



FISCAL YEAR

2022-2023

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, 2023**

Prepared by:
The Finance Department

City of Hercules
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023
Table of Contents

Page

INTRODUCTORY SECTION

Letter of Transmittal	i
Public Officials of the City of Hercules.....	vii
Organization Chart.....	viii
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	ix

FINANCIAL SECTION

Independent Auditors’ Report on the Financial Statements	1
---	----------

Management’s Discussion and Analysis (Required Supplementary Information) (Unaudited)	7
--	----------

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position	23
Statement of Activities	24

Fund Financial Statements:

Governmental Fund Financial Statements:

Balance Sheet	30
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	33
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	34
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	36

Proprietary Fund Financial Statements:

Statement of Net Position.....	38
Statement of Revenues, Expenses, and Changes in Net Position	39
Statement of Cash Flows.....	40

Fiduciary Fund Financial Statements:

Statement of Fiduciary Net Position	44
Statement of Changes in Fiduciary Net Position	45

Notes to the Basic Financial Statements.....	51
---	-----------

Required Supplementary Information (Unaudited)

<i>Budgetary Principles</i>	109
--	------------

Budgetary Comparison Schedule:

General Fund	111
American Rescue Plan Act Special Revenue Fund	112
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	113

City of Hercules
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023
Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
Required Supplementary Information (Unaudited) (Continued)	
<i>Schedule of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios:</i>	
CalPERS Miscellaneous Plans	114
CalPERS Safety Plans	114
<i>Schedule of the City's Contributions to the Pension Plan:</i>	
CalPERS Miscellaneous Plan	116
CalPERS Safety Plan.....	116
<i>Schedule of Changes in Net OPEB Liability and Related Ratios:</i>	
PEHMCA Plan	118
<i>Schedule of Changes in Net OPEB Liability and Related Ratios:</i>	
SOMAR Plan.....	121
<i>Schedule of the City's Contributions to the OPEB Plan:</i>	
PEHMCA Plan	122
<i>Schedule of the City's Contributions to the OPEB Plan:</i>	
SOMAR OPEB Plan.....	124
Supplementary Information:	
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual	
Hercules Debt Service Fund	127
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	133
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	138
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
State Gas Tax Special Revenue Fund	143
Measure C Special Revenue Fund	144
C.O.P.S. Program (AB 3299) Special Revenue Fund.....	145
Victoria By the Bay LLAD No. 2002-1 Special Revenue Fund.....	146
Hercules Village LLAD No. 2002-2 Special Revenue Fund.....	147
Baywood LLAD No. 2004-1 Special Revenue Fund.....	148
Bayside LLAD No. 2005-1 Special Revenue Fund	149
Arterial Roadways Special Revenue Fund.....	150
Stormwater Special Revenue Fund	151
Development Services Special Revenue Fund.....	152
AB939 JPA Special Revenue Fund.....	153
Asset Forfeiture Special Revenue Fund.....	154
Bart Park and Ride Special Revenue Fund	155
Road Rehabilitation Maintenance Special Revenue Fund	156
City Capital Projects Fund	157
Development Impact Fees Capital Projects Fund	158

City of Hercules
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
Supplementary Information (Continued)	
<i>Internal Service Funds:</i>	
Combining Statement of Net Position	161
Combining Statement of Revenue, Expenses, and Changes in Net Position	162
Combining Statement of Cash Flows	163
<i>Fiduciary Funds - Custodial Funds:</i>	
Combining Statement of Fiduciary Net Position.....	167
Combining Statement of Changes in Fiduciary Net Position.....	168
<u>STATISTICAL SECTION (Unaudited)</u>	
Description of Statistical Section Contents	171
Financial Trends:	
Net Position by Component – Last Ten Fiscal Years	172
Changes in Net Position – Expenses and Program Revenues – Last Ten Fiscal Years	174
Fund Balances of Governmental Funds – Last Ten Fiscal Years	178
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	180
Revenue Capacity:	
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	182
Assessed Value of Property by Use Code - Last Ten Fiscal Years.....	184
Direct and Overlapping Property Tax Rates – Last Two Fiscal Years	186
Principal Property Taxpayers – Last Fiscal Year and Nine Fiscal Years Ago.....	187
Property Tax Levies and Collections - Last Ten Fiscal Years	188
Principal Sales Tax Producers – Current Year and Nine Years Ago	189
Debt Capacity:	
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	190
Computation of Direct and Overlapping Debt.....	193
Legal Debt Margin Information- Last Ten Fiscal Years.....	194
Wastewater Fund Debt Coverage- Last Ten Fiscal Years	196
Demographic and Economic Information:	
Demographic and Economic Statistics.....	197
Operating Information:	
Principal Employers- Current Fiscal Year and One Year Ago	198
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years.....	199
Operating Indicators by Function/Program – Last Ten Fiscal Years	200
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years.....	204





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

February 22, 2024

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

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of Hercules, California (the City), for the fiscal year ending June 30, 2023. The ACFR 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). Responsibility for the data's accuracy and the presentation's completeness and fairness, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds, and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

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 California's State and local governments. The goal of the independent audit was to provide reasonable assurance that the City's basic financial statements for the fiscal year ended June 30, 2023, are free of material misstatement. The independent auditors' report is presented as the first component of the financial section of this report.

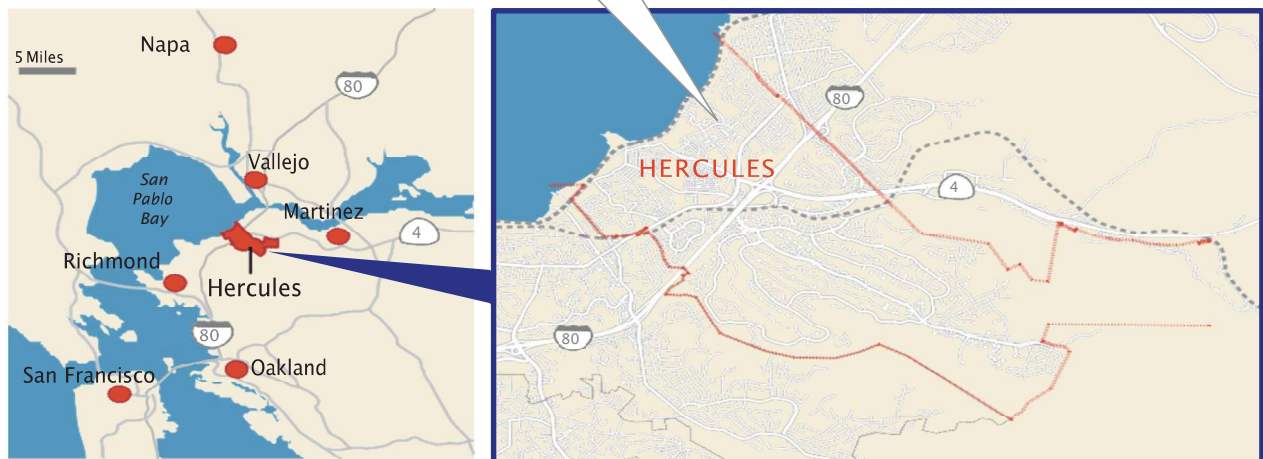
Accounting principles generally accepted in the United States (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the report of the independent auditors. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

CITY PROFILE

The City of Hercules has a unique history that 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 vital role in forming 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 San Francisco and Napa. The City residents represent a diverse mix of many ethnic groups. They are primarily a suburban, family-oriented community, with an emerging New-Urbanist transit-oriented node on the bayfront.

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



The City 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 openly and transparently 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 59 full-time employees and serves about 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.

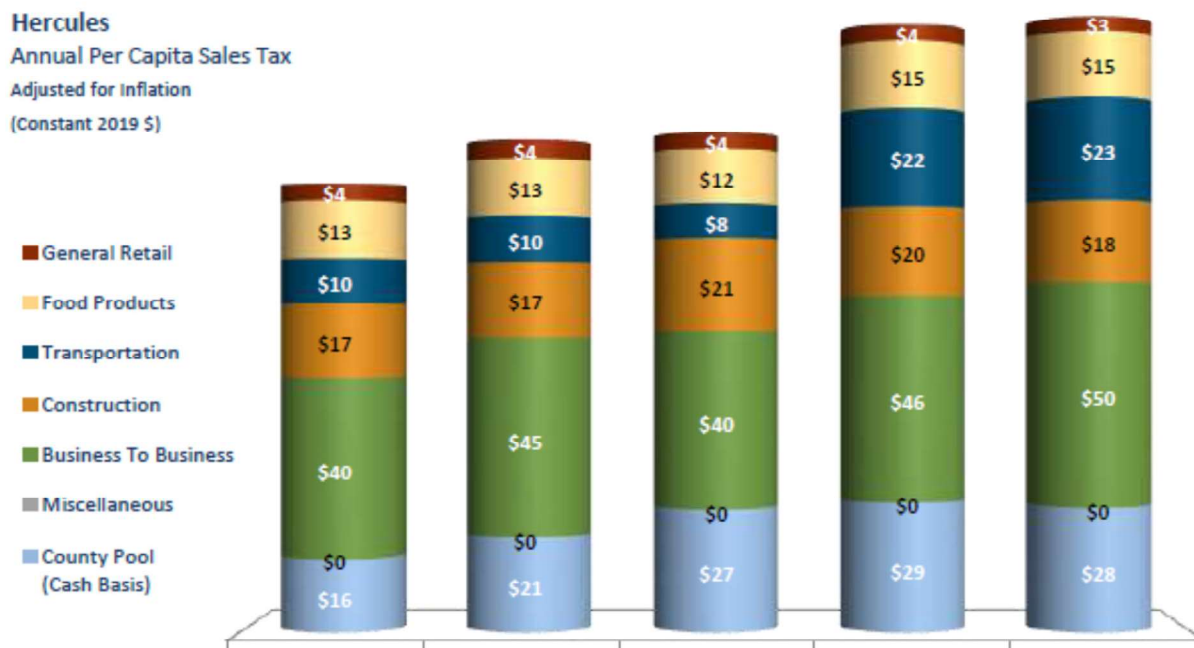
This report includes all organizations and activities for which elected City officials to exercise financial accountability. The notes to the financial statements further discuss the City as a financial reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The City was on-track and expected to exceed budgeted revenues through the third quarter of the fiscal year. 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. Hercules’s

total sales tax revenues grew 86% over the period between 2017 to 2023, especially in the Building & Construction segment as the sales tax revenue of the economic sector doubled in 2022 when compared to 2017. The growth is attributed to the Bayfront mix-use project in The Village area along with several new retail projects. Other than the Building & Construction segment, sales tax revenues for both Business & Industry as well as Food & Drugs segments have also experienced significant growth.

The population in the city of Hercules has been growing steadily, industrial/commercial/residential developments having influenced and created an increased demand for all business segments except General Consumer Goods. The Building & Construction, Business & Industry, Food & Drugs and Restaurants & Hotels segments all reflected higher-than-state-level growth during the comparison period between 2019-2023.



MAJOR INITIATIVES

The City is constantly undertaking many significant initiatives discussed at length in the City’s annual budget documents. Infrastructure investment remained a key focus for the City in FY 22-23. One of the City’s major initiatives is the Hercules Hub (The HUB). The HUB will create a regional, state-of-the-art housing and transportation community on the waterfront overlooking the San Pablo Bay. The Hub will connect thousands of housing units with a new train stop along the Capitol Corridor, bicycle and pedestrian pathways, bus routes, carpool options, and ferry service. To date, this new facility boasts \$46M in capital improvements, and the City is fully engaged in securing the funding needed to design and construct the remaining infrastructure that will allow the Capitol Corridor train to serve the Hub.

Other key public works projects included:

- Streets – Annual Sidewalk Repair Program, Annual Restriping Project, Annual Street Rehabilitation Project for Sycamore Avenue, ADA Transition Plan Implementation, and Village Parkway Traffic Calming.
- Sewer – Sycamore Avenue Lower and Upper Sewer Trunk Main Projects.
- Buildings & Facilities – Building Facilities Plan and ADA Assessment Improvement.
- Parks – Parks Master Plan, Victoria by the Bay refurbish gazebo and railing, Ohlone dog park tree removal and pruning, Tree planning and removal – open space, and Aerator Refugio Valley Park.

BUDGETARY CONTROL

The City maintains budgetary controls through the City Council's adoption of an annual budget. These budgetary controls aim 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 reasonably, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that a control's cost 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.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ending June 30, 2022. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. To be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized ACFR whose contents conform to program standards. The ACFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for only one year. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

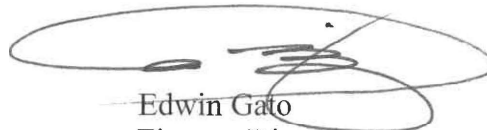
The preparation and publication of this Annual Comprehensive Financial Report were made possible by the outstanding efforts, dedication, and teamwork throughout the year of the entire Finance Department and with the cooperation and assistance of all City departments.

Specifically, we would like to express special thanks to our Finance staff Deysi Ortega, Senior Accountant; Nahid Vafadari, Accounts Payable Technician; and Steve Fox, 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,



Dante Hall
City Manager



Edwin Gato
Finance Director





CITY OF HERCULES

PUBLIC OFFICIALS

CITY COUNCIL



ALEXANDER WALKER-GRIFFIN
Mayor



DAN ROMERO
Vice Mayor



DION BAILEY
Council Member



CHRIS KELLEY
Council Member



TIFFANY GRIMSLEY
Council Member

DEPARTMENT HEADS

DANTE HALL
City Manager

EIBLEIS MELENDEZ
City Clerk

JOSEPH VASQUEZ
Police Chief

CHRISTOPHER ROKE
Parks & Recreation Director

PATRICK TANG
City Attorney

MICHAEL ROBERTS
Public Works Director

EDWIN GATO
Finance Director

TIMOTHY ROOD
Community Development Director

FINANCE COMMITTEE

EDWARD ULLE
Chair

DENNIS ESSELSAGOE
Vice Chair

BARINDER DHILLON-FLANAGAN
Commissioner

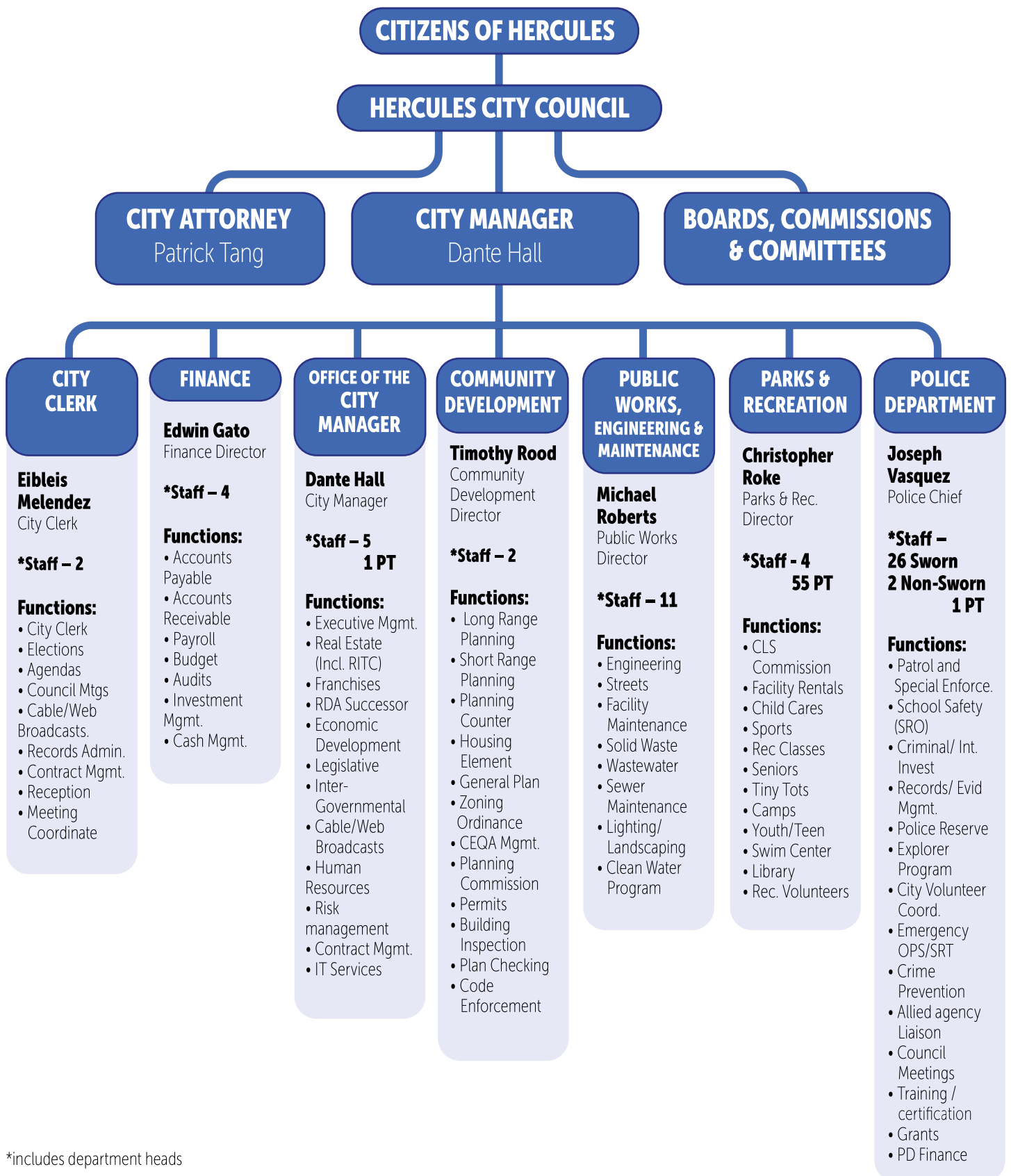
TERRELL KINGWOOD
Commissioner

ORIT SAMSON
Commissioner



FY 2022-23 CITY OF HERCULES

ORGANIZATION CHART



*includes department heads



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hercules
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO





INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hercules, California (the "City") as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matters

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



Santa Ana, California
February 22, 2024



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



CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

Within this section of the City of Hercules' (the "City") annual financial report, the City's management provides a narrative discussion and analysis of the City's financial activities for the fiscal year that ended June 30, 2023. The discussion focuses on the City's primary government and, unless otherwise noted, does not include separately reported component units. Readers are encouraged to consider the information presented in conjunction with the accompanying financial statements and disclosures following this section.

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 \$118,546,402 (net position). A net position of \$10,730,230 are restricted for specific purposes (restricted net position), and \$80,392,861 represents a net investment in capital assets. The unrestricted net position was \$27,423,311 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's governmental funds reported a combined ending fund balances of \$42,280,150. Of the combined fund balances, \$16,904,850 is available to meet the city's current and future needs.
- The committed amount in the General Fund of \$8,000,000 represents amounts committed for loan repayments and capital projects. The assigned amount in the General Fund of \$6,196,869 represents amounts assigned for insurance and a Council assigned for economic uncertainties and for future short-term structural deficits.
- For the fiscal year ending June 30, 2023, Measure N was approved extending the term of the Utility Users Tax (UUT) at the existing rate of 8% until it is ended by the voters or repealed by the City Council.
- Capital assets, net of depreciation and amortization, increased to \$118,402,522 from \$117,431,677, which includes infrastructure per the requirements of GASB 34.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

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.

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

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources and on balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. *Governmental funds* use 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, comparing the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements is useful. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains individual governmental funds. Information is presented separately in the governmental fund's balance sheet and the governmental fund's statement of revenues, expenditures, and changes in fund balances for the General Fund, American Rescue Plan Act Special Revenue Fund, Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund, Hercules Debt Service Fund, and the other governmental funds combined into a single, aggregated column. Governmental Accounting Standards Board (GASB) Statement No. 34 defines major governmental funds as those with revenues, expenditures, assets, and deferred outflows or liabilities and deferred inflows that makeup 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.

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$118,546,402 at the close of the most recent fiscal year. Of these combined net positions, 68% reflects the City's investment in capital assets, net of the related debt. Another 9% of the City's net position is subject to external restrictions on how they may be used.

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022*	2023	2022	2023	2022*
Assets						
Current and other assets	\$ 56,557,455	\$ 53,858,058	\$ 27,170,223	\$ 28,521,323	\$ 83,727,678	\$ 82,379,381
Capital assets	78,023,165	78,345,698	40,379,357	39,085,979	118,402,522	117,431,677
Total assets	<u>134,580,620</u>	<u>132,203,756</u>	<u>67,549,580</u>	<u>67,607,302</u>	<u>202,130,200</u>	<u>199,811,058</u>
Deferred Outflows of Resources						
Related to OPEB	1,227,100	694,603	69,460	39,319	1,296,560	733,922
Related to pensions	7,924,273	3,737,048	445,145	162,085	8,369,418	3,899,133
Total Deferred Outflows of Resources	<u>9,151,373</u>	<u>4,431,651</u>	<u>514,605</u>	<u>201,404</u>	<u>9,665,978</u>	<u>4,633,055</u>
Liabilities						
Long-term Liabilities	42,024,289	33,316,981	28,792,835	30,687,887	70,817,124	64,004,868
Other Liabilities	4,875,776	5,323,692	3,609,306	2,250,301	8,485,082	7,573,993
Total Liabilities	<u>46,900,065</u>	<u>38,640,673</u>	<u>32,402,141</u>	<u>32,938,188</u>	<u>79,302,206</u>	<u>71,578,861</u>
Deferred Inflows of Resources						
Related to OPEB	2,191,984	1,899,985	124,078	107,549	2,316,062	2,007,534
Related to pensions	2,606,624	8,867,405	136,612	492,568	2,743,236	9,359,973
Leases	8,888,272	9,253,003	-	-	8,888,272	9,253,003
Total Deferred Inflows of Resources	<u>13,686,880</u>	<u>20,020,393</u>	<u>260,690</u>	<u>600,117</u>	<u>13,947,570</u>	<u>20,620,510</u>
Net Position:						
Net Investment in Capital Assets	60,790,322	60,257,709	19,602,539	15,704,349	80,392,861	75,962,058
Restricted	10,730,230	9,237,967	-	-	10,730,230	9,237,967
Unrestricted	11,624,496	8,478,665	15,798,815	18,566,052	27,423,311	27,044,717
Total Net Position	<u>\$ 83,145,048</u>	<u>\$ 77,974,341</u>	<u>\$ 35,401,354</u>	<u>\$ 34,270,401</u>	<u>\$ 118,546,402</u>	<u>\$ 112,244,742</u>

* 2022 balances were restated due to implementation of GASB 96

A significant portion of the City's net position, \$80,392,861, reflects the amount net 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, \$10,730,230 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 \$27,423,311. 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.

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Fees, Fines and Charges for Services	\$ 3,025,155	\$ 2,827,552	\$ 5,922,758	\$ 5,852,278	\$ 8,947,913	\$ 8,679,830
Operating Grants/Contributions	8,894,994	16,826,293	-	-	8,894,994	16,826,293
Capital Grants/Contributions	67,428	-	-	-	67,428	-
General revenues						
Property taxes	1,638,449	1,514,791	-	-	1,638,449	1,514,791
Sales taxes	6,192,500	6,263,066	-	-	6,192,500	6,263,066
Franchise Taxes	988,108	970,054	-	-	988,108	970,054
Other taxes	4,646,410	5,343,970	-	-	4,646,410	5,343,970
Motor Vehicles Taxes In-Lieu	2,456,900	2,341,444	-	-	2,456,900	2,341,444
Interest and Investment Income	1,860,327	773,519	294,199	(157,318)	2,154,526	616,201
Total revenues	<u>29,770,271</u>	<u>36,860,689</u>	<u>6,216,957</u>	<u>5,694,960</u>	<u>35,987,228</u>	<u>42,555,649</u>
Expenses						
General Government	4,929,390	4,768,150	-	-	4,929,390	4,768,150
Public Safety	7,556,734	6,581,205	-	-	7,556,734	6,581,205
Streets and Public Works	8,220,052	8,452,475	-	-	8,220,052	8,452,475
Parks and Recreation	2,503,805	2,312,529	-	-	2,503,805	2,312,529
Community Development	483,875	1,253,855	-	-	483,875	1,253,855
Interest on Long-Term Debt	905,708	1,007,813	-	-	905,708	1,007,813
Wastewater	-	-	5,086,004	5,221,938	5,086,004	5,221,938
Total expenses	<u>24,599,564</u>	<u>24,376,027</u>	<u>5,086,004</u>	<u>5,221,938</u>	<u>29,685,568</u>	<u>29,597,965</u>
Increase (Decrease) in Net Position before special item	5,170,707	12,484,662	1,130,953	473,022	6,301,660	12,957,684
Special Item	-	(39,586,347)	-	(10,587,627)	-	(50,173,974)
Net Position - Beginning	77,974,341	105,076,026	34,270,401	44,385,006	112,244,742	149,461,032
Net Position - Ending	<u>\$ 83,145,048</u>	<u>\$ 77,974,341</u>	<u>\$ 35,401,354</u>	<u>\$ 34,270,401</u>	<u>\$ 118,546,402</u>	<u>\$ 112,244,742</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

On June 30, 2023, the City's governmental funds reported combined fund balances of \$42,280,150. An increase of \$2,974,692, primarily due to the strong economic recovery after the challenging financial environment caused by the COVID-19 pandemic, which resulted in the closure of most of the City's Parks and Recreation programs, significantly impacting the department's program revenues. As consumer demand increased and services returned to normal, the City ended the fiscal year in a positive financial position. Of these combined fund balances, \$16,904,850 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, 2023, unassigned fund balance was \$17,529,025, while total fund balance was \$33,877,692. 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 99% of total General Fund expenditures, while the total fund balance represents 192% of total General Fund expenditures.

Other major funds, the City received the final allocation of \$3,142,889 from the American Rescue Plan Act. The City selects the standard allowance and uses the amount to fund government services. The Landscape & Lighting Assessment District (LLAD) No. 83-2 increased by \$341,454 due to the previous year's one-time Capital Improvement Projects. The Hercules Debt Service Fund decreased by \$84,072, and sufficient funds were transferred from various sources to meet debt service obligations as they came due. The other governmental funds decreased by \$146,246.

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

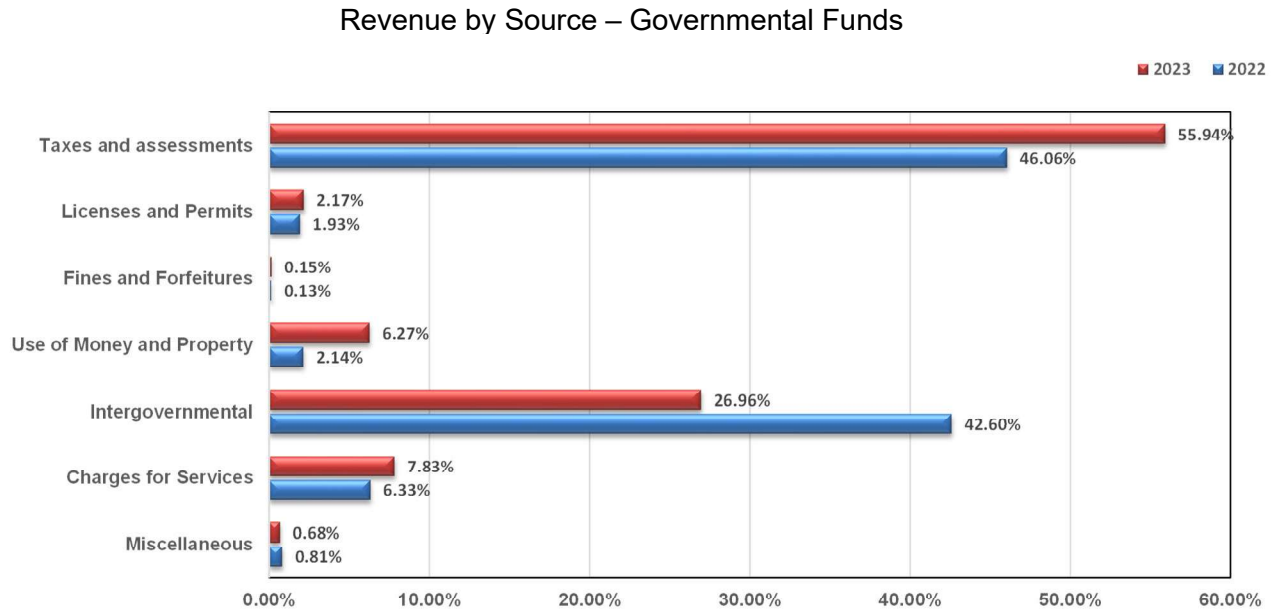
Revenues Classified by Source
Governmental Funds

	2023		2022		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes and assessments	\$ 16,705,743	55.94%	\$ 16,889,724	46.06%	\$ (183,981)	-1%
Licenses and Permits	647,374	2.17%	707,300	1.93%	(59,926)	-8%
Fines and Forfeitures	46,057	0.15%	48,663	0.13%	(2,606)	-5%
Use of Money and Property	1,871,556	6.27%	783,885	2.14%	1,087,671	139%
Intergovernmental	8,052,573	26.96%	15,618,709	42.60%	(7,566,136)	-48%
Charges for Services	2,339,112	7.83%	2,319,388	6.33%	19,724	1%
Miscellaneous	203,170	0.68%	297,797	0.81%	(94,627)	-32%
	\$ 29,865,585	100.00%	\$ 36,665,466	100.00%	\$ (6,799,881)	

The decrease of \$6,799,881 in revenues is due primarily to the decrease in intergovernmental revenue caused by the one-time receipt of the \$8 million State budget allocation of local assistance enacted by Senate Bill (SB) 154 (Skinner) Budget Act of 2022 offset by \$1 increase in investment income due to higher rate of return compared to the prior year.

**CITY OF HERCULES
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

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.

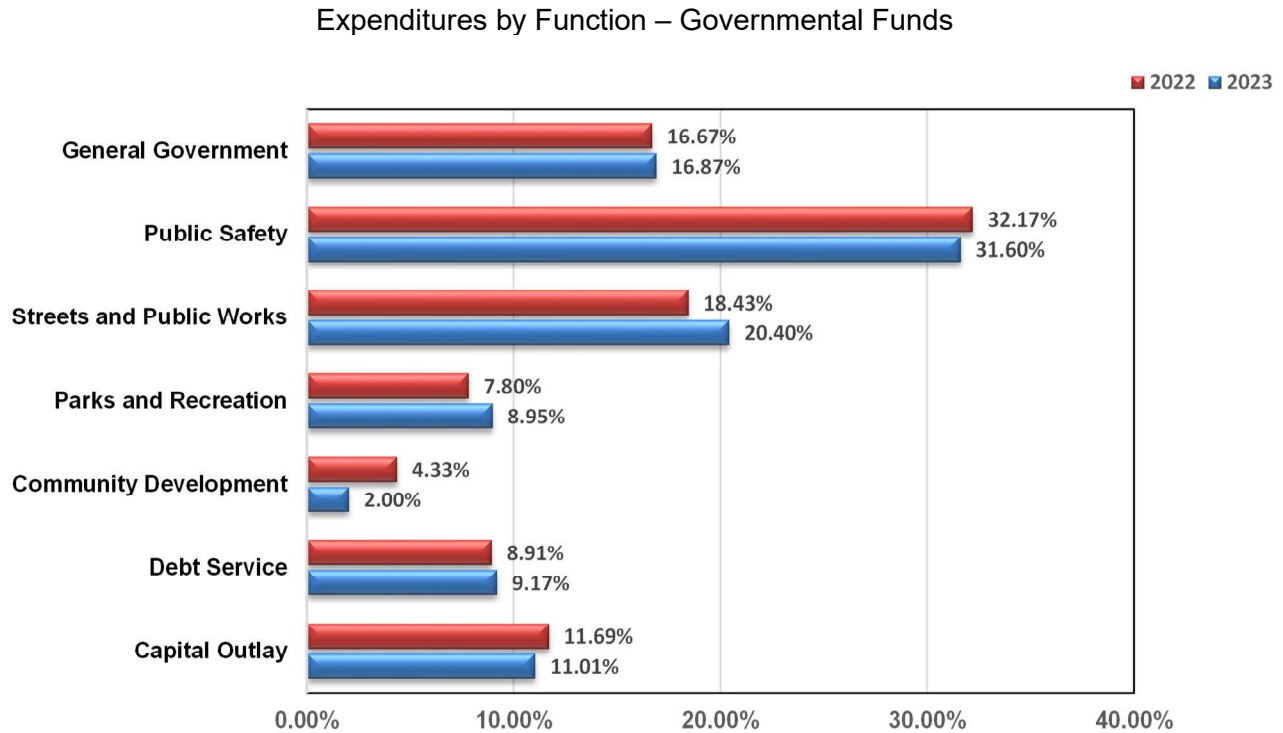
Expenditures Classified by Function
Governmental Funds

	2023		2022		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General Government	\$ 4,538,391	16.87%	\$ 4,081,705	16.67%	\$ 456,686	11%
Public Safety	8,499,781	31.60%	7,879,451	32.17%	620,330	8%
Streets and Public Works	5,486,683	20.40%	4,514,842	18.43%	971,841	22%
Parks and Recreation	2,408,849	8.95%	1,910,716	7.80%	498,133	26%
Community Development	537,341	2.00%	1,061,135	4.33%	(523,794)	-49%
Debt Service	2,466,004	9.17%	2,181,976	8.91%	284,028	13%
Capital Outlay	2,962,714	11.01%	2,862,062	11.69%	100,652	4%
	\$ 26,899,763	100.00%	\$ 24,491,887	100.00%	\$ 2,407,876	10%

Total expenditures increased by \$2,407,876, or 10%, compared to the prior fiscal year due to salary increases, timing of planned projects, street expenses due to normal operating fluctuations, and a decrease in development projects.

**CITY OF HERCULES
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

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



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

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

Enterprise fund net investment in capital assets at fiscal year-end was \$19,602,539. Unrestricted net position at fiscal year-end was \$15,798,815.

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 \$2,233,164 and include \$901,512 invested in capital assets. The net position of the internal service funds increased by \$202,894 over the prior fiscal year.

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found on page 111 of this report.

General Fund revenues on a budgetary basis were \$2.3 million more than projected for the fiscal year 2023. The increase in revenues was primarily due to the City receiving more tax revenue than budgeted. The income received from sales and utility users was the most significant increase in tax revenue, consisting of \$1.2 million more revenues received than projected as the City continued recovering from the pandemic, increased consumer spending from the federal stimulus funds, and the rising cost of goods. Expenditures of \$17.6 million were slightly more than budgeted expenses by \$354,179. The most considerable negative expenditure variances occurred in Public Safety, Parks and Recreation, and streets and public works. These departments had negative variances because of the reopening of programs, the increase in development projects and unforeseen emergency services caused by the storm.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2023, amounted to \$118,402,522 (net of accumulated depreciation) and amortization. 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	
	2023	2022*	2023	2022	2023	2022
Land	\$ 5,081,587	\$ 5,081,587	\$ 191,700	\$ 191,700	\$ 5,273,287	\$ 5,273,287
Construction in progress	1,560,376	1,004,447	3,264,814	981,195	4,825,190	1,985,642
Land Improvements	15,911,314	15,812,311	-	-	15,911,314	15,812,311
Buildings & Improvements	26,792,183	26,323,217	38,325,271	38,325,271	65,117,454	64,648,488
Equipment	7,747,692	5,781,572	250,345	250,345	7,998,037	6,031,917
Infrastructure	113,444,645	113,444,645	14,945,319	14,945,317	128,389,964	128,389,962
Intangible - Right to Use Assets	125,280	118,170	-	-	125,280	118,170
Total	170,663,077	167,565,949	56,977,449	54,693,828	227,640,526	222,259,777
Accumulated Depreciation and Amortization	(92,639,912)	(89,220,251)	(16,598,092)	(15,607,849)	(109,238,004)	(104,828,100)
Net Capital Assets	\$ 78,023,165	\$ 78,345,698	\$ 40,379,357	\$ 39,085,979	\$ 118,402,522	\$ 117,431,677

* 2022 balances were restated due to implementation of GASB 96

Additional information regarding capital assets is presented in note 6.

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total outstanding long-term obligations of \$52,232,668. Of this amount, \$13,420,180 comprised of bonds that are secured by the City's lease rental payments and other dedicated sources of revenue.

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

Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2023	2022*	2023	2022	2023	2022
Bonds Payable	\$13,420,180	\$14,041,843	\$8,095,000	\$8,450,000	\$21,515,180	\$22,491,843
Unamortized Discount/Refunding	(259,441)	(276,738)	-	-	(259,441)	(276,738)
Lease Payable	4,015,168	4,232,382	-	-	4,015,168	4,232,382
Subscription Liability	56,936	90,503	-	-	56,936	90,503
Loans Payable	5,113,521	5,189,588	21,009,706	23,259,518	26,123,227	28,449,106
Settlement Payable	-	604,025	-	-	-	604,025
Compensated Absences	729,432	655,560	52,166	51,749	781,598	707,309
Total	23,075,796	24,537,163	29,156,872	31,761,267	52,232,668	56,298,430
Less Current Portion	(1,495,913)	(2,018,080)	(1,557,797)	(1,509,236)	(3,053,710)	(3,527,316)
Net Long-Term Obligations	\$ 21,579,883	\$22,519,083	\$27,599,075	\$30,252,031	\$49,178,958	\$52,771,114

* 2022 balances were restated due to implementation of GASB 96

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On June 13, 2023, The City Council approved a balanced budget of \$37 million for FY 2023-24, focusing on City Council priorities, including prudent financial management, traffic, transportation & infrastructure, public safety, quality of life, and future planning & policy initiatives. The key FY 2023-24 priorities include multiyear goals:

- Multimodal station (Hercules HUB).
- Growing retail and commercial development to serve the community.
- A long-term financial plan.

In establishing annual goals and objectives, the City Council affirmed the City's commitment to maintaining sound and conservative financial practices, to ensure the City's ability to provide a safe and enriched environment, increase effective communication with the community, provide cost-effective and efficient services to the public, and to maintain a positive environment for new businesses and business retention.

The budget for employee services in FY 2023-24 increased by 9.3% to reflect the cost of living adjustments, increased employee healthcare costs, and retirement benefits. The City continues to meet its actuarially required contribution towards its pension plan with the CalPERS.

CITY OF HERCULES
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

General fund expenditures and transfers are projected at \$18.3 million in FY 2023-24, a slight increase compared to the FY 2022-23 budget. The increase is primarily due to salary cost of living adjustments (COLA) offset by the decrease in one-time facility improvement capital costs and settlement payment to the state on the former Redevelopment obligations.

The City plans and pre-funds certain Capital Improvement Projects (CIP) over five fiscal years, ensuring that when a project is scheduled to begin, funding is available to move the project forward through completion. Several major capital projects are planned in FY 2023-24, totaling \$14 million as follows:

- Hercules Hub – As one of the City’s top priorities, the Hercules Hub will achieve the vision of the Hercules Bayfront as a model transit-oriented community for the Bay Area and beyond. The Hub will connect thousands of homes with a new train stop along the Capitol Corridor, bicycle and pedestrian pathways, bus routes, carpool options, and a future ferry service. The Project would relieve congestion on I-80 and reduce vehicle miles traveled (VMT) and greenhouse gas emissions. As reported at the January 24, 2023, City Council meeting, the City submitted a joint TIRCP grant application with CCJPA and a grant application for the Federal-State Partnership for Intercity Rail for design phase funding. We are currently awaiting word on awards from these grant applications.
- Major Sewer system Improvements – This element includes continuing to make progress on the City’s adopted Sewer Master Plan. The activities include improvements to Sycamore Ave. Lower Trunk Main and Upper Trunk Main, among others.
- Pavement and Road System Improvements - This element includes the Pedestrian Sidewalk Improvement Willow and Palm, an annual street repair project, an annual sidewalk repair program, and an annual restriping project.

In summary, despite the record inflation and international instabilities, several of the City’s significant revenues remain stronger than expected. During the annual strategic planning session, staff will continue to provide residents vital services through technology upgrades and streamlining internal and public-facing city operations. Due to prudent fiscal stewardship, the City’s financial position remains strong and reaffirms its commitment to sound and conservative financial practices.

REQUEST FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Hercules
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 39,580,360	\$ 18,830,203	\$ 58,410,563
Cash and investments with fiscal agent	2,068,440	8,327,888	10,396,328
Cash and investments held in trust	2,141,823	-	2,141,823
Accounts receivable	2,253,244	-	2,253,244
Prepaid items	9,975	-	9,975
Loan receivable	1,382,899	-	1,382,899
Lease receivable	8,906,382	-	8,906,382
Net other postemployment benefits ("OPEB") assets - PEHMCA	214,332	12,132	226,464
Capital Assets:			
Nondepreciable	6,641,963	3,456,514	10,098,477
Depreciable and amortizable, net	71,381,202	36,922,843	108,304,045
Total assets	134,580,620	67,549,580	202,130,200
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows of resources	7,924,273	445,145	8,369,418
OPEB-related deferred outflows of resources (PEHMCA)	593,996	33,622	627,618
OPEB-related deferred outflows of resources (SOMAR)	633,104	35,838	668,942
Total deferred outflows of resources	9,151,373	514,605	9,665,978
LIABILITIES			
Accounts payable	1,146,600	2,026,678	3,173,278
Salaries and benefits payable	149,193	8,776	157,969
Accrued interest payable	511,915	16,055	527,970
Deposit payable	1,173,782	-	1,173,782
Claims payable	398,373	-	398,373
Long-term debt:			
Due within one year	1,495,913	1,557,797	3,053,710
Due in more than one year	21,579,883	27,599,075	49,178,958
Net aggregate pension liabilities, due in more than one year	18,662,308	1,092,885	19,755,193
Net OPEB liabilities - SOMAR, due in more than one year	1,782,098	100,875	1,882,973
Total liabilities	46,900,065	32,402,141	79,302,206
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	2,606,624	136,612	2,743,236
OPEB-related deferred inflows of resources (PEHMCA)	1,632,728	92,420	1,725,148
OPEB-related deferred inflows of resources (SOMAR)	559,256	31,658	590,914
Leases	8,888,272	-	8,888,272
Total deferred inflows of resources	13,686,880	260,690	13,947,570
NET POSITION			
Net investment in capital assets	60,790,322	19,602,539	80,392,861
Restricted for:			
Public safety	253,646	-	253,646
Streets and roads	3,352,371	-	3,352,371
Development	2,913,950	-	2,913,950
Debt service	2,068,440	-	2,068,440
Pension	2,141,823	-	2,141,823
Total restricted	10,730,230	-	10,730,230
Unrestricted	11,624,496	15,798,815	27,423,311
Total net position	\$ 83,145,048	\$ 35,401,354	\$ 118,546,402

City of Hercules
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Total	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government					
Governmental Activities:					
General government	\$ 4,929,390	\$ 816,793	\$ -	\$ -	\$ 816,793
Public safety	7,556,734	162,140	3,619,615	-	3,781,755
Streets and public works	8,220,052	232,956	5,275,379	67,428	5,575,763
Parks and recreation	2,503,805	1,423,942	-	-	1,423,942
Community development	483,875	389,324	-	-	389,324
Interest	905,708	-	-	-	-
Total governmental activities	24,599,564	3,025,155	8,894,994	67,428	11,987,577
Business-Type Activities:					
Wastewater	5,086,004	5,922,758	-	-	5,922,758
Total business-type activities	5,086,004	5,922,758	-	-	5,922,758
Total primary government	\$ 29,685,568	\$ 8,947,913	\$ 8,894,994	\$ 67,428	\$ 17,910,335

City of Hercules
Statement of Activities (Continued)
For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary Government			
Governmental Activities:			
General government	\$ (4,112,597)	\$ -	\$ (4,112,597)
Public safety	(3,774,979)	-	(3,774,979)
Streets and public works	(2,644,289)	-	(2,644,289)
Parks and recreation	(1,079,863)	-	(1,079,863)
Community development	(94,551)	-	(94,551)
Interest	(905,708)	-	(905,708)
Total governmental activities	(12,611,987)	-	(12,611,987)
Business-Type Activities:			
Wastewater	-	836,754	836,754
Total business-type activities	-	836,754	836,754
Total primary government	(12,611,987)	836,754	(11,775,233)
General Revenues:			
Property taxes	1,638,449	-	1,638,449
Sales and use taxes	6,192,500	-	6,192,500
Franchise taxes	988,108	-	988,108
Utility users taxes	3,996,274	-	3,996,274
Other taxes	650,136	-	650,136
Unrestricted motor vehicle taxes in-lieu	2,456,900	-	2,456,900
Use of money and property	1,860,327	294,199	2,154,526
Total general revenues	17,782,694	294,199	18,076,893
Changes in net position	5,170,707	1,130,953	6,301,660
Net Position:			
Beginning of year	77,974,341	34,270,401	112,244,742
End of year	<u>\$ 83,145,048</u>	<u>\$ 35,401,354</u>	<u>\$ 118,546,402</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.

American Rescue Plan Act Special Revenue Fund - This fund is used to account for revenues and activities for American Rescue Plan Act funding which was provided to fund additional relief for individuals and businesses affected by the coronavirus pandemic.

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

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

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

City of Hercules
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds			
	General Fund	American Rescue Plan Act Special Revenue Fund	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund
ASSETS				
Cash and investments	\$ 29,679,142	\$ -	\$ 652,923	\$ -
Cash and investments with fiscal agent	-	-	-	2,068,440
Cash and investments held in trust	2,141,823	-	-	-
Accounts receivable	1,685,227	-	14,621	-
Prepaid items	9,975	-	-	-
Due from other funds	1,184,284	-	-	-
Loans receivable	1,382,899	-	-	-
Lease receivable	531,912	-	-	8,374,470
Total assets	\$ 36,615,262	-	\$ 667,544	\$ 10,442,910
LIABILITIES				
Accounts payable	\$ 553,006	-	\$ 75,964	\$ -
Accrued wages	123,994	-	6,791	-
Deposit payable	1,148,395	-	-	-
Claims payable	398,373	-	-	-
Due to other funds	-	-	478,632	-
Total liabilities	2,223,768	-	561,387	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Leases	513,802	-	-	8,374,470
Total deferred inflows of resources	513,802	-	-	8,374,470
FUND BALANCES				
Nonspendable	9,975	-	-	-
Restricted	2,141,823	-	106,157	2,068,440
Committed	8,000,000	-	-	-
Assigned	6,196,869	-	-	-
Unassigned (deficit)	17,529,025	-	-	-
Total fund balances (deficit)	33,877,692	-	106,157	2,068,440
Total liabilities, deferred inflows of resources and fund balances	\$ 36,615,262	\$ -	\$ 667,544	\$ 10,442,910

City of Hercules
Balance Sheet (Continued)
Governmental Funds
June 30, 2023

	Other Governmental Funds	Total
ASSETS		
Cash and investments	\$ 7,146,153	\$ 37,478,218
Cash and investments with fiscal agent	-	2,068,440
Cash and investments held in trust	-	2,141,823
Accounts receivable	553,396	2,253,244
Prepaid items	-	9,975
Due from other funds	-	1,184,284
Loans receivable	-	1,382,899
Lease receivable	-	8,906,382
Total assets	\$ 7,699,549	\$ 55,425,265
LIABILITIES		
Accounts payable	\$ 477,780	\$ 1,106,750
Accrued wages	12,144	142,929
Deposit payable	25,387	1,173,782
Claims payable	-	398,373
Due to other funds	705,652	1,184,284
Total liabilities	1,220,963	4,006,118
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	250,725	250,725
Leases	-	8,888,272
Total deferred inflows of resources	250,725	9,138,997
FUND BALANCES		
Nonspendable	-	9,975
Restricted	6,163,085	10,479,505
Committed	688,951	8,688,951
Assigned	-	6,196,869
Unassigned (deficit)	(624,175)	16,904,850
Total fund balances (deficit)	6,227,861	42,280,150
Total liabilities, deferred inflows of resources and fund balances	\$ 7,699,549	\$ 55,425,265



City of Hercules
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2023

Total fund balances of governmental funds	\$ 42,280,150
 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	78,023,165
Less: Amount reported in Internal Service Funds	(936,954)
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.	
	(511,915)
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	
	250,725
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 \$45,062	(684,370)
Loans, leases, and bonds	(22,310,922)
Net pension liability and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as governmental funds' liabilities. They are reported in the Statement of Net Position.	
Pension-related deferred outflows of resources, net of Internal Service Fund of \$304,170	7,620,103
Net pension liability, net of Internal Service Fund of \$746,775	(17,915,533)
Pension-related deferred inflows of resources, net of Internal Service Fund of \$93,348	(2,513,276)
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 \$33,622	560,374
OPEB-related deferred outflows of resources (SOMAR), net of Internal Service Fund of \$35,838	597,266
Net OPEB assets - PEHMCA, net of Internal Service Fund of \$12,132	202,200
Net OPEB liability - SOMAR, net of Internal Service Fund of \$100,875	(1,681,223)
OPEB-related deferred inflows of resources (PEHMCA), net of Internal Service Fund of \$92,420	(1,540,308)
OPEB-related deferred inflows of resources (SOMAR), net of Internal Service Fund of \$31,658	(527,598)
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.	
	2,233,164
Net position of governmental activities	\$ 83,145,048

City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			
	General Fund	American Rescue Plan Act Special Revenue Fund	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund
REVENUES:				
Taxes and assessments	\$ 13,135,848	\$ -	\$ 2,075,134	\$ -
Licenses and permits	471,189	-	-	-
Fines and forfeitures	46,057	-	-	-
Use of money and property	777,870	-	23,790	973,419
Intergovernmental	2,608,501	3,142,889	-	-
Charges for services	2,333,490	-	-	-
Other revenues	121,983	-	-	-
Total revenues	19,494,938	3,142,889	2,098,924	973,419
EXPENDITURES:				
Current:				
General government	4,538,391	-	-	-
Public safety	8,488,163	-	-	-
Streets and public works	892,199	-	1,381,347	-
Parks and public works	2,408,849	-	-	-
Community development	537,341	-	-	-
Capital outlay	78,305	-	148,451	-
Debt services:				
Principal	712,590	-	-	721,843
Interest and fiscal agent fee	994	-	-	804,147
Total expenditures	17,656,832	-	1,529,798	1,525,990
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,838,106	3,142,889	569,126	(552,571)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	8,870	-	-	-
Transfers in	3,292,939	-	84,554	468,499
Transfers (out)	(2,276,359)	(3,142,889)	(312,226)	-
Total other financing sources (uses)	1,025,450	(3,142,889)	(227,672)	468,499
NET CHANGES IN FUND BALANCES	2,863,556	-	341,454	(84,072)
FUND BALANCES (DEFICIT):				
Beginning of year	31,014,136	-	(235,297)	2,152,512
End of year	<u>\$ 33,877,692</u>	<u>\$ -</u>	<u>\$ 106,157</u>	<u>\$ 2,068,440</u>

City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2023

	Other Governmental Funds	Total
REVENUES:		
Taxes and assessments	\$ 1,494,761	\$ 16,705,743
Licenses and permits	176,185	647,374
Fines and forfeitures	-	46,057
Use of money and property	96,477	1,871,556
Intergovernmental	2,301,183	8,052,573
Charges for services	5,622	2,339,112
Other revenues	81,187	203,170
Total revenues	4,155,415	29,865,585
EXPENDITURES:		
Current:		
General government	-	4,538,391
Public safety	11,618	8,499,781
Streets and public works	3,213,137	5,486,683
Parks and public works	-	2,408,849
Community development	-	537,341
Capital outlay	2,735,958	2,962,714
Debt services:		
Principal	114,900	1,549,333
Interest and fiscal agent fee	111,530	916,671
Total expenditures	6,187,143	26,899,763
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,031,728)	2,965,822
OTHER FINANCING SOURCES (USES)		
Issuance of debt	-	8,870
Transfers in	3,082,074	6,928,066
Transfers (out)	(1,196,592)	(6,928,066)
Total other financing sources (uses)	1,885,482	8,870
NET CHANGES IN FUND BALANCES	(146,246)	2,974,692
FUND BALANCES (DEFICIT):		
Beginning of year	6,374,107	39,305,458
End of year	\$ 6,227,861	\$ 42,280,150

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, 2023

Net change in fund balances - total governmental funds: \$ 2,974,692

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlay expenditures, net of \$571,632 reported in Internal Service Funds	\$ 2,677,663	
Loss on disposal	(1,760)	
Depreciation and amortization expenses, net of \$215,352 reported in Internal Service Funds	(3,354,841)	(678,938)

Revenues that are measurable but not available and are reported as unavailable revenue under the modified accrual basis of accounting in the governmental funds. (95,314)

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.

Issuance of debt		(8,870)
Principal repayment of loans, leases, subscription liability and bonds		945,308

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

Change in accrued interest expense		28,260
Amortization of bond discount		(17,297)
Change in compensated absences, net of Internal Service Fund of \$3,652		(79,018)
Pension expense of CalPERS Plan, net of pension contribution made after measurement date in the amount of \$1,998,114		1,362,383
OPEB (PEHMCA) expense		4,523
OPEB (SOMAR) credit		(71,941)
Settlement with the California 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.

		202,894
Change in net position of governmental activities	\$	5,170,707

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, 2023

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Wastewater Fund	
ASSETS		
Current assets:		
Cash and investments	\$ 18,830,203	\$ 2,102,142
Cash and investments with fiscal agent	8,327,888	-
Total current assets	27,158,091	2,102,142
Noncurrent assets:		
Net OPEB assets - PEHMCA	12,132	12,132
Capital assets:		
Nondepreciable	3,456,514	-
Depreciable and amortizable, net	36,922,843	936,954
Total noncurrent assets	40,391,489	949,086
Total assets	67,549,580	3,051,228
DEFERRED OUTFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	445,145	304,170
OPEB-related deferred outflows of resources (PEHMCA)	33,622	33,622
OPEB-related deferred outflows of resources (SOMAR)	35,838	35,838
Total deferred outflows of resources	514,605	373,630
LIABILITIES		
Current liabilities:		
Accounts payable	2,026,678	39,850
Salaries and benefits payable	8,776	6,264
Accrued interest payable	16,055	-
Long-term debt - due within one year	1,557,797	45,291
Total current liabilities	3,609,306	91,405
Noncurrent liabilities:		
Long-term debt - due in more than one year	27,599,075	35,213
Net pension liabilities	1,092,885	746,775
Net OPEB liabilities - SOMAR	100,875	100,875
Total noncurrent liabilities	28,792,835	882,863
Total liabilities	32,402,141	974,268
DEFERRED INFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	136,612	93,348
OPEB-related deferred outflows of resources (PEHMCA)	92,420	92,420
OPEB-related deferred outflows of resources (SOMAR)	31,658	31,658
Total deferred inflows of resources	260,690	217,426
NET POSITION		
Net investment in capital assets	19,602,539	901,512
Unrestricted	15,798,815	1,331,652
Total net position	\$ 35,401,354	\$ 2,233,164

City of Hercules
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities	
	Enterprise Fund	Governmental Activities
	Wastewater Fund	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 5,922,758	\$ 2,207,286
Other operating revenues	-	11,428
Total operating revenues	<u>5,922,758</u>	<u>2,218,714</u>
OPERATING EXPENSES:		
Salaries and benefits	821,479	583,341
Services and supplies	2,652,510	1,216,769
Depreciation	990,241	215,352
Total operating expenses	<u>4,464,230</u>	<u>2,015,462</u>
Operating income	1,458,528	203,252
NONOPERATING REVENUES (EXPENSES)		
Interest income	294,199	-
Interest (expenses)	(621,774)	(358)
Total nonoperating revenues (expenses)	<u>(327,575)</u>	<u>(358)</u>
CHANGES IN NET POSITION	1,130,953	202,894
NET POSITION:		
Beginning of year	34,270,401	2,030,270
End of year	<u>\$ 35,401,354</u>	<u>\$ 2,233,164</u>

City of Hercules
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities	
	Enterprise Fund	Governmental Activities
	Wastewater Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 5,922,758	\$ -
Cash receipts from internal services provided	-	2,218,590
Cash paid to suppliers for goods and services	(971,308)	(1,220,691)
Cash paid to employees for services	(750,940)	(555,932)
Net cash provided by operating activities	4,200,510	441,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments related to the acquisition of capital assets	(2,283,619)	(571,632)
Principal repayments related to capital purposes	(2,604,812)	(12,073)
Interest repayments related to capital purposes	(968,747)	(358)
Net cash (used in) capital and related financing activities	(5,857,178)	(584,063)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	294,199	-
Net cash provided by investing activities	294,199	-
NET CHANGES IN CASH AND CASH EQUIVALENTS	(1,362,469)	(142,096)
CASH AND CASH EQUIVALENTS:		
Beginning of year	28,520,560	2,244,238
End of year	\$ 27,158,091	\$ 2,102,142
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and investments	\$ 18,830,203	\$ 2,102,142
Cash and investments with fiscal agent	8,327,888	-
Total cash and cash equivalents	\$ 27,158,091	\$ 2,102,142

(Continued)

City of Hercules
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type	
	Activities	
	Enterprise Fund	Governmental Activities
	Wastewater Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,458,528	\$ 203,252
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	990,241	215,352
(Increase) Decrease in Assets and Deferred Outflows		
Pensions-related deferred outflows	(283,060)	(186,882)
OPEB-related deferred outflows	(30,141)	(30,141)
Increase (Decrease) in Liabilities and Deferred Inflows		
Accounts payable	1,681,202	(4,046)
Salaries and benefits payable	(23,785)	(19,562)
Net pension liability	728,877	498,037
Net OPEB liability	17,658	29,027
Pensions-related deferred inflows	(355,956)	(263,084)
OPEB-related deferred inflows	16,529	5,160
Compensated absences	417	(5,146)
Total adjustments	<u>2,741,982</u>	<u>238,715</u>
Net cash provided by operating activities	<u>\$ 4,200,510</u>	<u>\$ 441,967</u>

(Concluded)



FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

City of Hercules
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and investments	\$ 9,476,117	\$ 409,276
Cash and investments with fiscal agent	33,499	55,798
Prepaid items	502,267	-
Loans receivable, net	7,866,002	-
Capital Assets:		
Nondepreciable	14,090,684	-
Depreciable, net	7,785,441	-
Total assets	39,754,010	465,074
LIABILITIES		
Unearned revenue	841,840	-
Long-term debt:		
Due in more than one year	81,317,000	-
Total liabilities	82,158,840	-
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	832,807	-
Total deferred inflows of resources	832,807	-
NET POSITION (DEFICIT)		
Held in trust (deficit)	(43,237,637)	-
Individuals, organization, and other government	-	465,074
Total net position (deficit)	\$ (43,237,637)	\$ 465,074

City of Hercules
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Redevelopment property tax trust fund	\$ 5,484,664	\$ 230,700
Investment income (loss)	(56,218)	8,176
Other revenue	239,676	-
Total additions	<u>5,668,122</u>	<u>238,876</u>
DEDUCTIONS:		
Community development	6,496	-
Administration	26,815	8,320
Depreciation	580,709	-
Interest expenses	2,397,908	193,196
Principal payment to refunding escrow	-	57,572
Total deductions	<u>3,011,928</u>	<u>259,088</u>
CHANGES IN FIDUCIARY NET POSITION	2,656,194	(20,212)
FIDUCIARY NET POSITION (DEFICIT):		
Beginning of year,	(45,893,831)	485,286
End of year	<u>\$ (43,237,637)</u>	<u>\$ 465,074</u>



NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Hercules
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

	<u>Page</u>
Note 1 – Summary of Significant Accounting Policies	51
A. Financial Reporting Entity.....	51
B. Basis of Accounting and Measurement Focus.....	51
C. Cash and Investments	54
D. Cash and Investments with Fiscal Agents	54
E. Fair Value Measurements	55
F. Interfund Transactions	55
G. Prepaid Items	55
H. Capital Assets	55
I. Leases	56
J. Subscription Based Information Technology Arrangements (“SBITA”) Asset and Liabilities	57
K. Long-Term Debt	58
L. Unearned and Unavailable Revenue.....	58
M. Compensated Absences	59
N. Property Taxes.....	59
O. Interfund Transactions	59
P. Claims Payable	59
Q. Pensions	60
R. Other Postemployment Benefits (“OPEB”).....	60
S. Deferred Outflows of Resources and Deferred Inflows of Resources.....	61
T. Net Position	61
U. Use of Estimates	61
V. Fund Balances.....	61
W. Spending Policy.....	62
X. Implementation of New GASB Pronouncements.....	63
Note 2 – Cash and Investments.....	63
A. Demand Deposits.....	64
B. Investments Authorized by the California Government Code and the City's Investment Policy.....	64
C. Investments Authorized by Debt Agreements	65
D. Risk Disclosures	65
E. Investment in Local Agency Investment Fund (“LAIF”)	67
F. Investment in Money Market Mutual Funds	67
Note 3 – Loans Receivable	67
A. Governmental Activities	67
B. Fiduciary Fund Financial Statements	68
Note 4 – Lease Receivable	68
A. Bio-Rad Laboratories Lease Receivable.....	68
B. Other Lease Receivable	69
Note 5 – Interfund Transactions	70
A. Due From and To Other Funds	70
B. Transfers In and Out	70

City of Hercules
Index to the Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

	<u>Page</u>
Note 6 – Capital Assets	71
A. Governmental Activities	71
B. Business-Type Activities	72
C. Fiduciary Fund Financial Statements	73
Note 7 – Long-Term Debt	74
A. Governmental Activities	74
B. Business-Type Activities	78
C. Fiduciary Fund Financial Statements	79
D. Non-City Obligations.....	81
Note 8 – Retirement Plans	82
A. General Information About the Pension Plans.....	83
B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension	85
C. Other	90
D. Payable to the CalPERS Pension Plans	91
E. Liquidating Net Pension Liability.....	91
Note 9 – Deferred Compensation Plan	91
A. 457 Plan	91
B. 401A Plan	91
C. PARS	91
Note 10 – Other Postemployment Benefits	92
A. Retiree Healthcare Plan (PEHMCA)	93
B. Retiree Cash Benefit Plan (SOMAR Plan)	96
Note 11 – Risk Management	100
Note 12 – Commitments and Contingencies	102
A. Lawsuits.....	102
B. Commitments.....	102
Note 13 – Joint Powers Agreements	102
A. West Contra Costa Transportation Advisory Committee (WCCTAC)	102
B. West Contra Costa Integrated Waste Management Authority (WCCIWMA).....	102
C. Pinole/Hercules Wastewater Treatment Plant	103
Note 14 – Stewardship, Compliance, and Accountability	103
A. Deficit Fund Balances/Net Position.....	103
B. Expenditures in Excess of Appropriations.....	103
Note 15 – Fund Balance Classification	105
Note 16 – Net Investment in Capital Assets	105

City of Hercules
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended Component Units:

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

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

B. Basis of Accounting and Measurement Focus

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

The City reports the following major Governmental Funds:

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

American Rescue Plan Act Special Revenue Fund accounts for revenues and activities for American Rescue Plan Act funding which was provided to fund additional relief for individuals and businesses affected by the coronavirus pandemic.

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

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

Proprietary Fund Financial Statements

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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 Fund:

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

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

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City’s fiduciary funds represent custodial funds and private purpose trust funds. Both custodial funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

The City reports the following fiduciary funds:

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

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

C. Cash and Investments

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

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

D. Cash and Investments with Fiscal Agents

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

E. 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.

F. Interfund Transactions

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

G. Prepaid Items

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

H. Capital Assets

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

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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

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

I. Leases

Lessee

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

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

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Leases (Continued)

Lessor

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

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

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

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

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

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

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

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

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

K. Long-Term Debt

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

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

L. Unearned and Unavailable Revenue

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

M. *Compensated Absences*

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

N. *Property Taxes*

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

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

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

O. *Interfund Transactions*

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

P. *Claims Payable*

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Pensions

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

The following timeframes are used for pension reporting:

CalPERS	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 - June 30, 2022

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

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

R. Other Postemployment Benefits ("OPEB")

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

The following timeframes are used for OPEB reporting:

OPEB	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 - June 30, 2023

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

S. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

T. Net Position

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

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, related debt, unspent bond proceeds, 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.

U. Use of Estimates

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

V. Fund Balances

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

V. Fund Balances (Continued)

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

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

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

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

W. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

Governmental Fund Financial Statements (Continued)

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

- Committed
- Assigned
- Unassigned

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

X. Implementation of New GASB Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Implementation of this Statement did not have a significant effect to the City’s financial statements for the fiscal year ended June 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB Statement No. 94), to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). Implementation of this Statement did not have a significant effect to the City’s financial statements for the fiscal year ended June 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Under this Statement, a government is required to recognize a subscription liability and an intangible right-to-use subscription asset. The effective date of GASB Statement No. 96 is for fiscal years beginning after June 15, 2022. Implementation of this Statement resulted in restatement of beginning balance of capital assets (Note 6) and long-term debt liabilities (Note 7) at July 1, 2022.

In March 2022, GASB issued Statement No. 99, *Omnibus 2022*, to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Implementation of this Statement did not have a significant effect to the City’s financial statements for the fiscal year ended June 30, 2023.

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, 2023:

	Primary Government		Fiduciary Funds	Total
	Governmental Activities	Business-type Activities		
Cash and investments	\$ 39,580,360	\$ 18,830,203	\$ 9,885,393	\$ 68,295,956
Cash and investments with fiscal agent	2,068,440	8,327,888	89,297	10,485,625
Cash and investments held in trust	2,141,823	-	-	2,141,823
Total	\$ 43,790,623	\$ 27,158,091	\$ 9,974,690	\$ 80,923,404

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

The City's cash and investments at June 30, 2023 in more detail:

Cash on hand	\$	2,005
Deposits with financial institutions		9,851,403
Deposits with trust		2,141,823
Investments		68,928,173
Total	\$	80,923,404

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$9,851,403 at June 30, 2023. Bank balances at that date were \$10,048,741 and the total amount of which was insured or collateralized with accounts held by the pledging financial institutions in the City's name as discussed below.

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

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

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

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

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

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

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

Disclosures Relating to Interest Rate Risk

Investment Type	Total	Maturity 12 Months or Less
Investments:		
Local Agency Investment Fund	\$ 58,324,861	\$ 58,324,861
Investments with fiscal agents:		
Money Market Mutual Funds	10,603,312	10,603,312
Total	\$ 68,928,173	\$ 68,928,173

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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	\$ 58,324,861	N/A	\$ -	\$ 58,324,861
Investments with fiscal agents:				
Money Market Mutual Funds	10,603,312	N/A	10,603,312	-
Total	\$ 68,928,173		\$ 10,603,312	\$ 58,324,861

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, 2023

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, 2023 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, 2023, the City had \$58,324,861 invested in LAIF, which had invested 2.78% of the pool investment funds in structured notes and asset-backed securities.

F. Investment in Money Market Mutual Funds

At June 30, 2023, investments in money market mutual funds are reported at fair value. The City values investments in money market mutual funds at the amortized cost. The funds investment objectives seek preservation of capital, daily liquidity and maximum current income. The portfolios consist of liquid, high-quality debt securities issued by the U.S. Government. The funds offer same day liquidity and as of June 30, 2023 the City had \$10,603,312 invested in Money Market Mutual Funds.

Note 3 – Loans Receivable

A. Governmental Activities

At June 30, 2023, loans receivable consisted of the following:

Bio-Rad Loan	\$ 1,382,899
Total	<u>\$ 1,382,899</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, 2023 was \$1,382,899.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Loans Receivable (Continued)

B. Fiduciary Fund Financial Statements

At June 30, 2023, loans receivable consisted of the following:

Business Development Loans	\$	1,275,893
Bridge Housing Corporation		2,241,440
Home Emergency Loan		8,293
First Time Homebuyers		730,196
Homeowner Retention/Loss Mitigation		2,377,285
Revitalization and Beautification		176,607
Other Assistance Programs		1,056,288
Total	\$	<u><u>7,866,002</u></u>

Amounts shown above are net of an allowance for uncollectible accounts of \$588,610 for Housing Program Loans.

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

Note 4 – Lease Receivable

At June 30, 2023, lease receivable consisted of the following:

Bio-Rad Laboratories, Inc.	\$	8,374,470
Other lease receivable		<u>531,912</u>
Total		<u><u>\$ 8,906,382</u></u>

A. Bio-Rad Laboratories Lease Receivable

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Lease Receivable (Continued)

A. Bio-Rad Laboratories Lease Receivable (Continued)

Total lease revenue of \$26,723,100 will be received from the Bio-Rad Laboratories, Inc. during the term of lease. The interest rate on the lease payments is 8.0381%. Monthly lease payments vary from \$55,300 to \$83,699 will be received on the first day of each month without notice, offset, deduction, or demand, in advance, during the lease term. For the year ended June 30, 2023, the City recognized \$227,732 in lease revenue and \$686,994 in interest revenue.

The future required payments for these leases, including interest, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 253,325	\$ 667,653	\$ 920,978
2025	281,064	646,166	927,230
2026	311,131	622,351	933,482
2027	343,720	596,014	939,734
2028	379,042	566,943	945,985
2029-2033	2,608,372	2,273,248	4,881,620
2034-2038	4,032,092	952,668	4,984,760
2039	165,724	164	165,888
	\$ 8,374,470	\$ 6,325,207	\$ 14,699,677

B. Other Lease Receivable

Lease receivables consist of agreements with others for the right-to-use of the underlying assets for land and building owned by the City at various locations. The remaining terms of the agreements range from 1 to 10 years. The incremental borrowing rates used ranged from 2.38%. For the year ended June 30, 2023, the City recognized \$129,301 in lease revenue and \$14,339 in interest revenue. The outstanding receivables are in the amounts of \$531,912. The future required payments for these leases, including interest, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 123,057	\$ 11,222	\$ 134,279
2025	91,726	8,737	100,463
2026	95,028	6,518	101,546
2027	91,306	4,226	95,532
2028	48,458	2,500	50,958
2029-2032	82,337	4,063	86,400
	\$ 531,912	\$ 37,266	\$ 569,178

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2023, 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	Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	\$ 478,632
General Fund	Nonmajor Governmental Funds	705,652
		<u>\$ 1,184,284</u>

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

B. Transfers In and Out

The City had the following transfers for the year ended June 30, 2023:

Transfer In	Transfer Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 150,050
General Fund	American Resecue Plan Act Special Revenue Fund	3,142,889
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	Nonmajor Governmental Funds	84,554
Hercules Debt Service Fund	General Fund	468,499
Nonmajor Governmental Funds	General Fund	1,807,860
Nonmajor Governmental Funds	Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	312,226
Nonmajor Governmental Funds	Nonmajor Governmental Funds	961,988
	Total	<u>\$ 6,928,066</u>

\$3,292,889 transferred to the General Fund included the \$150,000 from the Nonmajor Special Revenue Fund for the public safety related expenditures and the \$3,142,889 from the American Rescue Plan Act Special Revenue Fund for the public safety related expenditures.

\$84,554 transfers to Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund from the Nonmajor Governmental Funds for the City’s general benefit contributions. \$468,499 transferred to the Debt Service Fund from the General Fund for the debt service payments.

\$3,082,074 transferred to the Nonmajor Governmental Funds includes:

- \$1,807,860 from the General Fund for the debt service payments and the Hercules Hub capital project appropriation approved by City Council, created a new nonmajor fund for restricted funds previously residing in the General Fund for the General Plan Update Fee.
- \$312,226 from Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund for the City’s general benefit obligations.
- \$961,988 from Nonmajor Governmental Funds for the City’s general benefit contributions and creating a new nonmajor fund for restricted funds previously residing the Gas Tax Fund for the Road Rehabilitation revenues.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022 (Restated)	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2023
Nondepreciable assets:					
Land	\$ 5,081,587	\$ -	\$ -	\$ -	\$ 5,081,587
Construction in progress	1,004,447	2,522,049	-	(1,966,120)	1,560,376
Total nondepreciable assets	6,086,034	2,522,049	-	(1,966,120)	6,641,963
Depreciable assets:					
Land improvements	15,812,311	99,003	-	-	15,911,314
Building and improvements	26,323,217	619,498	(150,532)	-	26,792,183
Machinery and equipment	5,781,572	-	-	1,966,120	7,747,692
Infrastructure	113,444,645	-	-	-	113,444,645
Subtotal	161,361,745	718,501	(150,532)	1,966,120	163,895,834
Less: accumulated depreciation:					
Land improvements	(9,989,559)	(249,530)	-	-	(10,239,089)
Building and improvements	(11,504,465)	(735,577)	150,532	-	(12,089,510)
Machinery and equipment	(7,439,871)	(240,323)	-	-	(7,680,194)
Infrastructure	(60,275,185)	(2,307,234)	-	-	(62,582,419)
Subtotal	(89,209,080)	(3,532,664)	150,532	-	(92,591,212)
Total depreciable assets, net	72,152,665	(2,814,163)	-	1,966,120	71,304,622
Total capital assets, net	78,238,699	(292,114)	-	-	77,946,585
Intangible, being amortized					
Right-to-use lease assets	27,668	8,870	(1,760)	-	34,778
Right-to-use subscription assets	90,502	-	-	-	90,502
Total intangible assets, being amortized	118,170	8,870	(1,760)	-	125,280
Less: accumulated amortization:					
Right-to-use lease assets	(11,171)	(9,323)	-	-	(20,494)
Right-to-use subscription assets	-	(28,206)	-	-	(28,206)
Total accumulated amortization	(11,171)	(37,529)	-	-	(48,700)
Total intangible assets, being amortized, net	106,999	(28,659)	(1,760)	-	76,580
Governmental activities capital assets, net	\$ 78,345,698	\$ (320,773)	\$ (1,760)	\$ -	\$ 78,023,165

Depreciation and amortization expenses were charged to functions/programs of governmental activities for the year ended June 30, 2023 as follows:

Depreciation and Amortization Expenses	Allocation
General government	\$ 491,728
Public safety	48,256
Public works	2,610,388
Parks and recreation	204,469
Internal service funds	215,352
Total	\$ 3,570,193

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Reclassification/ Transfers	Balance June 30, 2023
Nondepreciable assets:				
Land	\$ 191,700	\$ -	\$ -	\$ 191,700
Construction in progress	981,195	2,283,619	-	3,264,814
Total nondepreciable assets	<u>1,172,895</u>	<u>2,283,619</u>	<u>-</u>	<u>3,456,514</u>
Depreciable assets:				
Building and improvements	38,325,271	-	-	38,325,271
Machinery and equipment	250,345	-	-	250,345
Infrastructure	14,945,319	-	-	14,945,319
Subtotal	<u>53,520,935</u>	<u>-</u>	<u>-</u>	<u>53,520,935</u>
Less: accumulated depreciation:				
Building and improvements	(11,007,031)	(137,358)	-	(11,144,389)
Machinery and equipment	(215,394)	(4,560)	-	(219,954)
Infrastructure	(4,385,426)	(848,323)	-	(5,233,749)
Subtotal	<u>(15,607,851)</u>	<u>(990,241)</u>	<u>-</u>	<u>(16,598,092)</u>
Total depreciable assets, net	<u>37,913,084</u>	<u>(990,241)</u>	<u>-</u>	<u>36,922,843</u>
Total capital assets, net	<u>\$ 39,085,979</u>	<u>\$ 1,293,378</u>	<u>\$ -</u>	<u>\$ 40,379,357</u>

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

	Depreciation Expenses	Allocation
Wastewater	\$	990,241
Total	<u>\$</u>	<u>990,241</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Capital Assets (Continued)

C. Fiduciary Fund Financial Statements

Summary of changes in Fiduciary Fund capital assets for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2023
Nondepreciable assets:					
Land	\$ 236,986	\$ -		\$ -	\$ 236,986
Construction in progress	13,853,698	-	-	-	13,853,698
Total nondepreciable assets	14,090,684	-	-	-	14,090,684
Depreciable assets:					
Land improvements	9,765,373	11,378	-	-	9,776,751
Building and improvements	4,967,778	-	-	-	4,967,778
Machinery and equipment	116,445	-	-	-	116,445
Infrastructure	6,206,831	-	-	-	6,206,831
Subtotal	21,056,427	11,378	-	-	21,067,805
Less: accumulated depreciation:					
Land improvements	(5,320,726)	(190,059)	-	-	(5,510,785)
Building and improvements	(3,343,134)	(107,622)	-	-	(3,450,756)
Machinery and equipment	(75,530)	(6,294)	-	-	(81,824)
Infrastructure	(3,962,265)	(276,734)	-	-	(4,238,999)
Subtotal	(12,701,655)	(580,709)	-	-	(13,282,364)
Total depreciable assets, net	8,354,772	(569,331)	-	-	7,785,441
Total capital assets, net	\$ 22,445,456	\$ (569,331)	\$ -	\$ -	\$ 21,876,125

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	\$ 580,709
Total	<u>\$ 580,709</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt

A. Governmental Activities

Summary of changes in Governmental Activities long-term debt for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022 (Restated)	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
Publicly Offered:						
2009 PFA Taxable Lease Revenue Bonds	\$ 8,165,000	\$ -	\$ (235,000)	\$ 7,930,000	\$ 255,000	\$ 7,675,000
Less: Discount on issuance	(276,738)	-	17,297	(259,441)	-	(259,441)
2020 PFA Lease Revenue Refunding Bonds	5,876,843	-	(386,663)	5,490,180	448,561	5,041,619
H.E.L.P. Loan	1,439,588	-	(76,067)	1,363,521	75,933	1,287,588
R.D.L.P. Loan	3,750,000	-	-	3,750,000	-	3,750,000
Engie Energy Conservation Loan	4,115,542	-	(114,900)	4,000,642	127,479	3,873,163
SunTrust Loan	100,180	-	(100,180)	-	-	-
Lease liability	16,660	8,870	(11,004)	14,526	8,879	5,647
Subscription liability	90,503	-	(33,567)	56,936	32,988	23,948
Settlement payable	604,025	-	(604,025)	-	-	-
Compensated Absences	655,560	510,651	(436,779)	729,432	547,073	182,359
Total	<u>\$ 24,537,163</u>	<u>\$ 519,521</u>	<u>\$ (1,980,888)</u>	<u>\$ 23,075,796</u>	<u>\$ 1,495,913</u>	<u>\$ 21,579,883</u>

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

The Authority issued taxable lease revenue bonds, series 2009, dated July 29, 2009, totaling \$10,080,000. The purpose of the bonds was to finance the acquisition of certain commercial condominium properties, consisting of approximately 96,847 square feet located at 203-295 Linus Pauling Drive within the City from the City, funding a reserve fund for the Bonds and to paying the costs of issuance of the Bonds. The interest rates on the bonds range from 6.00% to 8.40%. The interest is payable semiannually on January 1 and July 1, commencing January 1, 2010. The bonds are subject to optional special mandatory redemption, and mandatory sinking account redemption provisions. The bonds are payable from and secured by revenues consisting primarily of the base rental payments of the property lease, Principal is due annually beginning on July 1, 2010, in amounts ranging from \$165,000 to \$845,000. The bonds mature on July 1, 2038. The principal outstanding balance and the unamortized issuance discount at June 30, 2023 are \$7,930,000 and \$259,441, respectively.

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

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 255,000	\$ 652,159	\$ 907,159
2025	275,000	630,296	905,296
2026	300,000	606,578	906,578
2027	325,000	580,796	905,796
2028	350,000	552,953	902,953
2029-2033	2,235,000	2,257,343	4,492,343
2034-2038	3,345,000	1,102,290	4,447,290
2039	845,000	35,490	880,490
Total	<u>\$ 7,930,000</u>	<u>\$ 6,417,905</u>	<u>\$ 14,347,905</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

2020 Hercules Public Financing Authority Lease Revenue Refunding Bonds

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

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 448,561	\$ 116,376	\$ 564,937
2025	457,061	106,369	563,430
2026	465,032	96,180	561,212
2027	477,396	85,766	563,162
2028	489,075	75,087	564,162
2029-2033	2,600,536	207,049	2,807,585
2034	552,519	6,105	558,624
Total	<u>\$ 5,490,180</u>	<u>\$ 692,933</u>	<u>\$ 6,183,113</u>

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

In April 2005 the City entered into an agreement with the California Housing Finance Agency (Agency), a public instrumentality and political subdivision of the state of California to develop a 50-unit multifamily rental project that is a component to a mixed-used development, also consisting of 26,825 square feet of ground-floor commercial space. The Agency has authorized the making of a loan in the amount of \$1,600,000 known as the Housing Enabled by Local Partnerships (H.E.L.P.) to the City for the purpose of assisting in operating a local housing program. Under the terms of this original agreement the City 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, 2023 is \$1,363,521.

The annual debt service requirements to maturity for the H.E.L.P. Loan as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
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>\$ 1,363,521</u>	<u>\$ 66,667</u>	<u>\$ 1,430,188</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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

In February 2007, the City entered into a loan agreement with the California Housing Finance Agency (Agency) in the amount of \$3,750,000 (\$1,750,000 for predevelopment costs and \$2,000,000 for construction costs). The funds will be used to assist with site acquisition, predevelopment, and construction costs for 23 affordable ownership units within a 52-unit condominium project, which is a component to the Sycamore Downtown Street project, a mixed-use, mixed-income development. Under the terms of the original agreement, the City agreed to repay the Agency \$3,750,000, four years from February 2007 at 3% simple per annum interest. In October 2013, the City and Agency amended the agreement to extend the due date of the loan and accumulated interest until August 2026 and to reduce the interest rate to 1.5% simple interest effective October 31, 2013. The balance at June 30, 2023 is \$3,750,000.

The annual debt service requirements to maturity for the R.D.L.P. Loan as of June 30, 2023 are as follows:

June 30,	Principal	Interest	Total
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>\$ 313,572</u>	<u>\$ 4,063,572</u>

Engie Construction Loan

On August 14, 2020, the City entered into an equipment finance purchase agreement for the implementation of the “Option A” Energy Services Contract. Interest rate is 2.71%, 30/360 basis, and payment commencing August 14, 2020 and ending on September 14, 2040. The balance at June 30, 2023 is \$4,000,642.

The annual debt service requirements to maturity for the rental payment as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 127,479	\$ 108,417	\$ 235,896
2025	130,064	104,963	235,027
2026	143,641	101,438	245,079
2027	158,064	97,545	255,609
2028	173,379	93,262	266,641
2029-2033	1,131,322	386,609	1,517,931
2034-2038	1,371,560	209,360	1,580,920
2039-2041	765,133	41,804	806,937
Total	<u>\$ 4,000,642</u>	<u>\$ 1,143,398</u>	<u>\$ 5,144,040</u>

SunTrust Loan

On September 27, 2007, the City entered into master loan 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. The Master Lease Agreement matured on September 27, 2022.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Lease Liability

The City has entered into leases for the machine uses. The terms of the agreements range from 13 months to 33 months. The calculated interest rate used was 2.38% based on the term of the agreements. Principal and interest payments to maturity at June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 8,879	\$ 228	\$ 9,107
2025	1,838	114	1,952
2026	1,882	70	1,952
2027	1,927	25	1,952
Total	<u>\$ 14,526</u>	<u>\$ 437</u>	<u>\$ 16,915</u>

Subscription Liability

The City has entered into subscriptions for information technology arrangements. The terms of the arrangements range from 30 to 55 months with implicit rates used between 2.354% to of 2.536%. Principal and interest to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 32,988	\$ 1,444	\$ 34,432
2025	11,824	607	12,431
2026	12,124	308	12,432
Total	<u>\$ 56,936</u>	<u>\$ 2,359</u>	<u>\$ 59,295</u>

Settlement Payable

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").

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Settlement Payable (Continued)

In this settlement, the City and Successor Agency is obligated to pay up to \$3.6 million to Auditor-Controller. The settlement payable reflected was fully paid off during the year ended June 30, 2023.

Compensated Absences

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

B. Business-Type Activities

Summary of changes in Business-Type Activities long-term debt for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
State Water Resources Construction Loan						
Construction Loan	\$ 23,259,518	\$ -	\$ (2,249,812)	\$ 21,009,706	\$ 1,153,672	\$ 19,856,034
Wastewater Revenue Bonds, Series 2021A	8,450,000	-	(355,000)	8,095,000	365,000	7,730,000
Compensated Absences	51,749	30,440	(30,023)	52,166	39,125	13,041
Total	<u>\$ 31,761,267</u>	<u>\$ 30,440</u>	<u>\$ (2,634,835)</u>	<u>\$ 29,156,872</u>	<u>\$ 1,557,797</u>	<u>\$ 27,599,075</u>

State Water Resources Construction Loan

In June 2016, the City entered into an installment sale agreement with the California State Water Resources Control Board in the amount of \$26,500,000. The funds are for construction costs for the Pinole-Hercules Wastewater Pollution Control Plant Improvement Project. The interest rate on the loan is 1.7%. The first principal and interest payment are due August 31, 2019, and is contingent on the total drawdowns at project completion. The loan matures on August 31, 2038. The City has drawn down \$25,458,720 of the loan principal including construction loan interest as of June 30, 2023. The balance at June 30, 2023 is \$21,009,706.

The annual debt service requirements to maturity for as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,153,672	\$ 357,165	\$ 1,510,837
2025	1,173,285	337,553	1,510,838
2026	1,193,230	317,606	1,510,836
2027	1,213,515	297,322	1,510,837
2028	1,234,145	276,692	1,510,837
2029-2033	6,492,658	1,061,529	7,554,187
2034-2038	7,063,618	490,567	7,554,185
2039	1,485,583	25,255	1,510,838
Total	<u>\$ 21,009,706</u>	<u>\$ 3,163,689</u>	<u>\$ 24,173,395</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Wastewater Revenue Bonds, Series 2021A

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

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

The annual debt service requirements to maturity for as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 365,000	\$ 188,318	\$ 553,318
2025	375,000	179,512	554,512
2026	385,000	170,468	555,468
2027	395,000	161,186	556,186
2028	400,000	151,725	551,725
2029-2033	2,150,000	609,280	2,759,280
2034-2038	2,425,000	337,544	2,762,544
2039-2041	1,600,000	57,715	1,657,715
Total	<u>\$ 8,095,000</u>	<u>\$ 1,855,746</u>	<u>\$ 9,950,746</u>

C. Fiduciary Fund Financial Statements

A summary of changes in Fiduciary Fund long-term debt for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
Publicly Offered:						
2022A Tax Allocation	\$ 29,510,000	\$ -	\$ -	\$ 29,510,000	\$ -	\$ 29,510,000
Plus: Bond Premium	3,013,808	-	(150,065)	2,863,743	-	2,863,743
2022B Tax Allocation - Federally Taxable	51,180,000	-	(2,600,000)	48,580,000	-	48,580,000
Notes Payable	412,516	-	(49,259)	363,257	-	363,257
Total	<u>\$ 84,116,324</u>	<u>\$ -</u>	<u>\$ (2,799,324)</u>	<u>\$ 81,317,000</u>	<u>\$ -</u>	<u>\$ 81,317,000</u>

2022 Tax Allocation Bonds Series A and B

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2022 Tax Allocation Bonds Series A and B (Continued)

The Series A bonds bear interest at 5% and the Series B bonds bear interest rates range from 2.568% to 5.013%. Principal on the bonds is payable annually on August 1 in each year, commencing August 1, 2022 ranging from \$455,000 to \$15,000,000. Interest on the bonds is payable semi-annually on February 1 and August 1 in each year, commencing August 1, 2022. The balances at June 30, 2023 for the Series A and B are \$29,510,000 and \$48,580,000.

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

The annual debt service requirements to maturity for as of June 30, 2023 are as follows:

2022 Series A

Year Ending June 30,	Principal	Interest	Total
2024	\$ -	\$ 1,475,500	\$ 1,475,500
2025	-	1,475,500	1,475,500
2026	-	1,475,500	1,475,500
2027	-	1,475,500	1,475,500
2028	-	1,475,500	1,475,500
2029-2033	-	7,377,500	7,377,500
2034-2038	14,510,000	4,482,750	18,992,750
2039-2043	15,000,000	1,948,000	16,948,000
Total	<u>\$ 29,510,000</u>	<u>\$ 21,185,750</u>	<u>\$ 50,695,750</u>

2022 Series B

Year Ending June 30,	Principal	Interest	Total
2024	\$ -	\$ 2,159,871	\$ 2,159,871
2025	455,000	2,152,254	2,607,254
2026	4,310,000	2,067,790	6,377,790
2027	4,465,000	1,904,991	6,369,991
2028	4,635,000	1,522,466	6,157,466
2029-2033	26,410,000	5,261,775	31,671,775
2034-2035	8,305,000	318,436	8,623,436
Total	<u>\$ 48,580,000</u>	<u>\$ 15,387,583</u>	<u>\$ 63,967,583</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

C. *Fiduciary Fund Financial Statements (Continued)*

Notes Payable

In 1987, the Agency entered into Owner Participation Agreements with certain property owners (East Group, Bio Rad Laboratories, and Eden Housing) in the Redevelopment Area. Under the terms of these agreements, the Agency signed notes under which it promised to reimburse the owners by the year 2016 for the amount of incremental assessments levied on their properties, up to the cost of constructing public improvements. Payment on these notes is contingent on the property taxes and special assessments levied on these owners. As of June 30, 2023, the Agency’s long-term notes payable for East Group, Bio Rad Laboratories, and Eden Housing were \$130,911, \$216,160 and \$16,186, respectively.

D. *Non-City Obligations*

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

	Original Issuance	Balance June 30, 2023
Refunding Reassessment District 2005-1	\$ 3,006,859	\$ 2,454,484

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans

Summary of deferred outflows of resources related to pension, net pension liabilities, and deferred inflows of resources related to pension for both governmental activities and business-type activities for the year ended June 30, 2023 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contributions made after measurement date:			
CalPERS Miscellaneous	\$ 757,661	\$ 105,146	\$ 862,807
CalPERS Safety	1,240,453	-	1,240,453
Total pension contribution made after measurement date	<u>1,998,114</u>	<u>105,146</u>	<u>2,103,260</u>
Change of assumptions:			
CalPERS Miscellaneous	806,972	111,989	918,961
CalPERS Safety	1,087,677	-	1,087,677
Total pension contribution made after measurement date	<u>1,894,649</u>	<u>111,989</u>	<u>2,006,638</u>
Difference between projected and actual investment earnings:			
CalPERS Miscellaneous	1,442,513	200,188	1,642,701
CalPERS Safety	1,703,453	-	1,703,453
Total difference between projected and actual investment earnings:	<u>3,145,966</u>	<u>200,188</u>	<u>3,346,154</u>
Adjustment due to difference in proportions			
CalPERS Miscellaneous	42,334	5,875	48,209
Total adjustment due to difference in proportions	<u>42,334</u>	<u>5,875</u>	<u>48,209</u>
Difference between expected and actual experience			
CalPERS Miscellaneous	158,148	21,947	180,095
CalPERS Safety	446,442	-	446,442
Total difference between expected and actual experience	<u>604,590</u>	<u>21,947</u>	<u>626,537</u>
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	-	-	-
CalPERS Safety	238,620	-	238,620
Total employer contributions in excess of proportionate share of contribution	<u>238,620</u>	<u>-</u>	<u>238,620</u>
Total deferred outflows of resources			
CalPERS Miscellaneous	3,207,628	445,145	3,652,773
CalPERS Safety	4,716,645	-	4,716,645
Total deferred outflows of resources	<u>\$ 7,924,273</u>	<u>\$ 445,145</u>	<u>\$ 8,369,418</u>
Net pension liabilities:			
CalPERS Miscellaneous	\$ 7,875,122	\$ 1,092,885	\$ 8,968,007
CalPERS Safety	10,787,186	-	10,787,186
Total net pension liabilities	<u>\$ 18,662,308</u>	<u>\$ 1,092,885</u>	<u>\$ 19,755,193</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred inflows of resources:			
Adjustment due to difference in proportions			
CalPERS Miscellaneous	\$ 308,253	\$ 42,779	\$ 351,032
CalPERS Safety	1,392,034	-	1,392,034
Total adjustment due to difference in proportions	<u>1,700,287</u>	<u>42,779</u>	<u>1,743,066</u>
Difference between expected and actual experience:			
CalPERS Miscellaneous	105,921	14,699	120,620
CalPERS Safety	117,141	-	117,141
Total difference between projected and actual investment earnings:	<u>223,062</u>	<u>14,699</u>	<u>237,761</u>
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	570,224	79,134	649,358
CalPERS Safety	113,051	-	113,051
Total employer contributions in excess of proportionate share of contribution	<u>683,275</u>	<u>79,134</u>	<u>762,409</u>
Total deferred inflows of resources			
CalPERS Miscellaneous	984,398	136,612	1,121,010
CalPERS Safety	1,622,226	-	1,622,226
Total deferred inflows of resources	<u>\$ 2,606,624</u>	<u>\$ 136,612</u>	<u>\$ 2,743,236</u>
Pension expenses (credits):			
CalPERS Miscellaneous	\$ (2,634)	\$ 195,007	\$ (192,373)
CalPERS Safety	1,071,182	-	1,071,182
Total net pension expenses	<u>\$ 1,068,548</u>	<u>\$ 195,007</u>	<u>\$ 878,809</u>

A. General Information About the Pension Plans

Plan Description

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Employees Covered by Benefit Terms

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

	Miscellaneous Classic	Miscellaneous PEPRA	Safety Classic	Safety Tier 2	Safety PEPRA
Active employees	31	13	7	1	15
Transferred employees	48	13	7	1	7
Separated employees	95	17	4	1	7
Retired employees and beneficiaries	88	1	37	-	-
Total	262	44	55	3	29

Benefits Provided

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

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Benefits Provided (Continued)

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

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

Contributions

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

For the year ended June 30, 2023, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety	CalPERS Total
Contributions - employer	\$ 862,807	\$ 1,240,453	\$ 2,103,260

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Change of Assumption

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension and fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Long-Term Expected Rate of Return

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

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

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

¹ An expected inflation of 2.30% used

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

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

Discount Rate

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

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

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

	Plan’s Net Pension Liability		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(5.90%)	Rate (6.90%)	(7.90%)
Miscellaneous	\$ 13,517,763	\$ 8,968,007	\$ 5,224,687
Safety	\$ 16,786,473	\$ 10,787,186	\$ 5,884,123

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

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

	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/21 (Valuation date)	\$ 31,470,190	\$ 26,955,968	\$ 4,514,222
Balance at: 6/30/22 (Measurement date)	33,376,042	24,408,035	8,968,007
Net changes during 2021-2022	\$ 1,905,852	\$ (2,547,933)	\$ 4,453,785
Safety			
Balance at: 6/30/21 (Valuation date)	\$ 38,998,377	\$ 33,619,977	\$ 5,378,400
Balance at: 6/30/22 (Measurement date)	43,442,114	32,654,928	10,787,186
Net changes during 2021-2022	\$ 4,443,737	\$ (965,049)	\$ 5,408,786

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

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

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

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

(1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2020). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2021). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2021 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2020-21).

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

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

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

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

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

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

	Miscellaneous	Safety
Proportion - June 30, 2021	0.08347%	0.09945%
Proportion - June 30, 2022	0.07764%	0.09339%
Change - Increase/(Decrease)	-0.00583%	-0.00606%

For the year ended June 30, 2023, the City recognized pension expense (credit) of \$(192,373) and \$1,071,182, for the Miscellaneous and Safety plans, respectively.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

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

Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 862,807	\$ -
Change of assumptions	918,961	-
Difference between expected and actual experience	180,095	(120,620)
Net difference between projected and actual earnings on pension plan investments	1,642,701	-
Employer contributions in excess/(under) proportionate share of contributions	-	(649,358)
Adjustments due to difference in proportions	48,209	(351,032)
Total	<u>\$ 3,652,773</u>	<u>\$ (1,121,010)</u>
Safety Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 1,240,453	\$ -
Change of assumptions	1,087,677	-
Difference between expected and actual experience	446,442	(117,141)
Net difference between projected and actual earnings on pension plan investments	1,703,453	-
Employer contributions in excess/(under) proportionate share of contributions	238,620	(113,051)
Adjustments due to difference in proportions	-	(1,392,034)
Total	<u>\$ 4,716,645</u>	<u>\$ (1,622,226)</u>
CalPERS Aggregate Total		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 2,103,260	\$ -
Change of assumptions	2,006,638	-
Difference between expected and actual experience	626,537	(237,761)
Net difference between projected and actual earnings on pension plan investments	3,346,154	-
Employer contributions in excess/(under) proportionate share of contributions	238,620	(762,409)
Adjustments due to difference in proportions	48,209	(1,743,066)
Total	<u>\$ 8,369,418</u>	<u>\$ (2,743,236)</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

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

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

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

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2021-22 measurement period is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired).

\$862,807 and \$1,240,453 reported as deferred outflows of resources related to pensions for miscellaneous plan and safety plan, respectively, resulting from the City’s contributions made subsequent to the measurement date. Both will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ending June 30	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous Plan	Safety Plan	Total
2023	\$ 239,056	\$ 280,840	\$ 519,896
2024	226,217	292,840	519,057
2025	198,949	241,159	440,108
2026	1,004,734	1,039,127	2,043,861
2027	-	-	-
Thereafter	-	-	-
Total	\$ 1,668,956	\$ 1,853,966	\$ 3,522,922

C. Other

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

D. Payable to the CalPERS Pension Plans

At June 30, 2023, the City had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2023.

E. Liquidating Net Pension Liability

Pension liabilities are liquidated principally by all the funds.

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.

C. PARS

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits

The City provides Retiree Healthcare Plan (“PEHMCA”) and Retiree Cash Benefit Plan (“SOMAR Plan”). Summary of deferred outflows of resources related to other postemployment benefit (“OPEB”), net OPEB liabilities, and deferred inflows of resources related to OPEB for both governmental activities and business-type activities for the year ended June 30, 2023 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Difference between expected and actual experience			
PEHMCA	\$ 10,838	\$ 614	\$ 11,452
SOMAR	354,764	20,092	374,856
Total difference between expected and actual experience	<u>365,602</u>	<u>20,706</u>	<u>386,308</u>
Changes of assumptions			
PEHMCA	387,811	21,944	409,755
SOMAR	278,340	15,746	294,086
Total employer contributions in excess of proportionate share of	<u>387,811</u>	<u>21,944</u>	<u>409,755</u>
Difference between projected and actual investment earnings:			
PEHMCA	195,347	11,064	206,411
Total difference between projected and actual investment	<u>195,347</u>	<u>11,064</u>	<u>206,411</u>
Total deferred outflows of resources			
PEHMCA	593,996	33,622	627,618
SOMAR	633,104	35,838	668,942
Total deferred outflows of resources	<u>\$ 1,227,100</u>	<u>\$ 69,460</u>	<u>\$ 1,296,560</u>
Net OPEB liabilities (assets):			
PEHMCA	\$ (214,332)	\$ (12,132)	\$ (226,464)
SOMAR	1,782,098	100,875	1,882,973
Total net OPEB liabilities (assets)	<u>\$ 1,567,766</u>	<u>\$ 88,743</u>	<u>\$ 1,656,509</u>
Deferred inflows of resources:			
Difference between expected and actual experience			
PEHMCA	\$ 1,454,149	\$ 82,306	\$ 1,536,455
SOMAR	276,450	15,640	292,090
Total difference between expected and actual experience	<u>1,730,599</u>	<u>97,946</u>	<u>1,828,545</u>
Changes of assumptions			
PEHMCA	178,579	10,114	188,693
SOMAR	282,806	16,018	298,824
Total changes of assumptions	<u>461,385</u>	<u>26,132</u>	<u>487,517</u>
Total deferred inflows of resources			
PEHMCA	1,632,728	92,420	1,725,148
SOMAR	559,256	31,658	590,914
Total deferred inflows of resources	<u>\$ 2,191,984</u>	<u>\$ 124,078</u>	<u>\$ 2,316,062</u>
OPEB expenses (credits):			
PEHMCA	\$ 99,435	\$ 5,233	\$ 104,668
SOMAR	123,565	6,178	123,565
Total OPEB expenses	<u>\$ 223,000</u>	<u>\$ 11,411</u>	<u>\$ 228,233</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA)

Plan Descriptions and Administration

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

The City has prefunded a portion of its OPEB benefits in a Public Agency Retirement Services (PARS) trust. The PARS Trust is a tax qualified irrevocable trusts, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement 75. PARS issues annual audited financial statements for each participating agency of the Trust. PARS is considered an agency agent multiple-employer plan, required to provide financial statements and required supplementary information (Schedule of Changes in Fiduciary Net Position by Plan) that are prepared in 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 (\$149/month for 2022 and 2023).

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

Contributions

The contributions are based on pay-go for premiums and contributions to the PARS OPEB trust. The pay-go amount is the actual amount of retiree premiums. Total contributions (pay-go and trust contributions) for the year ended June 30, 2023 were \$109,733 including the implied rate subsidy.

Employees Covered by Benefit Terms

At June 30, 2023, valuation date, the following employees were covered by the benefit terms:

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Actuarial Assumptions

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

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

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

Changes of Assumptions

There were not discount rate changes. However, the demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount Rate

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Changes in the Net OPEB Liability (Asset) (Continued)

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, 2023:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2022	\$ 2,545,005	\$ 2,559,249	\$ (14,244)
Changes Recognized for the Measurement Period:			
Service Cost	138,804	-	138,804
Interest on the total OPEB liability	131,816	-	131,816
Contributions from the employer	-	109,733	(109,733)
Expected investment income	(595,870)	131,414	(727,284)
Investment (gains)/losses	-	(7,302)	7,302
Administrative expenses	-	(15,045)	15,045
Changes in assumptions	331,830	-	331,830
Benefit payments	(109,733)	(109,733)	-
Net Changes during July 1, 2022 to June 30, 2023	(103,153)	109,067	(212,220)
Balance at June 30, 2023 (Measurement Date)	\$ 2,441,852	\$ 2,668,316	\$ (226,464)

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

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

Net OPEB Liability (Asset)		
Discount Rate - 1% (4.15%)	Current Discount Rate (5.15%)	Discount Rate + 1% (6.15%)
\$ 102,256	\$ (226,464)	\$ (499,699)

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%
\$ (569,198)	\$ (226,464)	\$ 205,600

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$104,668 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, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 11,452	\$ (1,536,455)
Changes of assumptions	409,755	(188,693)
Net difference between projected and actual earning on OPEB plan investments	206,411	-
Total	<u>\$ 627,618</u>	<u>\$ (1,725,148)</u>

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

<u>Measurement Period Ending June 30</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2024	\$ (59,562)
2025	(122,457)
2026	(84,390)
2027	(180,333)
2028	(181,791)
Thereafter	(468,997)
Total	<u>\$ (1,097,530)</u>

Liquidating PEHMAC OPEB Liability

OPEB liabilities are liquidated principally by the General Fund.

B. Retiree Cash Benefit Plan (SOMAR Plan)

Plan Description

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

The SOMAR Plan benefit percentage is based on the lesser of actual years of service, or an equivalent based on sick-leave hours divided by 48, with a minimum percentage of 50% after 10 years and a maximum percentage of 100% after 20 years. The percentage is applied to a stated dollar amount prior to age 65 and the Kaiser Senior Advantage retiree only premium after age 65, offset by the PEMHCA Plan minimum, described above. The monthly dollar amounts under the SOMAR Plan are \$377/per month for 2022 and \$388/per month for 2023 (Police), \$283 for 2022 and \$292/per month for 2023 (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, 2023

Note 10 – Other Postemployment Benefits (Continued)

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

Plan Description (Continued)

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

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

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

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

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

Employees Covered by Benefit Terms

At the June 30, 2023 measurement date, the following employees were covered by the benefit terms:

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

Benefits Provided

The SOMAR plan’s provisions and benefits in effect at June 30, 2023, are summarized below:

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

Contributions

For the year ended June 30, 2023, the contributions recognized as part of OPEB expense for the SOMAR plan were as follows:

	<u>SOMAR Plan</u>
Contributions - employer	<u>\$ 42,990</u>

Actuarial Assumptions

The net OPEB liability of the SOMAR Plan was determined using an actuarial valuation as of July 1, 2022 using the following actuarial assumptions.

Cost method	Entry age normal
Discount Rate	3.65%
Inflation	2.50%
Aggregate payroll increases	2.75%
Mortality, retirement, and turnover	2021 CalPERS tables

The mortality assumptions are based on the 2021 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

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

Changes of Assumptions

The interest assumption changed from 3.54% to 3.65%. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems.

Changes in the Net OPEB Liability

This table shows the changes in the total OPEB liability, the plan fiduciary net position, and the net OPEB liability (asset) of the SOMAR plan as of June 30, 2023:

	SOMAR Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022	\$ 1,341,133	\$ -	\$ 1,341,133
Changes Recognized for the Measurement Period:			
Service cost	67,118	-	67,118
Interest on the total pension liability	47,903	-	47,903
Changes of benefit terms	-	-	-
Difference between expected and actual experience	411,971	-	411,971
Changes of assumptions	57,838	-	57,838
Contributions from the employer as benefit payments	-	42,990	(42,990)
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments	(42,990)	(42,990)	-
Net changes during July 1, 2022 to June 30, 2023	541,840	-	541,840
Balance at June 30, 2023 (measurement date)	\$ 1,882,973	\$ -	\$ 1,882,973

Discount Rate

The discount rate used to measure the total OPEB liability for the SOMAR plan was 3.65%. based on the Bond Buyer 20 Bond Index.

Changes of Assumption

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

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

SOMAR Plan's Total OPEB Liability		
Discount Rate - 1% (2.65%)	Current Discount Rate (3.65%)	Discount Rate + 1% (4.65%)
\$ 2,239,566	\$ 1,882,973	\$ 1,603,523

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, the City recognized OPEB expense of \$123,565 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, 2023, 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	\$ 374,856	\$ (292,090)
Changes of assumptions	294,086	(298,824)
Total	\$ 668,942	\$ (590,914)

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
2024	\$ 8,544
2025	8,544
2026	8,544
2027	8,544
2028	8,544
Thereafter	35,308
Total	\$ 78,028

Liquidating SOMAR OPEB Liability

OPEB liabilities are liquidated principally by the General Fund.

Payable to the OPEB Plan

At June 30, 2023, the City had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2023.

Note 11 – Risk Management

General Liability Insurance

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Risk Management (Continued)

Workers' Compensation

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

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

At June 30, 2023, the City's estimated claims liabilities were as follows:

General liabilities	\$ 227,881
Workers' Compensation	170,492
Total	\$ 398,373

The City's claims liability of \$398,373 are considered to be current and reported under the general fund. Changes in the claims liabilities for the fiscal years ended June 30, 2023, 2022 and 2021 are as follows:

Fiscal Year	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2019-2020	\$ 587,080	\$ 452,015	\$ (462,751)	\$ 576,344
2020-2021	576,344	343,845	(686,235)	233,954
2021-2022	233,954	482,177	(317,758)	398,373

Miscellaneous Coverages

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

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

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, 2023

Note 12 – Commitments and Contingencies

A. Lawsuits

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

B. Commitments

At June 30, 2023, the outstanding commitments are in the amount of \$14,253,264. Details are as follows:

Governmental Funds:	
General Fund	\$ 538,998
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	33,688
Other Governmental Funds	1,334,603
Proprietary Funds:	
Wastewater Enterprise Fund	12,231,185
Internal Service Funds	114,790
Total	\$ 14,253,264

Note 13 – Joint Powers Agreements

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

A. West Contra Costa Transportation Advisory Committee (WCCTAC)

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

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

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

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 13 – Joint Powers Agreements (Continued)

C. Pinole/Hercules Wastewater Treatment Plant

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

Note 14 – Stewardship, Compliance, and Accountability

A. Deficit Fund Balances/Net Position

At June 30, 2023, the following funds had a deficit fund balance/net position:

Nonmajor Special Revenue Funds:			
Victoria by the bay LLAD No. 2002-01	\$		(407,455)
Baywood LLAD No. 2004-1	\$		(72,434)
Stormwater	\$		(144,286)
Fiduciary Funds:			
Successor Agency Private Purpose Trust Fund	\$		(43,237,637)

Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund negative fund balance of \$407,455 will be financed through future assessments.

Victoria by the bay LLAD No. 2002-01 Special Revenue Fund negative fund balance of \$72,434 will be financed through future assessments.

The Stormwater Special Revenue Fund negative fund balance of \$144,286 will be financed through future assessments.

Private Purpose Trust Fund negative net position of \$41,092,868 will be financed through future Redevelopment Property Tax Trust Fund.

B. Expenditures in Excess of Appropriations

The fulling funds had expenditures in excess of appropriations:

Fund	Appropriations	Expenditures	Excess of Expenditures over Appropriations
Major Governmental Funds:			
General Fund			
Public safety	\$ 8,149,632	\$ 8,488,163	\$ 338,531
Streets and public works	573,149	892,199	319,050
Parks and recreation	2,148,769	2,408,849	260,080
Capital outlay	61,139	78,305	17,166
Principal	604,025	712,590	108,565
Hercules Debt Service Fund			
Interest and fiscal agent fee	801,000	804,147	3,147

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

B. Expenditures in Excess of Appropriations (Continued)

Fund	Appropriations	Expenditures	Excess of Expenditures over Appropriations
Nonmajor Governmental Funds:			
Baywood LLAD No. 2004-1 Special Revenue Fund			
Streets and public works	\$ 133,820	\$ 145,495	\$ 11,675
Capital outlays	-	140,000	140,000
Bayside LLAD No. 2005-1 Special Revenue Fund			
Streets and public works	117,179	149,524	32,345
Arterial Roadways Special Revenue Fund			
Streets and public works	334,614	423,871	89,257
Stormwater Special Revenue Fund			
Streets and public works	401,164	422,703	21,539
AB939 JPA Special Revenue Fund			
Streets and public works	9,529	11,002	1,473
Capital outlays	109,361	110,570	1,209
Bart Park and Ride Special Revenue Fund			
Streets and public works	17,192	31,237	14,045

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Fund Balance Classification

The Governmental Fund’s fund balance classification at June 30, 2023 is follows:

	Major Funds					Total
	General Fund	American Rescue Plan Act Special Revenue Fund	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund	Nonmajor Governmental Funds	
Nonspendable:						
Prepaid items	\$ 9,975	\$ -	\$ -	\$ -	\$ -	\$ 9,975
Total Nonspendable	9,975	-	-	-	-	9,975
Restricted for:						
Pension section 115 trust	2,141,823	-	-	-	-	2,141,823
Debt service	-	-	-	2,068,440	-	2,068,440
Streets and roads	-	-	-	-	1,094,970	1,094,970
Development services	-	-	-	-	1,201,493	1,201,493
Development impact fees	-	-	-	-	1,712,457	1,712,457
Public safety	-	-	-	-	253,646	253,646
Integrated waste management	-	-	-	-	777,682	777,682
Transportation	-	-	-	-	320,448	320,448
Assessment district	-	-	106,157	-	750,201	856,358
Regional water quality	-	-	-	-	52,188	52,188
Total Restricted	2,141,823	-	106,157	2,068,440	6,163,085	10,479,505
Committed to:						
Capital projects	5,500,000	-	-	-	688,951	6,188,951
CalHFA loan repayment	2,500,000	-	-	-	-	2,500,000
Total Committed	8,000,000	-	-	-	688,951	8,688,951
Assigned:						
Assigned by City Manager:						
Earthquake insurance deductible	500,000	-	-	-	-	500,000
Capital projects	450,000	-	-	-	-	450,000
Planning & building	953,800	-	-	-	-	953,800
Reusable bags	13,930	-	-	-	-	13,930
Public, education and government (PEG)	70,000	-	-	-	-	70,000
Economic uncertainty	4,209,139	-	-	-	-	4,209,139
Total Assigned	6,196,869	-	-	-	-	6,196,869
Unassigned (deficit)	17,529,025	-	-	-	(624,175)	16,904,850
Total Unassigned	17,529,025	-	-	-	(624,175)	16,904,850
Total Fund Balances	\$ 33,877,692	\$ -	\$ 106,157	\$ 2,068,440	\$ 6,227,861	\$ 42,280,150

Note 16 – Net Investment in Capital Assets

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

	Governmental Activities	Business-Type Activities	Total
Total capital assets, net	\$ 78,023,165	\$ 40,379,357	\$ 118,402,522
Unspent capital bond proceeds	-	8,327,888	8,327,888
Capital related debt	(17,232,843)	(29,104,706)	(46,337,549)
Net investment in capital assets	\$ 60,790,322	\$ 19,602,539	\$ 80,392,861



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Hercules
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2023

BUDGETARY PRINCIPLES

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

1. In June, the City Manager submits to the City Council a proposed operating budget for the following fiscal year. This budget includes proposed expenditures, by fund and department, and the revenues expected to finance them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution before July 1.
4. The City Manager is authorized to transfer budgeted amounts between objects within the same department; however, any revisions, which alter total expenditures of any fund, must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device. Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (US GAAP) and are consistent with the basis used for financial reporting. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any reconciliation. The General Fund budget is adopted on the budgetary basis, which is not consistent with accounting principles generally accepted in the United States of America. Commitments for material and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations, which are encumbered at year-end lapse, then are added to the following year's budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2023, based on the calculations by City Management, proceeds of taxes did not exceed the appropriations limit.
7. Budget revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year, which were contingent upon new or additional revenue sources and re-appropriated amounts for prior year encumbrances. The City Manager must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications, with approval of the Finance Director.
8. Certain appropriations carryover and are re-budgeted for the subsequent year.
9. Budget appropriations for the various governmental funds become effective July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. During the fiscal year ended June 30, 2023, there was no adopted budget for the Regional Water Quality Special Revenue Fund.



City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2023

General Fund

	Budgeted Amounts		Actuals	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 11,323,000	\$ 11,723,000	\$ 13,135,848	\$ 1,412,848
Licenses and permits	478,000	457,000	471,189	14,189
Fines and forfeitures	38,000	38,000	46,057	8,057
Use of money and property	286,000	286,000	777,870	491,870
Intergovernmental	2,511,000	2,511,000	2,608,501	97,501
Charges for services	1,914,000	1,914,000	2,333,490	419,490
Other revenues	216,000	216,000	121,983	(94,017)
Total revenues	<u>16,766,000</u>	<u>17,145,000</u>	<u>19,494,938</u>	<u>2,349,938</u>
EXPENDITURES:				
Current:				
General government	4,414,419	4,652,092	4,538,391	113,701
Public safety	7,924,997	8,149,632	8,488,163	(338,531)
Streets and public works	382,985	573,149	892,199	(319,050)
Parks and recreation	2,107,122	2,148,769	2,408,849	(260,080)
Community development	817,965	913,847	537,341	376,506
Capital outlay	10,000	61,139	78,305	(17,166)
Debt services:				
Principal	604,025	604,025	712,590	(108,565)
Interest and fiscal agent fee	200,000	200,000	994	199,006
Total expenditures	<u>16,461,513</u>	<u>17,302,653</u>	<u>17,656,832</u>	<u>(354,179)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	304,487	(157,653)	1,838,106	1,995,759
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	8,870	8,870
Transfers in	150,000	150,000	3,292,939	3,142,939
Transfers (out)	(932,934)	(1,048,513)	(2,276,359)	(1,227,846)
Total financing sources (uses)	<u>(782,934)</u>	<u>(898,513)</u>	<u>1,025,450</u>	<u>1,923,963</u>
NET CHANGES IN FUND BALANCE	<u>\$ (478,447)</u>	<u>\$ (1,056,166)</u>	2,863,556	<u>\$ 3,919,722</u>
FUND BALANCE:				
Beginning of year,			31,014,136	
End of year			<u>\$ 33,877,692</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2023

American Rescue Plan Act Special Revenue Fund

	Budgeted Amounts		Actuals	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 3,142,889	\$ 3,142,889	\$ 3,142,889	\$ -
Total revenues	<u>3,142,889</u>	<u>3,142,889</u>	<u>3,142,889</u>	<u>-</u>
EXPENDITURES:				
Capital outlay	300,000	440,000	-	440,000
Total expenditures	<u>300,000</u>	<u>440,000</u>	<u>-</u>	<u>440,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,842,889	2,702,889	3,142,889	440,000
OTHER FINANCING (USES)				
Transfers (out)	-	-	(3,142,889)	(3,142,889)
Total financing (uses)	<u>-</u>	<u>-</u>	<u>(3,142,889)</u>	<u>(3,142,889)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 2,842,889</u>	<u>\$ 2,702,889</u>	-	<u>\$ (2,702,889)</u>
FUND BALANCE:				
Beginning of year,			<u>-</u>	
End of year			<u>\$ -</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2023

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

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 1,876,408	\$ 1,876,408	\$ 2,075,134	\$ 198,726
Use of money and property	201,063	201,063	23,790	(177,273)
Total revenues	<u>2,077,471</u>	<u>2,077,471</u>	<u>2,098,924</u>	<u>21,453</u>
EXPENDITURES:				
Current:				
Streets and public works	1,541,397	1,562,168	1,381,347	180,821
Capital outlay	220,000	257,397	148,451	108,946
Total expenditures	<u>1,761,397</u>	<u>1,819,565</u>	<u>1,529,798</u>	<u>289,767</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	316,074	257,906	569,126	311,220
OTHER FINANCING SOURCES (USES)				
Transfers in	24,725	24,725	84,554	59,829
Transfers (out)	(312,226)	(312,226)	(312,226)	-
Total financing sources (uses)	<u>(287,501)</u>	<u>(287,501)</u>	<u>(227,672)</u>	<u>59,829</u>
NET CHANGE IN FUND BALANCE	<u>\$ 28,573</u>	<u>\$ (29,595)</u>	341,454	<u>\$ 371,049</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(235,297)</u>	
End of year			<u>\$ 106,157</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans				
	June 30, 2022¹	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
City's Proportion of the Net Pension Liability	0.08%	0.83%	0.19%	0.17%	0.16%
City's Proportionate Share of the Net Pension Liability	\$ 8,968,007	\$ 4,514,222	\$ 7,840,808	\$ 7,154,193	\$ 6,686,045
City's Covered Payroll	\$ 3,590,446	\$ 2,848,532	\$ 3,376,629	\$ 3,411,264	\$ 3,369,924
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	250%	158%	232%	210%	198%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.13%	85.66%	73.63%	75.07%	77.69%
	Safety Plans				
Measurement Date:	June 30, 2022¹	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
City's Proportion of the Net Pension Liability	0.09%	0.10%	0.09%	0.16%	0.14%
City's Proportionate Share of the Net Pension Liability	\$ 10,787,186	\$ 5,378,400	\$ 9,924,963	\$ 9,847,764	\$ 9,268,866
City's Covered Payroll	\$ 3,339,846	\$ 2,805,237	\$ 2,702,843	\$ 2,668,574	\$ 2,436,633
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	322.98%	191.73%	367.20%	369.03%	380.40%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.17%	86.21%	73.17%	70.82%	73.39%

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 Proportionate Share of the Plan's Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans			
	June 30, 2017	June 30, 2016	June 30, 2015¹	June 30, 2014¹
City's Proportion of the Net Pension Liability	0.17%	0.17%	0.18%	0.19%
City's Proportionate Share of the Net Pension Liability	\$ 6,891,269	\$ 6,031,627	\$ 4,815,777	\$ 4,699,656
City's Covered Payroll	\$ 3,154,200	\$ 2,697,183	\$ 2,655,670	\$ 3,241,378
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	218%	224%	181%	145%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.39%	75.87%	78.32%	78.10%

Measurement Date:	Safety Plans			
	June 30, 2017	June 30, 2016	June 30, 2015¹	June 30, 2015¹
City's Proportion of the Net Pension Liability	0.16%	0.16%	0.18%	0.18%
City's Proportionate Share of the Net Pension Liability	\$ 9,323,198	\$ 8,509,821	\$ 7,337,854	\$ 6,858,740
City's Covered Payroll	\$ 2,591,015	\$ 2,220,165	\$ 2,118,549	\$ 1,942,665
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	359.83%	383.30%	346.36%	353.06%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	71.74%	72.69%	71.64%	72.43%

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans				
	2022-23 ¹	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution ²	\$ 862,807	\$ 961,252	\$ 862,807	\$ 774,757	\$ 770,639
Contribution in Relation to the Actuarially Determined Contribution ²	(862,807)	(961,252)	(862,807)	(774,757)	(770,639)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ³	\$ 3,690,978	\$ 3,590,446	\$ 2,848,532	\$ 3,376,629	\$ 3,411,264
Contributions as a Percentage of Covered Payroll	23.38%	26.77%	30.29%	22.94%	22.59%

Fiscal Year:	Safety Plans				
	2022-23 ¹	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution ²	\$ 1,240,453	\$ 1,127,304	\$ 1,240,453	\$ 1,384,112	\$ 1,080,225
Contribution in Relation to the Actuarially Determined Contribution ²	(1,240,453)	(1,127,304)	(1,240,453)	(1,384,112)	(1,080,225)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll ³	\$ 3,433,362	\$ 3,339,846	\$ 2,805,237	\$ 2,702,843	\$ 2,668,574
Contributions as a Percentage of Covered Payroll	36.13%	33.75%	44.22%	51.21%	40.48%

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

Notes to the Schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans		
	2017-18	2016-17	2015-16¹
Actuarially Determined Contribution ²	\$ 659,810	\$ 558,315	\$ 529,212
Contribution in Relation to the Actuarially Determined Contribution ²	(659,810)	(558,315)	(529,212)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll ¹	\$ 3,369,924	\$ 3,154,200	\$ 2,697,183
Contributions as a Percentage of Covered Payroll	19.58%	17.70%	19.62%
Fiscal Year:	Safety Plans		
	2017-18	2016-17	2015-16¹
Actuarially Determined Contribution ²	\$ 1,033,755	\$ 1,203,357	\$ 1,024,115
Contribution in Relation to the Actuarially Determined Contribution ²	(1,033,755)	(1,203,357)	(1,024,115)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City Covered Payroll ¹	\$ 2,436,633	\$ 2,591,015	\$ 2,220,165
Contributions as a Percentage of Covered Payroll	42.43%	46.44%	46.13%

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - PEHMCA Plan
For the Year Ended June 30, 2023

	Last Ten Fiscal Years				
Measurement period, year ending:	<u>6/30/2023</u> ¹	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u> ²	<u>6/30/2019</u>
Total OPEB liability					
Service cost	\$ 138,804	\$ 135,089	\$ 167,563	\$ 175,142	\$ 127,197
Interest	131,816	124,870	139,104	188,135	180,251
Differences between expected and actual experience	(595,870)	-	(311,195)	(1,203,506)	40,091
Changes of assumptions	331,830	-	65,097	(293,525)	-
Benefit payments, including refunds of member contributions	(109,733)	(144,124)	(123,619)	(115,990)	(166,793)
Net change in total OPEB liability	(103,153)	115,835	(63,050)	(1,249,744)	180,746
Total OPEB liability - beginning	<u>2,545,005</u>	<u>2,429,170</u>	<u>2,492,220</u>	<u>3,741,964</u>	<u>3,561,218</u>
Total OPEB liability - ending (a)	<u><u>\$ 2,441,852</u></u>	<u><u>\$ 2,545,005</u></u>	<u><u>\$ 2,429,170</u></u>	<u><u>\$ 2,492,220</u></u>	<u><u>\$ 3,741,964</u></u>
OPEB fiduciary net position					
Contributions - employer	\$ 109,733	\$ 144,124	\$ 22,016	\$ 215,990	\$ 361,275
Net investment income (loss)	124,112	(330,465)	359,682	123,227	155,134
Benefit payments, including refunds of member contributions	(109,733)	(144,124)	(123,619)	(115,990)	(166,793)
Administrative expense	(15,045)	(16,734)	(16,223)	(13,381)	-
Net change in plan fiduciary net position	109,067	(347,199)	241,856	209,846	349,616
Plan fiduciary net position - beginning	<u>2,559,249</u>	<u>2,906,448</u>	<u>2,664,592</u>	<u>2,454,746</u>	<u>2,105,130</u>
Plan fiduciary net position - ending (b)	<u>2,668,316</u>	<u>2,559,249</u>	<u>2,906,448</u>	<u>2,664,592</u>	<u>2,454,746</u>
Plan net OPEB liability (asset) - ending (a) - (b)	<u><u>\$ (226,464)</u></u>	<u><u>\$ (14,244)</u></u>	<u><u>\$ (477,278)</u></u>	<u><u>\$ (172,372)</u></u>	<u><u>\$ 1,287,218</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	109.27%	100.56%	119.65%	106.92%	65.60%
Covered payroll	\$11,548,980	\$11,239,883	\$10,939,059	\$ 10,646,286	\$ 10,336,200
Plan net OPEB liability (asset) as a percentage of covered payroll	-1.96%	-0.13%	-4.36%	-1.62%	12.45%

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

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

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - PEHMCA Plan (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

	<u>6/30/2018</u>
Measurement period, year ending:	
Total OPEB liability	
Service cost	\$ 99,270
Interest	179,763
Differences between expected and actual experience	437,919
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(105,034)</u>
Net change in total OPEB liability	611,918
Total OPEB liability - beginning	<u>2,949,300</u>
Total OPEB liability - ending (a)	<u><u>\$ 3,561,218</u></u>
OPEB fiduciary net position	
Contributions - employer	\$ 205,034
Net investment income (loss)	123,771
Benefit payments, including refunds of member contributions	(105,034)
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	223,771
Plan fiduciary net position - beginning	<u>1,881,359</u>
Plan fiduciary net position - ending (b)	<u>2,105,130</u>
Plan net OPEB liability (asset) - ending (a) - (b)	<u><u>\$ 1,456,088</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	59.11%
Covered payroll	\$ 10,035,146
Plan net OPEB liability (asset) as a percentage of covered payroll	14.51%



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, 2023

	Last Ten Fiscal Years ¹			
Measurement period, year ending:	<u>6/30/2023¹</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020²</u>
Total OPEB liability				
Service cost	\$ 67,118	\$ 95,420	\$ 141,956	\$ 98,801
Interest	47,903	35,501	42,108	49,689
Differences between expected and actual experience	411,971	-	(398,956)	-
Changes of assumptions	57,838	(363,788)	11,351	366,382
Benefit payments, including refunds of member contributions	(42,990)	(43,718)	(43,536)	(40,738)
Net change in total OPEB liability	541,840	(276,585)	(247,077)	474,134
Total OPEB liability - beginning	1,341,133	1,617,718	1,864,795	1,390,661
Total OPEB liability - ending (a)	<u>\$ 1,882,973</u>	<u>\$ 1,341,133</u>	<u>\$ 1,617,718</u>	<u>\$ 1,864,795</u>
Fiduciary net position				
Contributions - employer	\$ 43,718	\$ 43,718	\$ 43,536	\$ 40,738
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(43,718)	(43,718)	(43,536)	(40,738)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	-	-	-	-
Plan net OPEB liability - ending (a) - (b)	<u>\$ 1,882,973</u>	<u>\$ 1,341,133</u>	<u>\$ 1,617,718</u>	<u>\$ 1,864,795</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ -	\$ -	\$ -
Plan net OPEB liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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

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

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the OPEB Plan
For the Year Ended June 30, 2023

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	<u>2022-23¹</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Actuarially Determined Contribution	\$ 109,733	\$ 144,124	\$ 22,016	\$ 215,990	\$ 361,275
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(109,733)</u>	<u>(144,124)</u>	<u>(22,016)</u>	<u>(215,990)</u>	<u>(361,275)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	<u>\$ 11,548,980</u>	<u>\$ 11,239,883</u>	<u>\$ 10,939,059</u>	<u>\$ 10,646,286</u>	<u>\$ 10,336,200</u>
Contributions as a Percentage of Covered Payroll	<u>0.95%</u>	<u>1.28%</u>	<u>0.20%</u>	<u>2.03%</u>	<u>3.50%</u>

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

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the OPEB Plan (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	<u>2017-18¹</u>
Actuarially Determined Contribution	\$ 205,034
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(205,034)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
City's Covered Payroll	<u>\$ 10,035,146</u>
Contributions as a Percentage of Covered Payroll	<u>2.04%</u>

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the SOMAR OPEB Plan
For the Year Ended June 30, 2023

Last Ten Fiscal Years¹

SOMAR Plan

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

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

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

SUPPLEMENTARY INFORMATION



City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Hercules Debt Service Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 908,000	\$ 908,000	\$ 973,419	\$ 65,419
Other revenue	-	-	-	-
Total revenues	<u>908,000</u>	<u>908,000</u>	<u>973,419</u>	<u>65,419</u>
EXPENDITURES:				
Debt services:				
Principal	723,000	723,000	721,843	1,157
Interest and fiscal agent fee	801,000	801,000	804,147	(3,147)
Total expenditures	<u>1,524,000</u>	<u>1,524,000</u>	<u>1,525,990</u>	<u>(1,990)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(616,000)	(616,000)	(552,571)	63,429
OTHER FINANCING SOURCES				
Transfers in	458,934	458,934	468,499	9,565
Total financing sources	<u>458,934</u>	<u>458,934</u>	<u>468,499</u>	<u>9,565</u>
NET CHANGE IN FUND BALANCE	<u>\$ (157,066)</u>	<u>\$ (157,066)</u>	(84,072)	<u>\$ 72,994</u>
FUND BALANCE:				
Beginning of year			<u>2,152,512</u>	
End of year			<u>\$ 2,068,440</u>	



NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Nonmajor Capital Projects Funds:

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

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

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



City of Hercules
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds			
	State Gas Tax	Measure "C" Street	C.O.P.S. Program (AB 3229)	Victoria by the bay LLAD No. 2002-1
ASSETS				
Cash and investments	\$ 463,478	\$ 173,076	\$ 33,283	\$ -
Accounts receivable	57,878	-	-	-
Total assets	\$ 521,356	\$ 173,076	\$ 33,283	\$ -
LIABILITIES				
Accounts payable	\$ 81,460	\$ 33,360	\$ -	\$ 34,348
Accrued wages	3,020	3,145	-	1,176
Deposit payable	-	-	-	-
Due to other funds	-	-	-	371,931
Total liabilities	84,480	36,505	-	407,455
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted	436,876	136,571	33,283	-
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	(407,455)
Total fund balances (deficit)	436,876	136,571	33,283	(407,455)
Total liabilities, deferred inflows of resources and fund balances	\$ 521,356	\$ 173,076	\$ 33,283	\$ -

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

		Special Revenue Funds			
		Hercules Village LLAD No. 2002-2	Baywood LLAD No. 2004-1	Bayside LLAD No. 2005-1	Arterial Roadways
ASSETS					
Cash and investments		\$ 165,386	\$ 50,955	\$ 138,797	\$ 494,378
Accounts receivable		-	-	-	-
Total assets		<u>\$ 165,386</u>	<u>\$ 50,955</u>	<u>\$ 138,797</u>	<u>\$ 494,378</u>
LIABILITIES					
Accounts payable		\$ 8,661	\$ 5,121	\$ 6,610	\$ 31,690
Accrued wages		592	668	538	269
Deposit payable		-	-	-	-
Due to other funds		-	117,600	-	-
Total liabilities		<u>9,253</u>	<u>123,389</u>	<u>7,148</u>	<u>31,959</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted		156,133	-	131,649	462,419
Committed		-	-	-	-
Unassigned (deficit)		-	(72,434)	-	-
Total fund balances (deficit)		<u>156,133</u>	<u>(72,434)</u>	<u>131,649</u>	<u>462,419</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 165,386</u>	<u>\$ 50,955</u>	<u>\$ 138,797</u>	<u>\$ 494,378</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

		Special Revenue Funds			
		Stormwater	Development Services	AB939 JPA	Regional Water Quality
ASSETS					
Cash and investments		\$ -	\$ 1,181,453	\$ 805,142	\$ 52,188
Accounts receivable		86,117	25,220	44,040	-
Total assets		<u>\$ 86,117</u>	<u>\$ 1,206,673</u>	<u>\$ 849,182</u>	<u>\$ 52,188</u>
LIABILITIES					
Accounts payable		\$ 11,727	\$ 5,180	\$ 71,319	\$ -
Accrued wages		2,555	-	181	-
Deposit payable		-	-	-	-
Due to other funds		216,121	-	-	-
Total liabilities		<u>230,403</u>	<u>5,180</u>	<u>71,500</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted		-	1,201,493	777,682	52,188
Committed		-	-	-	-
Unassigned (deficit)		(144,286)	-	-	-
Total fund balances (deficit)		<u>(144,286)</u>	<u>1,201,493</u>	<u>777,682</u>	<u>52,188</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 86,117</u>	<u>\$ 1,206,673</u>	<u>\$ 849,182</u>	<u>\$ 52,188</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds			Capital Projects Funds
	Asset Forfeiture	Bart Park and Ride	Road Rehabilitation Maintenance	City Capital Projects Fund
		\$	\$	\$
ASSETS				
Cash and investments	245,750	321,644	491,553	816,613
Accounts receivable	-	-	52,258	287,883
Total assets	245,750	321,644	543,811	1,104,496
LIABILITIES				
Accounts payable	-	1,196	22,288	164,820
Accrued wages	-	-	-	-
Deposit payable	25,387	-	-	-
Due to other funds	-	-	-	-
Total liabilities	25,387	1,196	22,288	164,820
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	250,725
Total deferred inflows of resources	-	-	-	250,725
FUND BALANCES				
Restricted	220,363	320,448	521,523	-
Committed	-	-	-	688,951
Unassigned (deficit)	-	-	-	-
Total fund balances (deficit)	220,363	320,448	521,523	688,951
Total liabilities, deferred inflows of resources and fund balances	245,750	321,644	543,811	1,104,496

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	<u>Capital Projects Funds</u>	
	<u>Development Impact Fees</u>	<u>Total</u>
ASSETS		
Cash and investments	\$ 1,712,457	\$ 7,146,153
Accounts receivable	-	553,396
Total assets	\$ 1,712,457	\$ 7,699,549
LIABILITIES		
Accounts payable	\$ -	\$ 477,780
Accrued wages	-	12,144
Deposit payable	-	25,387
Due to other funds	-	705,652
Total liabilities	-	1,220,963
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	-	250,725
Total deferred inflows of resources	-	250,725
FUND BALANCES		
Restricted	1,712,457	6,163,085
Committed	-	688,951
Unassigned (deficit)	-	(624,175)
Total fund balances (deficit)	1,712,457	6,227,861
Total liabilities, deferred inflows of resources and fund balances	\$ 1,712,457	\$ 7,699,549

(Concluded)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds			
	State Gas Tax	Measure "C" Street	C.O.P.S. Program (AB 3229)	Victoria by the bay LLAD No. 2002-1
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 472,851
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	12,549	1,735	-	-
Intergovernmental	664,094	510,780	165,272	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>676,643</u>	<u>512,515</u>	<u>165,272</u>	<u>472,851</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	450,543	310,116	-	547,731
Capital outlay	135,508	108,184	-	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>586,051</u>	<u>418,300</u>	<u>-</u>	<u>547,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	90,592	94,215	165,272	(74,880)
OTHER FINANCING SOURCES (USES)				
Transfers in	262,755	-	-	10,047
Transfers (out)	<u>(602,937)</u>	<u>-</u>	<u>(150,000)</u>	<u>(27,200)</u>
Total financing sources (uses)	<u>(340,182)</u>	<u>-</u>	<u>(150,000)</u>	<u>(17,153)</u>
NET CHANGES IN FUND BALANCES	(249,590)	94,215	15,272	(92,033)
FUND BALANCES (DEFICIT):				
Beginning of year	<u>686,466</u>	<u>42,356</u>	<u>18,011</u>	<u>(315,422)</u>
End of year	<u>\$ 436,876</u>	<u>\$ 136,571</u>	<u>\$ 33,283</u>	<u>\$ (407,455)</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, 2023

	Special Revenue Funds			
	Hercules	Baywood	Bayside	Arterial
	Village	LLAD	LLAD	Roadways
	LLAD	LLAD	LLAD	Roadways
	No. 2002-2	No. 2004-1	No. 2005-1	
REVENUES:				
Taxes and assessments	\$ 162,323	\$ 154,648	\$ 147,933	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	3,706	3,491	3,029	(2,022)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>166,029</u>	<u>158,139</u>	<u>150,962</u>	<u>(2,022)</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	186,145	145,495	149,524	423,871
Capital outlay	-	140,000	-	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>186,145</u>	<u>285,495</u>	<u>149,524</u>	<u>423,871</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,116)	(127,356)	1,438	(425,893)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,982	2,613	2,284	314,000
Transfers (out)	(7,500)	(2,700)	(18,500)	-
Total financing sources (uses)	<u>(3,518)</u>	<u>(87)</u>	<u>(16,216)</u>	<u>314,000</u>
NET CHANGES IN FUND BALANCES	(23,634)	(127,443)	(14,778)	(111,893)
FUND BALANCES (DEFICIT):				
Beginning of year	179,767	55,009	146,427	574,312
End of year	<u>\$ 156,133</u>	<u>\$ (72,434)</u>	<u>\$ 131,649</u>	<u>\$ 462,419</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, 2023

	Special Revenue Funds			
	Stormwater	Development Services	AB939 JPA	Regional Water Quality
REVENUES:				
Taxes and assessments	\$ 336,987	\$ 164,942	\$ -	\$ -
Licenses and permits	-	-	176,185	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	13,123	19,420	1,044
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>336,987</u>	<u>178,065</u>	<u>195,605</u>	<u>1,044</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	422,703	168,202	11,002	-
Capital outlay	-	-	110,570	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>422,703</u>	<u>168,202</u>	<u>121,572</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(85,716)	9,863	74,033	1,044
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	953,800	-	-
Transfers (out)	-	-	(125,000)	-
Total financing sources (uses)	<u>125,000</u>	<u>953,800</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	39,284	963,663	(50,967)	1,044
FUND BALANCES (DEFICIT):				
Beginning of year	(183,570)	237,830	828,649	51,144
End of year	<u>\$ (144,286)</u>	<u>\$ 1,201,493</u>	<u>\$ 777,682</u>	<u>\$ 52,188</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, 2023

	Special Revenue Funds			Capital Projects Funds
	Asset Forfeiture	Bart Park and Ride	Road Rehabilitation Maintenance	City Capital Projects Fund
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 55,077
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	2,732	(5,383)	3,486	4,541
Intergovernmental	159,854	-	576,570	224,613
Charges for services	-	-	-	-
Other revenues	-	81,187	-	-
Total revenues	162,586	75,804	580,056	284,231
EXPENDITURES:				
Current:				
Public safety	11,618	-	-	-
Streets and public works	-	31,237	349,361	-
Capital outlay	-	-	-	2,221,641
Debt services:				
Principal	-	-	-	114,900
Interest and fiscal agent fee	-	-	-	111,530
Total expenditures	11,618	31,237	349,361	2,448,071
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	150,968	44,567	230,695	(2,163,840)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	553,583	854,010
Transfers (out)	-	-	(262,755)	-
Total financing sources (uses)	-	-	290,828	854,010
NET CHANGES IN FUND BALANCES	150,968	44,567	521,523	(1,309,830)
FUND BALANCES (DEFICIT):				
Beginning of year	69,395	275,881	-	1,998,781
End of year	\$ 220,363	\$ 320,448	\$ 521,523	\$ 688,951

(Continued)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Capital Projects Funds	
	Development Impact Fees	Total
REVENUES:		
Taxes and assessments	\$ -	\$ 1,494,761
Licenses and permits	-	176,185
Fines and forfeitures	-	-
Use of money and property	35,026	96,477
Intergovernmental	-	2,301,183
Charges for services	5,622	5,622
Other revenues	-	81,187
Total revenues	40,648	4,155,415
EXPENDITURES:		
Current:		
Public safety	-	11,618
Streets and public works	17,207	3,213,137
Capital outlay	20,055	2,735,958
Debt services:		
Principal	-	114,900
Interest and fiscal agent fee	-	111,530
Total expenditures	37,262	6,187,143
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,386	(2,031,728)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	3,082,074
Transfers (out)	-	(1,196,592)
Total financing sources (uses)	-	1,885,482
NET CHANGES IN FUND BALANCES	3,386	(146,246)
FUND BALANCES (DEFICIT):		
Beginning of year	1,709,071	6,374,107
End of year	\$ 1,712,457	\$ 6,227,861

(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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 12,549	\$ 11,549
Intergovernmental	1,433,597	759,593	664,094	(95,499)
Total revenues	<u>1,434,597</u>	<u>760,593</u>	<u>676,643</u>	<u>(83,950)</u>
EXPENDITURES:				
Current:				
Streets and public works	441,636	460,980	450,543	10,437
Capital outlay	1,269,827	442,214	135,508	306,706
Total expenditures	<u>1,711,463</u>	<u>903,194</u>	<u>586,051</u>	<u>317,143</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(276,866)	(142,601)	90,592	233,193
OTHER FINANCING (USES)				
Transfers in	-	-	262,755	262,755
Transfers (out)	(49,354)	(49,354)	(602,937)	(553,583)
Total financing (uses)	<u>(49,354)</u>	<u>(49,354)</u>	<u>(340,182)</u>	<u>(290,828)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (326,220)</u>	<u>\$ (191,955)</u>	(249,590)	<u>\$ (57,635)</u>
FUND BALANCE:				
Beginning of year			<u>686,466</u>	
End of year			<u>\$ 436,876</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,735	\$ 1,735
Intergovernmental	450,000	450,000	510,780	60,780
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>512,515</u>	<u>62,515</u>
EXPENDITURES:				
Current:				
Streets and public works	303,916	310,520	310,116	404
Capital outlay	289,889	289,889	108,184	181,705
Total expenditures	<u>593,805</u>	<u>600,409</u>	<u>418,300</u>	<u>182,109</u>
NET CHANGE IN FUND BALANCE	<u>\$ (143,805)</u>	<u>\$ (150,409)</u>	94,215	<u>\$ 244,624</u>
FUND BALANCE:				
Beginning of year			<u>42,356</u>	
End of year			<u>\$ 136,571</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 165,272	\$ 15,272
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>165,272</u>	<u>15,272</u>
OTHER FINANCING (USES)				
Transfers (out)	(150,000)	(150,000)	(150,000)	-
Total financing (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	15,272	<u>\$ 15,272</u>
FUND BALANCE:				
Beginning of year			<u>18,011</u>	
End of year			<u>\$ 33,283</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 472,850	\$ 472,850	\$ 472,851	\$ 1
Total revenues	<u>472,850</u>	<u>472,850</u>	<u>472,851</u>	<u>1</u>
EXPENDITURES:				
Current:				
Streets and public works	557,342	563,867	547,731	16,136
Total expenditures	<u>557,342</u>	<u>563,867</u>	<u>547,731</u>	<u>16,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(84,492)	(91,017)	(74,880)	16,137
OTHER FINANCING SOURCES (USES)				
Transfer in	10,047	10,047	10,047	-
Transfers (out)	(27,200)	(27,200)	(27,200)	-
Total financing (uses)	<u>(17,153)</u>	<u>(17,153)</u>	<u>(17,153)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (101,645)</u>	<u>\$ (108,170)</u>	(92,033)	<u>\$ 16,137</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(315,422)</u>	
End of year			<u>\$ (407,455)</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 162,323	\$ 162,323	\$ 162,323	\$ -
Use of money and property	-	-	3,706	3,706
Total revenues	<u>162,323</u>	<u>162,323</u>	<u>166,029</u>	<u>3,706</u>
EXPENDITURES:				
Current:				
Streets and public works	199,119	202,341	186,145	16,196
Total expenditures	<u>199,119</u>	<u>202,341</u>	<u>186,145</u>	<u>16,196</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(36,796)	(40,018)	(20,116)	19,902
OTHER FINANCING SOURCES (USES)				
Transfers in	3,982	3,982	3,982	-
Transfers (out)	(7,500)	(7,500)	(7,500)	-
Total financing sources (uses)	<u>(3,518)</u>	<u>(3,518)</u>	<u>(3,518)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (40,314)</u>	<u>\$ (43,536)</u>	(23,634)	<u>\$ 19,902</u>
FUND BALANCE:				
Beginning of year			<u>179,767</u>	
End of year			<u>\$ 156,133</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 154,648	\$ 154,648	\$ 154,648	\$ -
Use of money and property	-	-	3,491	3,491
Total revenues	<u>154,648</u>	<u>154,648</u>	<u>158,139</u>	<u>3,491</u>
EXPENDITURES:				
Current:				
Streets and public works	130,633	133,820	145,495	(11,675)
Capital outlay	-	-	140,000	(140,000)
Total expenditures	<u>130,633</u>	<u>133,820</u>	<u>285,495</u>	<u>(151,675)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,015	20,828	(127,356)	(148,184)
OTHER FINANCING SOURCES (USES)				
Transfers in	(12,087)	(12,087)	2,613	14,700
Transfers (out)	(2,700)	(2,700)	(2,700)	-
Total financing sources (uses)	<u>(14,787)</u>	<u>(14,787)</u>	<u>(87)</u>	<u>14,700</u>
NET CHANGE IN FUND BALANCE	<u>\$ 9,228</u>	<u>\$ 6,041</u>	<u>(127,443)</u>	<u>\$ (133,484)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>55,009</u>	
End of year			<u>\$ (72,434)</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 146,947	\$ 146,947	\$ 147,933	\$ 986
Use of money and property	-	-	3,029	3,029
Total revenues	<u>146,947</u>	<u>146,947</u>	<u>150,962</u>	<u>4,015</u>
EXPENDITURES:				
Current:				
Streets and public works	114,186	117,179	149,524	(32,345)
Total expenditures	<u>114,186</u>	<u>117,179</u>	<u>149,524</u>	<u>(32,345)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	32,761	29,768	1,438	(28,330)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,284	2,284	2,284	-
Transfers (out)	(18,500)	(18,500)	(18,500)	-
Total financing sources (uses)	<u>(16,216)</u>	<u>(16,216)</u>	<u>(16,216)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 16,545</u>	<u>\$ 13,552</u>	(14,778)	<u>\$ (28,330)</u>
FUND BALANCE:				
Beginning of year			<u>146,427</u>	
End of year			<u>\$ 131,649</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (2,022)	\$ (2,022)
Total revenues	<u>-</u>	<u>-</u>	<u>(2,022)</u>	<u>(2,022)</u>
EXPENDITURES:				
Current:				
Streets and public works	333,123	334,614	423,871	(89,257)
Total expenditures	<u>333,123</u>	<u>334,614</u>	<u>423,871</u>	<u>(89,257)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(333,123)	(334,614)	(425,893)	(91,279)
OTHER FINANCING SOURCES				
Transfers in	314,000	314,000	314,000	-
Total financing sources	<u>314,000</u>	<u>314,000</u>	<u>314,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (19,123)</u>	<u>\$ (20,614)</u>	<u>(111,893)</u>	<u>\$ (91,279)</u>
FUND BALANCE:				
Beginning of year			<u>574,312</u>	
End of year			<u>\$ 462,419</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 251,000	\$ 251,000	\$ 336,987	\$ 85,987
Total revenues	<u>251,000</u>	<u>251,000</u>	<u>336,987</u>	<u>85,987</u>
EXPENDITURES:				
Current:				
Streets and public works	374,577	401,164	422,703	(21,539)
Total expenditures	<u>374,577</u>	<u>401,164</u>	<u>422,703</u>	<u>(21,539)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(123,577)	(150,164)	(85,716)	64,448
OTHER FINANCING SOURCES				
Transfers in	125,000	125,000	125,000	-
Total financing sources	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,423</u>	<u>\$ (25,164)</u>	39,284	<u>\$ 64,448</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(183,570)</u>	
End of year			<u>\$ (144,286)</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ -	\$ 21,000	\$ 164,942	\$ 143,942
Use of money and property	-	-	13,123	13,123
Charges for services	-	-	-	-
Total revenues	<u>-</u>	<u>21,000</u>	<u>178,065</u>	<u>157,065</u>
EXPENDITURES:				
Current:				
Streets and public works	-	42,936	168,202	125,266
Total expenditures	<u>-</u>	<u>42,936</u>	<u>168,202</u>	<u>125,266</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(21,936)	9,863	31,799
OTHER FINANCING SOURCES				
Transfers in	-	-	953,800	953,800
Total financing sources	<u>-</u>	<u>-</u>	<u>953,800</u>	<u>953,800</u>
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ (21,936)</u>	<u>963,663</u>	<u>\$ 985,599</u>
FUND BALANCE:				
Beginning of year			<u>237,830</u>	
End of year			<u>\$ 1,201,493</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Licenses and permits	\$ 175,000	\$ 175,000	\$ 176,185	\$ 1,185
Use of money and property	3,000	3,000	19,420	16,420
Total revenues	<u>178,000</u>	<u>178,000</u>	<u>195,605</u>	<u>17,605</u>
EXPENDITURES:				
Current:				
Streets and public works	2,665	9,529	11,002	(1,473)
Capital outlay	109,216	109,361	110,570	(1,209)
Total expenditures	<u>111,881</u>	<u>118,890</u>	<u>121,572</u>	<u>(2,682)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	66,119	59,110	74,033	14,923
OTHER FINANCING (USES)				
Transfers (out)	(125,000)	(125,000)	(125,000)	-
Total financing (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (58,881)</u>	<u>\$ (65,890)</u>	(50,967)	<u>\$ 14,923</u>
FUND BALANCE:				
Beginning of year			<u>828,649</u>	
End of year			<u>\$ 777,682</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 2,732	\$ 2,732
Intergovernmental	33,000	33,000	159,854	126,854
Total revenues	<u>33,000</u>	<u>33,000</u>	<u>162,586</u>	<u>129,586</u>
EXPENDITURES:				
Current:				
Public safety	45,000	95,000	11,618	83,382
Total expenditures	<u>45,000</u>	<u>95,000</u>	<u>11,618</u>	<u>83,382</u>
NET CHANGE IN FUND BALANCE	<u>\$ (12,000)</u>	<u>\$ (62,000)</u>	150,968	<u>\$ 212,968</u>
FUND BALANCE:				
Beginning of year			<u>69,395</u>	
End of year			<u>\$ 220,363</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (5,383)	\$ (5,383)
Other revenue	45,000	45,000	81,187	36,187
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>75,804</u>	<u>30,804</u>
EXPENDITURES:				
Current:				
Streets and public works	17,000	17,192	31,237	(14,045)
Total expenditures	<u>17,000</u>	<u>17,192</u>	<u>31,237</u>	<u>(14,045)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 28,000</u>	<u>\$ 27,808</u>	44,567	<u>\$ 16,759</u>
FUND BALANCE:				
Beginning of year			<u>275,881</u>	
End of year			<u>\$ 320,448</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Road Rehabilitation Maintenance Special Revenue Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 3,486	\$ 3,486
Intergovernmental	-	674,004	576,570	(97,434)
Total revenues	<u>-</u>	<u>674,004</u>	<u>580,056</u>	<u>(93,948)</u>
EXPENDITURES:				
Current:				
Streets and public works	-	1,347,967	349,361	998,606
Total expenditures	<u>-</u>	<u>1,347,967</u>	<u>349,361</u>	<u>998,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(673,963)	230,695	904,658
OTHER FINANCING SOURCES				
Transfers in	-	-	553,583	553,583
Transfers out	-	-	(262,755)	(262,755)
Total financing sources	<u>-</u>	<u>-</u>	<u>290,828</u>	<u>290,828</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (673,963)</u>	521,523	<u>\$ 1,195,486</u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u>\$ 521,523</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ 55,077	\$ 55,077
Use of money and property	-	-	4,541	4,541
Intergovernmental	852,000	1,962,800	224,613	(1,738,187)
Total revenues	<u>852,000</u>	<u>1,962,800</u>	<u>284,231</u>	<u>(1,678,569)</u>
EXPENDITURES:				
Capital outlay	1,099,000	4,103,274	2,221,641	1,881,633
Debt services:				
Principal	115,000	115,000	114,900	100
Interest and fiscal agent fee	112,000	112,000	111,530	470
Total expenditures	<u>1,326,000</u>	<u>4,330,274</u>	<u>2,448,071</u>	<u>1,882,203</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(474,000)	(2,367,474)	(2,163,840)	203,634
OTHER FINANCING SOURCES				
Transfers in	474,000	589,579	854,010	264,431
Total financing sources	<u>474,000</u>	<u>589,579</u>	<u>854,010</u>	<u>264,431</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,777,895)</u>	<u>(1,309,830)</u>	<u>\$ 468,065</u>
FUND BALANCE:				
Beginning of year			<u>1,998,781</u>	
End of year			<u>\$ 688,951</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 35,026	\$ 35,026
Charges for services	-	-	5,622	5,622
Total revenues	<u>-</u>	<u>-</u>	<u>40,648</u>	<u>40,648</u>
EXPENDITURES:				
Current:				
Streets and public works	60,000	73,036	17,207	55,829
Capital outlay	-	-	20,055	(20,055)
Total expenditures	<u>60,000</u>	<u>73,036</u>	<u>37,262</u>	<u>35,774</u>
NET CHANGE IN FUND BALANCE	<u>\$ (60,000)</u>	<u>\$ (73,036)</u>	3,386	<u>\$ 76,422</u>
FUND BALANCE:				
Beginning of year			<u>1,709,071</u>	
End of year			<u>\$ 1,712,457</u>	

INTERNAL SERVICE FUNDS



City of Hercules
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 315,624	\$ 1,014,319	\$ 772,199	\$ 2,102,142
Total current assets	<u>315,624</u>	<u>1,014,319</u>	<u>772,199</u>	<u>2,102,142</u>
Noncurrent assets:				
Net OPEB asset - PEHMCA	-	8,088	4,044	12,132
Capital assets:				
Depreciable and amortizable, net	622,847	314,107	-	936,954
Total noncurrent assets	<u>622,847</u>	<u>322,195</u>	<u>4,044</u>	<u>949,086</u>
Total assets	<u>938,471</u>	<u>1,336,514</u>	<u>776,243</u>	<u>3,051,228</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	198,763	105,407	304,170
OPEB-related deferred inflows of resources (PEHMCA)	-	22,414	11,208	33,622
OPEB-related deferred outflows of resources (SOMAR)	-	23,892	11,946	35,838
Total deferred outflows of resources	<u>-</u>	<u>245,069</u>	<u>128,561</u>	<u>373,630</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	6,743	33,107	39,850
Salaries and benefits payable	-	4,650	1,614	6,264
Compensated absences, due in one year	-	26,598	7,199	33,797
Subscription liability, due in one year	-	11,494	-	11,494
Total current liabilities	<u>-</u>	<u>49,485</u>	<u>41,920</u>	<u>91,405</u>
Noncurrent liabilities:				
Compensated absences	-	8,866	2,399	11,265
Subscription liability	-	23,948	-	23,948
Net pension liability	-	487,989	258,786	746,775
Net OPEB liability - SOMAR	-	67,250	33,625	100,875
Total noncurrent liabilities	<u>-</u>	<u>588,053</u>	<u>294,810</u>	<u>882,863</u>
Total liabilities	<u>-</u>	<u>637,538</u>	<u>336,730</u>	<u>974,268</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	60,999	32,349	93,348
OPEB-related deferred outflows of resources (PEHMCA)	-	61,613	30,807	92,420
OPEB-related deferred outflows of resources (SOMAR)	-	21,106	10,552	31,658
Total deferred inflows of resources	<u>-</u>	<u>143,718</u>	<u>73,708</u>	<u>217,426</u>
NET POSITION				
Net investment in capital assets	622,847	278,665	-	901,512
Unrestricted	315,624	521,662	494,366	1,331,652
Total net position	<u>\$ 938,471</u>	<u>\$ 800,327</u>	<u>\$ 494,366</u>	<u>\$ 2,233,164</u>

City of Hercules
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2023

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
OPERATING REVENUES:				
Charges for services	\$ 148,300	\$ 1,271,986	\$ 787,000	\$ 2,207,286
Other operating revenues	6,052	5,376	-	11,428
Total operating revenues	<u>154,352</u>	<u>1,277,362</u>	<u>787,000</u>	<u>2,218,714</u>
OPERATING EXPENSES:				
Salaries and benefits	-	400,903	182,438	583,341
Services and supplies	500	588,998	627,271	1,216,769
Depreciation and amortization	123,466	91,886	-	215,352
Total operating expenses	<u>123,966</u>	<u>1,081,787</u>	<u>809,709</u>	<u>2,015,462</u>
OPERATING INCOME (LOSS)	<u>30,386</u>	<u>195,575</u>	<u>(22,709)</u>	<u>203,252</u>
NONOPERATING (EXPENSES)				
Interest (expenses)	-	(358)	-	(358)
CHANGES IN NET POSITION	30,386	195,217	(22,709)	202,894
NET POSITION:				
Beginning of year	908,085	605,110	517,075	2,030,270
End of year	<u>\$ 938,471</u>	<u>\$ 800,327</u>	<u>\$ 494,366</u>	<u>\$ 2,233,164</u>

City of Hercules
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from internal services provided	\$ 154,352	\$ 1,277,238	\$ 787,000	\$ 2,218,590
Cash paid to suppliers for goods and services	(500)	(618,194)	(601,997)	(1,220,691)
Cash paid to employees for services	-	(394,933)	(160,999)	(555,932)
Net cash provided by operating activities	153,852	264,111	24,004	441,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments related to the acquisition of capital assets	(484,215)	(87,417)	-	(571,632)
Principal repayments related to capital purposes	-	(12,073)	-	(12,073)
Interest repayments related to capital purposes	-	(358)	-	(358)
Net cash (used in) capital and related financing activities	(484,215)	(99,848)	-	(584,063)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(330,363)	164,263	24,004	(142,096)
CASH AND CASH EQUIVALENTS:				
Beginning of year	645,987	850,056	748,195	2,244,238
End of year	<u>\$ 315,624</u>	<u>\$ 1,014,319</u>	<u>\$ 772,199</u>	<u>\$ 2,102,142</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 30,386	\$ 195,575	\$ (22,709)	\$ 203,252
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	123,466	91,886	-	215,352
(Increase) Decrease in Assets and Deferred Outflows				
Pensions-related deferred outflows	-	(119,462)	(67,420)	(186,882)
OPEB-related deferred outflows	-	(20,093)	(10,048)	(30,141)
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	-	(29,320)	25,274	(4,046)
Salaries and benefits payable	-	(13,344)	(6,218)	(19,562)
Net pension liability	-	314,856	183,181	498,037
Net OPEB liability	-	19,351	9,676	29,027
Pensions-related deferred inflows	-	(173,173)	(89,911)	(263,084)
OPEB-related deferred inflows	-	3,440	1,720	5,160
Compensated absences	-	(5,605)	459	(5,146)
Total adjustments	<u>123,466</u>	<u>68,536</u>	<u>46,713</u>	<u>238,715</u>
Net cash provided by operating activities	\$ 153,852	\$ 264,111	\$ 24,004	\$ 441,967



FIDUCIARY-CUSTODIAL FUNDS



City of Hercules
Combining Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2023

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Total
ASSETS			
Cash and investments	\$ 338,401	\$ 70,875	\$ 409,276
Cash and investments with fiscal agents	55,798	-	55,798
Total assets	394,199	70,875	465,074
NET POSITION			
Restricted for individuals, organization, and other government	394,199	70,875	465,074
Total net position	\$ 394,199	\$ 70,875	\$ 465,074

(Concluded)

City of Hercules
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Year Ended June 30, 2023

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Total
ADDITIONS:			
Taxes and assessments	\$ 230,700	\$ -	\$ 230,700
Investment income	6,758	1,418	8,176
Total additions	<u>237,458</u>	<u>1,418</u>	<u>238,876</u>
DEDUCTIONS:			
Administration	8,320	-	8,320
Interest and fiscal agent fee	193,196	-	193,196
Principal payment to refunding escrow	57,572	-	57,572
Total deductions	<u>259,088</u>	<u>-</u>	<u>259,088</u>
CHANGES IN FIDUCIARY NET POSITION	(21,630)	1,418	(20,212)
NET POSITION:			
Beginning of year	415,829	69,457	485,286
End of year	<u>\$ 394,199</u>	<u>\$ 70,875</u>	<u>\$ 465,074</u>

(Concluded)

STATISTICAL SECTION



City of Hercules

Description of Statistical Section Contents

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

Financial Trends (pages 172-181)

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 182-189)

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 190-196)

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 197)

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 198-205)

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, 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<i>Governmental activities</i>					
Net investment in capital assets	\$ 62,588,422	\$ 65,597,425	\$ 67,814,198	\$ 73,286,966	\$ 76,304,118
Restricted	13,670,630	21,070,727	7,026,074	18,239,035	21,086,055
Unrestricted	36,350,966	16,564,422	34,482,114	27,146,535	24,579,483
Total governmental activities net position	<u>\$ 112,610,018</u>	<u>\$ 103,232,574</u>	<u>\$ 109,322,386</u>	<u>\$ 118,672,536</u>	<u>\$ 121,969,656</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 9,897,549	\$ 9,942,508	\$ 11,637,225	\$ 9,503,346	\$ 10,572,862
Restricted	-	-	-	-	-
Unrestricted	20,211,271	22,931,509	22,643,219	27,529,908	29,000,343
Total business-type activities net position	<u>\$ 30,108,820</u>	<u>\$ 32,874,017</u>	<u>\$ 34,280,444</u>	<u>\$ 37,033,254</u>	<u>\$ 39,573,205</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 72,485,971	\$ 75,539,933	\$ 79,451,423	\$ 82,790,312	\$ 86,876,980
Restricted	13,670,630	21,070,727	7,026,074	18,239,035	21,086,055
Unrestricted	56,562,237	39,495,931	57,125,333	54,676,443	53,579,826
Total primary government net position	<u>\$ 142,718,838</u>	<u>\$ 136,106,591</u>	<u>\$ 143,602,830</u>	<u>\$ 155,705,790</u>	<u>\$ 161,542,861</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, 2023

	2019	2020	2021	2022	2023
<i>Governmental activities</i>					
Net investment in capital assets	\$ 76,082,830	\$ 73,639,890	\$ 69,628,982	\$ 60,257,709	\$ 60,790,322
Restricted	21,495,653	20,047,707	20,047,707	7,183,715	10,730,230
Unrestricted	26,259,010	23,471,208	24,205,660	10,532,917	11,624,496
Total governmental activities net position	<u>\$ 123,837,493</u>	<u>\$ 117,158,805</u>	<u>\$ 113,882,349</u>	<u>\$ 77,974,341</u>	<u>\$ 83,145,048</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 9,384,765	\$ 11,587,259	\$ 7,230,469	\$ 15,704,349	\$ 19,602,539
Restricted	7,582,403	7,674,002	7,679,725	-	-
Unrestricted	23,910,447	23,244,232	29,474,812	18,566,052	15,798,815
Total business-type activities net position	<u>\$ 40,877,615</u>	<u>\$ 42,505,493</u>	<u>\$ 44,385,006</u>	<u>\$ 34,270,401</u>	<u>\$ 35,401,354</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 85,467,595	\$ 85,227,149	\$ 76,859,451	\$ 75,962,058	\$ 80,392,861
Restricted	29,078,056	27,721,709	27,727,432	7,183,715	10,730,230
Unrestricted	50,169,457	46,715,440	53,680,472	29,098,969	27,423,311
Total primary government net position	<u>\$ 164,715,108</u>	<u>\$ 159,664,298</u>	<u>\$ 158,267,355</u>	<u>\$ 112,244,742</u>	<u>\$ 118,546,402</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, 2023				
	2014	2015	2016	2017	2018
Expenses					
Governmental Activities:					
General Government	\$ 4,350,428	\$ 3,133,995	\$ 3,706,717	\$ 4,025,706	\$ 4,105,705
Public Safety	4,905,837	5,094,319	5,299,440	5,365,068	7,034,658
Public Works	5,761,359	4,880,174	4,667,439	5,035,767	6,894,640
Parks and recreation	2,147,560	2,074,783	2,216,525	3,050,786	2,657,763
Community Development	3,295,068	742,529	400,754	640,428	491,562
Interest on Long-Term Debt	1,073,240	1,277,353	1,301,053	1,220,791	1,141,982
Total Governmental Activities	<u>21,533,492</u>	<u>17,203,153</u>	<u>17,591,928</u>	<u>19,338,546</u>	<u>22,326,310</u>
Business-Type Activities:					
Sewer	3,494,287	2,834,835	3,854,974	3,092,380	3,750,261
Hercules Municipal Utility	2,491,837				
Total Business-Type Activities Expenses	<u>5,986,124</u>	<u>2,834,835</u>	<u>3,854,974</u>	<u>3,092,380</u>	<u>3,750,261</u>
Total Primary Government Expenses	<u>\$ 27,519,616</u>	<u>\$ 20,037,988</u>	<u>\$ 21,446,902</u>	<u>\$ 22,430,926</u>	<u>\$ 26,076,571</u>
Program Revenues					
Governmental Activities:					
General Government	\$ 282,512	\$ 361,223	\$ 128,430	\$ 113,875	\$ 3,866,023
Public Safety	576,345	523,708	543,761	1,171,960	524,703
Public Works	4,570,184	6,150,061	12,784,856	12,014,579	5,218,076
Parks and recreation	1,623,655	1,604,294	1,538,554	1,715,375	1,696,769
Community Development	200,601	890,867	364,191	823,972	1,534,666
Total Government Activities Program Revenues	<u>7,253,297</u>	<u>9,530,153</u>	<u>15,359,792</u>	<u>15,839,761</u>	<u>12,840,237</u>
Business-Type Activities:					
Sewer	5,619,601	6,028,122	5,595,044	5,797,766	6,145,215
Hercules Municipal Utility	2,070,923	-	-	-	-
Total Business-Type Activities Program Revenue	<u>7,690,524</u>	<u>6,028,122</u>	<u>5,595,044</u>	<u>5,797,766</u>	<u>6,145,215</u>
Total Primary Government Program Revenues	<u>\$ 14,943,821</u>	<u>\$ 15,558,275</u>	<u>\$ 20,954,836</u>	<u>\$ 21,637,527</u>	<u>\$ 18,985,452</u>
Net (Expense)/Revenue					
Governmental Activities	(14,280,195)	(7,673,000)	(2,232,136)	(3,498,785)	(9,486,073)
Business-Type Activities	1,704,400	3,193,287	1,740,070	2,705,386	2,394,954
Total Primary Government Net Expense	<u>\$ (12,575,795)</u>	<u>\$ (4,479,713)</u>	<u>\$ (492,066)</u>	<u>\$ (793,399)</u>	<u>\$ (7,091,119)</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, 2023				
	2019	2020	2021	2022	2023
Expenses					
Governmental Activities:					
General Government	\$ 5,094,236	\$ 4,634,707	\$ 4,435,331	\$ 4,768,150	\$ 4,929,390
Public Safety	7,055,390	8,844,059	9,273,713	6,581,205	7,556,734
Public Works	6,727,710	8,447,150	7,715,011	8,560,194	8,220,052
Parks and recreation	2,564,008	2,786,635	2,104,559	2,312,529	2,503,805
Community Development	630,341	595,927	918,476	1,253,855	483,875
Interest on Long-Term Debt	1,256,456	1,159,848	959,355	1,007,813	905,708
Total Governmental Activities	<u>23,328,141</u>	<u>26,468,326</u>	<u>25,406,445</u>	<u>24,483,746</u>	<u>24,599,564</u>
Business-Type Activities:					
Sewer	5,343,759	4,593,120	3,894,420	5,221,938	5,086,004
Hercules Municipal Utility					
Total Business-Type Activities Expenses	<u>5,343,759</u>	<u>4,593,120</u>	<u>3,894,420</u>	<u>5,221,938</u>	<u>5,086,004</u>
Total Primary Government Expenses	<u>\$ 28,671,900</u>	<u>\$ 31,061,446</u>	<u>\$ 29,300,865</u>	<u>\$ 29,705,684</u>	<u>\$ 29,685,568</u>
Program Revenues					
Governmental Activities:					
General Government	\$ 1,816,337	\$ 719,485	\$ 1,343,812	\$ 1,030,250	\$ 816,793
Public Safety	882,823	743,462	540,238	3,539,598	3,781,755
Public Works	4,433,560	5,546,868	4,196,125	5,827,479	5,575,763
Parks and recreation	1,731,066	1,030,758	396,289	1,034,873	1,423,942
Community Development	1,658,265	517,920	552,090	8,329,364	389,324
Total Government Activities Program Revenues	<u>10,522,051</u>	<u>8,558,493</u>	<u>7,028,554</u>	<u>19,761,564</u>	<u>11,987,577</u>
Business-Type Activities:					
Sewer	6,003,202	5,719,257	5,769,396	5,852,278	5,922,758
Hercules Municipal Utility	-	-	-	-	-
Total Business-Type Activities Program Revenue	<u>6,003,202</u>	<u>5,719,257</u>	<u>5,769,396</u>	<u>5,852,278</u>	<u>5,922,758</u>
Total Primary Government Program Revenues	<u>\$ 16,525,253</u>	<u>\$ 14,277,750</u>	<u>\$ 12,797,950</u>	<u>\$ 25,613,842</u>	<u>\$ 17,910,335</u>
Net (Expense)/Revenue					
Governmental Activities	(12,806,090)	(17,909,833)	(18,377,891)	(4,722,182)	(12,611,987)
Business-Type Activities	659,443	1,126,137	1,874,976	630,340	836,754
Total Primary Government Net Expense	<u>\$ (12,146,647)</u>	<u>\$ (16,783,696)</u>	<u>\$ (16,502,915)</u>	<u>\$ (4,091,842)</u>	<u>\$ (11,775,233)</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,				
	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 992,934	\$ 1,173,026	\$ 1,233,207	\$ 1,286,788	\$ 1,376,354
Sales Taxes and use taxes	2,593,675	2,693,075	3,211,109	3,324,807	3,206,095
Franchise Tax	799,180	1,011,888	960,124	878,574	862,946
Other Taxes	3,265,624	3,511,023	3,628,145	3,712,519	3,906,865
Unrestricted Motor Vehicle Taxes In-Lieu	1,323,651	1,554,491	1,645,846	1,799,014	1,911,327
Use of Money and properties	1,002,389	1,055,791	1,133,587	1,114,795	1,334,955
Miscellaneous	1,397,677	476,033	1,029,258	448,688	1,189,560
Special items	-	-	-	-	-
Extraordinary item - RDA Dissolution	-	-	-	-	-
Transfers	7,387,453	(92,736)	(10,452)	-	-
Total Government Activities	18,762,583	11,382,591	12,830,824	12,565,185	13,788,102
Business-Type Activities:					
Use of Money and properties	45,822	23,484	24,058	47,424	200,280
Miscellaneous	86,637	-	-	-	-
Special items	561,703	-	-	-	-
Transfers	(7,387,453)	92,736	10,452	-	-
Total Business-Type Activities	(6,693,291)	116,220	34,510	47,424	200,280
Total Primary Government	\$ 12,069,292	\$ 11,498,811	\$ 12,865,334	\$ 12,612,609	\$ 13,988,382
Change in Net Position					
Governmental Activities	\$ 4,482,388	\$ 3,709,591	\$ 10,598,688	\$ 12,565,185	\$ 13,788,102
Business-Type Activities	(4,988,891)	3,309,507	1,774,580	47,424	200,280
Total Primary Government	\$ (506,503)	\$ 7,019,098	\$ 12,373,268	\$ 12,612,609	\$ 13,988,382

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,				
	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 1,378,493	\$ 1,415,995	\$ 1,451,716	\$ 1,514,791	\$ 1,638,449
Sales Taxes and use taxes	3,988,702	4,212,285	4,775,496	6,263,066	6,192,500
Franchise Tax	852,751	948,503	862,104	970,054	988,108
Other Taxes	4,506,706	4,402,327	4,293,889	5,343,970	4,646,410
Unrestricted Motor Vehicle Taxes In-Lieu	1,990,306	2,128,054	2,239,058	2,341,444	2,456,900
Use of Money and properties	1,588,558	1,748,131	1,456,269	773,519	1,860,327
Miscellaneous	368,411	-	-	-	-
Special items	-	(3,624,150)	-	(39,586,347)	-
Extraordinary item - RDA Dissolution	-	-	-	-	-
Transfers	-	-	-	-	-
Total Government Activities	14,673,927	11,231,145	15,078,532	(22,379,503)	17,782,694
Business-Type Activities:					
Use of Money and properties	482,095	501,741	4,537	(157,318)	294,199
Miscellaneous	162,872	-	-	-	-
Special items	-	-	-	(10,587,627)	-
Transfers	-	-	-	-	-
Total Business-Type Activities	644,967	501,741	4,537	(10,744,945)	294,199
Total Primary Government	\$ 15,318,894	\$ 11,732,886	\$ 15,083,069	\$ (33,124,448)	\$ 18,076,893
Change in Net Position					
Governmental Activities	\$ 1,867,837	\$ (6,678,688)	\$ (3,299,359)	\$ (27,101,685)	\$ 5,170,707
Business-Type Activities	1,304,410	1,627,878	1,879,513	(10,114,605)	1,130,953
Total Primary Government	\$ 3,172,247	\$ (5,050,810)	\$ (1,419,846)	\$ (37,216,290)	\$ 6,301,660

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,				
	2014	2015	2016	2017	2018
General Fund					
Nonspendable	\$ 27,801,759	\$ 27,806,063	\$ 28,643,374	\$ 30,092,172	\$ 27,799,824
Restricted	-	-	-	-	-
Assigned	1,359,328	1,363,528	2,171,733	2,176,150	2,321,483
Unassigned	5,389,258	7,969,320	8,291,363	9,426,610	14,194,525
Total General Fund	\$ 34,550,345	\$ 37,138,911	\$ 39,106,470	\$ 41,694,932	\$ 44,315,832
All Other Governmental Funds					
Nonspendable	\$ 12,131,778	\$ 11,013	\$ 6,714,263	\$ 11,013	\$ 11,013
Restricted	8,253,115	21,070,727	12,443,589	20,587,964	20,556,143
Committed	-	-	-	-	-
Assigned	-	35,395	1,314,160	-	-
Unassigned (deficit)	(857,203)	(2,770,225)	(7,036,753)	(4,048,580)	(1,473,498)
Total all other governmental funds	\$ 19,527,690	\$ 18,346,910	\$ 13,435,259	\$ 16,550,397	\$ 19,093,658

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,				
	2019	2020	2021	2022	2023
General Fund					
Nonspendable	\$ 29,402,817	\$ 29,769,663	\$ 30,034,997	\$ 10,806	\$ 9,975
Restricted	-	-	-	2,054,252	2,141,823
Assigned	5,937,646	6,205,655	5,915,247	6,022,247	6,022,247
Unassigned	10,027,085	8,398,945	10,008,178	22,926,831	25,703,647
Total General Fund	<u>\$ 45,367,548</u>	<u>\$ 44,374,263</u>	<u>\$ 45,958,422</u>	<u>\$ 31,014,136</u>	<u>\$ 33,877,692</u>
All Other Governmental Funds					
Nonspendable	\$ 11,013	\$ -	\$ -	\$ -	\$ -
Restricted	21,446,237	19,621,155	19,549,409	7,026,830	8,337,682
Committed	-	428,552	1,391,188	1,998,781	688,951
Assigned	-	-	-	-	-
Unassigned (deficit)	(226,591)	(98,458)	(162,793)	(734,289)	(624,175)
Total all other governmental funds	<u>\$ 21,230,659</u>	<u>\$ 19,951,249</u>	<u>\$ 20,777,804</u>	<u>\$ 8,291,322</u>	<u>\$ 8,402,458</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,				
	2014	2015	2016	2017	2018
Revenues					
Taxes and Assessments	\$ 7,651,413	\$ 8,389,012	\$ 9,032,585	\$ 9,202,688	\$ 9,352,260
Licenses and permits	315,086	480,645	344,374	496,355	1,081,912
Fines and forfeitures	66,488	62,069	60,434	47,824	48,579
Use of money and property	1,003,729	1,082,244	1,183,964	1,192,976	1,443,270
Intergovernmental	3,374,022	6,194,872	5,677,447	14,911,152	7,650,796
Charges For Services	4,434,327	5,079,255	4,660,592	5,157,696	5,684,127
Other Revenues	1,015,728	476,033	1,029,258	448,688	1,204,989
Total Revenues	17,860,793	21,764,130	21,988,654	31,457,379	26,465,933
Expenditures					
Current:					
General government	3,934,402	2,635,701	2,952,966	3,153,498	3,492,082
Public Safety	4,869,782	5,158,435	5,589,583	6,022,005	6,295,019
Streets and Public Works	3,820,523	3,104,609	2,772,877	3,469,283	4,300,078
Parks And Recreation	1,878,925	1,827,391	1,961,669	1,883,159	2,101,369
Community Development	1,882,181	743,110	399,215	640,625	468,011
Lease expense	-	-	-	-	-
Capital outlay	1,161,622	4,994,173	8,504,827	9,079,227	2,757,245
Debt service:					
Principal	583,104	604,474	626,149	653,144	580,473
Interest And Fiscal Agent Fees	1,213,038	1,189,346	1,164,163	1,136,588	1,307,495
Total Expenditures	19,343,577	20,257,239	23,971,449	26,037,529	21,301,772
Excess (deficiency) of revenues over (under) expenditures	(1,482,784)	1,506,891	(1,982,795)	5,419,850	5,164,161
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	-	-
Proceeds from loan	-	-	-	-	-
Proceeds from refunding bond	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	8,621,221	1,482,134	11,787,077	2,705,171	1,408,803
Transfers (out)	(1,363,768)	(1,574,870)	(11,803,454)	(2,705,171)	(1,408,803)
Sale of capital assets	381,949	-	-	-	-
Contributed Capital	-	-	-	-	-
Special Item	-	-	-	-	-
Total other financing sources (uses)	7,639,402	(92,736)	(16,377)	-	-
Special/Extraordinary Item	-	-	-	-	-
Net Change in fund balances	\$ 6,156,618	\$ 1,414,155	\$ (1,999,172)	\$ 5,419,850	\$ 5,164,161
Debt service as a percentage of noncapital expenditures	10%	12%	12%	11%	10%

NOTE:

Source: City Finance Department



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

	For the Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
Revenues					
Taxes and Assessments	\$ 10,726,652	\$ 10,727,692	\$ 14,098,060	\$ 16,889,724	\$ 16,705,743
Licenses and permits	844,806	796,397	952,294	707,300	647,374
Fines and forfeitures	50,058	62,582	36,586	48,663	46,057
Use of money and property	1,728,361	1,702,755	1,456,271	783,885	1,871,556
Intergovernmental	4,455,255	4,073,720	4,589,299	15,618,709	8,052,573
Charges For Services	7,964,546	5,282,444	1,150,164	2,319,388	2,339,112
Other Revenues	92,602	67,355	239,610	279,797	203,170
Total Revenues	25,862,280	22,712,945	22,522,284	36,647,466	29,865,585
Expenditures					
Current:					
General government	4,542,651	4,070,428	3,854,043	4,081,705	4,538,391
Public Safety	6,776,245	7,634,971	7,774,932	7,879,451	8,499,781
Streets and Public Works	4,357,212	4,080,345	4,638,912	4,514,842	5,486,683
Parks And Recreation	2,128,110	2,165,547	1,434,988	1,910,716	2,408,849
Community Development	616,899	557,672	792,456	1,061,135	537,341
Lease expense	-	-	-	-	-
Capital outlay	2,261,555	3,434,295	4,163,726	2,862,062	2,962,714
Debt service:					
Principal	613,153	646,201	469,113	1,198,248	1,549,333
Interest And Fiscal Agent Fees	1,285,738	1,239,573	1,224,118	983,728	916,671
Total Expenditures	22,581,563	23,829,032	24,352,288	24,491,887	26,899,763
Excess (deficiency) of revenues over (under) expenditures	3,280,717	(1,116,087)	(1,830,004)	12,155,579	2,965,822
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	-	8,870
Proceeds from loan	-	-	4,209,354	-	-
Proceeds from refunding bond	-	-	5,876,843	-	-
Payment to refunded bond escrow agent	-	-	(5,705,000)	-	-
Transfers in	2,511,094	1,730,899	1,405,555	5,723,857	6,928,066
Transfers (out)	(2,603,094)	(1,730,899)	(964,912)	(5,728,857)	(6,928,066)
Sale of capital assets	-	-	-	-	-
Contributed Capital	-	655,467	-	-	-
Special Item	-	(1,812,075)	(604,025)	(39,586,347)	-
Total other financing sources (uses)	(92,000)	(1,156,608)	4,217,815	(39,591,347)	8,870
Special/Extraordinary Item	-	-	-	-	-
Net Change in fund balances	\$ 3,188,717	\$ (2,272,695)	\$ 2,387,811	\$ (27,435,768)	\$ 2,974,692
Debt service as a percentage of noncapital expenditures	9%	9%	8%	10%	10%

NOTE:

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
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
2022	3,945,445,134	115,669,026	209,565,059	81,365,903	57,802,705	131,601,392	4,278,246,435
2023	4,125,334,599	125,232,941	234,134,858	80,249,088	67,088,160	132,094,636	4,499,945,010

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

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

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

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

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



City of Hercules

Assessed and Estimated Actual Value of Taxable Property (Continued)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (2)
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
2022	5.4221%	7,751,990,119	1.811955
2023	5.4221%	8,735,158,394	1.941170

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

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

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

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

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



City of Hercules

Assessed Value of Property by Use Code Last Ten Fiscal Years

Category	For the Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Residential	\$ 2,177,990,007	\$ 2,567,234,136	\$ 2,762,167,273	\$ 2,984,511,909	\$ 3,171,302,525
Industrial	181,255,580	175,156,171	178,580,502	192,358,822	199,079,514
Commercial	78,806,569	71,672,395	78,083,558	79,706,704	86,604,265
Vacant	13,529,847	16,167,550	27,684,893	31,332,357	61,123,014
Institution	15,192,385	496,945	506,873	15,803,658	16,119,728
Recreation	2,735,888	9,411,388	9,461,565	9,716,963	9,502,881
Social	836,400	840,196	856,982	870,050	826,000
Miscellaneous	789,119	792,700	808,536	820,864	837,279
Rural	211,399	212,358	216,599	219,900	224,297
Unitary	7,815	11,977	11,977	11,977	11,977
Professional	577,000	577,000	-	-	-
Gross Secured Value	<u>2,471,932,009</u>	<u>2,842,572,816</u>	<u>3,058,378,758</u>	<u>3,315,353,204</u>	<u>3,545,631,480</u>
Unsecured	53,405,561	56,578,518	54,269,399	58,945,949	56,327,147
Exemptions	<u>92,483,903</u>	<u>75,454,264</u>	<u>77,407,676</u>	<u>94,538,055</u>	<u>96,165,729</u>
	<u>\$ 2,432,853,667</u>	<u>\$ 2,823,697,070</u>	<u>\$ 3,035,240,481</u>	<u>\$ 3,279,761,098</u>	<u>\$ 3,505,792,898</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,					
	2019	2020	#	2021	2022	2023
Residential	\$ 3,322,501,416	\$ 3,549,607,367		\$ 3,785,286,659	\$ 3,945,445,134	\$ 4,125,334,599
Industrial	196,779,448	199,145,259		204,766,171	209,565,059	234,134,858
Commercial	85,620,650	90,938,555		88,476,522	115,669,026	125,232,941
Vacant	62,680,104	53,134,753		51,585,587	52,389,446	50,702,734
Institution	16,442,120	16,770,959		17,106,375	17,283,594	17,629,262
Recreation	10,179,175	11,038,616		11,570,506	9,100,314	9,244,452
Social	842,520	1,334,000		1,360,679	1,374,774	1,402,269
Miscellaneous	854,023	871,101		888,520	897,723	915,841
Rural	228,781	233,355		238,021	240,485	245,294
Unitary	79,567	79,567		79,567	79,567	109,236
Professional	-	-		-	-	-
Gross Secured Value	<u>3,696,207,804</u>	<u>3,923,153,532</u>		<u>4,161,358,607</u>	<u>4,352,045,122</u>	<u>4,564,951,486</u>
Unsecured	56,782,463	59,062,998		58,291,816	57,802,705	67,088,160
Exemptions	<u>97,967,035</u>	<u>108,788,587</u>		<u>111,756,157</u>	<u>131,601,392</u>	<u>132,094,636</u>
	<u>\$ 3,655,023,232</u>	<u>\$ 3,873,427,943</u>		<u>\$ 4,107,894,266</u>	<u>\$ 4,278,246,435</u>	<u>\$ 4,499,945,010</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

	2021-22	2022-23
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	0.006000	0.014000
East Bay Reg Pk Bd	0.002000	0.005800
West CC Unified Bd 98	0.002200	0.001300
West Contra Costa Unified	0.250500	0.217500
WCCUSD 2012 Bond	0.041200	0.037600
Community College	0.017600	0.016200
Total Override Rate	0.274600	0.319500
 Total Tax Rate	 1.319500	 1.292400

Source: County Auditor Controller data, Avenu Insights & Analytics

Rates are not adjusted for Education Revenue Augmentation Fund

Tax Rate Area 4-001 is represented for this reports

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



City of Hercules

Principal Property Taxpayers

Last Fiscal Year and Nine Years Ago

Taxpayer	2021-22		2012-13	
	(\$) Taxable Value	Percentage of Total City Assessed Value	Assessed Value	Percentage of Total City Assessed Value
Bio-Rad Laboratories Inc	\$ 187,500,922.00	4.17%	\$ 158,341,612.00	6.51%
Hercules Block Q&R Dev Partner	77,571,637	1.72%		
WCV Aventine Hercules LLC	65,349,104	1.45%		
Hercules Land Partners LP	26,940,612	0.60%		
Trestle Hercules LLC	24,773,627	0.55%		
HD Development Of Maryland	19,922,549	0.44%	17,594,894	0.72%
Mary Terrace LLC	19,198,686	0.43%		
Hercules SPE MW LLC	12,828,464	0.29%		
Vacaville Mobile Home Park LLC	10,985,533	0.24%		
Tulloch John Brian Tre	10,593,522	0.24%	8,725,128	0.36%
Santa Clara VLY Housing Group	10,000,000	0.22%	5,310,000	0.22%
CS Creekside Hercules LLC	8,412,914	0.19%		
Dathe Robert P & Carlotta R	7,965,864	0.18%	6,864,746	0.28%
Hercules Sycamore Hills LLC	7,813,521	0.17%	6,733,462	0.28%
La Costalot LLC	7,791,820	0.17%	5,656,000	0.23%
CF United Propco LLC	7,461,500	0.17%		
Hercules Real Est Ltd Ptnship	7,317,766	0.16%	5,030,000	0.21%
Alcatraz475 LP	6,572,416	0.15%		
1560 Sycamore LLC	6,438,815	0.14%	4,053,000	0.17%
North First Street Properties	6,375,955	0.14%	2,943,070	0.12%
Madison MRH-1 Franklin LLC	6,069,735	0.13%		
Arrow Investment Partners LLC	5,784,154	0.13%	3,430,000	0.14%
Multiple O Holdings LLC	5,279,828	0.12%	4,550,000	0.19%
Adalan Properties LLC	4,899,937	0.11%	4,222,625	0.17%
Safeway Inc	4,586,799	0.10%		
Rago Dev Corp	-		11,100,000	0.46%
Mechanics Bank Of Richmond	-		9,712,383	0.40%
Orinda Investors LP	-		6,984,783	0.29%
Three Trees Holdings I LLC	-		6,900,000	0.28%
RPW Exchange Company	-		5,750,000	0.24%
Golden Gateway Assoc	-		5,708,272	0.23%
Creekside Shopping Center LLC	-		3,675,000	0.15%
Orb Partnership	-		3,543,530	0.15%
Hercules Bayfront LLC	-		3,391,900	0.14%
Bay To Bay Properties	-		3,267,351	0.13%
Convenience Retailers LLC	-		2,494,042	0.10%
Mega Investment Co			2,416,000	
Total Top 25 Taxpayers	\$ 558,435,680	12.41%	\$ 295,981,798	12.17%
Total Taxable Value	\$ 4,499,945,010	100.00%	\$ 2,432,845,852	100.00%

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

* FY21-22 was the most recent data available



City of Hercules Property Tax Levies and Collections Last Ten Fiscal Years

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

Source: City of Hercules Records



City of Hercules

Principal Sales Tax Producers

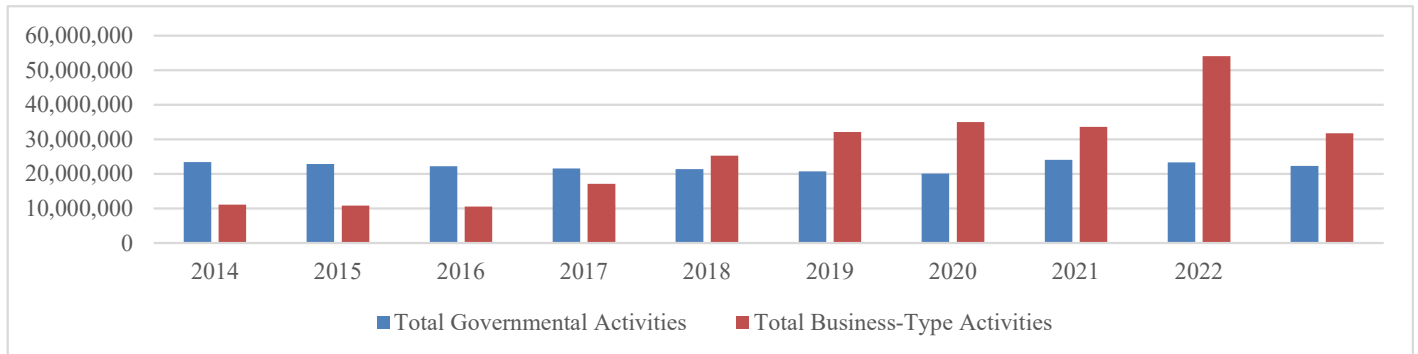
Current Year and Nine Years Ago

2022-23		2013-14	
Taxpayer	Business Type	Taxpayer	Business Type
Axus Technology	Office Equipment	A & B Die Casting	Heavy Industry
Big Lots	Department Stores	Big Lots	Department Stores
Bio Rad Laboratories	Chemical Products	Bio Rad Laboratories	Chemical Products
Burger King Restaurants	Restaurants	Burger King Restaurants	Restaurants
Cabalen Filipino Cuisine	Restaurants	Cigarettes City	Miscellaneous Retail
City Mechanical Incorporated	Bldg.Matls-Whsle	Claws & Craws	Restaurants
City of Ember	Miscellaneous Retail	Conservation Mechanical System	Office Equipment
Domino's Pizza	Restaurants	Extreme Pizza	Restaurants
Dragon Terrace Restaurant	Restaurants	Henry W Wong	Miscellaneous Retail
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	Food Markets
Lucky Food Centers	Food Markets	Mazatlan Taqueria & Grill	Restaurants
Mazatlan Taqueria And Grill	Restaurants	McDonald's Restaurants	Restaurants
McDonald's Restaurants	Restaurants	Mountain Mike's Pizza	Restaurants
Mountain Mike's Pizza	Restaurants	Pro Media Ultrasound	Electronic Equipment
Rite Aid Drug Stores	Drug Stores	Rite Aid Drug Stores	Drug Stores
Round Table Pizza	Restaurants	Round Table Pizza	Restaurants
Safeway Service Stations	Service Stations	Save Mart Supermarkets	Food Markets
Safeway Stores	Food Markets	Shell Service Stations	Service Stations
Shell Service Stations	Service Stations	Starbucks Coffee	Food Markets
Taco Bell	Restaurants	Taco Bell	Restaurants
The Powder Keg Pub	Restaurants	The Powder Keg Restaurant	Restaurants
Union 76 Service Stations	Service Stations	Union 76 Service Stations	Service Stations
Willow Food & Liquor	Food Markets	Willow Food & Liquor	Liquor Stores

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, SBITA Purchases	
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
2022	- (b)	13,765,105	9,512,473	23,277,578
2023	- (b)	13,160,739	9,185,625	22,346,364

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			
2014	\$ 24,400,000	\$ -	\$ 24,400,000	\$ 47,841,878	5.23%	1,942
2015	11,070,000	-	11,070,000	33,907,404	3.71%	1,366
2016	10,830,000	-	10,830,000	33,041,255	3.48%	1,321
2017	10,585,000	-	10,585,000	32,143,111	3.41%	1,271
2018	10,335,000	6,786,667	17,121,667	38,499,305	3.91%	1,490
2019	10,075,000	15,165,494	25,240,494	46,004,979	4.22%	1,772
2020	9,810,000	22,305,600	32,115,600	52,233,884	4.53%	1,992
2021	9,250,000	24,356,298	33,606,298	56,883,876	4.45%	2,199
2022	8,450,000	23,259,518	31,709,518	54,055,882	3.65%	2,072
2023	8,095,000	21,009,706	29,104,706	29,104,706	1.67%	1,107

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

Sources: City of Hercules
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

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





City of Hercules Computation of Direct and Overlapping Debt June 30, 2023

2022-23 Assessed Valuation: \$4,531,306,410

	Total Debt 6/30/23	% Applicable (a)	City's Share of Debt 6/30/23
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Bay Area Rapid Transit District	\$ 2,484,285	0.476%	\$ 11,825,197
Contra Costa Community College District	649,015,000	1.802%	11,695,250
John Swett Unified School District	71,654,863	7.983%	5,720,208
West Contra Costa Unified School District	1,188,146,381	11.003%	130,731,746
West Contra Costa Healthcare Parcel Tax Obligations	43,000,000	10.929%	4,699,470
East Bay Regional Park District	175,955,000	0.753%	1,324,941
California Statewide Communities development Authority Assessment Districts	3,934,960	100.000%	3,934,960
City of Hercules 1915 Act Bonds	2,454,484	100.000%	2,454,484
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 172,386,256
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Contra Costa County General Fund Obligations	\$ 193,515,000	1.796%	\$ 3,475,530
Contra Costa County Pension Obligation Bonds	-		-
West Contra Costa Unified School District Certificates of Participation	4,850,000	11.003%	533,646
City of Hercules General Fund Obligations	13,420,180	100.000%	13,420,180
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 17,429,355
Less: Contra Costa County obligations supported from revenue funds			914,691
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 16,514,664
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	 \$78,090,000	 100%	 \$ 78,090,000
 TOTAL DIRECT DEBT			 13,420,180
TOTAL GROSS OVERLAPPING DEBT			\$ 254,485,431
TOTAL NET OVERLAPPING DEBT			\$ 253,570,740
 GROSS COMBINED TOTAL DEBT			 \$ 267,905,611 (b)
NET COMBINED TOTAL DEBT			\$ 266,990,920

(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 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.80%
Total Direct Debt (\$14,041,843)	0.30%
Gross Combined Total Debt	5.91%
Net Combined Total Debt	5.89%

<u>Ratios to Redevelopment Successor Agency Incremental Valuation</u>	\$1,776,799,158
Total Overlapping Tax Increment Debt	4.39%

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,				
	2014	2015	2016	2017	2018
Assessed Valuation	\$ 2,432,853,667	\$ 2,823,697,070	\$ 3,035,240,481	\$ 3,279,761,098	\$ 3,505,792,898
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 608,213,417	\$ 705,924,268	\$ 758,810,120	\$ 819,940,275	\$ 876,448,225
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 91,232,013	\$ 105,888,640	\$ 113,821,518	\$ 122,991,041	\$ 131,467,234
Total net debt applicable to limit:					
General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 91,232,013</u>	<u>\$ 105,888,640</u>	<u>\$ 113,821,518</u>	<u>\$ 122,991,041</u>	<u>\$ 131,467,234</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

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,				
	2019	2020	2021	2022	2023
Assessed Valuation	\$ 3,655,023,232	\$ 3,873,427,943	\$ 4,107,894,266	\$ 4,278,246,435	\$ 4,499,945,010
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 913,755,808	\$ 968,356,986	\$ 1,026,973,567	\$ 1,069,561,609	\$ 1,124,986,253
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 137,063,371	\$ 145,253,548	\$ 154,046,035	\$ 160,434,241	\$ 168,747,938
Total net debt applicable to limit:					
General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 137,063,371</u>	<u>\$ 145,253,548</u>	<u>\$ 154,046,035</u>	<u>\$ 160,434,241</u>	<u>\$ 168,747,938</u>
Total debt applicable to the limit as a percentage of debt limit ¹					

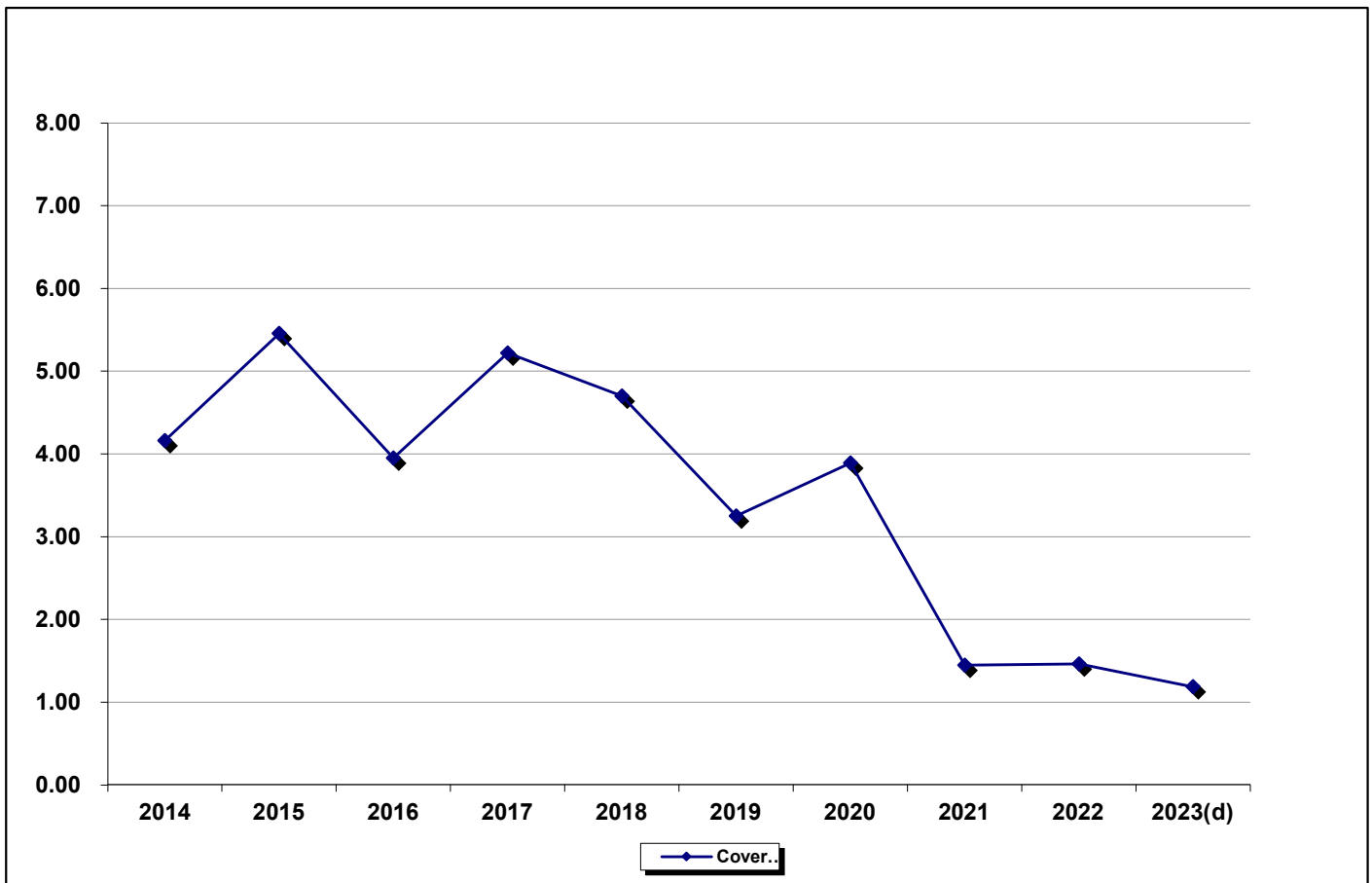
The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (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

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	
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
2022	5,852,278	-	3,493,308	2,358,970	1,096,780	515,729	1,612,509	1.46
2023 ^(d)	5,922,758	-	3,473,988	2,448,770	1,451,141	611,583	2,062,724	1.19

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
 (d) The debt payment to the State Water Resources Control Board scheduled for FY 2024 was paid and recorded in FY 2023

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
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
2022	26,091	1,479,733,584	56,714	41.7	30,071	2.7%	2.5%	1,156,555
2023	26,297	1,739,577,055	66,151	42.7	29,672	3.7%	3.4%	1,147,653

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

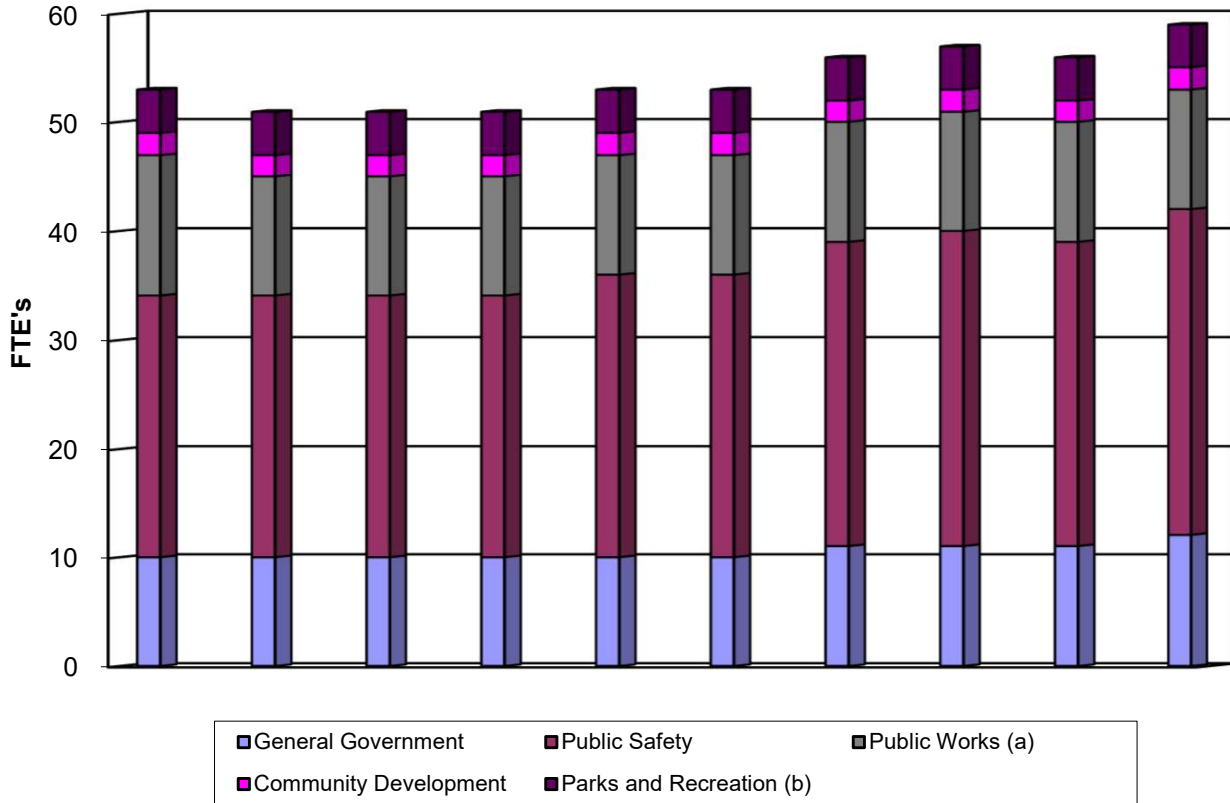
Business Name	2022-23		2021-22	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Bio-Rad Laboratories Inc	2,028	14.5%	2,052	14.8%
West Contra Costa Unified School District	242	1.73%	230	1.65%
Home Depot	163	1.16%	190	1.37%
Safeway	160	1.14%	162	1.17%
Pacific Bio Labs Inc	122	0.87%	95	0.68%
Contra Costa County Social Services	83	0.59%	124	0.89%
Lucky Supermarkets	60	0.43%	65	0.47%
City of Hercules	59	0.42%	56	0.40%
Kinder's Meats & Deli BBQ & Catering	48	0.34%	48	0.35%
Benda Tool & Model Works Inc	36	0.26%	43	0.31%
A & B Die Casting			24	0.17%
Total Top 10 Employers	3,001	21.44%	3,089	22.22%
Total City Labor Force (1)	14,000		13,900	

Source: MuniServices, LLC \ Avenu Insights & Analytics
 Results based on direct correspondence with city's local businesses.
 (1) Total City Labor Force provided by EDD Labor Force Data.

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



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



	For the Fiscal Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function										
General Government	10.00	10.00	10.00	10.00	10.00	10.00	11.00	11.00	11.00	12.00
Public Safety	24.00	24.00	24.00	24.00	26.00	26.00	28.00	29.00	28.00	30.00
Public Works ^(a)	13.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Community Development	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation ^(b)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Total	<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>	<u>56.00</u>	<u>59.00</u>

NOTE:

(a) Public Works includes Wastewater and Solid Waste

(b) Parks and Recreation includes Library, Recreation and Park

Source: City of Hercules Operating Budget



City of Hercules

Operating Indicators by Function/Program Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	-	-		-	18,738
Number of Hospitals	-	-	-	-	-
Education:					
Student enrollment	3,042	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	12,550	1,843	7,707	13,142	16,245
Law violations:					
Part I and Part II crimes	811	96	571	957	867
Physical arrests (adult and juvenile)	450	45	245	403	449
Traffic violations	1,000	85	518	793	1,074
Sewer					
Sewer service connections	8,235	8,235	8,265	8,271	8

Source: City of Hercules



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

	For the Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	-	14,804	-	14,213	-
Number of Hospitals	-	-	-	-	-
Education:					
Student enrollment	2,823	2,825	2,797	2,753	2,539
Elementary schools	1,243	1,296	1,327	1,305	1,215
Junior high schools	584	594	603	596	590
High schools	996	935	867	852	734
Teachers (full & part time)	134	127	125	124	124
Function/Program					
Police:					
Police calls for Service	16,918	29,935	16,192	26,071	25,196
Law violations:					
Part I and Part II crimes	831	1,162	1,689	1,445	1,266
Physical arrests (adult and juvenile)	495	398	508	528	624
Traffic violations	1,383	975	607	902	524
Sewer					
Sewer service connections	8,327	8,326	84,010	8,410	8,410

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Planning & Building:					
Number of Building Permits issued	672	631	622	782	778
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	13	11	12	12	10
Number of youth attendees	178	723	519	250	637
Aquatics:					
Number of aquatics programs	4	4	4	4	4
Number of aquatics attendees	2,898	1,396	2,266	1,739	1,390
Recreation Classes:					
Number of recreation programs	7	7	6	7	7
Number of recreation attendees	2,569	2,366	709	441	914
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	11	12	9	11	11
Number of preschool/gradeschool attendees	2,151	3,358	2,900	2,949	3,510
Seniors:					
Number of senior programs	14	14	14	14	14
Number of senior attendees	18,873	10,415	10,707	11,445	10,573
Number of meals served	8,702	8,791	8,787	9,811	8,880
Finance:					
Number of Business Licenses issued	647	664	734	665	819

Source: City of Hercules



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

	For the Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
Planning & Building:					
Number of Building Permits issued	753	389	675	1,016	1,013
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	38	8	-	10	13
Number of youth attendees	550	112	-	243	178
Aquatics:					
Number of aquatics programs	4	2	4	9	308
Number of aquatics attendees	1,686	533	1,098	1,943	2,128
Recreation Classes:					
Number of recreation programs	7	4	3	16	24
Number of recreation attendees	817	124	16	500	398
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	11	8	-	11	9
Number of preschool/gradeschool attendees	3,319	869	-	2,510	2,482
Seniors:					
Number of senior programs	14	14	-	14	21
Number of senior attendees	12,577	2,778	-	5,984	15,655
Number of meals served	7,259	3,399	8,212	5,124	6,662
Finance:					
Number of Business Licenses issued	995	971	1,103	1,184	1,147

Source: City of Hercules



City of Hercules

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

For the Fiscal Year Ended June 30, 2023

Function/Program	2014	2015	2016	2017	2018
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, 2023				
	2019	2020	2021	2022	2023
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

