expense)/Revenue | | | | | |
| Governmental Activities | (14,993,389) | (12,655,961) | (14,280,195) | (7,673,000) | (2,232,136) |
| Business-Type Activities | 1,098,320 | 1,332,871 | 1,704,400 | 3,193,287 | 1,740,070 |
| Total Primary Government Net Expense | <u>\$ (13,895,069)</u> | <u>\$ (11,323,090)</u> | <u>\$ (12,575,795)</u> | <u>\$ (4,479,713)</u> | <u>\$ (492,066)</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, | | | | |
|--|------------------------------------|-----------------------|------------------------|------------------------|------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 4,025,706 | \$ 4,105,705 | \$ 5,094,236 | \$ 4,634,707 | \$ 4,435,331 |
| Public Safety | 5,365,068 | 7,034,658 | 7,055,390 | 8,844,059 | 9,273,713 |
| Public Works | 5,035,767 | 6,894,640 | 6,727,710 | 8,447,150 | 7,715,011 |
| Parks and recreation | 3,050,786 | 2,657,763 | 2,564,008 | 2,786,635 | 2,104,559 |
| Community Development | 640,428 | 491,562 | 630,341 | 595,927 | 918,476 |
| Interest on Long-Term Debt | 1,220,791 | 1,141,982 | 1,256,456 | 1,159,848 | 959,355 |
| Total Governmental Activities | <u>19,338,546</u> | <u>22,326,310</u> | <u>23,328,141</u> | <u>26,468,326</u> | <u>25,406,445</u> |
| Business-Type Activities: | | | | | |
| Sewer | 3,092,380 | 3,750,261 | 5,343,759 | 4,593,120 | 3,894,420 |
| Hercules Municipal Utility | | | | | |
| Total Business-Type Activities Expenses | <u>3,092,380</u> | <u>3,750,261</u> | <u>5,343,759</u> | <u>4,593,120</u> | <u>3,894,420</u> |
| Total Primary Government Expenses | <u>\$ 22,430,926</u> | <u>\$ 26,076,571</u> | <u>\$ 28,671,900</u> | <u>\$ 31,061,446</u> | <u>\$ 29,300,865</u> |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 113,875 | \$ 3,866,023 | \$ 1,816,337 | \$ 719,485 | \$ 1,343,812 |
| Public Safety | 1,171,960 | 524,703 | 882,823 | 743,462 | 540,238 |
| Public Works | 12,014,579 | 5,218,076 | 4,433,560 | 5,546,868 | 4,196,125 |
| Parks and recreation | 1,715,375 | 1,696,769 | 1,731,066 | 1,030,758 | 396,289 |
| Community Development | 823,972 | 1,534,666 | 1,658,265 | 517,920 | 552,090 |
| Total Government Activities Program Revenues | <u>15,839,761</u> | <u>12,840,237</u> | <u>10,522,051</u> | <u>8,558,493</u> | <u>7,028,554</u> |
| Business-Type Activities: | | | | | |
| Sewer | 5,797,766 | 6,145,215 | 6,003,202 | 5,719,257 | 5,769,396 |
| Hercules Municipal Utility | | | | | |
| Total Business-Type Activities Program Revenue | <u>5,797,766</u> | <u>6,145,215</u> | <u>6,003,202</u> | <u>5,719,257</u> | <u>5,769,396</u> |
| Total Primary Government Program Revenues | <u>\$ 21,637,527</u> | <u>\$ 18,985,452</u> | <u>\$ 16,525,253</u> | <u>\$ 14,277,750</u> | <u>\$ 12,797,950</u> |
| Net (Expense)/Revenue | | | | | |
| Governmental Activities | (3,498,785) | (9,486,073) | (12,806,090) | (17,909,833) | (18,377,891) |
| Business-Type Activities | 2,705,386 | 2,394,954 | 659,443 | 1,126,137 | 1,874,976 |
| Total Primary Government Net Expense | <u>\$ (793,399)</u> | <u>\$ (7,091,119)</u> | <u>\$ (12,146,647)</u> | <u>\$ (16,783,696)</u> | <u>\$ (16,502,915)</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, | | | | |
|---|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental Activities: | | | | | |
| Taxes: | | | | | |
| Secured and unsecured property taxes | \$ 6,116,169 | \$ 1,233,335 | \$ 992,934 | \$ 1,173,026 | \$ 1,233,207 |
| Sales Taxes and use taxes | 1,628,386 | 2,153,244 | 2,593,675 | 2,693,075 | 3,211,109 |
| Franchise Tax | 645,196 | 669,723 | 799,180 | 1,011,888 | 960,124 |
| Other Taxes | 2,209,580 | 2,284,442 | 3,265,624 | 3,511,023 | 3,628,145 |
| Unrestricted Motor Vehicle Taxes In-Lieu | 1,393,766 | 1,312,179 | 1,323,651 | 1,554,491 | 1,645,846 |
| Use of Money and properties | 2,083,873 | 993,098 | 1,002,389 | 1,055,791 | 1,133,587 |
| Miscellaneous | 1,109,636 | 758,854 | 1,397,677 | 476,033 | 1,029,258 |
| Special items | - | 3,686,647 | - | - | - |
| Extraordinary item - RDA Dissolution | 42,806,674 | - | - | - | - |
| Transfers | - | - | 7,387,453 | (92,736) | (10,452) |
| Total Government Activities | 57,993,280 | 13,091,522 | 18,762,583 | 11,382,591 | 12,830,824 |
| Business-Type Activities: | | | | | |
| Use of Money and properties | 123,150 | 44,326 | 45,822 | 23,484 | 24,058 |
| Miscellaneous | 46,310 | 101,207 | 86,637 | - | - |
| Special items | - | 2,874,410 | 561,703 | - | - |
| Transfers | - | - | (7,387,453) | 92,736 | 10,452 |
| Total Business-Type Activities | 169,460 | 3,019,943 | (6,693,291) | 116,220 | 34,510 |
| Total Primary Government | \$ 58,162,740 | \$ 16,111,465 | \$ 12,069,292 | \$ 11,498,811 | \$ 12,865,334 |
| Change in Net Position | | | | | |
| Governmental Activities | \$ 42,999,891 | \$ 435,561 | \$ 4,482,388 | \$ 3,709,591 | \$ 10,598,688 |
| Business-Type Activities | 1,267,780 | 4,352,814 | (4,988,891) | 3,309,507 | 1,774,580 |
| Total Primary Government | \$ 44,267,671 | \$ 4,788,375 | \$ (506,503) | \$ 7,019,098 | \$ 12,373,268 |

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,

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental Activities: | | | | | |
| Taxes: | | | | | |
| Secured and unsecured property taxes | \$ 1,286,788 | \$ 1,376,354 | \$ 1,378,493 | \$ 1,415,995 | \$ 1,451,716 |
| Sales Taxes and use taxes | 3,324,807 | 3,206,095 | 3,988,702 | 4,212,285 | 4,775,496 |
| Franchise Tax | 878,574 | 862,946 | 852,751 | 948,503 | 862,104 |
| Other Taxes | 3,712,519 | 3,906,865 | 4,506,706 | 4,402,327 | 4,293,889 |
| Unrestricted Motor Vehicle Taxes In-Lieu | 1,799,014 | 1,911,327 | 1,990,306 | 2,128,054 | 2,239,058 |
| Use of Money and properties | 1,114,795 | 1,334,955 | 1,588,558 | 1,748,131 | 1,456,269 |
| Miscellaneous | 448,688 | 1,189,560 | 368,411 | - | - |
| Special items | - | - | - | (3,624,150) | - |
| Extraordinary item - RDA Dissolution | - | - | - | - | - |
| Transfers | - | - | - | - | - |
| Total Government Activities | 12,565,185 | 13,788,102 | 14,673,927 | 11,231,145 | 15,078,532 |
| Business-Type Activities: | | | | | |
| Use of Money and properties | 47,424 | 200,280 | 482,095 | 501,741 | 4,537 |
| Miscellaneous | - | - | 162,872 | - | - |
| Special items | - | - | - | - | - |
| Transfers | - | - | - | - | - |
| Total Business-Type Activities | 47,424 | 200,280 | 644,967 | 501,741 | 4,537 |
| Total Primary Government | \$ 12,612,609 | \$ 13,988,382 | \$ 15,318,894 | \$ 11,732,886 | \$ 15,083,069 |
| Change in Net Position | | | | | |
| Governmental Activities | \$ 9,066,400 | \$ 4,302,029 | \$ 1,867,837 | \$ (6,678,688) | \$ (3,299,359) |
| Business-Type Activities | 2,752,810 | 2,595,234 | 1,304,410 | 1,627,878 | 1,879,513 |
| Total Primary Government | \$ 11,819,210 | \$ 6,897,263 | \$ 3,172,247 | \$ (5,050,810) | \$ (1,419,846) |

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, | | | | |
|------------------------------------|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| General Fund | | | | | |
| Nonspendable | \$ 21,136,465 | \$ 23,063,118 | \$ 27,801,759 | \$ 27,806,063 | \$ 28,643,374 |
| Assigned | 561,482 | 554,985 | 1,359,328 | 1,363,528 | 2,171,733 |
| Unassigned | (240,256) | 2,700,418 | 5,389,258 | 7,969,320 | 8,291,363 |
| Total General Fund | <u>\$ 21,457,691</u> | <u>\$ 26,318,521</u> | <u>\$ 34,550,345</u> | <u>\$ 37,138,911</u> | <u>\$ 39,106,470</u> |
| All Other Governmental Funds | | | | | |
| Nonspendable | \$ 8,434,036 | \$ 12,131,778 | \$ 12,131,778 | \$ 11,013 | \$ 6,714,263 |
| Restricted | 13,079,793 | 19,147,732 | 8,253,115 | 21,070,727 | 12,443,589 |
| Committed | - | - | - | - | - |
| Assigned | - | 71,386 | - | 35,395 | 1,314,160 |
| Unassigned | (173,527) | (193,469) | (857,203) | (2,770,225) | (7,036,753) |
| Total all other governmental funds | <u>\$ 21,340,302</u> | <u>\$ 31,157,427</u> | <u>\$ 19,527,690</u> | <u>\$ 18,346,910</u> | <u>\$ 13,435,259</u> |

Source: Finance Department



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

| | For the Fiscal Year Ended June 30, | | | | |
|------------------------------------|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| General Fund | | | | | |
| Nonspendable | \$ 30,092,172 | \$ 27,799,824 | \$ 29,402,817 | \$ 29,769,663 | \$ 30,034,997 |
| Assigned | 2,176,150 | 2,321,483 | 5,937,646 | 6,205,655 | 5,915,247 |
| Unassigned | 9,426,610 | 14,194,525 | 10,027,085 | 8,398,945 | 10,008,178 |
| Total General Fund | <u>\$ 41,694,932</u> | <u>\$ 44,315,832</u> | <u>\$ 45,367,548</u> | <u>\$ 44,374,263</u> | <u>\$ 45,958,422</u> |
| All Other Governmental Funds | | | | | |
| Nonspendable | \$ 11,013 | \$ 11,013 | \$ 11,013 | \$ - | \$ - |
| Restricted | 20,587,964 | 20,556,143 | 21,446,237 | 19,621,155 | 19,549,409 |
| Committed | - | - | - | 428,552 | 1,391,188 |
| Assigned | - | - | - | - | - |
| Unassigned | (4,048,580) | (1,473,498) | (226,591) | (98,458) | (162,793) |
| Total all other governmental funds | <u>\$ 16,550,397</u> | <u>\$ 19,093,658</u> | <u>\$ 21,230,659</u> | <u>\$ 19,951,249</u> | <u>\$ 20,777,804</u> |

Source: Finance Department



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

| | For the Fiscal Year Ended June 30, | | | | |
|--|------------------------------------|---------------------|---------------------|---------------------|-----------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Revenues | | | | | |
| Taxes and Assessments | \$ 10,599,331 | \$ 6,340,744 | \$ 7,651,413 | \$ 8,389,012 | \$ 9,032,585 |
| Licenses and permits | 343,071 | 294,737 | 315,086 | 480,645 | 344,374 |
| Fines and forfeitures | 62,858 | 87,128 | 66,488 | 62,069 | 60,434 |
| Use of money and property | 2,077,929 | 1,012,177 | 1,003,729 | 1,082,244 | 1,183,964 |
| Intergovernmental | 2,926,750 | 2,413,531 | 3,374,022 | 6,194,872 | 5,677,447 |
| Charges For Services | 4,207,135 | 4,139,898 | 4,434,327 | 5,079,255 | 4,660,592 |
| Other Revenues | 991,537 | 758,854 | 1,015,728 | 476,033 | 1,029,258 |
| Total Revenues | 21,208,611 | 15,047,069 | 17,860,793 | 21,764,130 | 21,988,654 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 4,061,861 | 3,482,323 | 3,934,402 | 2,635,701 | 2,952,966 |
| Public Safety | 4,727,262 | 4,578,363 | 4,869,782 | 5,158,435 | 5,589,583 |
| Streets and Public Works | 2,805,974 | 2,731,992 | 3,820,523 | 3,104,609 | 2,772,877 |
| Parks And Recreation | 2,082,076 | 1,833,902 | 1,878,925 | 1,827,391 | 1,961,669 |
| Community Development | 1,902,907 | 1,628,258 | 1,882,181 | 743,110 | 399,215 |
| Lease expense | 779,109 | - | - | - | - |
| Capital outlay | 670,331 | 853,299 | 1,161,622 | 4,994,173 | 8,504,827 |
| Debt service: | | | | | |
| Principal | 3,906,223 | 457,025 | 583,104 | 604,474 | 626,149 |
| Interest And Fiscal Agent Fees | 4,416,241 | 1,233,175 | 1,213,038 | 1,189,346 | 1,164,163 |
| Total Expenditures | 25,351,984 | 16,798,337 | 19,343,577 | 20,257,239 | 23,971,449 |
| Excess (deficiency) of revenues over (under) expenditures | (4,143,373) | (1,751,268) | (1,482,784) | 1,506,891 | (1,982,795) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from loan | - | - | - | - | - |
| Proceeds from refunding bond | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - |
| Transfers in | 11,935,013 | 2,653,429 | 8,621,221 | 1,482,134 | 11,787,077 |
| Transfers (out) | (11,935,013) | (1,899,798) | (1,363,768) | (1,574,870) | (11,803,454) |
| Sale of capital assets | - | - | 381,949 | - | - |
| Contributed Capital | - | - | - | - | - |
| Special Item | - | - | - | - | - |
| Total other financing sources (uses) | - | 753,631 | 7,639,402 | (92,736) | (16,377) |
| Special/Extraordinary Item | (35,494,325) | 3,686,647 | - | - | - |
| Net Change in fund balances | \$ (39,637,698) | \$ 2,689,010 | \$ 6,156,618 | \$ 1,414,155 | \$ (1,999,172) |
| Debt service as a percentage of noncapital expenditures | 34% | 11% | 10% | 12% | 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, | | | | |
|--|------------------------------------|---------------------|---------------------|-----------------------|---------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Revenues | | | | | |
| Taxes and Assessments | \$ 9,202,688 | \$ 9,352,260 | \$ 10,726,652 | \$ 10,727,692 | \$ 14,098,060 |
| Licenses and permits | 496,355 | 1,081,912 | 844,806 | 796,397 | 952,294 |
| Fines and forfeitures | 47,824 | 48,579 | 50,058 | 62,582 | 36,586 |
| Use of money and property | 1,192,976 | 1,443,270 | 1,728,361 | 1,702,755 | 1,456,271 |
| Intergovernmental | 14,911,152 | 7,650,796 | 4,455,255 | 4,073,720 | 4,589,299 |
| Charges For Services | 5,157,696 | 5,684,127 | 7,964,546 | 5,282,444 | 1,150,164 |
| Other Revenues | 448,688 | 1,204,989 | 92,602 | 67,355 | 239,610 |
| Total Revenues | 31,457,379 | 26,465,933 | 25,862,280 | 22,712,945 | 22,522,284 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 3,153,498 | 3,492,082 | 4,542,651 | 4,070,428 | 3,854,043 |
| Public Safety | 6,022,005 | 6,295,019 | 6,776,245 | 7,634,971 | 7,774,932 |
| Streets and Public Works | 3,469,283 | 4,300,078 | 4,357,212 | 4,080,345 | 4,638,912 |
| Parks And Recreation | 1,883,159 | 2,101,369 | 2,128,110 | 2,165,547 | 1,434,988 |
| Community Development | 640,625 | 468,011 | 616,899 | 557,672 | 792,456 |
| Lease expense | - | - | - | - | - |
| Capital outlay | 9,079,227 | 2,757,245 | 2,261,555 | 3,434,295 | 4,163,726 |
| Debt service: | | | | | |
| Principal | 653,144 | 580,473 | 613,153 | 646,201 | 469,113 |
| Interest And Fiscal Agent Fees | 1,136,588 | 1,307,495 | 1,285,738 | 1,239,573 | 1,224,118 |
| Total Expenditures | 26,037,529 | 21,301,772 | 22,581,563 | 23,829,032 | 24,352,288 |
| Excess (deficiency) of revenues over (under) expenditures | 5,419,850 | 5,164,161 | 3,280,717 | (1,116,087) | (1,830,004) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from loan | - | - | - | - | 4,209,354 |
| Proceeds from refunding bond | - | - | - | - | 5,876,843 |
| Payment to refunded bond escrow agent | - | - | - | - | (5,705,000) |
| Transfers in | 2,705,171 | 1,408,803 | 2,511,094 | 1,730,899 | 1,405,555 |
| Transfers (out) | (2,705,171) | (1,408,803) | (2,603,094) | (1,730,899) | (964,912) |
| Sale of capital assets | - | - | - | - | - |
| Contributed Capital | - | - | - | 655,467 | - |
| Special Item | - | - | - | (1,812,075) | (604,025) |
| Total other financing sources (uses) | - | - | (92,000) | (1,156,608) | 4,217,815 |
| Special/Extraordinary Item | - | - | - | - | - |
| Net Change in fund balances | \$ 5,419,850 | \$ 5,164,161 | \$ 3,188,717 | \$ (2,272,695) | \$ 2,387,811 |
| Debt service as a percentage of noncapital expenditures | 11% | 10% | 9% | 9% | 8% |

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 |
|----------------------------------|-------------------------|------------------------|------------------------|-------------------|-----------------------|---------------------------------|------------------------------|
| 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 |
| 2021 | 3,785,286,659 | 88,476,522 | 204,766,171 | 82,829,255 | 58,291,816 | 111,756,157 | 4,107,894,266 |

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

(2) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.



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

| Fiscal Year Ended June 30, | Total Tax Rate (1) | Estimated Actual Taxable Value (2) | Factor of Taxable Assessed Value (2) |
|----------------------------------|-----------------------|---------------------------------------|---|
| 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 |
| 2021 | 5.4221% | 6,420,511,696 | 1.562969 |

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

(2) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.



City of Hercules

Assessed Value of Property by Use Code Last Ten Fiscal Years

| Category | For the Fiscal Year Ended June 30, | | | | |
|---------------------|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Residential | \$ 2,288,518,594 | \$ 2,145,156,967 | \$ 2,177,990,007 | \$ 2,567,234,136 | \$ 2,762,167,273 |
| Industrial | 171,206,105 | 166,377,521 | 181,255,580 | 175,156,171 | 178,580,502 |
| Commercial | 70,486,650 | 68,182,982 | 78,806,569 | 71,672,395 | 78,083,558 |
| Vacant | 15,279,054 | 15,065,418 | 13,529,847 | 16,167,550 | 27,684,893 |
| Institution | 14,696,564 | 14,990,493 | 15,192,385 | 496,945 | 506,873 |
| Recreation | 9,229,662 | 9,282,254 | 2,735,888 | 9,411,388 | 9,461,565 |
| Social | 882,082 | 899,723 | 836,400 | 840,196 | 856,982 |
| Miscellaneous | 758,482 | 773,649 | 789,119 | 792,700 | 808,536 |
| Rural | 203,194 | 207,256 | 211,399 | 212,358 | 216,599 |
| Unitary | - | 7,815 | 7,815 | 11,977 | 11,977 |
| Professional | 577,000 | 577,000 | 577,000 | 577,000 | - |
| Gross Secured Value | <u>2,571,837,387</u> | <u>2,421,521,078</u> | <u>2,471,932,009</u> | <u>2,842,572,816</u> | <u>3,058,378,758</u> |
| Unsecured | 57,110,126 | 54,863,064 | 53,405,561 | 56,578,518 | 54,269,399 |
| Exemptions | <u>90,298,501</u> | <u>89,677,874</u> | <u>92,483,903</u> | <u>75,454,264</u> | <u>77,407,676</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> | <u>\$ 3,035,240,481</u> |

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



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

| Category | For the Fiscal Year Ended June 30, | | | | |
|---------------------|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Residential | \$ 2,984,511,909 | \$ 3,171,302,525 | \$ 3,322,501,416 | \$ 3,549,607,367 | \$ 3,785,286,659 |
| Industrial | 192,358,822 | 199,079,514 | 196,779,448 | 199,145,259 | 204,766,171 |
| Commercial | 79,706,704 | 86,604,265 | 85,620,650 | 90,938,555 | 88,476,522 |
| Vacant | 31,332,357 | 61,123,014 | 62,680,104 | 53,134,753 | 51,585,587 |
| Institution | 15,803,658 | 16,119,728 | 16,442,120 | 16,770,959 | 17,106,375 |
| Recreation | 9,716,963 | 9,502,881 | 10,179,175 | 11,038,616 | 11,570,506 |
| Social | 870,050 | 826,000 | 842,520 | 1,334,000 | 1,360,679 |
| Miscellaneous | 820,864 | 837,279 | 854,023 | 871,101 | 888,520 |
| Rural | 219,900 | 224,297 | 228,781 | 233,355 | 238,021 |
| Unitary | 11,977 | 11,977 | 79,567 | 79,567 | 79,567 |
| Professional | - | - | - | - | - |
| Gross Secured Value | <u>3,315,353,204</u> | <u>3,545,631,480</u> | <u>3,696,207,804</u> | <u>3,923,153,532</u> | <u>4,161,358,607</u> |
| Unsecured | 58,945,949 | 56,327,147 | 56,782,463 | 59,062,998 | 58,291,816 |
| Exemptions | <u>94,538,055</u> | <u>96,165,729</u> | <u>97,967,035</u> | <u>108,788,587</u> | <u>111,756,157</u> |
| | <u>\$ 3,279,761,098</u> | <u>\$ 3,505,792,898</u> | <u>\$ 3,655,023,232</u> | <u>\$ 3,873,427,943</u> | <u>\$ 4,107,894,266</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

| | 2019-20 | 2020-21 |
|----------------------------|--------------|--------------|
| Basic City and County Levy | | |
| City of Hercules | 0.054221 | 0.054221 |
| County of Contra Costa | 0.945779 | 0.945779 |
| Total 1% Breakout | 1.000000 | 1.000000 |
| Override Assessments | | |
| Bart | 0.012000 | 0.013900 |
| East Bay Reg Pk Bd | 0.009400 | 0.001400 |
| West CC Unified Bd 98 | 0.004500 | 0.003200 |
| West Contra Costa Unified | 0.185400 | 0.198600 |
| WCCUSD 2012 Bond | 0.048000 | 0.041400 |
| Community College | 0.018800 | 0.016100 |
| Total Override Rate | 0.278100 | 0.274600 |
| Total Tax Rate | 1.278100 | 1.274600 |

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 Years Ago

| Taxpayer | 2020-21 | | 2011-12 | |
|--------------------------------|--------------------------|--|-------------------------|--|
| | (\$) Taxable Value | Percentage of Total City Assessed Value | Assessed Value | Percentage of Total City Assessed Value |
| Bio-Rad Laboratories Inc | \$ 171,910,085 | 4.18% | \$ 147,313,374 | 5.80% |
| Hercules Block N Dev Partners | 70,100,125 | 1.71% | - | |
| WCV Aventine Hercules LLC | 63,502,655 | 1.55% | - | |
| Hercules Land Partners LP | 26,138,782 | 0.64% | - | |
| Reliant-East Bay LP | 21,112,560 | 0.51% | - | |
| HD Development of Maryland | 19,178,208 | 0.47% | 16,626,806 | 0.65% |
| Hercules SPE MW LLC | 12,447,967 | 0.30% | - | |
| Vacaville Mobile Home Park LLC | 10,659,700 | 0.26% | - | |
| Tulloch Brian TRE | 10,279,314 | 0.25% | 8,386,323 | 0.33% |
| CS Creekside Hercules LLC | 8,163,384 | 0.20% | - | |
| Santa Clara VLY Housing Group | 8,120,000 | 0.20% | 5,310,000 | 0.21% |
| Dathe Robert P & Carlotta R | 7,729,593 | 0.19% | 6,598,181 | 0.26% |
| Hercules Sycamore Hills LLC | 7,581,770 | 0.18% | 6,471,995 | 0.25% |
| LA Costalot LLC | 7,560,712 | 0.18% | - | |
| Hercules Real Est Ltd Ptnship | 7,100,718 | 0.17% | 5,139,600 | 0.20% |
| Mechanics Bank of Richmond | 6,483,737 | 0.16% | 9,145,497 | 0.36% |
| 1560 Sycamore LLC | 6,247,838 | 0.15% | 3,753,600 | 0.15% |
| North First Street Properties | 6,186,842 | 0.15% | 2,828,789 | 0.11% |
| Creekside Shopping Center LLC | 5,982,300 | 0.15% | 3,600,000 | 0.14% |
| Madison MRH-1 Franklin LLC | 5,889,704 | 0.14% | - | |
| Taylor Morrison of CA LLC | 5,605,396 | 0.14% | - | |
| Arrow Investment Partners LLC | 5,382,000 | 0.13% | 3,958,350 | 0.16% |
| Multiple O Holdings LLC | 5,123,227 | 0.12% | - | |
| Trestle Hercules LLC | 5,051,060 | 0.12% | - | |
| Adalan Properties LLC | 4,754,604 | 0.12% | 4,058,657 | 0.16% |
| Rago Dev Corp | - | | 14,715,064 | 0.58% |
| Orinda Investors LP | - | | 6,713,296 | 0.26% |
| Three Trees Holdings I LLC | - | | 6,600,000 | 0.26% |
| Serb Andrew C Janet C | - | | 5,656,700 | 0.22% |
| Golden Gateway Assoc | - | | 5,486,615 | 0.22% |
| Robinson Theodore Deanna | - | | 4,998,221 | 0.20% |
| Red Barn Ventures I LLC | - | | 4,456,304 | 0.18% |
| Hercules Bayfront LLC | - | | 3,700,131 | 0.15% |
| Wells Fargo Bank NA | - | | 3,536,500 | 0.14% |
| ORB Partnership | - | | 3,405,939 | 0.13% |
| Comcast of California Colorado | - | | 3,288,668 | 0.13% |
| Emmerich Victor H Janet | - | | 2,700,000 | 0.11% |
| Total Top 25 Taxpayers | \$ 508,292,281 | 12.37% | \$ 288,448,610 | 11.36% |
| Total Taxable Value | \$ 4,107,894,266 | 100.00% | \$ 2,538,649,012 | 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% |
| 2021 | 1,378,587 | 1,378,587 | 100% | 1,378,587 | 100% |

Source: City of Hercules Records



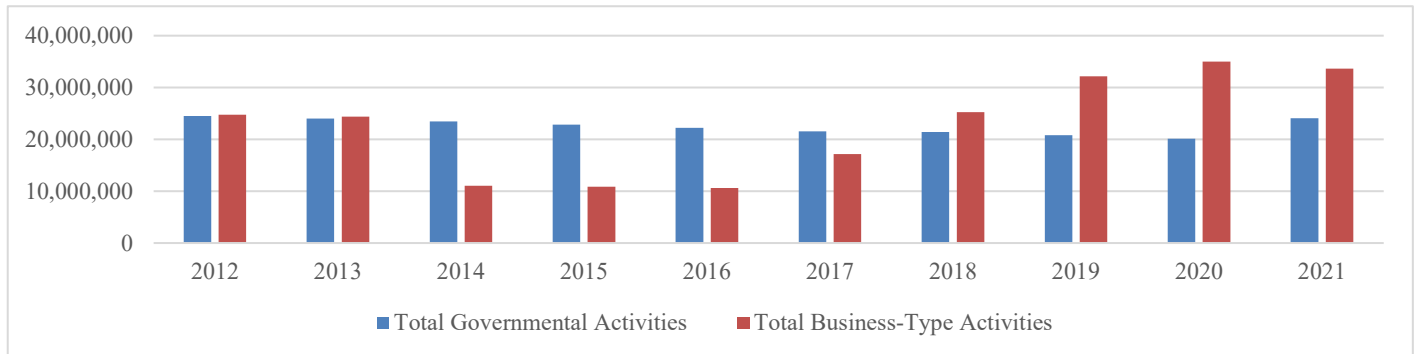
City of Hercules Principal Sales Tax Producers Last Ten Fiscal Years

| 2020-21 | | 2011-12 | |
|------------------------------|----------------------|-----------------------------|----------------------|
| 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 |
| Domino's Pizza | Restaurants | Cigarettes City | Miscellaneous Retail |
| Dragon Terrace Restaurant | Restaurants | Extreme Pizza | Restaurants |
| Home Depot | Bldg.Matls-Retail | Home Depot | Bldg.Matls-Retail |
| Jack In The Box Restaurants | Restaurants | Jack In The Box Restaurants | Restaurants |
| Kinder's | Food Markets | Kinder's Meats Deli & BBQ | Restaurants |
| L & L Hawaiian Barbecue | Restaurants | Kms Convenience Marts | Food Markets |
| Lucky Food Centers | Food Markets | Mazatlan Taqueria & Grill | Restaurants |
| Mazatlan Taqueria And Grill | Restaurants | Mcdonald's Restaurants | Restaurants |
| Mcdonald's Restaurants | Restaurants | Pro Media Ultrasound | Electronic Equipment |
| Mountain Mike's Pizza | Restaurants | Radston's | Office Equipment |
| Rite Aid Drug Stores | Drug Stores | Rite Aid Drug Stores | Drug Stores |
| Riviera Brokerage | Miscellaneous Retail | Round Table Pizza | Restaurants |
| Round Table Pizza | Restaurants | Save Mart Supermarkets | Food Markets |
| Safeway Stores | Food Markets | Shell Service Stations | Service Stations |
| Shell Service Stations | Service Stations | Snap-On Tools | Bldg.Matls-Retail |
| Taco Bell | Restaurants | Starbucks Coffee | Food Markets |
| The Powder Keg Pub | Restaurants | Taco Bell | Restaurants |
| Union 76 Service Stations | Service Stations | The Powder Keg Restaurant | Restaurants |
| Willow Food & Liquor | Food Markets | Union 76 Service Stations | Service Stations |

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



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



Governmental Activities

| Fiscal Year | Governmental Activities | | | Total |
|-------------|-------------------------|---------------|-------------------------|---------------|
| | Tax Allocation Bonds | Revenue Bonds | Loans & Lease Purchases | |
| 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 |
| 2021 | - (b) | 14,261,843 | 9,768,525 | 24,030,368 |

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 | | | |
| 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 |
| 2020 | 9,535,000 | 25,457,694 | 34,992,694 | 55,110,978 | 4.72% | 2,159 |
| 2021 | 9,250,000 | 24,356,298 | 33,606,298 | 57,636,666 | 4.51% | 2,228 |

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 Computation of Direct and Overlapping Debt June 30, 2021

2020-21 Assessed Valuation: \$4,140,056,466

| | Total Debt 6/30/21 | % Applicable (a) | City's Share of Debt 6/30/21 |
|---|-------------------------|------------------|---------------------------------|
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| Bay Area Rapid Transit District | \$ 1,871,890,000 | 0.483% | \$ 9,041,229 |
| Contra Costa Community College District | 596,325,000 | 1.836% | 10,948,527 |
| John Swett Unified School District | 76,761,174 | 8.030% | 6,163,922 |
| West Contra Costa Unified School District | 1,214,983,000 | 11.051% | 134,267,771 |
| West Contra Costa Healthcare Parcel Tax Obligations | 51,237,000 | 10.971% | 5,621,211 |
| East Bay Regional Park District | 133,170,000 | 0.773% | 1,029,404 |
| California Statewide Communities development Authority Assessment Districts | 4,142,065 | 100.000% | 4,142,065 |
| City of Hercules 1915 Act Bonds | 2,774,642 | 100.000% | 2,774,642 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$ 173,988,771 |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| Contra Costa County General Fund Obligations | \$ 254,570,000 | 1.830% | \$ 4,658,632 |
| Contra Costa County Pension Obligation Bonds | 44,925,000 | 1.830% | 822,128 |
| West Contra Costa Unified School District Certificates of Participation | 7,105,000 | 11.051% | 785,174 |
| City of Hercules General Fund Obligations | 14,261,843 | 100.000% | 14,261,843 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | \$ 20,527,776 |
| Less: Contra Costa County obligations supported from revenue funds | | | 749,984 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | \$ 19,777,792 |
| <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u> | \$95,455,000 | 100% | \$ 95,455,000 |
| TOTAL DIRECT DEBT | | | 14,261,843 |
| TOTAL GROSS OVERLAPPING DEBT | | | \$ 275,709,704 |
| TOTAL NET OVERLAPPING DEBT | | | \$ 275,959,720 |
| GROSS COMBINED TOTAL DEBT | | | \$ 289,971,547 (b) |
| NET COMBINED TOTAL DEBT | | | \$ 289,221,563 |

(a) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

Ratios to 2019-20 Assessed Valuation:

| | |
|---|--------------|
| Total Overlapping Tax and Assessment Debt | 4.20% |
| Total Direct Debt (\$14,290,000) | 0.34% |
| Gross Combined Total Debt | 7.00% |
| Net Combined Total Debt | 6.99% |

| | |
|--|------------------------|
| <u>Ratios to Redevelopment Successor Agency Incremental Valuation</u> | \$1,621,659,162 |
| Total Overlapping Tax Increment Debt | 5.89% |

Source: Avenue Insights & Analytics
California Municipal Statistics, Inc.



City of Hercules Legal Debt Margin Information Last Ten Fiscal Years

| | For the Fiscal Year Ended June 30, | | | | |
|---|------------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Assessed Valuation | \$ 2,538,649,012 | \$ 2,386,706,268 | \$ 2,432,853,667 | \$ 2,823,697,070 | \$ 3,035,240,481 |
| Conversion Percentage | 25% | 25% | 25% | 25% | 25% |
| Adjusted Assessed Valuation | \$ 634,662,253 | \$ 596,676,567 | \$ 608,213,417 | \$ 705,924,268 | \$ 758,810,120 |
| Debt Limit Percentage | 15% | 15% | 15% | 15% | 15% |
| Debt Limit | \$ 95,199,338 | \$ 89,501,485 | \$ 91,232,013 | \$ 105,888,640 | \$ 113,821,518 |
| Total net debt applicable to limit: General Obligation Bonds | - | - | - | - | - |
| Legal Debt Margin | <u>\$ 95,199,338</u> | <u>\$ 89,501,485</u> | <u>\$ 91,232,013</u> | <u>\$ 105,888,640</u> | <u>\$ 113,821,518</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, | | | | |
|--|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Assessed Valuation | \$ 3,279,761,098 | \$ 3,505,792,898 | \$ 3,655,023,232 | \$ 3,873,427,943 | \$ 4,107,894,266 |
| Conversion Percentage | 25% | 25% | 25% | 25% | 25% |
| Adjusted Assessed Valuation | \$ 819,940,275 | \$ 876,448,225 | \$ 913,755,808 | \$ 968,356,986 | \$ 1,026,973,567 |
| Debt Limit Percentage | 15% | 15% | 15% | 15% | 15% |
| Debt Limit | \$ 122,991,041 | \$ 131,467,234 | \$ 137,063,371 | \$ 145,253,548 | \$ 154,046,035 |
| Total net debt applicable to limit: General Obligation Bonds | - | - | - | - | - |
| Legal Debt Margin | <u>\$ 122,991,041</u> | <u>\$ 131,467,234</u> | <u>\$ 137,063,371</u> | <u>\$ 145,253,548</u> | <u>\$ 154,046,035</u> |
| Total debt applicable to the limit as a percentage of debt limit ¹ | | | | | |

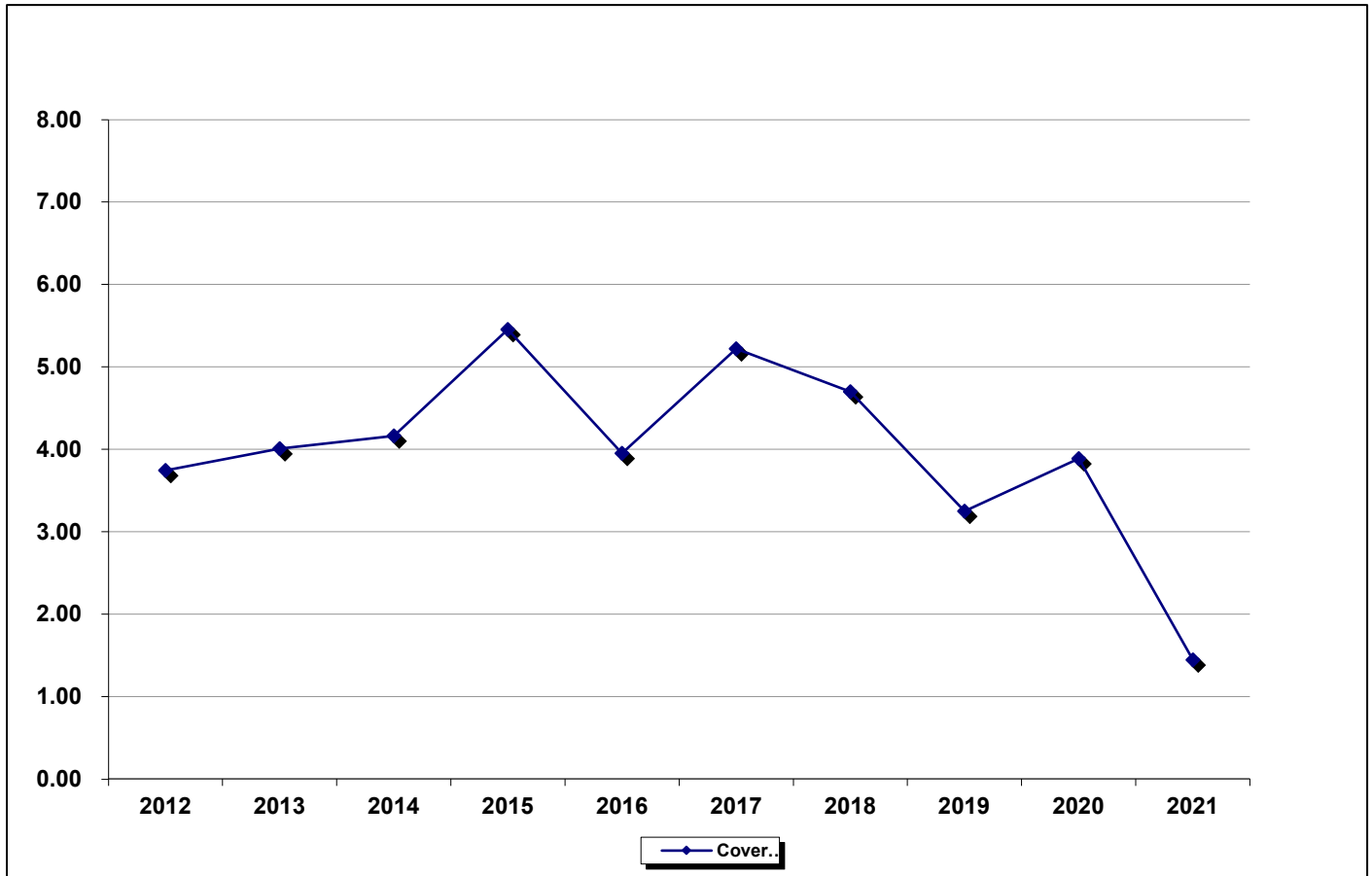
The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (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 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 | |
| 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 |
| 2021 | 5,769,396 | - | 2,692,326 | 3,077,070 | 1,391,780 | 735,166 | 2,126,946 | 1.45 |

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 |
|--------------------|----------------------------------|------------------------------|--|-------------------|--|--|--|--------------------------|
| 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 |
| 2021 | 25,864 | 1,277,053,622 | 49,376 | 41.2 | 31,027 | 8.9% | 8.8% | 1,153,854 |

Source: MuniServices, LLC / Avenu Insights & Analytics

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.

- (1) Population Projections are provided by the California Department of Finance Projections.
- (2) Income Data is provided by the U.S. Census Bureau and is adjusted for inflation.
- (3) Student Enrollment reflects the total number of students enrolled in the West Contra Costa School District only. Any other school districts within the City are not accounted for in this statistic.
- (4) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.



City of Hercules Principal Employers Current Fiscal Year and One Year Ago

| Business Name | 2020-21 | | 2019-20 | |
|---|----------------------------|--|----------------------------|--|
| | Number of Employees | Percentage of Total City Employment | Number of Employees | Percentage of Total City Employment |
| Bio-Rad Laboratories Inc | 2,194 | 16.0% | 2,271 | 17.1% |
| West Contra Costa Unified School District | 238 | 1.74% | 238 | 1.79% |
| Home Depot | 192 | 1.40% | 198 | 1.49% |
| Safeway | 180 | 1.31% | | |
| Contra Costa County Social Services | 107 | 0.78% | 106 | 0.80% |
| Pacific Bio Labs Inc | 93 | 0.68% | 94 | 0.71% |
| Lucky Supermarkets | 90 | 0.66% | 100 | 0.75% |
| City of Hercules | 68 | 0.50% | 60 | 0.45% |
| Benda Tool & Model Works Inc | 44 | 0.32% | 36 | 0.27% |
| Big Lots | 23 | 0.17% | 25 | 0.19% |
| Kinder's Meats & Deli BBQ & Catering | | | 40 | 0.30% |
| Total Top 10 Employers | 3,229 | 23.57% | 3,168 | 23.82% |
| Total City Labor Force (1) | 13,700 | | 13,300 | |

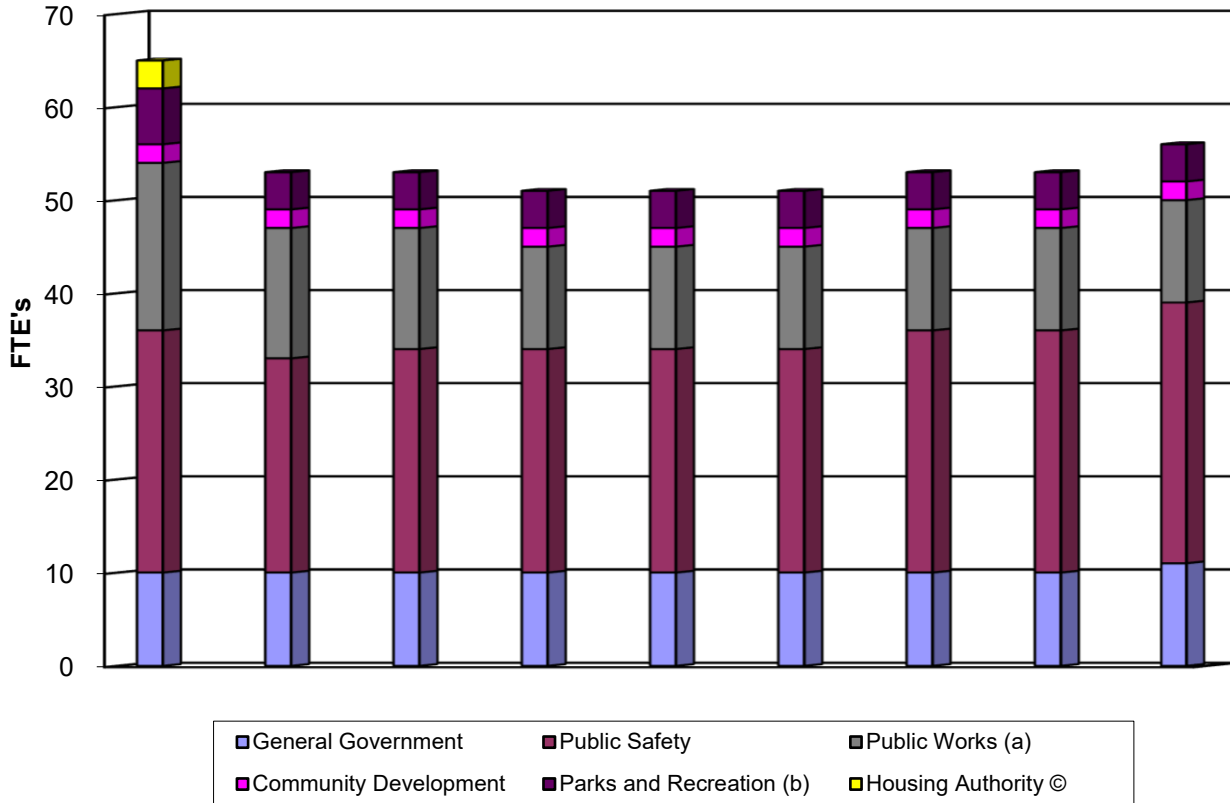
Source: MuniServices, LLC \ Avenu Insights & Analytics
 Source: 2019-20 previously published ACFR.
 Results based on direct correspondence with city's local businesses.

(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, | | | | | | | | | |
|-------------------------------------|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Function | | | | | | | | | | |
| General Government | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 11.00 | 11.00 |
| Public Safety | 26.00 | 23.00 | 24.00 | 24.00 | 24.00 | 24.00 | 26.00 | 26.00 | 28.00 | 29.00 |
| Public Works ^(a) | 18.00 | 14.00 | 13.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 |
| Community Development | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Parks and Recreation ^(b) | 6.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Housing Authority ^(c) | 3.00 | | | | | | | | | |
| Total | <u>65.00</u> | <u>53.00</u> | <u>53.00</u> | <u>51.00</u> | <u>51.00</u> | <u>51.00</u> | <u>53.00</u> | <u>53.00</u> | <u>56.00</u> | <u>57.00</u> |

NOTE:

- (a) Public Works includes Wastewater and Solid Waste
- (b) Parks and Recreation includes Library, Recreation and Park
- (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, | | | | |
|---------------------------------------|------------------------------------|--------|--------|--------|-------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| General Information | | | | | |
| Area in square miles | 18.20 | 18.20 | 18.20 | 18.20 | 18.20 |
| Number of registered voters | - | 21,862 | - | 17,280 | 2,671 |
| Number of Hospitals | - | - | - | - | - |
| Education: | | | | | |
| Student enrollment | 3,042 | 3,007 | 2,928 | 2,799 | 2,823 |
| Elementary schools | 1,274 | 1,277 | 1,240 | 1,228 | 1,211 |
| Junior high schools | 767 | 724 | 673 | 636 | 632 |
| High schools | 1,001 | 1,006 | 1,015 | 935 | 980 |
| Teachers (full & part time) | 157 | 143 | 144 | 148 | 127 |
| Function/Program | | | | | |
| Police: | | | | | |
| Police calls for Service | 12,960 | 12,309 | 12,550 | 1,843 | 7,707 |
| Law violations: | | | | | |
| Part I and Part II crimes | 761 | 822 | 811 | 96 | 571 |
| Physical arrests (adult and juvenile) | 351 | 410 | 450 | 45 | 245 |
| Traffic violations | 1,142 | 792 | 1,000 | 85 | 518 |
| Sewer | | | | | |
| Sewer service connections | 8,235 | 8,235 | 8,235 | 8,235 | 8,265 |

Source: City of Hercules



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

| | For the Fiscal Year Ended June 30, | | | | |
|---------------------------------------|------------------------------------|--------|--------|--------|--------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| General Information | | | | | |
| Area in square miles | 18.20 | 18.20 | 18.20 | 18.20 | 18.20 |
| Number of registered voters | 18,738 | - | 14,804 | - | 14,213 |
| Number of Hospitals | - | - | - | - | - |
| Education: | | | | | |
| Student enrollment | 2,823 | 2,825 | 2,797 | 2,753 | 2,717 |
| Elementary schools | 1,243 | 1,296 | 1,327 | 1,305 | 1,296 |
| Junior high schools | 584 | 594 | 603 | 596 | 623 |
| High schools | 996 | 935 | 867 | 852 | 798 |
| Teachers (full & part time) | 134 | 127 | 125 | 124 | 121 |
| Function/Program | | | | | |
| Police: | | | | | |
| Police calls for Service | 13,142 | 16,245 | 16,918 | 29,935 | 16,192 |
| Law violations: | | | | | |
| Part I and Part II crimes | 957 | 867 | 831 | 1,162 | 1,689 |
| Physical arrests (adult and juvenile) | 403 | 449 | 495 | 398 | 508 |
| Traffic violations | 793 | 1,074 | 1,383 | 975 | 607 |
| Sewer | | | | | |
| Sewer service connections | 8,271 | 8,326 | 8,327 | 8,327 | 8,410 |

Source: City of Hercules



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

| | For the Fiscal Year Ended June 30, | | | | |
|---|------------------------------------|--------|--------|--------|--------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Planning & Building: | | | | | |
| Number of Building Permits issued | 661 | 672 | 631 | 622 | 782 |
| Recreation and Parks: | | | | | |
| Youth & Teens: | | | | | |
| Number of youth programs | - | - | 10 | 11 | 12 |
| Number of youth attendees | - | - | 534 | 723 | 519 |
| Aquatics: | | | | | |
| Number of aquatics programs | 4 | 4 | 4 | 4 | 4 |
| Number of aquatics attendees | 3,041 | 1,793 | 2,898 | 1,396 | 2,266 |
| Recreation Classes: | | | | | |
| Number of recreation programs | 7 | 7 | 7 | 7 | 6 |
| Number of recreation attendees | 1,990 | 1,598 | 2,569 | 2,366 | 709 |
| Preschool/GradeSchool Programs: | | | | | |
| Number of preschool/gradeschool programs | 12 | 10 | 11 | 12 | 9 |
| Number of preschool/gradeschool attendees | 3,241 | 2,880 | 3,151 | 3,358 | 2,900 |
| Seniors: | | | | | |
| Number of senior programs | 14 | 14 | 14 | 14 | 14 |
| Number of senior attendees | 10,368 | 10,186 | 18,873 | 10,415 | 10,707 |
| Number of meals served | 8,258 | 8,347 | 8,702 | 8,791 | 8,787 |
| Finance: | | | | | |
| Number of Business Licenses issued | 941 | 614 | 647 | 664 | 734 |

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

| | For the Fiscal Year Ended June 30, | | | | |
|---|------------------------------------|--------|--------|-------|-------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Planning & Building: | | | | | |
| Number of Building Permits issued | 778 | 753 | 389 | 675 | 1,016 |
| Recreation and Parks: | | | | | |
| Youth & Teens: | | | | | |
| Number of youth programs | 12 | 10 | 38 | 8 | - |
| Number of youth attendees | 250 | 637 | 550 | 112 | - |
| Aquatics: | | | | | |
| Number of aquatics programs | 4 | 4 | 4 | 2 | 4 |
| Number of aquatics attendees | 1,739 | 1,390 | 1,686 | 533 | 1,098 |
| Recreation Classes: | | | | | |
| Number of recreation programs | 7 | 7 | 7 | 4 | 3 |
| Number of recreation attendees | 441 | 914 | 817 | 124 | 16 |
| Preschool/GradeSchool Programs: | | | | | |
| Number of preschool/gradeschool programs | 11 | 11 | 11 | 8 | - |
| Number of preschool/gradeschool attendees | 2,949 | 3,510 | 3,319 | 869 | - |
| Seniors: | | | | | |
| Number of senior programs | 14 | 14 | 14 | 14 | - |
| Number of senior attendees | 11,445 | 10,573 | 12,577 | 2,778 | - |
| Number of meals served | 9,811 | 8,880 | 7,259 | 3,399 | 8,212 |
| Finance: | | | | | |
| Number of Business Licenses issued | 665 | 819 | 995 | 971 | 1,103 |

Source: City of Hercules



City of Hercules

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

For the Fiscal Year Ended June 30,

| Function/Program | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------------|-------|-------|-------|-------|-------|
| 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 | 2 | 2 |
| Community Swim Center | 1 | 1 | 1 | 1 | 1 |
| Community centers | 2 | 2 | 2 | 2 | 2 |
| Performing arts centers | | | | | |
| Teen Center | 1 | 1 | 1 | 1 | 1 |
| Swimming pools (a) | 2 | 2 | 2 | 2 | 2 |
| Tennis courts (b) | 8 | 8 | 8 | 8 | 8 |
| diamonds | 2 | 2 | 2 | 2 | 2 |
| Soccer/football fields (c) | 1 | 1 | 1 | 1 | 1 |
| Library: | | | | | |
| City Libraries | 1 | 1 | 1 | 1 | 1 |

Source: City of Hercules



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

| Function/Program | For the Fiscal Year Ended June 30, | | | | |
|---------------------------------|------------------------------------|-------|-------|-------|-------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Police: | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 |
| Public works: | | | | | |
| Miles of streets | 58 | 58 | 58 | 58 | 58 |
| Miles of bike lanes | 7 | 7 | 7 | 7 | 7 |
| Street and parking lot fixtures | 1,494 | 1,494 | 1,494 | 1,494 | 1,494 |
| Traffic Signals | 14 | 14 | 14 | 14 | 14 |
| Wastewater | | | | | |
| Miles of sanitary sewers | 62 | 62 | 62 | 62 | 62 |
| Recreation and Parks: | | | | | |
| City parks | 11 | 11 | 11 | 13 | 13 |
| City parks acreage | 98 | 98 | 98 | 99 | 99 |
| Playgrounds | 7 | 7 | 7 | 8 | 8 |
| City trails/Bike paths | 2 | 2 | 2 | 2 | 2 |
| Community Swim Center | 1 | 1 | 1 | 1 | 4 |
| Community centers | 2 | 2 | 2 | 4 | 1 |
| Performing arts centers | | | | | |
| Teen Center | 1 | 1 | 1 | 1 | 1 |
| Swimming pools (a) | 2 | 2 | 2 | 2 | 3 |
| Tennis courts (b) | 8 | 8 | 8 | 8 | 2 |
| diamonds | 2 | 2 | 2 | 2 | 1 |
| Soccer/football fields (c) | 1 | 1 | 1 | 1 | 1 |
| Library: | | | | | |
| City Libraries | 1 | 1 | 1 | 1 | 1 |

Source: City of Hercules

