



City of Hercules California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ending June 30, 2009



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INTRODUCTORY SECTION



December 1, 2009

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Hercules for the fiscal year ended June 30, 2009.

This report was prepared under the direction of the City's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with City management. The City has an established set of internal controls that provide for a secure as possible fiscal oversight. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City of Hercules' financial statements have been audited by Moss, Levy & Hartzheim, a firm of licensed certified public accountants. They concluded, based upon their audit of the City's financial records, that there was a reasonable basis for rendering an unqualified opinion that the City of Hercules' financial statements for the fiscal year ended June 30, 2009 are fairly presented and in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with that document. The MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Hercules is a culturally diverse community of 24,324 residents (1-1-08 California Department of Finance estimated population) situated in west-central Contra Costa County on the east side of San Francisco Bay where State Highway 4 intersects with Highway I-80. The City boundaries encompass just over 20 square miles, approximately 12.5 of which are the waters of San Pablo Bay. The land portion of the City covers approximately 7.6 square miles and runs from its westerly boundary of San Pablo Bay up into the hills of Pinole Ridge. It is bordered by the City of Pinole to the south and the unincorporated community of Rodeo to the north. The City is a "general

law” city and has operated under the Council-Manager form of municipal government since its incorporation on December 15, 1900. The City Council is comprised of five members elected at large to four-year overlapping terms. From among its members, the Council selects the Mayor. The City Manager is appointed by and serves at the pleasure of the City Council. The City Manager is responsible for implementing the policy decisions of the City Council and supervising all operations of the city government.

The City of Hercules provides a number of municipal services, including police protection, electric and sewer utilities, street maintenance, parks and recreations, child day care, senior services, planning, building and safety, and other general government functions.

This CAFR is an all-inclusive fiscal document which reports the fiscal year’s (ending June 30, 2009) financial results of the City of Hercules, of which the Hercules Municipal Utility (HMU) is a part, and two other separate legal entities, namely the Hercules Redevelopment Agency (RDA) and the Hercules Public Financing Authority (PFA). The RDA and the PFA have individual Component Unit financial reports done on them as well. The HMU is not considered a component unit, but the City does a separate financial report for that function as well since the electric utility is a relatively new endeavor for the City.

The City normally uses a one year budget cycle which means that every year the City approves a budget for the next year. The City also approves a new five year capital improvement plan during the budget process, the first year of which is approved with the adoption of the operating budget. The budget process is started six to eight months prior to adoption by the Council providing input on its priorities for the community. Staff then prepares and compiles financial information to support those priorities and the normal day-to-day operations. Council and staff go through a number of proposed budget review sessions prior to the budget’s adoption in June. After adoption, there are periodic reviews that occur, with a mid-year review to determine if any adjustments are necessary. Approximately at mid-year the next year budget process is initiated. Budgets are prepared for all funds of the City.

Prior to 2006-2007 fiscal year budget the City did a two year budget cycle. Because the City was facing a revenue pinch, staff and Council chose to do a one year budget to allow the organization time during the 2006-2007 fiscal year to reevaluate how it is going to do its business and to restructure as appropriate to be able to function within its available resources. In addition, with the continued uncertainty of the future revenue streams of the State budget, the City will continue to prepare a single year budget.

Only the Council has the authority to move money between funds and to approve additions or deletions to the budget. The City Manager has authority to move money within each fund. The Council has to approve any expenditure over \$30,000 by an action item on their normal meeting agenda.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The City is part of the greater San Francisco Bay Area. As such, the overall Bay Area economy has pretty much recovered from the dot.com closures of a few years ago, and from the economic aftermath of September 11, 2001 and its impact on the travel/tourism industry. With the City of Hercules being in the northeast sector of the Bay Area and only recently starting to evolve from a bedroom community to a more balanced commercial/industrial/residential community, the City's economy has been relatively stable and has not suffered nearly the down turn that the South Bay Area experienced. The City has experienced tremendous residential growth in the past five years which has helped bolster various revenues that the City depends on. The addition of new commercial businesses has also helped the City's revenue picture. The City's relatively new electric utility is starting to show a positive cash flow and is projected to generate a significant cash flow for the General Fund services of the City in three to four years. If all goes according to plan, the City will probably be built out between a 2012 to 2015 timeframe at which time there should be a reasonably sustainable balance between the commercial/industrial/residential make up of the community. New housing is currently still selling (averaging about \$500,000 per unit), and there are plans on the drawing board for significant new commercial development. There have been a number of new facilities built in the industrial park within the City, and there are still a few lots left in the industrial park of which are slated for development over the next few years.

Utility users tax revenue, the City's largest single revenue source, will continue to increase as the population of the City increases. Sales tax and property tax revenue will also continue to increase as development grows within the City. Most of the new development is occurring in the redevelopment project areas (RDA) of the City, so the RDA generated property taxes will also grow rather quickly. The City is also aggressive on fees for service. With sound financial reserves, the income from investment of those reserves is another major revenue source. The revenues mentioned here are the primary revenue sources for the City. They are all economically sensitive, and can potentially fluctuate with the ups and downs of the local, regional, state and/or national economies.

Long-term financial planning. For a number of years the City has engaged in financial planning for more than the current fiscal year. As a practice, staff prepares a one year operating budget and a five year capital improvement program. The capital improvement program is developed from those master plans that exist for the various types of infrastructure in the City, and from City Council subcommittee meetings where staff receives input from the City Council on its visions for the community and the projects and amenities which are desired to be in the community.

Based on the information provided the City is in the middle development stages of building a train station/ferry terminal/bus terminal multi-modal transportation facility, a low-to-moderate income rental housing project, possible renovation of the historic Clubhouse facility, redeveloping a central location in the community to a regional scale

mixed use Town Center and the addition of new parks to the community according to a comprehensive parks plan.

Cash management policies and practices. The City's investment management plan addresses a wide variety of investment practices, including primary investment objectives, investment authority, allowable investment vehicles, investment maturity terms, eligible financial institutions, capital preservation, and cash flow management. Under the City's investment policy, investments in the City's portfolio are purchased with the intent that they will be held until maturity, and accordingly, investment terms are selected for consistency with the City's cash flow needs. Reports are generated monthly by the Finance Department providing detailed information regarding the city's investments and compliance with City policy. Under the City's investment policies, the City's primary investment objective is to ensure the principal of its capital while striving to achieve a reasonable rate of return.

Risk management. Risk management activities are the coordinated efforts of the City's Risk Benefit Manager. The City is a member of the Municipal Pooling Authority, a joint powers authority insurance group comprised of most cities in Contra Costa County and a few cities from outside the County, which provides coverage for workers' compensation, liability, vehicles, property damage and certain employee benefit insurances. This entity operates in accordance with the joint powers authority agreement between member cities to provide the various insurance coverage programs. Staff of the Authority provides services to the City in the areas of risk identification, evaluation, and treatment; workers compensation and liability claims administration; safety training; and, special events coverage.

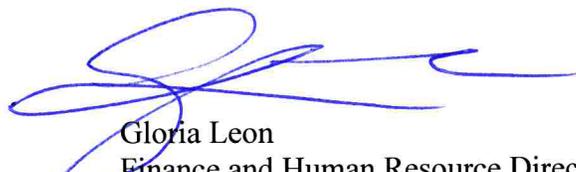
Acknowledgements

The preparation and development of this report would not have been possible without the Department of Finance staff and their efforts, and those staff members in other departments who provided information as requested, all of whom worked in conjunction with the City's independent auditors, to produce this document. We would like to take this opportunity to compliment all those staff members of both the City and our independent auditors who were associated with the preparation of this report. We would also like to thank the City Council for their continued support and interest in planning and conducting their financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Nelson E Oliva
City Manager



Gloria Leon
Finance and Human Resource Director

CITY OF HERCULES
ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL

JUNE 30, 2009

CITY COUNCIL AND ELECTED OFFICIALS

MAYOR	Joe Eddy McDonald
VICE MAYOR	Kris Valstad
COUNCIL MEMBER	Ed Balico
COUNCIL MEMBER	Donald Kuehne
COUNCIL MEMBER	Joanne Ward

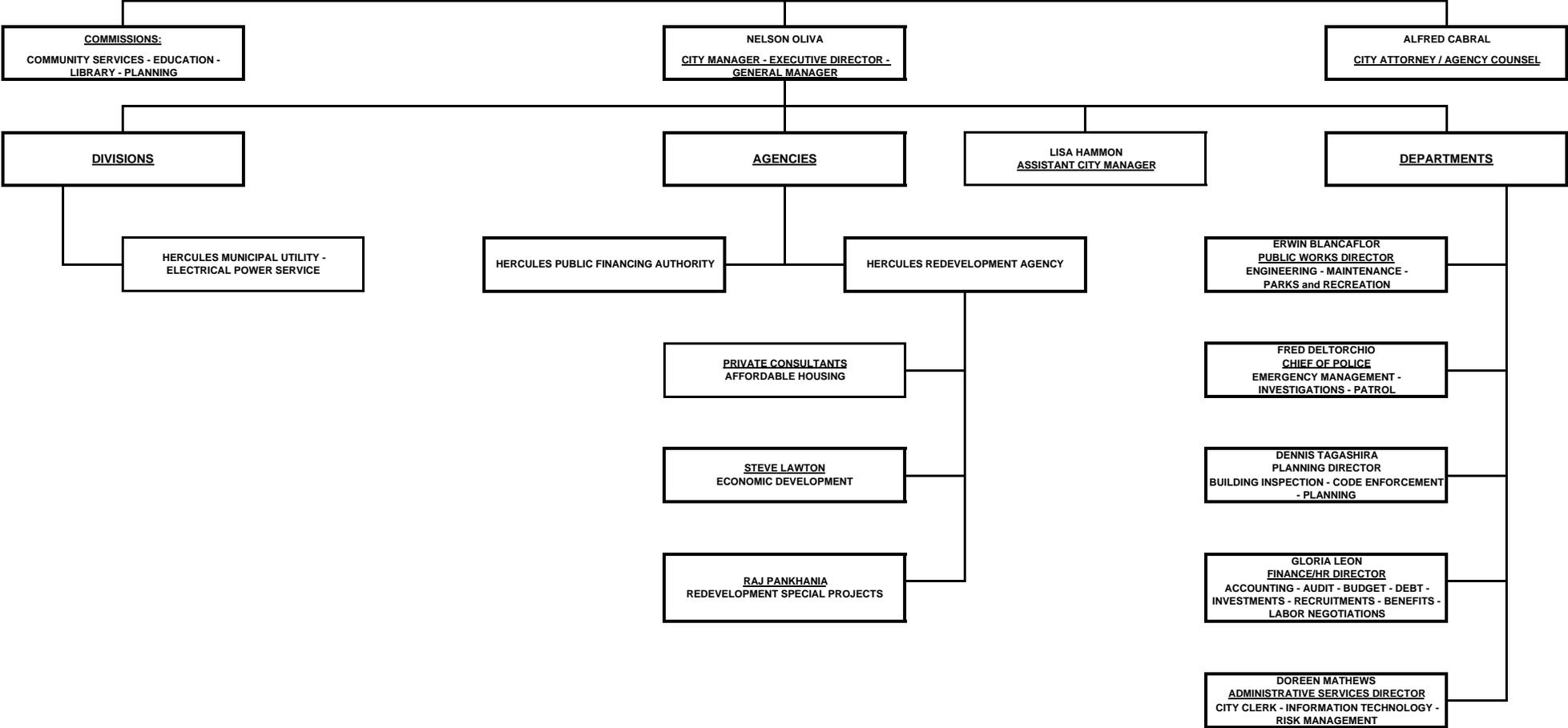
ADMINISTRATIVE PERSONNEL

CITY MANAGER	Nelson Oliva
ASSISTANT CITY MANAGER	Lisa Hammon
CITY ATTORNEY	Alfred Cabral
ADMINISTRATIVE SERVICES/CITY CLERK	Doreen Mathews
FINANCE AND HUMAN RESOURCES DIRECTOR	Gloria Leon
CHIEF OF POLICE	Fred Deltorchio
ECONOMIC PLANNING DIRECTOR	Steve Lawton
PLANNING DIRECTOR	Dennis Tagashira
PUBLIC WORKS DIRECTOR	Erwin Blancaflor
SPECIAL PROJECTS DIRECTOR	Raj Pankhania
INTERIM TREASURER	Tim Hansen

**CITY OF HERCULES
MANAGEMENT CHART**

**CITY COUNCIL
REDEVELOPMENT AGENCY BOARD
PUBLIC FINANCING AUTHORITY COMMISSION**

JOE EDDY MCDONALD, MAYOR
KRIS VALSTAD, VICE-MAYOR
ED BALICO, COUNCIL MEMBER
DONALD KUEHNE, COUNCIL MEMBER
JOANNE WARD, COUNCIL MEMBER



FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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INDEPENDENT AUDITOR'S REPORT

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

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 the City of Hercules (City), California, as of and for the fiscal year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 of Hercules, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2008, the City of Hercules adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*; GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*; GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

In accordance with the *Government Auditing Standards*, we have also issued a report dated January 29, 2010, on our consideration of the City of Hercules' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, the Management's Discussion and Analysis, budgetary comparison schedules for the General Fund and the Redevelopment Agency Special Revenue Fund, and the trend information of the post-employment benefits other than pensions are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hercules' basic financial statements. The Introductory Section, Budgetary Comparison Schedules for the Redevelopment Agency Debt Service Fund, Hercules Public Financing Authority Debt Service Fund, and Redevelopment Agency Capital Projects Fund, Combining Financial Statements for the Nonmajor Governmental Funds, Nonmajor Funds Budgetary Comparison Schedules, Internal Service Funds, Fiduciary Funds, and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Budgetary Comparison Schedules for the Redevelopment Agency Debt Service Fund, Hercules Public Financing Authority Debt Service Fund, and Redevelopment Agency Capital Projects Fund, Combining Financial Statements for the Nonmajor Governmental Funds, Nonmajor Funds Budgetary Comparison Schedules, Internal Service Funds, and Fiduciary Funds have been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section and the information included in the "Statistical Section" have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion thereon.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
January 29, 2010

CITY OF HERCULES

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

This analysis of the City of Hercules' (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

A. FINANCIAL HIGHLIGHTS

- The assets of the City of Hercules' Governmental Activities exceeded its liabilities at the close of the fiscal year by \$91.3 million. Of this amount \$50.1 million was invested in capital assets net of related debt. There are restricted funds of \$2.2 million for capital projects, debt service and other. The remaining \$38.9 million are unrestricted funds. These amounts include all funds of the City, the Redevelopment Agency and the Public Financing Authority.
- The City's net assets decreased by \$ 3.3 million for the year including a prior period adjustment of negative \$14.4 million was made on the Statement of Activities for Governmental Activities for an understatement of advances from other funds in the amount of negative \$23.6 million and an understatement of advances to other funds in the amount of \$9.2 million, representing a \$23.8 million decrease in Governmental and a \$20.4 million increase in Business-Type Activities. A prior period adjustment of \$14.4 million was made on the Statement of Activities for Business Type Activities for an understatement of advances to other funds on the Sewer Fund in the amount of \$9.0 million and an overstatement of advances from other funds on the Hercules Municipal Utility Fund in the amount of \$5.4 million. A prior period adjustment of \$221,797 was made on the General Fund for an overstatement of advances to other funds in the amount of negative \$50,407, an overstatement of advances from other funds in the amount of \$76,100 and an understatement of due from other funds in the amount of \$196,104. A prior period adjustment of \$6.4 million was made on the Hercules Public Financing Authority Debt Service Fund for an understatement of advances to other funds. A prior period adjustment of negative \$23.9 million was made on the Redevelopment Agency Capital Projects Fund for an understatement of advances from other funds in the amount of negative \$23.7 million and an understatement of due from other funds in the amount of negative \$196,104. A prior period adjustment of \$3.0 million was made on the Development Impact Special Revenue Fund for an understatement of advances to other funds. A prior period adjustment of negative \$76,100 was made on the Community Development Special Revenue Fund for an overstatement of advances to other funds.
- As of the close of the fiscal year, the City's Governmental funds, including the general, special revenue, debt service, capital projects, redevelopment and public financing funds, reported combined ending fund balances of \$89.6 million, a decrease of \$56.8 million in comparison with the prior year. There is a negative \$27.7 million in the Capital Projects and a negative \$14.7 million in the Debt Service Funds Total Unreserved, Undesignated Fund Balance unavailable for spending.
- At the end of the current fiscal year, unreserved designated fund balance for the General Fund was \$5.4 million, or 30 percent of total General Fund expenditures/transfers out for the year.
- Total net bonded debt decreased by \$3.9 million during the fiscal year. The decrease was due to normal repayment of principal on the 2007 Housing Tax Allocation Bonds, Series A, 2007 Housing Tax Allocation Bonds, Series B, 2007 Tax Allocation Bonds, 2005 Tax Allocation Bonds, Suntrust Lease, PFA Lease Revenue Bonds, H.E.L.P Loan and other Long-Term Notes were paid.

CITY OF HERCULES

Management's Discussion and Analysis *Fiscal Year Ended June 30, 2009*

A. FINANCIAL HIGHLIGHTS, *Continued*

- During the fiscal year, the Governmental-Wide Financial Statements' total expenses of \$53.1 million exceeded total revenues of \$49.8 million, by \$3.3 million. Expenses increased by 29.5% from prior fiscal year 2007-2008. The expense increases are the result of increased affordable housing programs which include revitalization and beautification, first-time homebuyers and homeownership retention loss programs; principal and interest expense on the 2007 Series A and B Tax Allocation Bonds, 2007 Tax Allocation Bonds and the 2005 Tax Allocation Bonds. The electric utility enterprise fund also had an overstatement of advances from other funds associated with the Public Financing Authority Lease Revenue Bond which was not reflected in the prior fiscal year financials for an amount of \$5.4 million. The program revenues, which come from charges for services, operating and capital grants and contributions, decreased by 17.6% from the previous year. The revenue decreases were primarily due to less grant funding available for fiscal year 2008-2009.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

Government-Wide Financial Statements

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable. The City's component units consist of the following: the City of Hercules Redevelopment Agency (RDA), and the Hercules Public Financing Authority (PFA). These component units are, for practical purposes, departments of the City and have been included in the basic financial statements as an integral part of the primary government using the blended method. However, there are also independent financial reports for each of the component units. The City also has a relatively new electric utility, the Hercules Municipal Utility (HMU); an enterprise fund for which is required, for full financial disclosure reasons, a separate financial report is done, although it is not a component unit.

This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

The Government-Wide Financial Statements present the total financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by the GASB Statement No. 34.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued**Government-Wide Financial Statements, Continued**

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, the City activities are separated as follows:

Governmental Activities—Most of the City's basic services are reported in this category, including Administrative functions, Public Safety, Community Development, Parks and Recreation, and Public Works. Property, utility users and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-Type Activities—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Wastewater Collection and Processing System, and the City's Electric Utility are reported as business-type activities.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the City's major funds—not the City as a whole. Some funds are required to be established by Federal or State law, or by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, proprietary and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the full accrual basis of accounting. The fiduciary activities are agency funds, which only report assets and liabilities and do not have a measurement focus.

Governmental Funds – The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

In order to better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Fund Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

Based on criteria in GASB No. 34, there are certain funds that are considered 'major funds'. The major governmental funds include the General Fund, the Redevelopment Agency Special Revenue Fund(s) group, and the Public Financing Authority Debt Service Fund, which are reported in detail in the Governmental

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued***Fund Financial Statements, Continued***

Fund Financial Statements. All other funds are shown in the aggregate as other non-major funds. Individual fund data for other non-major governmental funds is provided in the form of supplementary information elsewhere in the report.

Proprietary Funds – The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses an enterprise fund to account for its Wastewater operation and its Electric Utility operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Vehicle Replacement program, Facility Maintenance program and its Information Technology (IT) Equipment Replacement program. Because these services predominantly benefit the governmental rather than business-type activities, 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. The Wastewater and the Electric Utility enterprise funds are presented separately in detail. There are no other enterprise funds to aggregate as 'other non-major funds'. The internal service funds (Vehicle Replacement, Facility Maintenance and IT Equipment Replacement) are presented in the proprietary fund financial statements. Individual fund data for the Vehicle Replacement, Facility Maintenance and the IT Equipment Replacement internal service funds are provided in the form of supplementary information elsewhere in the report.

Fiduciary Funds – The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate Combining Statements of Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic Financial Statements

The notes 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

In addition to the basic financial statements, this report also presents certain Required Supplementary Information (RSI) including the City's budgetary comparison schedules for the General Fund and major special revenue funds, and information concerning the progress in funding its obligation to provide pension and other post retirement benefits to its employees.

Other Supplementary Information

The supplementary schedules are presented immediately following the Required Supplementary Information.

CITY OF HERCULES

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets are a good indicator of the City's financial position. At the 2008-2009 fiscal year end, net assets of the City were \$119.3 million, which is a decrease of \$3.3 million from the prior year. The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2009 and 2008.

	Governmental Activities		Business-type Activities		Total		Total % Change
	2009	2008	2009	2008	2009	2008	
Assets:							
Current Assets	\$ 106.0	\$ 149.8	\$ 1.3	\$ 1.3	\$ 107.3	\$ 151.1	(29.0)%
Other Assets	14.8	21.7	10.3	(8.8)	25.1	12.9	94.6 %
Capital Assets, Net	134.6	118.1	18.0	17.0	152.6	135.1	13.0 %
Total Assets	\$ 255.4	\$ 289.6	\$ 29.6	\$ 9.5	\$ 285.0	\$ 299.1	(4.7)%
Liabilities:							
Current Liabilities	\$ 10.8	\$ 18.2	\$ 1.5	\$ 1.8	\$ 12.3	\$ 20.0	(38.5)%
Other Liabilities	0.2	0.2	0.0	0.0	0.2	0.2	-
Long-term Liabilities	153.2	156.2	0.0	0.0	153.2	156.2	(1.9)%
Total Liabilities	\$ 164.2	\$ 174.6	\$ 1.5	\$ 1.8	\$ 165.7	\$ 176.4	(6.1)%
Net Assets:							
Invested in Capital							
Net of Related Debt	\$ 50.1	\$ 64.9	\$ 18.0	\$ 11.7	\$ 68.1	\$ 76.6	(11.0)%
Restricted	2.2	14.6	-	-	2.2	14.6	(84.9)%
Unrestricted	38.9	35.5	10.1	(4.0)	49.0	31.5	55.5 %
Total Net Assets	\$ 91.2	\$ 115.0	\$ 28.1	\$ 7.7	\$ 119.3	\$ 122.7	(2.7)%

At June 30, 2009, the City's Current Assets and Capital Assets increased significantly for Business- Type Activities primarily due to an overstatement of advances from other funds on the Hercules Municipal Utility fund in the amount of \$5.4 million and an understatement of advances to other funds on the Sewer Fund in the amount of \$9.0 million. Investment in Capital Assets Net of Related Debt represents 57% of total net assets. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. The City uses these capital assets to provide services to its citizens. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Therefore, debt service payments are funded from other sources available to the City.

A portion of the City's net assets, 1.0% is subject to restrictions imposed by the City or by external parties and their use is determined by those restrictions and agreements. The remainder of net assets, or \$49 million, may be used to meet the City's ongoing operations.

CITY OF HERCULES

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Net Assets, Continued

City of Hercules
Comparative Analysis of Net Assets
June 30, 2009 and 2008
(Amount in Millions)

	2009	2008	Change \$	Change %
Net Assets:				
Investment in Capital Assets, Net of Related Debt	\$ 68.1	\$ 76.6	\$ (8.5)	(11.1)%
Restricted	2.2	14.6	(12.4)	(84.9)%
Unrestricted	49.0	31.5	17.5	55.6%
Total Net Assets	\$ 119.3	\$ 122.7	\$ (3.4)	(2.8)%

The decrease of \$8.5 million in the City's Investment in Capital Assets Net of Related Debt was due to acquisition of capital assets net of accumulated depreciation and reduced by the outstanding debt of the City that attributed to the acquisition, construction or improvement of the assets which consists of the Tax Allocation Bonds, Public Financing Authority Lease Revenue Bonds, Long-Term Debt, H.E.L.P loan, and Suntrust Lease.

The City's unrestricted net assets increased by \$17.5 million. This increase was primarily due to less projects and programs being restricted for specific use.

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2009 and 2008.

City of Hercules
Condensed Comparative Statements of Activities and Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008
(Amount in Millions)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2009	2008	2009	2008	2009	2008	
Revenues:							
Program Revenues							
Charges for Services and Grants	\$ 5.9	\$ 4.1	\$ 6.2	\$ 5.7	\$ 12.1	\$ 9.8	23.9%
Operating Contributions	-	8.0	0.4	-	0.4	8.0	(95.0)%
Capital Contributions	4.9	3.4	-	-	4.9	3.4	44.1%
Total Program Revenues	10.8	15.5	6.6	5.7	17.4	21.2	(17.8)%

(Continued)

CITY OF HERCULES

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities, Continued

City of Hercules
Condensed Comparative Statements of Activities and Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008 (Continued)
(Amount in Millions)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2009	2008	2009	2008	2009	2008	
General Revenues							
Property Taxes	\$ 16.0	\$ 16.6	\$ -	\$ -	\$ 16.0	\$ 16.6	(3.6)%
Sales and Use Taxes	2.6	1.9	-	-	2.6	1.9	36.8 %
Utility Users Tax	2.0	1.8	-	-	2.0	1.8	11.1 %
Other Taxes	1.4	0.8	-	-	1.4	0.8	75.0 %
Motor Vehicle taxes	1.9	2.0	-	-	1.9	2.0	(5.0)%
Use of Money and Property	5.6	6.0	0.3	-	5.9	6.0	(1.7)%
Misc Revenues	2.4	2.5	-	-	2.4	2.5	(4.0)%
Total General Revenues	<u>31.9</u>	<u>31.6</u>	<u>0.3</u>	<u>-</u>	<u>32.2</u>	<u>31.6</u>	1.9 %
Total Revenues	<u>42.7</u>	<u>47.1</u>	<u>6.9</u>	<u>5.7</u>	<u>49.6</u>	<u>52.8</u>	(6.0)%
Expenses:							
General Government	7.6	5.5	-	-	7.6	5.5	
Public Safety	6.5	5.5	-	-	6.5	5.5	
Public Works	5.1	4.8	-	-	5.1	4.8	
Parks and Recreation	3.0	2.7	-	-	3.0	2.7	
Community Development	15.8	11.2	-	-	15.8	11.2	
Interest on Long Term Debt	8.8	6.8	-	-	8.8	6.8	
Sewer	-	-	2.7	1.5	2.7	1.5	
Hercules Municipal Utility	-	-	3.5	3.2	3.5	3.2	
Total Expenses	<u>46.8</u>	<u>36.5</u>	<u>6.2</u>	<u>4.7</u>	<u>53.0</u>	<u>41.2</u>	28.6 %
Increase in Net Assets before Transfers	(4.1)	10.6	0.7	1.0	(3.4)	11.6	(129.4)%
Transfers	(5.3)	0.3	5.3	(0.3)	0.0	0.0	-
Increase in Net Assets	(9.4)	10.9	6.0	0.7	(3.4)	11.6	(129.3)%
Net Assets - Beginning	115.0	104.3	7.7	7.3	122.7	111.6	9.9 %
Prior Period Adjustments	(14.4)	(0.2)	14.4	(0.3)	-	(0.5)	(100.0)%
Net Assets - Ending	<u>\$ 91.2</u>	<u>\$ 115.0</u>	<u>\$ 28.1</u>	<u>\$ 7.7</u>	<u>\$ 119.3</u>	<u>\$ 122.7</u>	(2.7)%

Governmental Activities:

The City's governmental activities net assets decreased by \$23.8 million, which is a decrease of 26% from last year. Key elements of this change were as follows:

CITY OF HERCULES

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

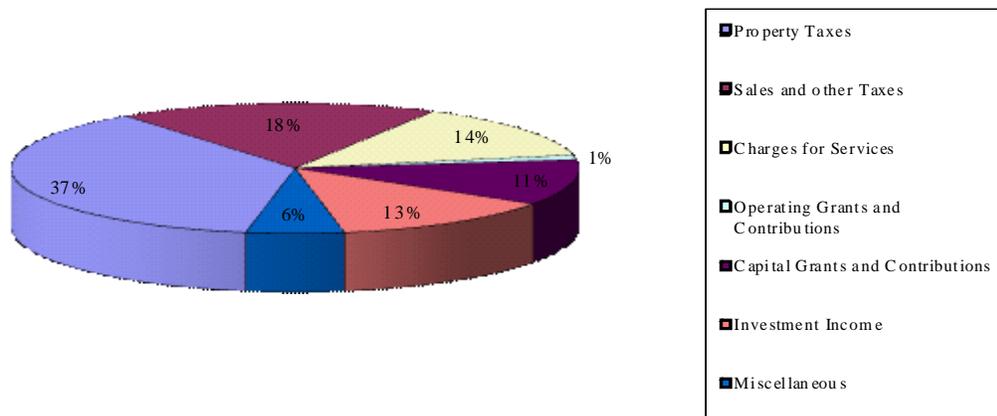
C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, *Continued*

Governmental Activities, Continued

Revenue highlights:

- In the General Revenues category, Property Taxes decreased by \$.6 million and Sales and Use Taxes increased by \$.7 million in fiscal year 2008-2009 when compared to fiscal year 2007-2008. Transfers increased by \$5.6 million due to an overstatement of advances from other funds on the Hercules Municipal Utility fund in the amount of \$5.4 million and a prior period adjustment of \$221,797 was made on the General Fund for an overstatement of advances to other funds in the amount of negative \$50,407, an overstatement of advances from other funds in the amount of \$76,100 and an understatement of due from other funds in the amount of \$196,104.
- There was an adjustment of negative \$14.4 million to net assets from the previous year on the Statement of Activities for Governmental Activities for an understatement of advances from other funds in the amount of negative \$23.6 million and an understatement of advances to other funds in the amount of \$9.2 million, representing a \$23.8 million decrease in Governmental and a \$20.4 million increase in Business-Type Activities. As a result, total net assets decreased by \$3.4 million.
- A decrease of \$3.8 million in Program Revenues was due to an increase of \$2.3 million in charges for services, a \$7.6 million drop in operating contributions and grants, a \$1.5 million increase in capital contributions and grants.

**Governmental Activities
Revenues by Source
For the Fiscal Year Ended June 30, 2009**



C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Expense highlights:

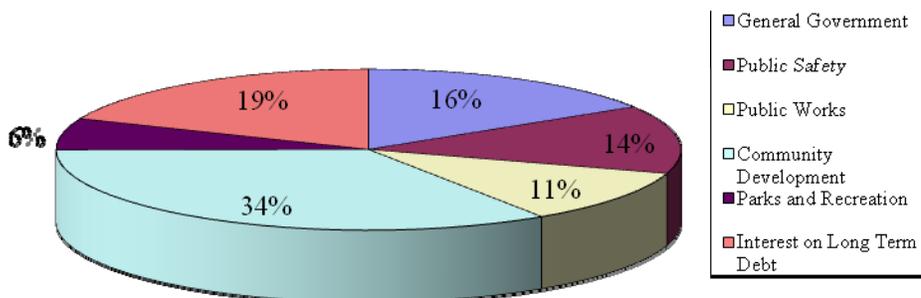
Total expenses for governmental activities were \$46.8 million an increase of 29% from the prior fiscal year. The expense increases are the result of increased affordable housing programs which include revitalization and beautification, first-time homebuyers and homeownership retention loss programs; interest expense payments on the 2007 Series A and B Tax Allocation Bonds, 2007 Tax Allocation Bonds, 2005 Tax Allocation Bonds, 2003A and B Public Financing Authority Lease Revenue Bonds, Suntrust Lease and other long-term debt. Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$5.9 million in charges for services, an increase of \$1.8 million from prior year as a result of the 2005-1 John Muir Assessment Bond Proceeds to assist in the John Muir Parkway Construction, information technology replacement fund, and principal payments from the General Fund to the 2003A and B Public Financing Authority Lease Revenue Bonds.
- The City was able to fund some of its programs through capital grants from other governments and contributions of infrastructure from outside sources for a total amount of \$4.9 million.

The City received capital contributions and grants totaling \$4.9 million which included a Private foundation grant to assist with the Refugio Creek Watershed Project, State of California grant to assist in the Sycamore Downtown Project, grant from the State of California to assist in the construction of the rail station, and mini grants for POST recovery and bullet proof vests all of which was spent in 2008-2009 fiscal year.

As a result, total expenditures that were funded by tax revenues, investment income, and other general revenues amounted to \$46.8 million.

**Governmental Activities
Expenses by Function/Program
For the Fiscal Year Ended June 30, 2009**



CITY OF HERCULES

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, *Continued*

Governmental Activities, Continued

Functional expenses for the fiscal years ended June 30, 2009 and 2008 were as follows (amount in millions):

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2009	2008	2008-2009	2009	2008	2008-2009
General Government	\$ 7.6	\$ 5.5	38.0 %	\$ 2.0	\$ 2.5	(20.0)%
Public Safety	6.5	5.5	17.3 %	6.0	5.2	15.4 %
Public Works	5.1	4.8	7.3 %	4.7	1.1	327.0 %
Community Development	15.8	11.2	40.5 %	13.5	9.8	37.1 %
Parks and Recreation	3.0	2.7	13.1 %	1.5	(3.3)	(145.6)%
Int. on Long-Term Debt	8.8	6.8	29.5 %	8.3	6.1	36.6 %
Total	<u>\$ 46.8</u>	<u>\$ 36.5</u>	<u>28.2 %</u>	<u>\$ 36.0</u>	<u>\$ 21.4</u>	<u>68.0 %</u>

The change in the Total Cost of Services which is defined as total expenses for each function reflected a 28.2% increase over the previous year. The revenues are subtracted from total functional expenses to arrive at the Net Cost of Services which reflects an increase of 68.0% over the previous year. The most significant changes in programmatic total and net cost of services were seen in General Government, Public Works, Interest on Long-Term Debt, Parks and Recreation, and Community Development.

The Community Development total cost of services increased \$4.6 million as a result of the following projects taken on; John Muir Parkway Construction, Police Wing Remodeling, Energy Conservation Project throughout the City, Civic Arts, Citywide Park Renovations, and Street Maintenance projects. Interest on Long-Term Debt increased \$2.0 million due to interest payments on the 2007 Housing Tax Allocation Bonds, Series A, 2007 Housing Tax Allocation Bonds, Series B, 2007 Tax Allocation Bonds, 2005 Tax Allocation Bonds, 2003A and B Public Financing Authority Lease Revenue Bonds, and the Suntrust Lease.

Business Type Activities

The City's business-type activities increased total net assets by \$20.4 million. Key elements of this increase were as follows:

Revenue Highlights:

- Total revenues in business-type activities increased by \$1.2 million. There was an increase of \$0.5 million in electric utility fees and sewer fees collected; \$0.4 million increase in operating contributions and grants; and \$0.3 million in use of money and property from fiscal year 2007-2008.

CITY OF HERCULES

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, *Continued*

Business Type Activities, Continued

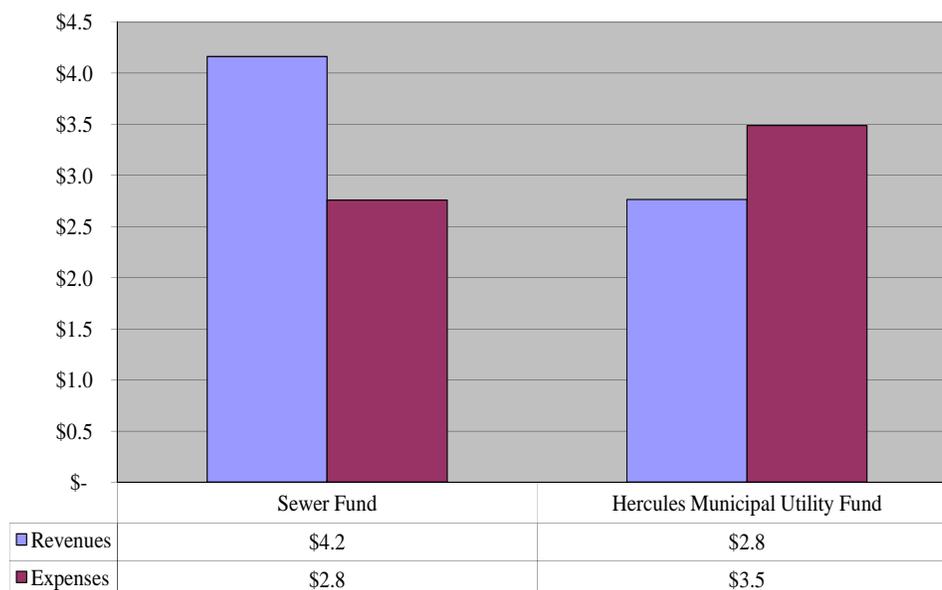
Expense Highlights:

- Total expenses for the sewer fund were up by \$1.2 million from the prior year as a result of more maintenance and operations expenditures for the upkeep of the wastewater treatment plant.
- The expenses for the electric utility were up by \$.3 million from the prior year because of increased costs for the purchase of power.

Balance Sheet Highlights:

- For 2008-2009 the sewer fund had an operating income of \$1.0 million as opposed to \$2.1 million in fiscal year 2007-2008. This was due to more net cash used by operating activities from the prior year. The electric utility fund had an income loss of \$.8 million for 2008-2009 as opposed to \$.7 million for fiscal year 2007-2008. The management of the electric utility has implemented plans to reduce the deficit by reducing operating cost and raising customer service rates in the new fiscal year to assist with the income shortfall. The general fund of the City of Hercules will be assisting the electric utility fund for at least another two years. Management will continue to monitor the deficit net assets closely in the future.
- The electric utility had an increase of \$5.4 million in capital investment, net of related debt.

**Business Type Activities
Revenues and Expenses
For the Fiscal Year Ended June 30, 2009
(amount in millions)**



D. FUND FINANCIAL STATEMENT ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. It should, however, be noted that most of the unreserved amounts have been designated by the City Council for specific uses.

As of the end of fiscal year 2008-2009, the City's governmental funds reported combined ending fund balances of \$89.6 million, a decrease of \$56.8 million in comparison with the prior year. Of this amount, \$114.3 million is reserved to indicate that it is not available for appropriation because it had already been committed for various purposes (see Note 1.G. in the Notes to Basic Financial Statements). The net unreserved fund balances amount to negative \$24.8 million of which \$10 million from other governmental special revenue funds, \$1.4 million from capital project funds and \$5.4 million from the general fund are available for spending at the government's discretion. The net negative \$41.6 million has to do with loans and advances to programs.

The General Fund is the major operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5.4 million, while total fund balance was \$25.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. At June 30, 2009, unreserved fund balance was 31% of total General Fund expenditures and transfers out, while total fund balance was 146 % of total expenditures and transfers out.

The fund balance of the City's General Fund decreased by \$1.6 million in fiscal year 2009, as compared to an decrease of \$.6 million in fiscal year 2008. This decrease is due to \$2.5 million less in resources coming into the fund to cover expenditures and a prior period adjustment of \$.2 million for an overstatement of advances to other funds in the amount of negative \$50,407, an overstatement of advances from other funds in the amount of \$76,100 and an understatement of due from other funds in the amount of \$196,104. Total actual costs were below budgeted amounts; however expenditures were \$2.5 million more than current revenues. Revenues for the year came in less than projected by \$3.4 million and expenditures were \$2.9 million less than projected.

The Redevelopment Agency Special Revenue fund had a deficit fund balance of \$423,593. The deficit fund balance is expected to be eliminated in future years through tax increment revenue.

The Redevelopment Agency Special Revenue fund balance decreased by \$7.7 million in fiscal year 2009, as compared to fiscal year 2008. The fund had \$13.1 million in revenues and \$8.7 million in expenditures. A total of \$12.1 million from the Special Revenue Fund was transferred out to the Redevelopment Agency Debt Service Fund and Redevelopment Agency Capital Projects Fund.

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued**Governmental Funds, Continued**

The Redevelopment Agency Capital Projects fund balance decreased by \$23.5 million after a prior period adjustment of negative \$23.9 million was made for an understatement of advances from other funds in the amount of negative \$23.7 million and an understatement of due from other funds in the amount of negative \$196,104. The fund had \$31.8 million in expenditures for capital projects which included major projects like the Rail Station, Sycamore Downtown Project, Civic Arts, purchase of Wal-Mart and the Victoria Crescent Properties, tenant improvements at Bio Rad, and the construction of the new Bart Lot.

The Redevelopment Agency Debt Service fund balance had a decrease of \$32.4 million in fiscal year 2009 as compared to fiscal year 2008. The fund had expenditures for principal and interest debt service payments in the amount of \$14.2 million in fiscal year 2009 as compared to \$8.8 million in 2008. In fiscal year 2008 there were proceeds from issuance of debt of \$86.4 million as compared to no issuance of debt in 2009.

The Public Financing Authority's fund balance increased by \$6.2 million after a prior period adjustment of \$6.4 million was made for an understatement of advances to other funds. This is due to financing of the Hercules Municipal Utility's infrastructure projects.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning these funds have already been addressed in the discussion of Government-wide Financial Analysis of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget a number of times. These budget amendments fall into two categories:

- Amendments and appropriations approved after the beginning of the year to reflect capital and special project carryovers for unspent appropriations of projects that had not been completed in the previous year.
- New appropriations approved by City Council.

With these adjustments, actual expenditures (outflows) for the fiscal year were \$2.9 million less than the amended budget. Resources (inflows) available for appropriations were \$3.4 million below budgeted amounts primarily due to slow growth in construction.

CITY OF HERCULES

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets including Infrastructure

Capital assets including infrastructure assets of the City are those assets that are used in the performance of the City's functions. At June 30, 2009, net capital assets of the governmental activities totaled \$134.6 million and the net capital assets of the business-type activities totaled \$18.0 million, including depreciation on capital assets, which is recognized in the Government-Wide Financial Statements.

The following is a summary of the City's capital assets as of June 30, 2009 (amount in millions):

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 33.7	\$ 21.0	\$ 0.2	\$ 0.2	\$ 33.9	\$ 21.2
Land Improvement	5.5	4.6	-	-	5.5	4.6
Buildings and Improvements	29.7	26.2	11.3	11.3	41.0	37.5
Machinery and Equipment	4.1	3.4	0.1	0.1	4.2	3.5
Construction in Progress	29.8	28.9	4.7	3.5	34.5	32.4
Infrastructure:	76.6	75.5	10.9	10.7	87.5	86.2
Total Capital Assets	\$ 179.4	\$ 159.6	\$ 27.2	\$ 25.8	\$ 206.6	\$ 185.4
Accumulated Depreciation	(44.8)	(41.5)	(9.2)	(8.8)	(54.0)	(50.3)
Net Total Capital Assets	\$ 134.6	\$ 118.1	\$ 18.0	\$ 17.0	\$ 152.6	\$ 135.1

Governmental Activities:

The increase in land of \$12.7 million is the result of the purchase of the Wal-Mart Property and the Victoria Crescent property for future development.

Business-type Activities:

The addition of \$1.0 million in capital assets is attributed to construction in progress for the fourth digester and a sanitary lift station to the existing shared Wastewater Treatment Plant in the sewer enterprise fund.

CITY OF HERCULES

Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-Term Obligations

As of June 30, 2009, the City had outstanding debt issues as listed below. The City's bonded debt is backed by certain specific revenues or General Fund lease payments and carry respectable ratings. The City's long-term obligations for the fiscal years 2009 and 2008 were as follows (amount in millions):

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue Bonds	\$ 14.9	\$ 15.2	\$ -	\$ -	\$ 14.9	\$ 15.2
Tax Allocation Bonds	137.7	141.9	-	-	137.7	141.9
Other Long-term Debt	4.3	3.8	-	-	4.3	3.8
Total Long-Term Obligations	\$ 156.9	\$ 160.9	\$ -	\$ -	\$ 156.9	\$ 160.9

During the 2008-2009 fiscal year, there were no new issues of Tax Allocation Bonds.

In April 2005 the City of Hercules entered into an agreement with the California Housing Finance Agency (Agency) to develop a 50 unit multifamily rental project. The Agency has authorized the making of a loan in the amount of \$1.6 million to the City of Hercules. As of June 30, 2009, \$1.6 million has been provided to the City of Hercules. On July 15, 2009 the Hercules Public Financing Authority issued Taxable Lease Revenue Bonds, Series 2009 in the amount of \$10,080,000. The proceeds of the bonds will be used to finance the acquisition of certain commercial condominium property, consisting of approximately 96,487 square feet located at 203-295 Linus Pauling Drive within the City. There is no direct outstanding debt for business-type activities in the City.

G. ECONOMIC FACTORS

The Country's mortgage crisis, the stock plunge, the drop in retail sales, the increase in unemployment, the fear of economic recession, the banks' rescue by the federal government and the repercussions on the European and World markets, have created a very difficult economic condition that is not going to improve significantly in the next year or two. The City of Hercules as well as most other cities in the State and in the Country are faced with declining revenues and increased cost of services. The State budget shortfall for the coming fiscal year is in the \$21 billion range. City governments should not be surprised if the State will again try to balance its budget with local governments' money. Unless there is retail growth, the City's revenues are not going to grow significantly. The City's population is expected to grow at a very slow rate and the unemployment rate is expected to stay the same as the prior fiscal year.

H. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Hercules Finance Department, 111 Civic Drive, Hercules, California 94547.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HERCULES
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 22,604,015	\$ 619,433	\$ 23,223,448
Cash and investments with fiscal agent	71,527,072		71,527,072
Accounts receivable	6,089,208	402,642	6,491,850
Interest receivable	644,593		644,593
Grants receivable	365,300		365,300
Prepaid items	97,803		97,803
Inventory		257,279	257,279
Loans receivable	10,695,878		10,695,878
Lease receivable	10,010,827		10,010,827
Land held for resale	4,714,568		4,714,568
Internal balances	(10,268,280)	10,268,280	
Deferred charges - net of accumulated amortization	4,367,636		4,367,636
Capital assets:			
Nondepreciable:			
Land	33,734,373	150,000	33,884,373
Construction in progress	29,759,162	4,687,436	34,446,598
Depreciable:			
Land improvements, building and improvements, machinery and equipment, and infrastructure	115,878,570	22,399,228	138,277,798
Accumulated depreciation	(44,820,038)	(9,219,532)	(54,039,570)
Total assets	<u>255,400,687</u>	<u>29,564,766</u>	<u>284,965,453</u>
LIABILITIES			
Accounts payable	3,181,399	1,449,497	4,630,896
Accrued wages	513,403	26,091	539,494
Accrued interest payable	2,802,873		2,802,873
Deposits payable	70,739		70,739
Claims and judgments payable	30,329		30,329
Compensated absences, due within one year	420,000	29,709	449,709
Noncurrent liabilities:			
Compensated absences, due in more than one year	227,325		227,325
Due within one year	3,696,851		3,696,851
Due in more than one year	153,209,070		153,209,070
Total liabilities	<u>164,151,989</u>	<u>1,505,297</u>	<u>165,657,286</u>
NET ASSETS			
Invested in capital assets, net of related debt	50,093,369	18,017,132	68,110,501
Restricted for:			
Debt service	854,253		854,253
Specific projects and programs	1,389,226		1,389,226
Unrestricted	38,911,850	10,042,337	48,954,187
Total net assets	<u>\$ 91,248,698</u>	<u>\$ 28,059,469</u>	<u>\$ 119,308,167</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULES
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 7,601,370	\$ 1,165,203	\$ -	\$ 4,451,715
Public safety	6,461,033	319,019	31,655	100,000
Public works	5,109,691			384,791
Parks and recreation	2,994,355	1,503,446		
Community development	15,816,555	2,348,469		
Interest on long term debt	8,838,652	586,090		
Total governmental activities	46,821,656	5,922,227	31,655	4,936,506
Business-type activities:				
Sewer	2,757,433	3,815,001		
Hercules Municipal Utility	3,487,026	2,353,873	411,053	
Total business-type activities	6,244,459	6,168,874	411,053	
Total government	\$ 53,066,115	\$ 12,091,101	\$ 442,708	\$ 4,936,506

General revenues and transfers:

Taxes:

Secured and unsecured property taxes

Sales and use taxes

Utility user taxes

Other taxes

Unrestricted motor vehicle taxes in-lieu

Use of money and property

Miscellaneous revenue

Transfers

Total general revenues and transfers

Change in net assets

Net Assets, July 1, 2008

Prior period adjustments

Net Assets, July 1, 2008, restated

Net assets, June 30, 2009

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Change in Net Assets

<u>Net Governmental Activities</u>	<u>Net Business-type Activities</u>	<u>Total</u>
\$ (1,984,452)	\$ -	\$ (1,984,452)
(6,010,359)		(6,010,359)
(4,724,900)		(4,724,900)
(1,490,909)		(1,490,909)
(13,468,086)		(13,468,086)
(8,252,562)		(8,252,562)
<u>(35,931,268)</u>		<u>(35,931,268)</u>
	1,057,568	1,057,568
	(722,100)	(722,100)
	<u>335,468</u>	<u>335,468</u>
<u>(35,931,268)</u>	<u>335,468</u>	<u>(35,595,800)</u>
16,021,102		16,021,102
2,565,937		2,565,937
1,959,332		1,959,332
1,443,398		1,443,398
1,880,761		1,880,761
5,641,735	325,325	5,967,060
2,432,030		2,432,030
(5,325,966)	5,325,966	
<u>26,618,329</u>	<u>5,651,291</u>	<u>32,269,620</u>
<u>(9,312,939)</u>	<u>5,986,759</u>	<u>(3,326,180)</u>
114,976,319	7,658,028	122,634,347
<u>(14,414,682)</u>	<u>14,414,682</u>	
<u>100,561,637</u>	<u>22,072,710</u>	<u>122,634,347</u>
<u>\$ 91,248,698</u>	<u>\$ 28,059,469</u>	<u>\$ 119,308,167</u>

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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.

Redevelopment Agency Special Revenue Fund – This fund is used to account for the operating costs of the Redevelopment Agency and for the tax increment monies to be expended for low and moderate income housing purposes.

Redevelopment Agency Debt Service Fund – This fund is used to account for the accumulation of resources used for the payment of principal and interest on the Redevelopment Agency tax allocation bonds and notes payable.

Hercules Public Financing Authority Debt Service Fund - This fund is used to account 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 refinancing of the original City Hall debt issue and to generate additional resources to assist in the construction of a new library building.

Redevelopment Agency Capital Projects Fund – This fund is used to account for major capital projects undertaken by the Redevelopment Agency.

Other Governmental Funds – These funds are special revenue funds, a capital projects fund, and a debt service fund that have not been determined to be major funds, as defined by GASB Statement No. 34.

CITY OF HERCULES
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2009

	<u>General</u> <u>Fund</u>	<u>Redevelopment Agency Special Revenue Fund</u>	<u>Redevelopment Agency Debt Service Fund</u>
ASSETS			
Cash and investments	\$ 1,379,333	\$ -	\$ 5,468,949
Cash and investments with fiscal agent			69,994,761
Accounts receivable	688,623	1,697	
Interest receivable	252,354	362,966	29,273
Deposits receivable	365,300		
Prepaid expenditures	97,803		
Due from other funds	10,418,827		
Loans receivable	250,000	11,145,878	
Lease receivable	10,010,827		
Land held for resale		852,528	
Advances to other funds	18,890,055		
Total assets	<u>\$ 42,353,122</u>	<u>\$ 12,363,069</u>	<u>\$ 75,492,983</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 472,772	\$ 43,438	\$ 171,119
Accrued wages	451,596	26,534	
Deposits payable	70,739		
Claims and judgments payable	30,329		
Deferred revenue	10,535,226	11,508,844	
Due to other funds		1,207,524	7,546,546
Advances from other funds	5,714,839		14,651,725
Total liabilities	<u>17,275,501</u>	<u>12,786,340</u>	<u>22,369,390</u>
Fund Balances:			
Reserved:			
Debt service			
Capital projects			67,869,946
Advances to other funds	18,890,055		
Prepaid expenditures	97,803		
Petty cash	2,455		
Land held for resale		852,528	
Future commitments	702,965		
Unreserved, designated reported in:			
General Fund	5,384,343		
Special Revenue Funds			
Capital Projects Fund			
Unreserved, undesignated reported in:			
Special Revenue Funds		(1,275,799)	
Capital Projects Fund			
Debt Service Fund			(14,746,353)
Total fund balances	<u>25,077,621</u>	<u>(423,271)</u>	<u>53,123,593</u>
Total liabilities and fund balances	<u>\$ 42,353,122</u>	<u>\$ 12,363,069</u>	<u>\$ 75,492,983</u>

The notes to the financial statements are an integral part of this statement.

Hercules Public Financing Authority Debt Service Fund	Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total
\$ -	\$ -	\$ 13,693,824	\$ 20,542,106
1,532,311		5,398,728	71,527,072
			6,089,048
			644,593
			365,300
			97,803
	6,561,063	317,417	17,297,307
			11,395,878
			10,010,827
	3,862,040		4,714,568
12,068,184	5,399,758	2,992,943	39,350,940
<u>\$ 13,600,495</u>	<u>\$ 15,822,861</u>	<u>\$ 22,402,912</u>	<u>\$ 182,035,442</u>
\$ 4,264	\$ 1,699,239	\$ 520,853	\$ 2,911,685
		18,949	497,079
			70,739
			30,329
			22,044,070
131,851	8,814,012	5,128,984	22,828,917
	23,721,046		44,087,610
<u>136,115</u>	<u>34,234,297</u>	<u>5,668,786</u>	<u>92,470,429</u>
1,396,196			1,396,196
			67,869,946
12,068,184	5,399,758	2,992,943	39,350,940
			97,803
			2,455
	3,862,040		4,714,568
		175,247	878,212
			5,384,343
		10,084,714	10,084,714
		1,389,226	1,389,226
		2,091,996	816,197
	(27,673,234)		(27,673,234)
			(14,746,353)
<u>13,464,380</u>	<u>(18,411,436)</u>	<u>16,734,126</u>	<u>89,565,013</u>
<u>\$ 13,600,495</u>	<u>\$ 15,822,861</u>	<u>\$ 22,402,912</u>	<u>\$ 182,035,442</u>

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CITY OF HERCULES
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 89,565,013

In the governmental funds balance sheet, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 176,527,047	
Accumulated depreciation	<u>(43,168,997)</u>	133,358,050

In the governmental funds balance sheet, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. (2,802,873)

In governmental funds balance sheet, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.

Issuance costs	4,796,068	
Accumulated amortization	<u>(428,432)</u>	4,367,636

Internal service funds are used by management to charge the costs of certain activities, such as replacement and maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 2,945,167

Long-term liabilities: In the governmental funds balance sheet, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported.

Long-term liabilities relating to governmental activities consist of:

2005 Tax Allocation Bonds	(52,180,000)	
Premium on 2005 Tax Allocation Bonds	(1,885,840)	
Deferred loss on refunding for the 2005 Tax Allocation Bonds	252,340	
2007 Housing Tax Allocation Bonds, Series A	(12,910,000)	
2007 Housing Tax Allocation Bonds, Series B	(12,525,000)	
Premium on 2007 Housing Tax Allocation Bonds, Series B	(75,514)	
2007 Tax Allocation Bonds	(58,410,000)	
2003A PFA Lease Revenue Bonds	(6,630,000)	
2003B PFA Lease Revenue Bonds	(8,250,000)	
Long-term Notes Payable	(452,949)	
H.E.L.P Loan	(1,600,000)	
Suntrust Lease	(2,029,317)	
Other Post-employment Benefits (OPEB) Obligation	(209,641)	
Compensated Absences Payable	<u>(622,444)</u>	(157,528,365)

In the governmental funds balance sheet, accounts receivable, certain loans receivable and lease receivable are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue. Also, accrued interest on notes receivable has not been reported in the governmental funds.

Loans receivable	\$ 11,758,844	
Lease receivable including accrued interest	10,200,141	
Accounts receivable	85,085	
Allowance for uncollectible loan	<u>(700,000)</u>	<u>21,344,070</u>

TOTAL NET ASSETS, GOVERNMENTAL ACTIVITIES \$ 91,248,698

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULES
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2009

	General Fund	Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund
Revenues:			
Taxes and assessments	\$ 5,478,257	\$ 12,750,860	\$ -
Licenses and permits	491,663		
Fines and forfeitures	146,835		
Use of money and property	2,186,842	(82,474)	2,123,455
Intergovernmental revenues	1,930,293		
Program income		318,192	
Charges for services	2,045,876	47,434	
Lease revenue	69,173		
Other revenues	2,389,350	42,046	
Total revenues	<u>14,738,289</u>	<u>13,076,058</u>	<u>2,123,455</u>
Expenditures:			
Current:			
General government	5,205,822		
Public safety	6,224,560		
Streets and public works	696,905		
Parks and recreation	2,750,925		
Community development	1,300,911	8,730,715	2,764,615
Lease expense	1,095,837		
Capital outlay			
Debt service:			
Principal			4,107,244
Interest and fiscal agent fees			7,341,043
Total expenditures	<u>17,274,960</u>	<u>8,730,715</u>	<u>14,212,902</u>
Excess of revenues over (under) expenditures	<u>(2,536,671)</u>	<u>4,345,343</u>	<u>(12,089,447)</u>
Other Financing Sources (Uses):			
Proceeds from issuance of long-term debt			
Transfers in	1,048,070	1,217,987	25,345,445
Transfers out	(155,460)	(13,293,848)	(45,617,193)
Total other financing sources (uses)	<u>892,610</u>	<u>(12,075,861)</u>	<u>(20,271,748)</u>
Net changes in fund balances	<u>(1,644,061)</u>	<u>(7,730,518)</u>	<u>(32,361,195)</u>
Fund balances - July 1, 2008	26,499,885	7,307,247	85,484,788
Prior period adjustments	221,797		
Fund balances - July 1, 2008, restated	<u>26,721,682</u>	<u>7,307,247</u>	<u>85,484,788</u>
Fund balances - June 30, 2009	<u>\$ 25,077,621</u>	<u>\$ (423,271)</u>	<u>\$ 53,123,593</u>

The notes to the financial statements are an integral part of this statement.

Hercules Public Financing Authority Debt Service Fund	Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Totals
\$ -	\$ -	\$ 1,947,495	\$ 20,176,612
			491,663
			146,835
596,090	49,688	1,040,104	5,913,705
		6,261,910	8,192,203
			318,192
		1,513,521	3,606,831
320,000			389,173
		634	2,432,030
<u>916,090</u>	<u>49,688</u>	<u>10,763,664</u>	<u>41,667,244</u>
			5,205,822
			6,224,560
		2,189,805	2,886,710
			2,750,925
		47,117	12,843,358
			1,095,837
	31,029,330	2,989,085	34,018,415
320,000		105,360	4,532,604
586,891	746,990	125,303	8,800,227
<u>906,891</u>	<u>31,776,320</u>	<u>5,456,670</u>	<u>78,358,458</u>
<u>9,199</u>	<u>(31,726,632)</u>	<u>5,306,994</u>	<u>(36,691,214)</u>
		453,293	453,293
	32,145,806	2,066,983	61,824,291
(211,873)		(8,693,939)	(67,972,313)
<u>(211,873)</u>	<u>32,145,806</u>	<u>(6,173,663)</u>	<u>(5,694,729)</u>
<u>(202,674)</u>	<u>419,174</u>	<u>(866,669)</u>	<u>(42,385,943)</u>
7,303,226	5,086,540	14,683,952	146,365,638
6,363,828	(23,917,150)	2,916,843	(14,414,682)
<u>13,667,054</u>	<u>(18,830,610)</u>	<u>17,600,795</u>	<u>131,950,956</u>
<u>\$ 13,464,380</u>	<u>\$ (18,411,436)</u>	<u>\$ 16,734,126</u>	<u>\$ 89,565,013</u>

CITY OF HERCULES
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES \$ (42,385,943)

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures added back to fund balances	34,018,415
Depreciation expense not reported in governmental funds	(3,077,969)
Contributed capital not reported in governmental funds	384,791

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but are deferred and amortized throughout the period during which the related debt is outstanding in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but in the statement of net assets the repayment reduces long-term liabilities.

Proceeds from issuance of long-term debt	(453,293)
Repayment of debt principal is added back to fund balances	4,532,604
Amortization expense of costs of issuance not reported in governmental funds	(154,415)
Amortization of premium and deferred loss on refunding	65,973

Other postemployment benefits payable was added to the Statement of Net Assets in the current period, due to implementation of GASB Statement No. 45. This is the amount of the change in the payable in the current period. (209,641)

The amounts below, included in the Statement of Activities, do not provide (require) the use of current financial resources and therefore, are not reported as revenue or expenditures in governmental funds (net change):

Interest payable	50,017
Compensated absences	(85,718)

Certain revenues are offset by deferred revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which prior year deferred revenue exceeded current year, including the \$700,000 allowance for an uncollectible loan. 12,663,141

Dispositions of capital assets result in no gain or loss on the governmental funds statements. However, on the statement of activities, gains and losses on sales and dispositions are reported. (15,075,022)

Internal service funds are used by management to charge the costs of certain activities, such as replacement and maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities. 414,121

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (9,312,939)

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

Sewer 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.

Hercules Municipal Utilities Fund – This fund accounts for the operations of the City’s electric utility that provides electrical power to areas of new development within Hercules’ city limits.

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

CITY OF HERCULES
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Enterprise Funds</u>		<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer Fund</u>	<u>Hercules Municipal Utility Fund</u>		
ASSETS				
Current Assets:				
Cash and investments	\$ 619,433	\$ -	\$ 619,433	\$ 2,061,909
Accounts receivable - net		402,642	402,642	160
Due from other funds		5,531,610	5,531,610	
Advance to other funds	8,975,000		8,975,000	
Inventory		257,279	257,279	
Total Current Assets	<u>9,594,433</u>	<u>6,191,531</u>	<u>15,785,964</u>	<u>2,062,069</u>
Capital Assets:				
Nondepreciable:				
Land	150,000		150,000	
Construction in progress	4,566,697	120,739	4,687,436	
Total Nondepreciable Capital Assets	<u>4,716,697</u>	<u>120,739</u>	<u>4,837,436</u>	
Depreciable:				
Buildings and improvements	11,278,754		11,278,754	
Infrastructure	2,111,257	8,919,666	11,030,923	
Machinery and equipment	46,673	42,878	89,551	2,845,058
Total Depreciable Capital Assets	<u>13,436,684</u>	<u>8,962,544</u>	<u>22,399,228</u>	<u>2,845,058</u>
Less Accumulated Depreciation	<u>(8,463,759)</u>	<u>(755,773)</u>	<u>(9,219,532)</u>	<u>(1,651,041)</u>
Net Depreciable Capital Assets	<u>4,972,925</u>	<u>8,206,771</u>	<u>13,179,696</u>	<u>1,194,017</u>
Net Capital Assets	<u>9,689,622</u>	<u>8,327,510</u>	<u>18,017,132</u>	<u>1,194,017</u>
Total Noncurrent Assets	<u>9,689,622</u>	<u>8,327,510</u>	<u>18,017,132</u>	<u>1,194,017</u>
Total Assets	<u>\$ 19,284,055</u>	<u>\$ 14,519,041</u>	<u>\$ 33,803,096</u>	<u>\$ 3,256,086</u>

(continued)

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULES
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	<u>Enterprise Funds</u>		<u>Totals</u>	<u>Governmental</u>
	<u>Sewer Fund</u>	<u>Hercules Municipal Utility Fund</u>		<u>Activities- Internal Service Funds</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 218,990	\$ 1,230,507	\$ 1,449,497	\$ 269,714
Accrued wages	4,616	21,475	26,091	16,324
Total Current Liabilities	<u>223,606</u>	<u>1,251,982</u>	<u>1,475,588</u>	<u>286,038</u>
Noncurrent Liabilities:				
Advances from other funds		4,238,330	4,238,330	
Compensated absences	9,859	19,850	29,709	24,881
Total Noncurrent Liabilities	<u>9,859</u>	<u>4,258,180</u>	<u>4,268,039</u>	<u>24,881</u>
Total Liabilities	<u>233,465</u>	<u>5,510,162</u>	<u>5,743,627</u>	<u>310,919</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,689,622	8,327,510	18,017,132	1,194,017
Unrestricted	9,360,968	681,369	10,042,337	1,751,150
Total Net Assets	<u>\$ 19,050,590</u>	<u>\$ 9,008,879</u>	<u>\$ 28,059,469</u>	<u>\$ 2,945,167</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULES
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	<u>Enterprise Funds</u>		<u>Totals</u>	<u>Governmental</u>
	<u>Sewer Fund</u>	<u>Hercules Municipal Utility Fund</u>		<u>Activities- Internal Service Funds</u>
Operating Revenues:				
Sales and charges for services	\$ 3,769,996	\$ 2,324,452	\$ 6,094,448	\$ 770,808
Other operating revenue	45,005	29,421	74,426	
Total Operating Revenues	<u>3,815,001</u>	<u>2,353,873</u>	<u>6,168,874</u>	<u>770,808</u>
Operating Expenses:				
Contractual services	239,946	101,928	341,874	
Maintenance and operation	2,028,024	881,960	2,909,984	
Purchase of electricity		1,736,116	1,736,116	
Administration	235,218	221,174	456,392	911,400
Depreciation and amortization	254,245	226,164	480,409	276,965
Total Operating Expenses	<u>2,757,433</u>	<u>3,167,342</u>	<u>5,924,775</u>	<u>1,188,365</u>
Operating Income (Loss)	<u>1,057,568</u>	<u>(813,469)</u>	<u>244,099</u>	<u>(417,557)</u>
Non-Operating Revenues (Expenses):				
Investment income (loss)	348,773	(23,448)	325,325	9,622
Reimbursements		411,053	411,053	
Interest expense		(100,915)	(100,915)	
Gain (loss) on sale of capital assets		(11,189)	(11,189)	
Fees and taxes		(207,580)	(207,580)	
Total Non-Operating Revenue(Expenses)	<u>348,773</u>	<u>67,921</u>	<u>416,694</u>	<u>9,622</u>
Income (Loss) Before Transfers	<u>1,406,341</u>	<u>(745,548)</u>	<u>660,793</u>	<u>(407,935)</u>
Transfers:				
Transfers in		5,611,631	5,611,631	822,056
Transfers out	(89,112)	(196,553)	(285,665)	
Change in Net Assets	<u>1,317,229</u>	<u>4,669,530</u>	<u>5,986,759</u>	<u>414,121</u>
Net Assets, July 1, 2008	8,758,361	(1,100,333)	7,658,028	2,531,046
Prior period adjustments	8,975,000	5,439,682	14,414,682	
Net Assets, July 1, 2008, restated	<u>17,733,361</u>	<u>4,339,349</u>	<u>22,072,710</u>	<u>2,531,046</u>
Net Assets, June 30, 2009	<u>\$ 19,050,590</u>	<u>\$ 9,008,879</u>	<u>\$ 28,059,469</u>	<u>\$ 2,945,167</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULES
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009

	<u>Enterprise Funds</u>		<u>Totals</u>	<u>Governmental</u>
	<u>Sewer Fund</u>	<u>Hercules Municipal Utility Fund</u>		<u>Activities - Internal Service Funds</u>
Cash Flows from Operating Activities:				
Receipts from customers	\$ 3,827,483	\$ 2,307,997	\$ 6,135,480	\$ 770,648
Payments to suppliers and users	(2,711,507)	(7,678,122)	(10,389,629)	(363,750)
Payments to employees	(209,655)	(159,765)	(369,420)	(364,258)
Net Cash Provided (Used) by Operating Activities	<u>906,321</u>	<u>(5,529,890)</u>	<u>(4,623,569)</u>	<u>42,640</u>
Cash Flows from Non-Capital Financing Activities:				
Fees and taxes		(207,580)	(207,580)	
Reimbursements		411,053	411,053	
Transfers in		5,611,631	5,611,631	822,056
Transfers out	(89,112)	(196,553)	(285,665)	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(89,112)</u>	<u>5,618,551</u>	<u>5,529,439</u>	<u>822,056</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(1,174,500)	(279,379)	(1,453,879)	(526,313)
Interest paid on debt		(100,915)	(100,915)	
Advances from the City of Hercules		315,081	315,081	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,174,500)</u>	<u>(65,213)</u>	<u>(1,239,713)</u>	<u>(526,313)</u>
Cash Flows from Investing Activities:				
Interest received	348,773	(23,448)	325,325	9,622
Net Cash Provided (Used) by Investing Activities	<u>348,773</u>	<u>(23,448)</u>	<u>325,325</u>	<u>9,622</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,518)		(8,518)	348,005
Cash and Cash Equivalents, July 1, 2008	<u>627,951</u>		<u>627,951</u>	<u>1,713,904</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 619,433</u>	<u>\$ -</u>	<u>\$ 619,433</u>	<u>\$ 2,061,909</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets				
Cash and investments	<u>\$ 619,433</u>	<u>\$ -</u>	<u>\$ 619,433</u>	<u>\$ 2,061,909</u>
Total Cash and Investments	<u>\$ 619,433</u>	<u>\$ -</u>	<u>\$ 619,433</u>	<u>\$ 2,061,909</u>

(continued)

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULES
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009

	<u>Enterprise Funds</u>		<u>Totals</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Hercules</u>		<u>Activities-</u>
	<u>Fund</u>	<u>Municipal</u>		<u>Internal</u>
		<u>Utility</u>		<u>Service</u>
		<u>Fund</u>		<u>Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,057,568	\$ (813,469)	\$ 244,099	\$ (417,557)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	254,245	226,164	480,409	276,965
(Increase) Decrease in Operating Assets:				
Accounts receivable	12,482	(45,876)	(33,394)	(160)
Inventory		9,991	9,991	
Due from other funds		(5,482,021)	(5,482,021)	
Increase (Decrease) in Operating Liabilities:				
Accounts payable	(419,515)	106,710	(312,805)	177,520
Accrued wages	417	231	648	2,862
Compensated absences	1,124	469	1,593	3,010
Advances from other funds		467,911	467,911	
Net Cash Provided (Used) by Operating Activities	<u>\$ 906,321</u>	<u>\$ (5,529,890)</u>	<u>\$ (4,623,569)</u>	<u>\$ 42,640</u>

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

Pension Trust Fund is used to account for funds set aside by the City each year to pre-fund future medical expenses for retired police officers.

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

CITY OF HERCULES
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2009

	Pension Trust Fund	Total Agency Funds
ASSETS		
Cash and investments	\$ 425,241	\$ 7,900,503
Cash and investments with fiscal agent		2,182,557
Accounts receivable	11,541	394,579
Total Assets	436,782	10,477,639
LIABILITIES		
Liabilities:		
Accounts payable		796,161
Compensated absences		12,635
Deposits payable		9,668,843
Total Liabilities		10,477,639
NET ASSETS		
Unrestricted	436,782	
Total Net Assets	\$ 436,782	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULES
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2009

	Pension Trust Fund
Additions:	
Investment revenue	\$ 32,661
Contribution from general fund	<u>216,000</u>
Total additions	<u>248,661</u>
Deductions:	
Employee benefits	<u>18,954</u>
Total deductions	<u>18,954</u>
Change in net assets	229,707
Net Assets - July 1, 2008	<u>207,075</u>
Net Assets - June 30, 2009	<u><u>\$ 436,782</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Hercules (City) was incorporated under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City uses the City Council/Manager form of government. The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The following is a brief review of the component units included in the accompanying basic financial statements of the City.

Hercules Redevelopment Agency

The Hercules Redevelopment Agency (Agency) was established in 1983. It is responsible for the rehabilitation and economic revitalization of certain areas within the City. The Agency provides services entirely for the benefit of the City of Hercules. The governing body is substantially the same as the primary government and the City and the component unit are financially interdependent; hence, the unit is blended with the primary government.

Hercules Public Financing Authority

The Hercules Public Financing Authority (Authority) was established July 24, 2001, by and between the City and the Agency, 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.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14 as amended by GASB Statement No. 39. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The Agency and the Authority have been accounted for as "blended" component units of the City. Despite being legally separate, the entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City.

Separate detailed financial statements are available for the above component units from the City's Finance Department.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized and operated on the basis of funds, each of which is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. These funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Measurement Focus, Continued

Government-wide Financial Statements

The Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-type Activities for the City accompanied by a total column. Fiduciary Activities of the City are not included in these statements.

The basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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. The types of transactions reported as program revenues for the City are reported in three categories:

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- > Advances to/from other funds
- > Transfers in/out
- > Due to/from

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-wide financial statements. The City has presented all major funds that met the qualifications for major fund reporting.

The following are the description of the major 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.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

The following are the description of the major funds: (Continued)

Redevelopment Agency Special Revenue Fund accounts for the operating costs of the Redevelopment Agency and for the tax increment monies to be expended for low and moderate income housing purposes.

Redevelopment Agency Debt Service Fund accounts for the accumulation of resources used for the payment of principal and interest on the Redevelopment Agency tax allocation bonds and notes payable.

Hercules Public Financing Authority 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.

Redevelopment Agency Capital Projects Fund accounts for major capital projects undertaken by the Redevelopment Agency.

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 and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. 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. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Reconciliations of the Governmental Fund Financial Statements to the Government-wide Financial Statements are provided to explain the differences created by the integrated approach.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows for each proprietary fund. A 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.

Sewer 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.

Hercules Municipal Utility Fund accounts for the operations of the City’s electric utility that provides electrical power to areas of new development within Hercules’ city limits.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

Internal Service Funds accounts for activities related to vehicle replacement, IT equipment replacement, and facilities maintenance.

All proprietary fund types are accounted for on an “economic resources” measurement focus and accrual basis of accounting. Accordingly, all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and expenses are recognized in the accounting period incurred.

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

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City’s Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. When these assets are held under the terms of a formal trust agreement, a pension trust fund is used. The City’s fiduciary funds represent agency funds and Pension trust funds and are accounted for using the “*economic resources*” measurement focus. The Pension trust funds are used to account for resources legally held in trust for special purposes. The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Pension trust funds are accounted for using the accrual basis of accounting. The City maintains ten fiduciary funds – Pension Trust Fund, Westcat Transit Fund, West Contra Costa Integrated Waste Management Authority Fund, Reassessment District 91-1 Debt Service Fund, Reassessment District 05-1 Debt Service Fund, A. Nobel Reassessment Debt Service Fund, Taylor Woodrow Maintenance LMOD Fund, Hercules Community Library Fund, Hercules Golf Club Fund, and Pinole/Hercules Wastewater Treatment Plant Fund.

C. Cash and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB Statement No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas: Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentrations of Credit Risk.

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

The City has implemented GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are not readily available. Interest earned on investments is allocated using the Local Agency Investment Fund (LAIF) factor to selected funds by the City.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Cash and Investments, Continued

The City participates in an investment pool LAIF, which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying basic financial statements.

D. Capital Assets

Capital assets including infrastructure capital assets were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded.

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. City policy has set the capitalization thresholds for reporting capital assets at the following:

General Capital Assets	\$ 2,500
Infrastructure Capital Assets	\$ 5,000

Depreciation is recorded on a straight-line method (with half-year convention applied to the first year of acquisition) over the useful lives of the assets as follows:

Buildings and improvements	15 – 50 years
Land improvements	20 years
Machinery and equipment	5 – 20 years
Infrastructure	15 – 50 years

The Governmental Accounting Standards Board (GASB) Statement No. 34 requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure capital assets into its Basic Financial Statements.

The City defines infrastructure assets 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 the 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.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Capital Assets, Continued

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date was computed on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

Interest accrued during capital assets construction, if any, is capitalized for the business-type activities and proprietary funds as part of the asset cost.

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Capital assets acquired or constructed for proprietary funds are capitalized in their respective individual funds.

E. Long-Term Obligations

In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

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.

F. Compensated Absences

Compensated absences are comprised of unpaid vacation and compensated time off. The City accrues the costs of these absences when they are earned. For governmental funds, compensated absences are recorded as current and non-current liabilities only on the government-wide financial statements. For proprietary funds, current and non-current liabilities for compensated absences are recorded as expenses in both the Government-wide Financial Statements and the Fund Financial Statements.

G. Net Assets

In the Government-wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted for Debt Service represents amounts accumulated in accordance with a bond indenture or similar covenant.

Restricted for Special Projects and Programs represents funds designated for the completion of future projects.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets” as defined above.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Net Assets, Continued

In the Fund Financial Statements, reservations of fund balances of governmental funds and net assets of proprietary funds are created to either satisfy legal covenants, including state laws, that require a portion of the fund balance be segregated or identify the portion of the fund balance not available for future expenditures.

Reserved for Debt Service represents funds which legally may only be used for debt service payments.

Reserved for Advances to Other Funds represents funds that are to be received from other funds on a long-term basis.

Reserved for Prepaid Expenditures and Petty Cash is provided to indicate that petty cash and prepaid costs are not “available” as a resource to meet expenditures of the current year.

Reserved for Future Commitments represents funds that are reserved for future miscellaneous commitments (encumbrances).

Reserved for Capital Projects represents the portion of fund balance that are reserved for capital projects per debt agreements.

Reserved for Land Held for Resale represents amounts provided to indicate that land held for resale is not “available” as a resource to meet expenditures of the current year.

H. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City’s policy is to apply restricted net assets first.

I. Property Taxes, Tax Increment and Special Assessment Revenue

Revenue is recognized in the fiscal year for which the tax and assessment is levied. 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.

	<u>Secured Property Tax</u>	<u>Unsecured Property Tax</u>
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

J. Use of Estimates

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

K. New Accounting Pronouncements

The City implemented the requirements of GASB Statements No. 45, No. 49, No. 52, No. 55, and No. 56 during the fiscal year ended June 30, 2009.

Governmental Accounting Standards Board Statement No. 45

For the fiscal year ended June 30, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”. This Statement is effective for periods beginning after December 15, 2007 for a Phase 2 government (1999 total revenues less the \$100 million and more than \$10 million). This Statement establishes standards for accounting and financial reporting for state and local government employers that offer “Other Postemployment Benefits” (OPEB) and requires accrual basis measurement and recognition of OPEB expenses

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. New Accounting Pronouncements, Continued

Governmental Accounting Standards Board Statement No. 45, Continued

and liabilities that will result in recognition of expenses over periods that approximate employees' years of service.

Governmental Accounting Standards Board Statement No. 49

For the fiscal year ended June 30, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." The Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of net assets, such as landfill closure and postclosure care and nuclear power plant decommissioning.

Governmental Accounting Standards Board Statement No. 52

For the fiscal year ended June 30, 2009, the City implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". The Statement is effective for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

Governmental Accounting Standards Board Statement No. 55

For the fiscal year ended June 30, 2009, the City implemented GASB Statement No. 55, "The hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

Governmental Accounting Standards Board Statement No. 56

For the fiscal year ended June 30, 2009, the City implemented GASB Statement No. 56, "Codification of Accounting and Financing Reporting Guidance Contained in the AICPA Statements of Auditing Standards". The Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool for all funds. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled.

Statement of Net Assets:	
Cash and investments	\$ 23,223,448
Cash and investments with fiscal agents	71,527,072
Statement of Fiduciary Net Assets:	
Cash and investments	8,325,744
Cash and investments with fiscal agents	<u>2,182,557</u>
Total	<u><u>\$ 105,258,821</u></u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 2,705
Deposits with financial institutions	734,400
Investments	<u>104,521,716</u>
Total	<u><u>\$ 105,258,821</u></u>

Investments Authorized by the California Government code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City of Hercules by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that addresses 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	\$40 million	\$40 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 Deposit	5 years	30%	\$100,000
Non-negotiable Time Certificates of Deposit	5 years	30%	\$100,000
Federally insured Time Deposits	1 year	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

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

2. CASH AND INVESTMENTS, CONTINUED

Investments Authorized by Debt Agreements

Investment of debt proceeds held by trustees is 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 trustee. The table also identifies certain provisions of the debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
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 Deposit	5 years	30%	None
Non-negotiable Time Certificates of Deposit	5 years	30%	None
Federally insured Time Deposits	1 year	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	None
Guaranteed Investment Contracts	N/A	None	None

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, 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 flows and liquidity needed for operations.

Disclosures Relating to Interest Rate Risk

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:

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

2. CASH AND INVESTMENTS, CONTINUED

Disclosures Relating to Interest Rate Risk, Continued

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
State Investment Pool	\$ 20,474,101	\$ 20,474,101	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	1,192,944	989,935			203,009		
U.S. Agency Securities	8,165,592	17,867		582,757	487,348	4,768,709	2,308,911
Money Market Funds	6,360	6,360					
Medium-Term Notes	973,090			973,090			
Held by debt trustees:							
Money Market Funds	71,440,841	71,440,841					
Guaranteed Investment Contracts	736,543	736,543					
State Investment Pool	1,532,245	1,532,245					
	<u>\$ 104,521,716</u>	<u>\$ 95,197,892</u>	<u>\$ -</u>	<u>\$ 1,555,847</u>	<u>\$ 690,357</u>	<u>\$ 4,768,709</u>	<u>\$ 2,308,911</u>

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:

<u>Maturity</u>	<u>% of Portfolio</u>
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, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 20,474,101	N/A	\$ -	\$ -	\$ -	\$ -	\$ 20,474,101
Certificates of Deposit	1,192,944	N/A					1,192,944
U.S. Agency Securities	8,165,592			8,165,592			
Money Market Fund	6,360			6,360			
Medium Term Notes	973,090				973,090		
Held by debt trustees:							
Money Market Funds	71,440,841	N/A		71,440,841			
Guaranteed Investment Contracts	736,543	N/A					736,543
State Investment Pool	1,532,245	N/A					1,532,245
Total	<u>\$ 104,521,716</u>		<u>\$ -</u>	<u>\$ 79,612,793</u>	<u>\$ 973,090</u>	<u>\$ -</u>	<u>\$ 23,935,833</u>

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

2. CASH AND INVESTMENTS, CONTINUED

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are three (3) investments that represent more than 5% of total City investments (Local Agency Investment Fund, American Beacon Inc. Money Market Funds, and Federated Treasury Obligation Money Market Fund.).

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 following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2009, \$1,482,221 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

The City's investments are carried at fair value as required by accounting principles generally accepted in the United States of America. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and it includes the effects of these adjustments in investment income for that fiscal year.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The LAIF fair value factor of 1.001364207 was used to calculate the fair value of the investments in LAIF. The fair value factor was applied to selected funds by the City.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

3. LOANS RECEIVABLE

Loans Receivable

Loans receivable at June 30, 2009, consisted of the following:

Bridge Housing Corporation	\$ 1,762,566
Eden Housing	700,000
Radston's Office Plus	250,000
First Time Homebuyers	3,496,740
Affordable Housing	3,898,284
Business Development Loans	1,388,159
Home Emergency Loans	13,095
Employee Loans	<u>250,000</u>
Subtotal	11,758,844
Less: Reported as interest receivable	362,966
Allowance for uncollectible loan	<u>700,000</u>
Total	<u><u>\$ 10,695,878</u></u>

A. Bridge Housing Corporation

The City loaned the Bridge Housing Corporation (Corporation) \$1,400,000 to finance construction of a sixty unit senior citizen housing development next to City Hall. On September 8, 1998, the City approved an addition to the loan of \$114,600 for a total of \$1,514,600. On January 1, 1999, the loan began to accrue interest at the rate of 3.5% per year and is repayable in 2041, subject to certain conditions. The construction was completed in September 1999. On March 2, 2000, the Corporation repaid \$115,000 to the City. As of June 30, 2009, the Corporation's loan balance was \$1,762,566, which includes \$362,966 of interest presented as interest receivable.

B. Eden Housing Loan

On July 1, 2002, the City loaned Eden Housing, Inc. \$700,000 to assist in the development of low and moderate income housing for senior citizens. The loan does not bear interest. The repayment of the loan is only due and payable if a default has been declared by the City and the borrower fails to cure the default. Upon expiration of the 55-year Regulatory Agreement, the loan will be forgiven and the promissory note will be cancelled by the City. The balance outstanding as of June 30, 2009 was \$700,000. An allowance of \$700,000 has been established for this loan, due to its terms.

C. Radston's Office Plus

On December 5, 2000, the City entered into a promissory note agreement with the Radston's Office Plus (Payors) in the amount of \$250,000 with interest at 5% per annum. All principal and interest is deferred until December 5, 2010. Commencing on December 5, 2010, the Payors shall pay a lump-sum cash amount of \$125,000 which represents all deferred and unpaid interest only. The principal balance of \$250,000 will be fully amortized and paid over the next ten years at \$2,652 per month, principal and interest, commencing on December 5, 2010. The loan is secured by a Deed of Trust on real property. As of June 30, 2009, the outstanding balance of the loan was \$250,000.

D. First Time Homebuyers

The City has provided various loan programs for First Time Homebuyers. In general, they provide secondary financing for low and moderate buyers in the City of Hercules that have deferred payments in order to allow the buyer to maximize their purchasing capacity. The loans have a repayment period of 20 years and payment is deferred in the first 10 years of the loans. The loans have a simple interest rate of 3%, which will not be accrued during the deferred period. The balance outstanding as of June 30, 2009 was \$3,496,740.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

3. LOANS RECEIVABLE, CONTINUED

E. Affordable Housing Loans

The City has provided various loan programs for Affordable Housing assistance. The first is the Below Market Rate Program, which provides secondary financing for low to moderate income persons who currently earn less than one hundred twenty percent of the current annual median income for the Contra Costa County area. This is available to City employees as well. The repayment period varies from 10 to 30 years with a deferred period of 10 to 20 years and no interest will be accrued. The second is the Rehabilitation and Beautification Program, which provides financial assistance to rehabilitate properties. Borrowers are individuals and families who currently earn less than one hundred twenty percent of the current annual median income for the Contra Costa County area. The loans have a repayment period of 20 years and payment is deferred in the first 10 years of the loan. The loans have a simple interest rate of 3%, which will not be accrued during the deferred period. The balance outstanding of the Affordable Housing Assistance loans as of June 30, 2009 was \$3,898,284.

F. Employee Loan

The City loaned \$250,000 to the City Manager for the purchase of a residence within the City of Hercules. The loan is to be repaid from the proceeds of the sale of the house with no interest when the contract between the City and the City Manager is terminated. The balance outstanding as of June 30, 2009 was \$250,000.

G. Home Emergency Loans

On September 19, 2002, the City entered into several home emergency loans in various amounts with interest at 5% per annum. The principal amount of the loans including interest is to be due and payable in one lump sum if the owners cease to occupy the property or upon any transfer, refinance, sale, or conveyance of all or a part of the property. The balance outstanding as of June 30, 2009 was \$13,095.

H. Business Development Loans

The City and Agency established the Business Development Loan Program (BDLP) to provide low cost financial assistance to businesses within the City of Hercules. The BDLP offers a secured loan of up to \$75,000, a term not greater than 20 years, and a simple interest rate of 3% per annum. All applicants are evaluated and prioritized according to established program criteria and if funded are subject to various terms, conditions, and fees. These fees will be deducted from the final loan award by the escrow administrator at the time of funding. The balance outstanding as of June 30, 2009 was \$1,388,159.

4. DEFERRED REVENUE

Fund Financial Statements

At June 30, 2009, the following deferred revenues were recorded in the Governmental Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Loans Receivable:	
Bridge Housing Corporation	\$ 1,762,566
Eden Housing	700,000
Radston's Office Plus	250,000
First Time Homebuyers	3,496,740
Affordable Housing	3,898,284
Business Development Loans	1,388,159
Home Emergency Loans	13,095
Employee Loans	250,000
Lease Receivable:	
Capital Lease-Sales Type	10,010,827
Interest	189,314
Accounts Receivable	85,085
Total	\$ 22,044,070

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

5. CAPITAL ASSETS

At June 30, 2009, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Nondepreciable Assets:			
Land	\$ 33,734,373	\$ 150,000	\$ 33,884,373
Construction in progress	29,759,162	4,687,436	34,446,598
Total nondepreciable assets	63,493,535	4,837,436	68,330,971
Depreciable Assets:			
Land improvements	5,482,984		5,482,984
Building and improvements	29,720,754	11,278,754	40,999,508
Machinery and equipment	4,052,122	89,551	4,141,673
Infrastructure	76,622,710	11,030,923	87,653,633
Total depreciable assets	115,878,570	22,399,228	138,277,798
Less accumulated depreciation	(44,820,038)	(9,219,532)	(54,039,570)
Total depreciable assets, net	71,058,532	13,179,696	84,238,228
Total capital assets, net	\$ 134,552,067	\$ 18,017,132	\$ 152,569,199

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Governmental Activities					
Nondepreciable capital assets:					
Land	\$ 21,034,160	\$ 17,563,963	\$ (4,863,750)	\$ -	\$ 33,734,373
Construction in progress	28,858,060	12,712,526	(8,593,942)	(3,217,482)	29,759,162
Total nondepreciable capital assets	49,892,220	30,276,489	(13,457,692)	(3,217,482)	63,493,535
Depreciable capital assets:					
Land improvements	4,622,611	668,696		191,677	5,482,984
Buildings and improvements	26,182,755	2,129,524	(1,617,330) *	3,025,805	29,720,754
Machinery and equipment	3,354,309	697,813			4,052,122
Infrastructure	75,465,713	1,156,997			76,622,710
Total depreciable capital assets	109,625,388	4,653,030	(1,617,330)	3,217,482	115,878,570
Accumulated depreciation:					
Land improvements	(2,056,276)	(338,966)			(2,395,242)
Buildings and improvements	(4,654,581)	(544,393)			(5,198,974)
Machinery and equipment	(2,165,050)	(340,597)			(2,505,647)
Infrastructure	(32,589,197)	(2,130,978)			(34,720,175)
Total accumulated depreciation	(41,465,104)	(3,354,934)			(44,820,038)
Net depreciable capital assets	68,160,284	1,298,096	(1,617,330)	3,217,482	71,058,532
Net capital assets	\$ 118,052,504	\$ 31,574,585	\$ (15,075,022)	\$ -	\$ 134,552,067

* Item was purchased and sold during the same accounting period.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

5. CAPITAL ASSETS, CONTINUED

Depreciation Allocation

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:

General government	\$ 397,647
Public safety	207,737
Public works	2,226,519
Parks and recreation	218,746
Community development	<u>304,285</u>

Total Depreciation Expense-Governmental Activities \$ 3,354,934

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Business-type Activities					
Sewer					
Nondepreciable capital assets:					
Land	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Construction in progress	3,505,543	1,154,991	(93,837)		4,566,697
Total nondepreciable capital assets	<u>3,655,543</u>	<u>1,154,991</u>	<u>(93,837)</u>		<u>4,716,697</u>
Depreciable capital assets:					
Buildings and improvements	11,278,754				11,278,754
Machinery and equipment	46,673				46,673
Infrastructure	1,997,911	113,346			2,111,257
Total depreciable capital assets	<u>13,323,338</u>	<u>113,346</u>			<u>13,436,684</u>
Less accumulated depreciation	<u>(8,209,514)</u>	<u>(254,245)</u>			<u>(8,463,759)</u>
Net depreciable capital assets	<u>5,113,824</u>	<u>(140,899)</u>			<u>4,972,925</u>
Net capital assets	<u>\$ 8,769,367</u>	<u>\$ 1,014,092</u>	<u>\$ (93,837)</u>	<u>\$ -</u>	<u>\$ 9,689,622</u>
Hercules Municipal Utility					
Nondepreciable capital assets:					
Construction in progress	\$ 21,170	\$ 110,758	\$ (11,189)	\$ -	\$ 120,739
Total nondepreciable capital assets	<u>21,170</u>	<u>110,758</u>	<u>(11,189)</u>		<u>120,739</u>
Depreciable capital assets:					
Machinery and equipment	40,119	2,759			42,878
Infrastructure	8,753,804	165,862			8,919,666
Total depreciable capital assets	<u>8,793,923</u>	<u>168,621</u>			<u>8,962,544</u>
Less accumulated depreciation	<u>(547,609)</u>	<u>(208,164)</u>			<u>(755,773)</u>
Net depreciable capital assets	<u>8,246,314</u>	<u>(39,543)</u>			<u>8,206,771</u>
Net capital assets	<u>\$ 8,267,484</u>	<u>\$ 71,215</u>	<u>\$ (11,189)</u>	<u>\$ -</u>	<u>\$ 8,327,510</u>

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

5. CAPITAL ASSETS, CONTINUED

Depreciation Allocation

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Business-Type Activities:	
Sewer	\$ 254,245
Hercules Municipal Utility	208,164
Total Depreciation Expense-Business-type Activities	\$ 462,409

6. INTANGIBLE ASSETS

The City had organization costs which were fully amortized during the fiscal year ended June 30, 2009. The amortization expense for the current fiscal year was \$18,000.

7. COMPENSATED ABSENCES

Compensated absences are comprised of unpaid vacation and compensated time off. The City accrues the cost of these absences when they are earned. The City expects the liability for compensated absences to be utilized and records this liability in the Government-Wide Financial Statements. The City liquidates the majority of governmental activities portion of the liability in the general fund.

	July 1, 2008 Balance	Additions	Reductions	June 30, 2009 Balance	Due Within One Year
Governmental Activities	\$ 558,597	\$ 523,743	\$ (435,015)	\$ 647,325	\$ 420,000
Business-type Activities	28,116	32,177	(30,584)	29,709	
	\$ 586,713	\$ 555,920	\$ (465,599)	\$ 677,034	\$ 420,000

8. LONG-TERM OBLIGATIONS

Long-term liability activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Governmental activities:					
2005 Tax Allocation Bonds	\$ 53,640,000	\$ -	\$ (1,460,000)	\$ 52,180,000	\$ 1,520,000
Premium on 2005 Tax Allocation Bonds	1,958,372		(72,532)	1,885,840	72,532
Deferred loss on refunding for the 2005 Tax Allocation Bonds	(262,045)		9,705	(252,340)	(9,705)
2007 Housing Tax Allocation Bonds, Series A	13,130,000		(220,000)	12,910,000	240,000
2007 Housing Tax Allocation Bonds, Series B	12,760,000		(235,000)	12,525,000	250,000
Premium on 2007 Housing Tax Allocation Bonds, Series B	78,660		(3,146)	75,514	3,146
2007 Tax Allocation Bonds	60,555,000		(2,145,000)	58,410,000	1,130,000
2003A PFA Lease Revenue Bonds	6,760,000		(130,000)	6,630,000	135,000
2003B PFA Lease Revenue Bonds	8,440,000		(190,000)	8,250,000	195,000
Long-term Notes Payable	500,193		(47,244)	452,949	50,476
H.E.L.P Loan	1,146,707	453,293		1,600,000	
Suntrust Lease	2,134,677		(105,360)	2,029,317	110,402
Other Post-employment Benefits		209,641		209,641	
Total long-term obligations	\$ 160,841,564	\$ 662,934	\$ (4,598,577)	\$ 156,905,921	\$ 3,696,851

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

8. LONG-TERM OBLIGATIONS, CONTINUED

2005 Tax Allocation Bonds

On August 5, 2005, the Redevelopment Agency issued Hercules Merged Project Area Tax Allocation Bonds, Series 2005, in the amount of \$56,260,000. The proceeds of the bonds will be used to finance certain public capital improvements within the Agency's Merged Project Area and refund the Agency's Subordinate Tax Allocation Bonds, Series 2001. The Bonds mature annually each August 1 from 2006 to 2035, in amounts ranging from \$740,000 to \$2,960,000 and bear interest at rates ranging from 3.50% to 5.00%. Interest is payable semiannually on February 1 and August 1. The Bonds maturing on or after August 1, 2016, are subject to optional redemption prior to maturity at the option of the Agency on or after August 1, 2015, as a whole or in part, on any interest payment date, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposit in certain funds and accounts, including the reserve account and the revenue account. The balance at June 30, 2009 is \$52,180,000.

Future debt service requirements on the 2005 Tax Allocation bonds are:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 1,520,000	\$ 2,450,645	\$ 3,970,645
2011	1,575,000	2,390,335	3,965,335
2012	1,640,000	2,327,265	3,967,265
2013	1,705,000	2,264,855	3,969,855
2014	1,765,000	2,199,535	3,964,535
2015-2019	10,110,000	9,637,244	19,747,244
2020-2024	8,310,000	7,391,618	15,701,618
2025-2029	10,575,000	5,073,644	15,648,644
2030-2034	13,465,000	3,182,813	16,647,813
2035-2036	1,515,000	113,288	1,628,288
Subtotal	52,180,000	37,031,242	89,211,242
Plus Premium	1,885,840		1,885,840
Total	<u>\$ 54,065,840</u>	<u>\$ 37,031,242</u>	<u>\$ 91,097,082</u>

In connection with the issuance of the 2005 Tax Allocation Bonds, the Agency recorded a deferred loss on refunding of debt which is reported as part of long-term debt. This deferred loss was in connection with interest payments made to the escrow agent for future payments of interest. The total amount of the deferred loss was \$291,160 which will be amortized over the life of the bond. The amortization for the fiscal year 2008-2009 was \$9,705, and the accumulated amortization at June 30, 2009 was \$38,820.

2007 Housing Tax Allocation Bonds Series A and B

On July 26, 2007, the Redevelopment Agency issued Hercules Merged Project Area Housing Tax Allocation Bonds, 2007 Series A, in the amount of \$13,130,000 and 2007 Series B, in the amount of 12,760,000. The proceeds of the bonds will be used to finance certain public capital improvements within the Agency's Merged Project Area. The Bonds mature annually each August 1 from 2009 to 2033, in amounts ranging from \$220,000 to \$950,000 and bear interest at rates ranging from 3.50% to 6.125%. Interest is payable semi-annually on February 1 and August 1. The Bonds maturing on or after August 1, 2018, are subject to optional redemption prior to maturity at the option of the Agency on or after August 1, 2017, as a whole or in part, on any interest payment date, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposit in certain funds and accounts, including the reserve account and the revenue account. The balance at June 30, 2009 for 2007 Series A and Series B are \$12,910,000 and \$12,525,000 respectively.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

8. LONG-TERM OBLIGATIONS, CONTINUED

The annual debt service requirements to maturity at June 30, 2009 of the 2007 Series A were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 240,000	\$ 767,669	\$ 1,007,669
2011	255,000	754,056	1,009,056
2012	270,000	739,619	1,009,619
2013	285,000	724,356	1,009,356
2014	300,000	707,969	1,007,969
2015-2019	1,770,000	3,255,676	5,025,676
2020-2024	2,365,000	2,648,138	5,013,138
2025-2029	3,165,000	1,812,234	4,977,234
2030-2034	4,260,000	682,938	4,942,938
Total	<u>\$ 12,910,000</u>	<u>\$ 12,092,655</u>	<u>\$ 25,002,655</u>

The annual debt service requirements to maturity at June 30, 2009 of the 2007 Series B, were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 250,000	\$ 574,986	\$ 824,986
2011	260,000	564,786	824,786
2012	315,000	553,241	868,241
2013	325,000	540,351	865,351
2014	340,000	526,775	866,775
2015-2019	1,910,000	2,406,883	4,316,883
2020-2024	2,360,000	1,944,423	4,304,423
2025-2029	2,985,000	1,305,569	4,290,569
2030-2034	3,780,000	484,644	4,264,644
Subtotal	12,525,000	8,901,658	21,426,658
Plus Premium	75,514		75,514
Total	<u>\$ 12,600,514</u>	<u>\$ 8,901,658</u>	<u>\$ 21,502,172</u>

2007 Tax Allocation Bonds Series A

On December 20, 2007, the Redevelopment Agency issued Hercules Merged Project Area Tax Allocation Bonds, 2007 Series A, in the amount of \$60,555,000. The proceeds of the bonds will be used to finance certain public capital improvements within the Agency's Merged Project Area. The Bonds mature annually each August 1 from 2009 to 2043, in amounts ranging from \$260,000 to \$3,315,000 and bear interest at rates ranging from 3.50% to 5.00%. Interest is payable semi-annually on February 1 and August 1. The Bonds maturing on or after August 1, 2018, are subject to optional redemption prior to maturity at the option of the Agency on or after February 1, 2018, as a whole or in part, on any interest payment date, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposit in certain funds and accounts, including the reserve account and the revenue account. The balance at June 30, 2009 is \$58,410,000

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

8. LONG-TERM OBLIGATIONS, CONTINUED

2007 Tax Allocation Bonds Series A, Continued

The annual debt service requirements to maturity at June 30, 2009, were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 1,130,000	\$ 2,723,209	\$ 3,853,209
2011	1,185,000	2,670,984	3,855,984
2012	1,240,000	2,610,359	3,850,359
2013	1,300,000	2,546,859	3,846,859
2014	1,360,000	2,480,359	3,840,359
2015-2019	2,515,000	11,831,813	14,346,813
2020-2024	5,585,000	11,088,600	16,673,600
2025-2029	6,315,000	9,672,099	15,987,099
2030-2034	7,090,000	8,107,049	15,197,049
2035-2039	18,315,000	4,965,803	23,280,803
2040-2043	12,375,000	1,231,275	13,606,275
Total	<u>\$ 58,410,000</u>	<u>\$ 59,928,409</u>	<u>\$ 118,338,409</u>

2003A Public Financing Authority Lease Revenue Bonds

The Public Financing Authority issued lease revenue bonds, series 2003A, dated June 4, 2003, totaling \$7,000,000. The purpose of the bonds was to provide funds for the acquisition, construction and installation of various improvements located within the City. The interest rate on the bonds is at a weekly rate, designated and determined from time to time. The interest is payable on the first business day of each month, commencing July 1, 2003. The bonds are subject to optional and mandatory early redemption provisions. The bonds are payable from and secured by base rental payments of the facility lease. Principal is due annually beginning on December 1, 2006, in amounts ranging from \$115,000 to \$455,000. The bonds mature on December 1, 2033. The balance at June 30, 2009 is \$6,630,000.

Future debt service requirements on the 2003A Public Financing Authority Lease Revenue bonds are:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 135,000	\$ 265,077	\$ 400,077
2011	145,000	259,800	404,800
2012	150,000	254,000	404,000
2013	160,000	248,115	408,115
2014	165,000	241,488	406,488
2015-2019	975,000	1,101,004	2,076,004
2020-2024	1,245,000	885,404	2,130,404
2025-2029	1,600,000	609,050	2,209,050
2030-2034	2,055,000	254,970	2,309,970
Total	<u>\$ 6,630,000</u>	<u>\$ 4,118,908</u>	<u>\$ 10,748,908</u>

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

8. LONG-TERM OBLIGATIONS, CONTINUED

2003B Public Financing Authority Lease Revenue Bonds

The Public Financing Authority issued lease revenue bonds, series 2003B, dated October 15, 2003, totaling \$9,150,000. The purpose of the bonds was to refinance the 1994 Refunding Certificates of Participation and to finance a portion of the construction for a public library. The interest rate on the bonds ranges from 2.00% to 5.00%. The interest is payable semiannually on June 1 and December 1, commencing December 1, 2003. The bonds are subject to optional and mandatory early redemption provisions. The bonds are payable from and secured by revenues consisting primarily of the base rental payments of the facility lease. Principal is due annually beginning on December 1, 2005, in amounts ranging from \$170,000 to \$2,480,000. The bonds mature on December 1, 2033. The balance at June 30, 2009 is \$8,250,000.

Future debt service requirements on the 2003B Public Financing Authority Lease Revenue bonds are:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 195,000	\$ 376,579	\$ 571,579
2011	200,000	370,798	570,798
2012	205,000	364,110	569,110
2013	210,000	356,585	566,585
2014	220,000	348,468	568,468
2015-2019	1,235,000	1,596,761	2,831,761
2020-2024	1,550,000	1,274,799	2,824,799
2025-2029	1,955,000	861,181	2,816,181
2030-2034	2,480,000	322,000	2,802,000
Total	<u>\$ 8,250,000</u>	<u>\$ 5,871,281</u>	<u>\$ 14,121,281</u>

H.E.L.P. Loan Payable

In April 2005 the City of Hercules 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 (HELP) to the City of Hercules for the purpose of assisting in operating a local housing program. Under the terms of this agreement the City of Hercules agrees 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. As of June 30, 2009, only \$1,600,000 has been provided to the City.

Long-term Notes Payable

In 1987, the Redevelopment Agency entered into Owner Participation Agreements with certain property owners 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 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.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

8. LONG-TERM OBLIGATIONS, CONTINUED

Long-term Notes Payable, Continued

As of June 30, 2009, the City's long-term notes payables were as follows.

East Group	\$	170,604
Bio Rad Laboratories		282,345
Total		\$ 452,949

The annual debt service requirements to maturity for the East Group Notes Payable as of June 30, 2009 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 19,092	\$ 13,094	\$ 32,186
2011	20,601	11,614	32,215
2012	22,112	10,018	32,130
2013	23,887	8,304	32,191
2014	25,661	6,453	32,114
2015-2016	59,251	6,781	66,032
Total	\$ 170,604	\$ 56,264	\$ 226,868

The annual debt service requirements to maturity for the Bio Rad Laboratories Notes Payable as of June 30, 2009 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 31,384	\$ 21,833	\$ 53,217
2011	34,351	19,366	53,717
2012	36,871	16,704	53,575
2013	39,830	13,847	53,677
2014	42,788	10,760	53,548
2015-2016	97,121	11,306	108,427
Total	\$ 282,345	\$ 93,816	\$ 376,161

SunTrust Lease

On September 27, 2007, the City entered into master lease agreements with SunTrust Leasing Corporation in order to provide funds for the financing of the EMS Project performed by Siemens Building Technologies in the amount of \$2,185,538. Payments are due semiannually on September 27 and March 27, at an interest rate of 4.73%. The Master Lease Agreement matures on September 27, 2022. As of June 30, 2009, the outstanding balance of the master lease agreement is \$2,029,317.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

8. LONG-TERM OBLIGATIONS, CONTINUED

SunTrust Lease, Continued

The annual debt service requirements to maturity for the SunTrust master lease agreement as of June 30, 2009 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2010	\$ 110,402	\$ 94,696	\$ 205,098
2011	115,686	89,413	205,099
2012	121,223	83,876	205,099
2013	127,024	78,074	205,098
2014	133,104	71,995	205,099
2015-2019	767,393	258,101	1,025,494
2020-2023	654,485	63,361	717,846
Total	<u>\$ 2,029,317</u>	<u>\$ 739,516</u>	<u>\$ 2,768,833</u>

Defeased Debt – 2001 Tax Allocation Bonds

The Agency issued 2005 Tax Allocation Bonds to refund the 2001 Tax Allocation Bonds. The Agency issued subordinate tax allocation bonds, series 2001, dated September 4, 2001, totaling \$6,500,000. The purpose of the bonds was to provide funds to finance certain redevelopment activities within, and of benefit to, the Hercules Merged Project Area. The interest rate on the bonds ranges from 4.50% to 6.40%. The interest is payable semi-annually each March 1 and September 1 commencing March 1, 2002. The bonds are subject to optional and mandatory early redemption provisions. The bonds are payable from and secured by a pledge of tax revenues in the Merged Project Area. Principal is due annually beginning on September 1, 2005, in amounts ranging from \$215,000 to \$575,000. The economic effect of refunding the bonds was a gain of \$293,279. The outstanding balance as of June 30, 2009 was \$5,080,000. The liability for these bonds has been removed from the City's books and records, as they are considered defeased.

9. NON-CITY OBLIGATIONS

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

Description	Original Issuance	Balance as of June 30, 2009
Reassessment District 2001-01 (Alfred Nobel)	\$ 9,700,030	\$ 5,610,000
Reassessment District 2005-1 (John Muir Parkway)	6,550,345	6,240,000

10. RISK MANAGEMENT

General Liability Insurance

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

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

10. RISK MANAGEMENT, CONTINUED

Workers' Compensation

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

MPA	\$0 to \$500,000
CSAC-EIA	\$500,000 to \$5,000,000
American Reinsurance, Renaissance Re, Da Vinci Re	\$5,000,000 to \$145,000,000

As of June 30, 2009, the City's estimated claims liabilities were as follows.

General Liability	\$ 25,502
Workers Compensation	4,827
Total	<u>\$ 30,329</u>

Changes in the claims liabilities for the fiscal years ended June 30, 2007, 2008, and 2009 are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2006-2007	\$ 19,598	\$ 501,120	\$ (470,052)	\$ 50,666
2007-2008	50,666	477,513	(463,200)	64,979
2008-2009	64,979	385,455	(480,763)	(30,329)

Miscellaneous Coverages

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

<u>Coverage Type</u>	<u>Deductibles</u>	<u>Coverage Limits</u>
Auto - Physical damage:		
Police Vehicles	\$ 3,000	\$ 250,000
All Other Vehicles	2,000	250,000
All Risk Fire & Property	5,000	500,000,000
Boiler & Machinery	5,000	100,000,000

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

The City's deposits with the MPA are in accordance with formulas established by the MPA. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements can be obtained from the Municipal Pooling Authority, 1911 San Miguel Drive, #200, Walnut Creek, California 94596.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

10. CAPITAL LEASE – SALES TYPE

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

The term of this lease shall be for thirty (30) years, commencing on September 15, 2008 and ending on September 14, 2038, or terminated sooner pursuant to the terms of this lease. Bio-Rad Laboratories, Inc. has the option to terminate this lease anytime on or after the fifteenth (15th) anniversary date as to a portion or the entire premises by delivering to the City of Hercules 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 of Hercules granted to Bio-Rad Laboratories, Inc. the option to purchase the premises. Bio-Rad Laboratories, Inc. may elect to exercise the Purchase Option by delivering to the City of Hercules written notice of such election within 30 days prior to either of the following dates: (i) the fifteenth (15th) anniversary date; (ii) the twentieth (20th) anniversary date; or (iii) the twenty-fifth (25th) anniversary date. If Bio-Rad Laboratories, Inc. has not elected to exercise the Purchase Option during the time period said above, then the Purchase Option shall automatically be deemed elected by Bio-Rad Laboratories, Inc. as of the expiration date unless Bio-Rad Laboratories, Inc. provides prior written notice to the City of Hercules within fifteen (15) days prior to the expiration date electing not to pursue the Purchase Option. If Bio-Rad Laboratories, inc. elects to exercise the Purchase Option on the expiration date, the purchase price for the premises shall be one dollar (\$1.00).

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

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

Fiscal years ending June 30,	Amounts
2010	\$ 682,530
2011	705,246
2012	727,962
2013	750,678
2014	773,394
2015-2019	4,207,710
2020-2024	4,542,370
2025-2029	4,704,270
2030-2034	4,913,870
2035-2039	4,162,070
	<u>26,170,100</u>
Less: Amount representing interest	16,159,273
Net investment in lease	<u>\$ 10,010,827</u>

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

11. INTERFUND TRANSACTIONS

Long-Term Advances

At June 30, 2009, the City had the following long-term advances:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 18,890,055	\$ 5,714,839
Hercules Public Financing Authority Debt Service Fund	12,068,184	
Redevelopment Agency Capital Projects Fund	5,399,758	23,721,046
Redevelopment Agency Debt Service Fund		14,651,725
Major Proprietary Funds:		
Sewer Fund	8,975,000	
Hercules Municipal Utility Fund		4,238,330
Nonmajor Governmental Fund:		
DIF Special Revenue Fund	2,992,943	
	<u>\$ 48,325,940</u>	<u>\$ 48,325,940</u>

Advances to the General fund were to provide for child care loans, capital projects to other funds, property acquisition, upgrades for the wastewater treatment plant, and Hercules Municipal Utility operations.

Advances to the Redevelopment Agency from the General Fund, the Public Financing Authority, and the Sewer Fund were for building purchases, construction of City Hall, the Refugio Creek Realignment Project, and acquisition of property for future development.

Advances to the Hercules Municipal Utility from the General Fund were to provide funding for the Hercules Municipal Utility's operations and capital projects.

Advances from the Non-Major Funds were to provide funding for a park and teen center.

Due To/From Other Funds

Due to/from other funds as of June 30, 2009 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 10,418,827	\$ -
Redevelopment Agency Special Revenue Fund		1,207,524
Redevelopment Agency Debt Service Fund		7,546,546
Hercules Public Financing Authority Debt Service Fund		131,851
Redevelopment Agency Capital Projects Fund	6,561,063	8,814,012
Major Proprietary Fund:		
Hercules Municipal Utility Fund	5,531,610	
Nonmajor Governmental Funds:		
AB 3229 COPS Program Special Revenue Fund		41,508
Community Development Special Revenue Fund	40,000	
SB 1266 Road Improvement Special Revenue Fund		343,273
Grant Special Revenue Fund		4,744,203
City Capital Project Fund	277,417	
	<u>\$ 22,828,917</u>	<u>\$ 22,828,917</u>

The due to/from other funds are to provide cash flow for the funds with negative cash.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

11. INTERFUND TRANSACTIONS, CONTINUED

Transfers

Transfers for the fiscal year ended June 30, 2009 were as follows:

	Interfund Transfers in	Interfund Transfers out
Major Funds:		
General Fund	\$ 1,048,070	\$ 155,460
Redevelopment Agency Special Revenue Fund	1,217,987	13,293,848
Redevelopment Agency Debt Service Fund	25,345,445	45,617,193
Public Finance Authority Debt Service Fund		211,873
Redevelopment Agency Capital Projects Fund	32,145,806	
Major Proprietary Funds:		
Sewer Fund		89,112
Hercules Municipal Utility Fund	5,611,631	196,553
Nonmajor Governmental Funds:		
AB 3229 COPS Program Special Revenue Fund	3,670	100,000
DIF Special Revenue Fund	353,471	1,045,462
Community Development Special Revenue Fund	22,231	358,252
State Gas Tax Special Revenue Fund	341,000	152,801
Measure C Street Special Revenue Fund		1,186,407
SB 1266 Road Improvement Special Revenue Fund	2,988	
State AB-939 Special Revenue Fund	6,289	
Grant Special Revenue Fund		4,766,066
Fiscal Neutrality Fee Special Revenue Fund		511,164
City Capital Project Fund	1,337,334	354,112
SunTrust Lease Debt Service Fund		219,675
Internal Service Funds:		
Vehicle Replacement Fund	163,332	
IT Equipment Replacement Fund	189,649	
Facility Maintenance Fund	469,075	
	\$ 68,257,978	\$ 68,257,978

The transfers are to reimburse expenditures made on behalf of another fund.

12. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description - The City contributes to the California Public Employees' Retirement System (PERS); a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy - Active plan members are required by state statute to contribute 7% for Miscellaneous and 9% for safety employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, which amounted to \$595,649 for the fiscal year ended June 30, 2009. The City employer is required to contribute for fiscal year 2008-2009 at an actuarially determined rate of 11.040% of annual covered payroll for miscellaneous employees and 27.187% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

12. PUBLIC EMPLOYEE RETIREMENT SYSTEM, CONTINUED

Annual Pension Cost — For fiscal year 2008-2009, the City's annual pension cost of \$1,408,489 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2009, was 16 years for miscellaneous and 16 years for safety employees for the prior and current service unfunded liability. For fiscal years 2007, 2008, and 2009, the City's annual pension costs of \$1,341,288, \$1,352,244, and \$1,408,489, respectively, were equal to the City's required and actual contributions.

13. DEFERRED COMPENSATION PLAN

457 Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to full-time employees. The Internal Revenue Service regulations allow an employer to designate a 457(b) Deferred Compensation Plan as an alternative to social security. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (ICMA) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457(g). Accordingly, these assets have been excluded from the City's Comprehensive Annual Financial Report.

401A Plan

The City contributes 4% of total gross salary to the plan for senior managers. For unrepresented group, the City also contributes 4% with a maximum contribution of \$4,000 per year. In addition both groups can contribute to the group plan.

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%.

14. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City provides certain health insurance benefits to retired employees in accordance with memorandums of understanding with each employee group as follows:

For employees who retire from the City of Hercules after at least five (5) years of service with the City and who have reached the age of fifty (50) years old, and who continue health insurance through a City-sponsored health insurance plan, the City will contribute the minimum monthly amount of \$97 of the health insurance premium. For police and police management retirees who have at least ten (10) years of service, or twenty (20) years of

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

14. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, CONTINUED

Plan Description, Continued

service if they retire on disability and continue receiving health insurance through a City-sponsored health insurance plan, the City will contribute a percentage of \$249.05/month, based on the retirees accumulated sick leave and years of service, at retirement. As soon as the retiree is eligible for Medicare, the City will contribute a percentage of the retirees' Kaiser Medicare supplement.

Funding Policy

The City's policy is to contribute an amount sufficient to pay the current year's premiums and set-aside an amount equal to the annual required contribution, based on a twenty (20) year amortization. For fiscal year 2008-09, the City contributed \$6,359, which covered current premiums, and also transferred \$216,000 to the Pension Trust Fund, which is held in the City's name, and does not qualify as a contribution. It is anticipated that these funds will be transferred to a proper trust fund in the 09/10 fiscal year. Currently, there are 7 retirees who are receiving benefits.

Annual OPEB and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years (the City has elected a twenty year amortization period). The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 216,000
Annual OPEB cost (expense)	216,000
Contributions made	(6,359)
Increase in net OPEB obligation	209,641
Net OPEB obligation - beginning of fiscal year	_____
Net OPEB obligation - end of fiscal year	\$ 209,641

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation (Asset)
6/30/2009	\$ 216,000	3%	\$ 209,641

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,116,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,116,000. The covered payroll (annual payroll of active employees covered by the plan) was \$6,830,000, and the ratio of the UAAL to the covered payroll was 16.3 percent.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

14. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, CONTINUED

Funded Status and Funding Progress, Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2007 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.75 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 3 percent, and an annual healthcare cost trend rate of 4.5 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over twenty years. The remaining amortization period at June 30, 2007 was twenty years.

15. 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 Comprehensive 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

Hercules LLC — An agreement with Hercules LLC was established with the Agency to assist with development of a 206 acre mixed-use project consisting of 880 residential units, 6 acres of commercial, residential or mixed-use projects, and open space and park uses. Project Tax Increment is defined to include all increases in value over the base year amount of \$7,654,000, less statutory payments to affected taxing entities. The agreement states that the Agency shall pay the developer the first 75% of the unrestricted portion (net of affordable housing set aside and required payments to affected taxing entities), and the first 90% of the housing portion (affordable housing set aside) of the project tax increment funds for properties located within the project site. The financing term for these payments is 45 years from the adoption date of Ordinance No. 351 or April 13, 1999.

Pro Media — To assist with development of a 57,600 square foot and a 27,000 square foot building at the Project Site, the Agency entered into an agreement with Pro Media Corporation. The Agreement provides for the owner to expend at least \$4 million in hard construction costs. The Agreement provides for the Agency to pay the owner 60% of the Project Tax Increment as defined above over the financing term. The financing term commences on the date any increased property tax assessment first becomes effective on the project site from any improvements, and ends on the earliest of the following: (i) fifteen years from the commencement of the financing term, (ii) termination of the agreement, (iii) expiration of the Redevelopment Plan or (iv) the remaining life of the Agency.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

16. 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 expenditures, which amounted to \$42,772 for fiscal year 2008-2009.

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

WCCIWMA was established in 1991 to coordinate landfill use reduction in the West Contra Costa County Area as mandated by the State of California. The City is represented by one Director. Funding for WCCIWMA is provided for through a surcharge collected from the ratepayers within WCCIWMA's jurisdiction.

Audited financial statements can be obtained from the WCCIWMA, One Alvarado Square, San Pablo, California 94806.

C. *Pinole/Hercules Wastewater Treatment Plant*

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

The records are available and can be obtained from the City of Pinole, 2131 Pear Street, Pinole, California 94564.

17. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following funds had departmental expenditures in excess of budget. Sufficient revenues were available to fund these expenditures:

Nonmajor Governmental Funds:	Excess Expenditures
Community Development Special Revenue Fund	\$ 11,776
SunTrust Lease Debt Service Fund	122,613

18. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of (\$14,414,682) was made on the Statement of Activities for Governmental Activities for an understatement of advances from other funds in the amount of (\$23,644,946) and an understatement of advances to other funds in the amount of \$9,230,264.

A prior period adjustment of \$221,797 was made on the General Fund for an overstatement of advances to other funds in the amount of (\$50,407), an overstatement of advances from other funds in the amount of \$76,100 and an understatement of due from other funds in the amount of \$196,104.

CITY OF HERCULES
Notes to Basic Financial Statements
June 30, 2009

18. PRIOR PERIOD ADJUSTMENTS, CONTINUED

A prior period adjustment of \$6,363,828 was made on the Hercules Public Financing Authority Debt Service Fund for an understatement of advances to other funds.

A prior period adjustment of (\$23,917,150) was made on the Redevelopment Agency Capital Projects Fund for an understatement of advances from other funds in the amount of (\$23,721,046) and an understatement of due from other funds in the amount of (\$196,104).

A prior period adjustment of \$2,992,943 was made on the DIF Special Revenue Fund for an understatement of advances to other funds.

A prior period adjustment of (\$76,100) was made on the Community Development Special Revenue Fund for an overstatement of advances to other funds.

A prior period adjustment of \$14,414,682 was made on the Statement of Activities for Business-type Activities for an understatement of advances to other funds on the Sewer fund in the amount of \$8,975,000 and an overstatement of advances from other funds on the Hercules Municipal Utility fund in the amount of \$5,439,682.

19. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances/Net Assets

As of June 30, 2009, the following funds had a deficit fund balance:

Major Governmental Funds:		
Redevelopment Agency Special Revenue Fund	\$	423,271
Redevelopment Agency Capital Projects Fund		18,411,536
Nonmajor Governmental Fund:		
STMP Traffic Impact Fund		7,740

The Redevelopment Agency Special Revenue Fund and the Redevelopment Agency Capital Projects Fund's deficit fund balances are expected to be eliminated in future years through tax increment revenue.

The STMP Traffic Impact Fund Fund's deficit fund balance is expected to be eliminated in future years through revenue from the use of money and property.

20. SUBSEQUENT EVENTS

On July 15, 2009, the Hercules Public Financing Authority issued Taxable Lease Revenue Bonds, Series 2009 (Bio-Rad Project), in the amount of \$10,080,000. The proceeds of the bonds will be used to finance the acquisition of certain commercial condominium property, consisting of approximately 96,847 square feet located at 203-295 Linus Pauling Drive within the City.

21. RELATED PARTY TRANSACTIONS

During the reporting period, the City paid a total of \$954,166 to NEO Consulting Inc. for consulting services in relation to the affordable housing program. As of June 30, 2009, NEO Consulting Inc.'s two shareholders were two adult children of the current City Manager, who each held 50% of the shares of Neo Consulting Inc.'s stock. The City has contracted with NEO Consulting Inc. since July, 2005.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HERCULES
Required Supplementary Information
June 30, 2009

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Projected Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2007	\$ 1,116,000	\$ -	\$ 1,116,000	0%	\$ 6,830,000	16.3%

CITY OF HERCULES
Notes to Required Supplementary Information
June 30, 2009

BUDGETARY PRINCIPLES

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

1. In June, the City Manager submits to the City Council a proposed operating budget for the following fiscal year. This budget includes proposed expenditures, by fund and department, and the revenues expected to finance them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution before July 1.
4. The City Manager is authorized to transfer budgeted amounts between objects within the same department; however, any revisions, which alter total expenditures of any fund, must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device. Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP) and are consistent with the basis used for financial reporting. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any reconciliation. The General Fund budget is adopted on the budgetary basis, which is not consistent with accounting principles generally accepted in the United States of America. Commitments for material and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations, which are encumbered at year-end lapse, then are added to the following year's budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2009, 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 reappropriated 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 rebudgeted for the subsequent year.
9. Budget appropriations for the various governmental funds become effective July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level.

CITY OF HERCULES
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes and assessments	\$ 5,554,598	\$ 5,554,598	\$ 5,478,257	\$ (76,341)
Licenses and permits	2,155,520	2,155,520	491,663	(1,663,857)
Fines and forfeitures	773,095	773,095	146,835	(626,260)
Use of money and property	160,000	160,000	2,186,842	2,026,842
Intergovernmental revenues	3,486,154	3,486,154	1,930,293	(1,555,861)
Charges for services	2,745,900	2,745,900	2,045,876	(700,024)
Lease revenue			69,173	69,173
Other revenues	3,307,426	3,307,426	2,389,350	(918,076)
Total revenues	18,182,693	18,182,693	14,738,289	(3,444,404)
Expenditures:				
Current:				
General government	4,644,748	6,997,869	5,205,822	1,792,047
Public safety	6,151,906	6,205,583	6,224,560	(18,977)
Streets and public works	784,171	798,975	696,905	102,070
Parks and recreation	1,497,438	1,718,524	2,750,925	(1,032,401)
Community development	3,262,900	3,362,887	1,300,911	2,061,976
Lease expense	972,160	1,080,210	1,095,837	(15,627)
Capital outlay	11,000	10,300		10,300
Total expenditures	17,324,323	20,174,348	17,274,960	2,899,388
Excess of revenues over				
(under) expenditures	858,370	(1,991,655)	(2,536,671)	(545,016)
Other Financing Sources (Uses):				
Transfers in	343,000	343,000	1,048,070	705,070
Transfers out	(373,050)	(377,000)	(155,460)	221,540
Total other financing sources (uses)	(30,050)	(34,000)	892,610	926,610
Net change in fund balance	828,320	(2,025,655)	(1,644,061)	381,594
Fund balance - July 1, 2008	26,499,885	26,499,885	26,499,885	
Prior period adjustments			221,797	221,797
Fund balance - July 1, 2008, restated	26,499,885	26,499,885	26,721,682	221,797
Fund balance - June 30, 2009	\$ 27,328,205	\$ 24,474,230	\$ 25,077,621	\$ 603,391

See Notes to Required Supplementary Information

CITY OF HERCULES
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes and assessments	\$ 12,102,474	\$ 12,102,474	\$ 12,750,860	\$ 648,386
Use of money and property	105,000	105,000	(82,474)	(187,474)
Program income	267,510	267,510	318,192	50,682
Charges for services	82,400	82,400	47,434	(34,966)
Other revenues			42,046	42,046
Total revenues	<u>12,557,384</u>	<u>12,557,384</u>	<u>13,076,058</u>	<u>518,674</u>
Expenditures:				
Current:				
Community development	<u>7,841,721</u>	<u>11,999,564</u>	<u>8,730,715</u>	<u>3,268,849</u>
Total expenditures	<u>7,841,721</u>	<u>11,999,564</u>	<u>8,730,715</u>	<u>3,268,849</u>
Excess of revenues over (under) expenditures	<u>4,715,663</u>	<u>557,820</u>	<u>4,345,343</u>	<u>3,787,523</u>
Other Financing Sources (Uses):				
Transfers in			1,217,987	1,217,987
Transfers out	<u>(14,088,495)</u>	<u>(20,240,780)</u>	<u>(13,293,848)</u>	<u>6,946,932</u>
Total other financing sources (uses)	<u>(14,088,495)</u>	<u>(20,240,780)</u>	<u>(12,075,861)</u>	<u>8,164,919</u>
Net change in fund balance	(9,372,832)	(19,682,960)	(7,730,518)	11,952,442
Fund balance - July 1, 2008	<u>7,307,247</u>	<u>7,307,247</u>	<u>7,307,247</u>	
Fund balance (deficit) - June 30, 2009	<u>\$ (2,065,585)</u>	<u>\$ (12,375,713)</u>	<u>\$ (423,271)</u>	<u>\$ 11,952,442</u>

See Notes to Required Supplementary Information

OTHER SUPPLEMENTAL INFORMATION

CITY OF HERCULES
REDEVELOPMENT AGENCY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Use of money and property	\$ 2,285,000	\$ 2,285,000	\$ 2,123,455	\$ (161,545)
Total revenues	<u>2,285,000</u>	<u>2,285,000</u>	<u>2,123,455</u>	<u>(161,545)</u>
Expenditures:				
Current:				
Community development	3,532,438	9,891,103	2,764,615	7,126,488
Debt service:				
Principal	4,250,000	4,250,000	4,107,244	142,756
Interest and fiscal agent fees	6,276,356	6,276,356	7,341,043	(1,064,687)
Total expenditures	<u>14,058,794</u>	<u>20,417,459</u>	<u>14,212,902</u>	<u>6,204,557</u>
Excess of revenues over (under) expenditures	<u>(11,773,794)</u>	<u>(18,132,459)</u>	<u>(12,089,447)</u>	<u>6,043,012</u>
Other Financing Sources (Uses):				
Transfers in	14,058,795	20,178,580	25,345,445	5,166,865
Transfers out	(55,703,942)	(55,703,942)	(45,617,193)	10,086,749
Total other financing sources (uses)	<u>(41,645,147)</u>	<u>(35,525,362)</u>	<u>(20,271,748)</u>	<u>15,253,614</u>
Net change in fund balance	(53,418,941)	(53,657,821)	(32,361,195)	21,296,626
Fund balance - July 1, 2008	<u>85,484,788</u>	<u>85,484,788</u>	<u>85,484,788</u>	
Fund balance - June 30, 2009	<u>\$ 32,065,847</u>	<u>\$ 31,826,967</u>	<u>\$ 53,123,593</u>	<u>\$ 21,296,626</u>

CITY OF HERCULES
HERCULES PUBLIC FINANCING AUTHORITY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Use of money and property	\$ 778,660	\$ 778,660	\$ 596,090	\$ (182,570)
Lease revenue	320,000	320,000	320,000	
Total revenues	<u>1,098,660</u>	<u>1,098,660</u>	<u>916,090</u>	<u>(182,570)</u>
Expenditures:				
Debt service:				
Principal	320,000	320,000	320,000	
Interest and fiscal agent fees	740,160	740,160	586,891	153,269
Total expenditures	<u>1,060,160</u>	<u>1,060,160</u>	<u>906,891</u>	<u>153,269</u>
Excess of revenues over (under) expenditures	<u>38,500</u>	<u>38,500</u>	<u>9,199</u>	<u>(29,301)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,393,841)</u>	<u>(1,393,841)</u>	<u>(211,873)</u>	<u>1,181,968</u>
Total other financing sources (uses)	<u>(1,393,841)</u>	<u>(1,393,841)</u>	<u>(211,873)</u>	<u>1,181,968</u>
Net change in fund balance	<u>(1,355,341)</u>	<u>(1,355,341)</u>	<u>(202,674)</u>	<u>1,152,667</u>
Fund balance - July 1, 2008	7,303,226	7,303,226	7,303,226	
Prior period adjustments			<u>6,363,828</u>	<u>6,363,828</u>
Fund balance - July 1, 2008, restated	<u>7,303,226</u>	<u>7,303,226</u>	<u>13,667,054</u>	<u>6,363,828</u>
Fund balance - June 30, 2009	<u>\$ 5,947,885</u>	<u>\$ 5,947,885</u>	<u>\$ 13,464,380</u>	<u>\$ 7,516,495</u>

CITY OF HERCULES
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 49,688	\$ 49,688
Total revenues			49,688	49,688
Expenditures:				
Capital outlay	63,007,236	89,084,720	31,029,330	58,055,390
Debt service:				
Interest and fiscal agent fees			746,990	(746,990)
Total expenditures	63,007,236	89,084,720	31,776,320	57,308,400
Excess of revenues over (under) expenditures	(63,007,236)	(89,084,720)	(31,726,632)	57,358,088
Other Financing Sources (Uses):				
Transfers in	63,007,236	63,037,236	32,145,806	(30,891,430)
Total other financing sources (uses)	63,007,236	63,037,236	32,145,806	(30,891,430)
Net change in fund balance		(26,047,484)	419,174	26,466,658
Fund balance - July 1, 2008	5,086,540	5,086,540	5,086,540	
Prior period adjustments			(23,917,150)	(23,917,150)
Fund balance (deficit) - July 1, 2008, restated	5,086,540	5,086,540	(18,830,610)	(23,917,150)
Fund balance (deficit) - June 30, 2009	<u>\$ 5,086,540</u>	<u>\$ (20,960,944)</u>	<u>\$ (18,411,436)</u>	<u>\$ 2,549,508</u>

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NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

AB 3229 COPS Program Fund – This fund accounts for revenue received from the State for its Citizen Option for Public Safety (COPS) Program to fund police officer positions.

Citywide L&L Fund – This fund accounts for city-wide assessment revenues and service expenditures for ten lighting and landscaping districts.

LLAD Fund – This fund accounts for assessment revenues and service expenditures for Victoria by the Bay, Hercules Village, Baywood, and Bayside lighting and landscaping districts.

Stormwater Assessment Fund – This fund accounts for assessments received from residents and expenditures associated with the Stormwater Control project.

DIF Fund – This includes monies that account for 5 (five) developer impact fees (DIF), General Public Facilities, Police Facilities, Traffic Facilities and two Parks and Recreation Facilities.

Community Development Fund – This fund accounts for property development tax revenue collected per residential unit to finance acquisition, construction and furnishing of public buildings, parks and recreational facilities.

Development Fee Fund – This fund accounts for revenue received from developers as required by tentative map, development agreement or other conditions for specific capital projects traffic mitigation or growth impact mitigation.

State Gas Tax Fund – This fund accounts for revenue apportioned to the City from State-collected gasoline taxes primarily on the basis of population, to be expended for construction and maintenance of City streets.

Measure “C” Street Fund – This fund accounts for revenue allocated by the Contra Costa County Transportation Authority to the City from the State collected sales tax to be expended for growth management planning and local street maintenance and improvement.

STMP Traffic Impact Fund – This fund accounts for revenue collected by the City for Contra Costa Transportation Authority/West Contra Costa Transportation Advisory Committee to fund regional and sub regional transportation projects.

SB 1266 Road Improvement Fund – This fund accounts for revenues apportioned to the City from State-collected gasoline taxes primarily on the basis of population, to be expended for local street and road repair.

State AB-939 Fund – This fund accounts for costs expended by the City to comply with State Assembly Bill Number 939 mandates to reduce solid waste disposal through recycling. These costs are recovered by the AB 939 surcharge added to garbage collection.

Grant Fund – This fund accounts for grants received from other government and private sources to be used to cover expenditures for providing public services and improving public safety.

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NONMAJOR GOVERNMENTAL FUNDS, CONTINUED

Fiscal Neutrality Fee Fund – This fund accounts for project-specific impact fees in residential units to fully mitigate any adverse fiscal impacts to the City’s General Fund resulting from the projects.

Regional Water Quality Fund – This fund accounts for monies held for the Regional Water Quality Control board to be used to increase awareness and appreciation of water related resources through education, investigation and restoration.

City Capital Project Fund – This fund accounts for the costs of construction of various capital projects authorized by the Council.

SunTrust Lease Debt Service Fund – This fund accounts for the financing of certain equipment to be acquired by the SunTrust Leasing Corporation and leased to the City of Hercules toward the acquisition of the equipment and the City of Hercules shall make rental payments under the terms and conditions of the lease.

CITY OF HERCULES
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2009

	Special Revenue Funds			
	AB 3229 COPS Program Fund	Citywide L&L Fund	LLAD Fund	Stormwater Assessment Fund
Assets				
Cash and investments	\$ -	\$ 117,774	\$ 838,458	\$ 94,913
Accounts receivable	45,178			6,402
Due from other funds				
Advances to other funds				
Total assets	\$ 45,178	\$ 117,774	\$ 838,458	\$ 101,315
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 96,146	\$ 40,544	\$ 8,810
Accrued wages		6,893	7,826	4,230
Due to other funds	41,508			
Total liabilities	41,508	103,039	48,370	13,040
Fund Balances:				
Reserved:				
Advances to other funds				
Future commitments		210	18,120	3,975
Unreserved, designated:				
Future projects	3,670	14,525	771,968	84,300
Unreserved, undesignated				
Reported in:				
Special Revenue Funds				
Total fund balances	3,670	14,735	790,088	88,275
Total liabilities and fund balances	\$ 45,178	\$ 117,774	\$ 838,458	\$ 101,315

Special Revenue Funds

DIF Fund	Community Development Fund	Development Fee Fund	State Gas Tax Fund	Measure C Street Fund
\$ 4,833,230	\$ 421,855	\$ 2,272,736	\$ 1,058,451	\$ 543,302
	40,000		84,260	15,514
<u>2,992,943</u>				
<u>\$ 7,826,173</u>	<u>\$ 461,855</u>	<u>\$ 2,272,736</u>	<u>\$ 1,142,711</u>	<u>\$ 558,816</u>
\$ 47,117	\$ -	\$ -	\$ 1,349	\$ -
<u>47,117</u>			<u>1,349</u>	
2,992,943				
125,516				
4,660,597	461,855	2,272,736	1,141,362	558,816
<u>7,779,056</u>	<u>461,855</u>	<u>2,272,736</u>	<u>1,141,362</u>	<u>558,816</u>
<u>\$ 7,826,173</u>	<u>\$ 461,855</u>	<u>\$ 2,272,736</u>	<u>\$ 1,142,711</u>	<u>\$ 558,816</u>

(Continued)

CITY OF HERCULES
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (Continued)
June 30, 2009

	Special Revenue Funds			
	STMP Traffic Impact Fund	SB 1266 Road Improvement Fund	State AB-939 Fund	Grant Fund
Assets				
Cash and investments	\$ 96,357	\$ -	\$ 82,775	\$ 242,708
Accounts receivable		343,273		4,560,010
Due from other funds				
Advances to other funds				
Total assets	\$ 96,357	\$ 343,273	\$ 82,775	\$ 4,802,718
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 104,097	\$ -	\$ 71,319	\$ -
Accrued wages				
Due to other funds		343,273		4,744,203
Total liabilities	104,097	343,273	71,319	4,744,203
Fund Balances:				
Reserved:				
Advances to other funds				
Future commitments				
Unreserved, designated:				
Future projects			11,456	58,515
Unreserved, undesignated				
Reported in:				
Special Revenue Funds	(7,740)			
Total fund balances	(7,740)		11,456	58,515
Total liabilities and fund balances	\$ 96,357	\$ 343,273	\$ 82,775	\$ 4,802,718

Special Revenue Funds		Capital Project Fund	Debt Service Fund	
Fiscal Neutrality Fee Fund	Regional Water Quality Fund	City Capital Projects Fund	SunTrust Lease Debt Service Fund	Totals
\$ 2,099,736	\$ 44,914	\$ 946,615	\$ -	\$ 13,693,824
		344,091		5,398,728
		277,417		317,417
				2,992,943
<u>\$ 2,099,736</u>	<u>\$ 44,914</u>	<u>\$ 1,568,123</u>	<u>\$ -</u>	<u>\$ 22,402,912</u>
\$ -	\$ -	\$ 151,471	\$ -	\$ 520,853
				18,949
				5,128,984
		151,471		5,668,786
				2,992,943
		27,426		175,247
	44,914	1,389,226		11,473,940
2,099,736				2,091,996
2,099,736	44,914	1,416,652		16,734,126
<u>\$ 2,099,736</u>	<u>\$ 44,914</u>	<u>\$ 1,568,123</u>	<u>\$ -</u>	<u>\$ 22,402,912</u>

CITY OF HERCULES
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2009

	Special Revenue Funds			
	AB 3229 COPS Program Fund	Citywide L&L Fund	LLAD Fund	Stormwater Assessment Fund
Revenues:				
Taxes and assessments	\$ -	\$ 943,647	\$ 682,120	\$ 321,728
Use of money and property		(4,837)	39,881	3,826
Intergovernmental revenues	100,000			
Charges for services				
Other revenues				
Total revenues	100,000	938,810	722,001	325,554
Expenditures:				
Current:				
Streets and public works		967,335	813,282	385,384
Community development				
Capital outlay				990
Debt service:				
Principal				
Interest and fiscal agent fees				
Total expenditures		967,335	813,282	386,374
Excess of revenues over (under) expenditures	100,000	(28,525)	(91,281)	(60,820)
Other Financing Sources (Uses):				
Proceeds from issuance of long-term debt				
Transfers in	3,670			
Transfers out	(100,000)			
Total other financing sources (uses)	(96,330)			
Net changes in fund balances	3,670	(28,525)	(91,281)	(60,820)
Fund balances - July 1, 2008		43,260	881,369	149,095
Prior period adjustments				
Fund balances - July 1, 2008, restated		43,260	881,369	149,095
Fund balances (deficit) - June 30, 2009	\$ 3,670	\$ 14,735	\$ 790,088	\$ 88,275

Special Revenue Funds

DIF Fund	Community Development Fund	Development Fee Fund	State Gas Tax Fund	Measure C Street Fund
\$ -	\$ -	\$ -	\$ -	\$ -
404,263	35,495	117,993	34,610	34,278
			604,195	1,106,000
	34		600	
404,263	35,529	117,993	639,405	1,140,278
			23,804	
47,117	11,776		80,062	108,458
47,117	11,776		103,866	108,458
357,146	23,753	117,993	535,539	1,031,820
353,471	22,231		341,000	
(1,045,462)	(358,252)		(152,801)	(1,186,407)
(691,991)	(336,021)		188,199	(1,186,407)
(334,845)	(312,268)	117,993	723,738	(154,587)
5,120,958	850,223	2,154,743	417,624	713,403
2,992,943	(76,100)			
8,113,901	774,123	2,154,743	417,624	713,403
\$ 7,779,056	\$ 461,855	\$ 2,272,736	\$ 1,141,362	\$ 558,816

(Continued)

CITY OF HERCULES
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
For the Fiscal Year Ended June 30, 2009

	Special Revenue Funds			
	STMP Traffic Impact Fund	SB 1266 Road Improvement Fund	State AB-939 Fund	Grant Fund
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	2,773	(2,173)	3,485	3,948
Intergovernmental revenues		343,273		4,108,442
Charges for services				
Other revenues				
Total revenues	<u>2,773</u>	<u>341,100</u>	<u>3,485</u>	<u>4,112,390</u>
Expenditures:				
Current:				
Streets and public works				
Community development				
Capital outlay	104,097	344,088	8,319	
Debt service:				
Principal				
Interest and fiscal agent fees				
Total expenditures	<u>104,097</u>	<u>344,088</u>	<u>8,319</u>	
Excess of revenues over (under) expenditures	<u>(101,324)</u>	<u>(2,988)</u>	<u>(4,834)</u>	<u>4,112,390</u>
Other Financing Sources (Uses):				
Proceeds from issuance of long-term debt				453,293
Transfers in		2,988	6,289	
Transfers out				(4,766,066)
Total other financing sources (uses)		<u>2,988</u>	<u>6,289</u>	<u>(4,312,773)</u>
Net changes in fund balances	<u>(101,324)</u>		<u>1,455</u>	<u>(200,383)</u>
Fund balances - July 1, 2008	93,584		10,001	258,898
Prior period adjustments				
Fund balances - July 1, 2008, restated	<u>93,584</u>		<u>10,001</u>	<u>258,898</u>
Fund balances (deficit) - June 30, 2009	<u>\$ (7,740)</u>	<u>\$ -</u>	<u>\$ 11,456</u>	<u>\$ 58,515</u>

Special Revenue Funds		Capital Project Fund	Debt Service Fund	
Fiscal Neutrality Fee Fund	Regional Water Quality Fund	City Capital Projects Fund	Suntrust Lease Debt Service Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ 1,947,495
132,460	2,331		231,771	1,040,104
		1,513,521		6,261,910
				1,513,521
				634
<u>132,460</u>	<u>2,331</u>	<u>1,513,521</u>	<u>231,771</u>	<u>10,763,664</u>
				2,189,805
				47,117
		2,331,295		2,989,085
			105,360	105,360
			125,303	125,303
		<u>2,331,295</u>	<u>230,663</u>	<u>5,456,670</u>
<u>132,460</u>	<u>2,331</u>	<u>(817,774)</u>	<u>1,108</u>	<u>5,306,994</u>
				453,293
		1,337,334		2,066,983
(511,164)		(354,112)	(219,675)	(8,693,939)
<u>(511,164)</u>		<u>983,222</u>	<u>(219,675)</u>	<u>(6,173,663)</u>
<u>(378,704)</u>	<u>2,331</u>	<u>165,448</u>	<u>(218,567)</u>	<u>(866,669)</u>
2,478,440	42,583	1,251,204	218,567	14,683,952
				2,916,843
<u>2,478,440</u>	<u>42,583</u>	<u>1,251,204</u>	<u>218,567</u>	<u>17,600,795</u>
<u>\$ 2,099,736</u>	<u>\$ 44,914</u>	<u>\$ 1,416,652</u>	<u>\$ -</u>	<u>\$ 16,734,126</u>

CITY OF HERCULES
AB 3229 COPS PROGRAM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 500	\$ -	\$ (500)
Intergovernmental revenues	100,000	100,000	
Total revenues	100,500	100,000	(500)
Other Financing Sources (Uses):			
Transfers in		3,670	3,670
Transfers out	(100,000)	(100,000)	
Total other financing sources (uses)	(100,000)	(96,330)	3,670
Net change in fund balance	500	3,670	3,170
Fund balance - July 1, 2008			
Fund balance - June 30, 2009	\$ 500	\$ 3,670	\$ 3,170

CITY OF HERCULES
CITYWIDE L&L SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes and assessments	\$ 1,034,906	\$ 943,647	\$ (91,259)
Use of money and property	1,000	(4,837)	(5,837)
Total revenues	<u>1,035,906</u>	<u>938,810</u>	<u>(97,096)</u>
Expenditures:			
Current:			
Streets and public works	1,058,494	967,335	91,159
Capital outlay	<u>50,000</u>	<u></u>	<u>50,000</u>
Total expenditures	<u>1,108,494</u>	<u>967,335</u>	<u>141,159</u>
Net change in fund balance	(72,588)	(28,525)	44,063
Fund balance - July 1, 2008	<u>43,260</u>	<u>43,260</u>	<u></u>
Fund balance - June 30, 2009	<u>\$ (29,328)</u>	<u>\$ 14,735</u>	<u>\$ 44,063</u>

CITY OF HERCULES
LLAD SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes and assessments	\$ 751,446	\$ 682,120	\$ (69,326)
Use of money and property	20,000	39,881	19,881
Total revenues	771,446	722,001	(49,445)
Expenditures:			
Current:			
Streets and public works	948,861	813,282	135,579
Total expenditures	948,861	813,282	135,579
Net change in fund balance	(177,415)	(91,281)	86,134
Fund balance - July 1, 2008	881,369	881,369	
Fund balance - June 30, 2009	<u>\$ 703,954</u>	<u>\$ 790,088</u>	<u>\$ 86,134</u>

CITY OF HERCULES
STORMWATER ASSESSMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes and assessments	\$ 294,000	\$ 321,728	\$ 27,728
Use of money and property	4,500	3,826	(674)
Total revenues	<u>298,500</u>	<u>325,554</u>	<u>27,054</u>
Expenditures:			
Current:			
Streets and public works	372,787	385,384	(12,597)
Capital outlay	<u>25,000</u>	<u>990</u>	<u>24,010</u>
Total expenditures	<u>397,787</u>	<u>386,374</u>	<u>11,413</u>
Net change in fund balance	(99,287)	(60,820)	38,467
Fund balance - July 1, 2008	<u>149,095</u>	<u>149,095</u>	
Fund balance - June 30, 2009	<u><u>\$ 49,808</u></u>	<u><u>\$ 88,275</u></u>	<u><u>\$ 38,467</u></u>

CITY OF HERCULES
DIF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 140,700	\$ 404,263	\$ 263,563
Charges for services	1,291,100		(1,291,100)
Total revenues	<u>1,431,800</u>	<u>404,263</u>	<u>(1,027,537)</u>
Expenditures:			
Current:			
Community development	241,900	47,117	194,783
Total expenditures	<u>241,900</u>	<u>47,117</u>	<u>194,783</u>
Excess of revenues over (under) expenditures	<u>1,189,900</u>	<u>357,146</u>	<u>(832,754)</u>
Other Financing Sources (Uses):			
Transfers in		353,471	353,471
Transfers out	(2,513,917)	(1,045,462)	1,468,455
Total other financing sources (uses)	<u>(2,513,917)</u>	<u>(691,991)</u>	<u>1,821,926</u>
Net change in fund balance	<u>(1,324,017)</u>	<u>(334,845)</u>	<u>989,172</u>
Fund balance - July 1, 2008	5,120,958	5,120,958	
Prior period adjustments		2,992,943	2,992,943
Fund balance - July 1, 2008, restated	<u>5,120,958</u>	<u>8,113,901</u>	<u>2,992,943</u>
Fund balance - June 30, 2009	<u>\$ 3,796,941</u>	<u>\$ 7,779,056</u>	<u>\$ 3,982,115</u>

CITY OF HERCULES
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 16,000	\$ 35,495	\$ 19,495
Charges for services	151,500		(151,500)
Other revenues		34	34
Total revenues	<u>167,500</u>	<u>35,529</u>	<u>(131,971)</u>
Expenditures:			
Capital outlay		11,776	(11,776)
Total expenditures		<u>11,776</u>	<u>(11,776)</u>
Excess of revenues over (under) expenditures	<u>167,500</u>	<u>23,753</u>	<u>(143,747)</u>
Other Financing Sources (Uses):			
Transfers in		22,231	22,231
Transfers out	(668,899)	(358,252)	310,647
Total other financing sources (uses)	<u>(668,899)</u>	<u>(336,021)</u>	<u>332,878</u>
Net change in fund balance	<u>(501,399)</u>	<u>(312,268)</u>	<u>189,131</u>
Fund balance - July 1, 2008	850,223	850,223	
Prior period adjustments		(76,100)	(76,100)
Fund balance - July 1, 2008, restated	<u>850,223</u>	<u>774,123</u>	<u>(76,100)</u>
Fund balance - June 30, 2009	<u>\$ 348,824</u>	<u>\$ 461,855</u>	<u>\$ 113,031</u>

CITY OF HERCULES
DEVELOPMENT FEE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 70,000	\$ 117,993	\$ 47,993
Total revenues	70,000	117,993	47,993
Net change in fund balance	70,000	117,993	47,993
Fund balance - July 1, 2008	2,154,743	2,154,743	
Fund balance - June 30, 2009	\$ 2,224,743	\$ 2,272,736	\$ 47,993

CITY OF HERCULES
STATE GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 6,000	\$ 34,610	\$ 28,610
Intergovernmental revenues	559,396	604,195	44,799
Other revenues	600	600	600
Total revenues	565,396	639,405	74,009
Expenditures:			
Current:			
Streets and public works	32,000	23,804	8,196
Capital outlay	286,000	80,062	205,938
Total expenditures	318,000	103,866	214,134
Excess of revenues over (under) expenditures	247,396	535,539	288,143
Other Financing Sources (Uses):			
Transfers in	116,000	341,000	225,000
Transfers out	(165,056)	(152,801)	12,255
Total other financing sources (uses)	(49,056)	188,199	237,255
Net change in fund balance	198,340	723,738	525,398
Fund balance - July 1, 2008	417,624	417,624	
Fund balance - June 30, 2009	\$ 615,964	\$ 1,141,362	\$ 525,398

CITY OF HERCULES
MEASURE C STREET SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 6,000	\$ 34,278	\$ 28,278
Intergovernmental revenues	300,000	1,106,000	806,000
Total revenues	306,000	1,140,278	834,278
Expenditures:			
Capital outlay	285,800	108,458	177,342
Total expenditures	285,800	108,458	177,342
Excess of revenues over (under) expenditures	20,200	1,031,820	1,011,620
Other Financing Sources (Uses):			
Transfers out	(80,000)	(1,186,407)	(1,106,407)
Total other financing sources (uses)	(80,000)	(1,186,407)	(1,106,407)
Net change in fund balance	(59,800)	(154,587)	(94,787)
Fund balance - July 1, 2008	713,403	713,403	
Fund balance - June 30, 2009	\$ 653,603	\$ 558,816	\$ (94,787)

CITY OF HERCULES
STMP TRAFFIC IMPACT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 2,300	\$ 2,773	\$ 473
Charges for services	158,208		(158,208)
Total revenues	<u>160,508</u>	<u>2,773</u>	<u>(157,735)</u>
Expenditures:			
Capital outlay	<u>158,208</u>	<u>104,097</u>	<u>54,111</u>
Total expenditures	<u>158,208</u>	<u>104,097</u>	<u>54,111</u>
Net change in fund balance	2,300	(101,324)	(103,624)
Fund balance - July 1, 2008	<u>93,584</u>	<u>93,584</u>	
Fund balance (deficit) - June 30, 2009	<u>\$ 95,884</u>	<u>\$ (7,740)</u>	<u>\$ (103,624)</u>

CITY OF HERCULES
SB 1266 ROAD IMPROVEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ (2,173)	\$ (2,173)
Intergovernmental revenues	760,000	343,273	(416,727)
Total revenues	760,000	341,100	(418,900)
Expenditures:			
Capital outlay	760,000	344,088	415,912
Total expenditures	760,000	344,088	415,912
Excess of revenues over (under) expenditures		(2,988)	(2,988)
Other Financing Sources (Uses):			
Transfers in		2,988	2,988
Total other financing sources (uses)		2,988	2,988
Net change in fund balance			
Fund balance - July 1, 2008			
Fund balance - June 30, 2009	\$ -	\$ -	\$ -

CITY OF HERCULES
STATE AB-939 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 2,000	\$ 3,485	\$ 1,485
Total revenues	2,000	3,485	1,485
Expenditures:			
Capital outlay	11,500	8,319	3,181
Total expenditures	11,500	8,319	3,181
Excess of revenues over (under) expenditures	(9,500)	(4,834)	4,666
Other Financing Sources (Uses):			
Transfers in		6,289	6,289
Total other financing sources (uses)		6,289	6,289
Net change in fund balance	(9,500)	1,455	10,955
Fund balance - July 1, 2008	10,001	10,001	
Fund balance - June 30, 2009	\$ 501	\$ 11,456	\$ 10,955

CITY OF HERCULES
GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 10,000	\$ 3,948	\$ (6,052)
Intergovernmental revenues	7,840,294	4,108,442	(3,731,852)
Total revenues	7,850,294	4,112,390	(3,737,904)
Other Financing Sources (Uses):			
Proceeds from issuance of long-term debt		453,293	453,293
Transfers out	(7,815,294)	(4,766,066)	3,049,228
Total other financing sources (uses)	(7,815,294)	(4,312,773)	3,502,521
Net change in fund balance	35,000	(200,383)	(235,383)
Fund balance - July 1, 2008	258,898	258,898	
Fund balance - June 30, 2009	\$ 293,898	\$ 58,515	\$ (235,383)

CITY OF HERCULES
FISCAL NEUTRALITY FEE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 75,000	\$ 132,460	\$ 57,460
Charges for services	10,000		(10,000)
Total revenues	<u>85,000</u>	<u>132,460</u>	<u>47,460</u>
Other Financing Sources (Uses):			
Transfers out	<u>(50,000)</u>	<u>(511,164)</u>	<u>(461,164)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(511,164)</u>	<u>(461,164)</u>
Net change in fund balance	35,000	(378,704)	(413,704)
Fund balance - July 1, 2008	<u>2,478,440</u>	<u>2,478,440</u>	
Fund balance - June 30, 2009	<u><u>\$ 2,513,440</u></u>	<u><u>\$ 2,099,736</u></u>	<u><u>\$ (413,704)</u></u>

CITY OF HERCULES
REGIONAL WATER QUALITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 1,000	\$ 2,331	\$ 1,331
Total revenues	1,000	2,331	1,331
Net change in fund balance	1,000	2,331	1,331
Fund balance - July 1, 2008	42,583	42,583	
Fund balance - June 30, 2009	\$ 43,583	\$ 44,914	\$ 1,331

CITY OF HERCULES
CITY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for services	\$ 148,000	\$ 1,513,521	\$ 1,365,521
Total revenues	148,000	1,513,521	1,365,521
Expenditures:			
Capital outlay	7,576,971	2,331,295	5,245,676
Total expenditures	7,576,971	2,331,295	5,245,676
Excess of revenues over (under) expenditures	(7,428,971)	(817,774)	6,611,197
Other Financing Sources (Uses):			
Transfers in	6,415,917	1,337,334	(5,078,583)
Transfers out		(354,112)	(354,112)
Total other financing sources (uses)	6,415,917	983,222	(5,432,695)
Net change in fund balance	(1,013,054)	165,448	1,178,502
Fund balance - July 1, 2008	1,251,204	1,251,204	
Fund balance - June 30, 2009	\$ 238,150	\$ 1,416,652	\$ 1,178,502

CITY OF HERCULES
SUNTRUST LEASE DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 231,771	\$ 231,771
Total revenues		231,771	231,771
Expenditures:			
Debt service:			
Principal	52,065	105,360	(53,295)
Interest and fiscal agent fees	55,985	125,303	(69,318)
Total expenditures	108,050	230,663	(122,613)
Excess of revenues over (under) expenditures	(108,050)	1,108	109,158
Other Financing Sources (Uses):			
Transfers in	108,050		(108,050)
Transfers out		(219,675)	(219,675)
Total other financing sources (uses)	108,050	(219,675)	(327,725)
Net change in fund balance		(218,567)	(218,567)
Fund balance - July 1, 2008	218,567	218,567	
Fund balance - June 30, 2009	\$ 218,567	\$ -	\$ (218,567)

INTERNAL SERVICE FUNDS

Vehicle Replacement Fund – This fund accumulates funds for the replacement of vehicles used by City Departments. The source of revenues for this fund is rental fee charges to the various user departments.

IT Equipment Replacement Fund – This fund accumulates funds for the replacement and maintenance of Information Technology equipment in other departments of the City on a cost reimbursement basis.

Facility Maintenance Fund – This fund accumulates funds for the maintenance of facilities used by City Departments.

CITY OF HERCULES
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2009

	Vehicle Replacement Fund	IT Equipment Replacement Fund	Facility Maintenance Fund	Totals
ASSETS				
Current Assets:				
Cash and investments	\$ 1,582,802	\$ 355,532	\$ 123,575	\$ 2,061,909
Accounts receivable			160	160
Total current assets	<u>1,582,802</u>	<u>355,532</u>	<u>123,735</u>	<u>2,062,069</u>
Capital Assets:				
Depreciable:				
Machinery and equipment	1,986,728	858,330		2,845,058
Total depreciable capital assets	1,986,728	858,330		2,845,058
Less accumulated depreciation	<u>(1,336,021)</u>	<u>(315,020)</u>		<u>(1,651,041)</u>
Net depreciable capital assets	<u>650,707</u>	<u>543,310</u>		<u>1,194,017</u>
Net capital assets	<u>650,707</u>	<u>543,310</u>		<u>1,194,017</u>
Total noncurrent assets	<u>650,707</u>	<u>543,310</u>		<u>1,194,017</u>
Total assets	<u>2,233,509</u>	<u>898,842</u>	<u>123,735</u>	<u>3,256,086</u>
LIABILITIES				
Current Liabilities:				
Accounts payable		171,399	98,315	269,714
Accrued wages		8,297	8,027	16,324
Total current liabilities		<u>179,696</u>	<u>106,342</u>	<u>286,038</u>
Noncurrent Liabilities:				
Compensated absences		11,899	12,982	24,881
Total liabilities		<u>191,595</u>	<u>119,324</u>	<u>310,919</u>
NET ASSETS				
Invested in capital assets, net of related debt	650,707	543,310		1,194,017
Unrestricted	<u>1,582,802</u>	<u>163,937</u>	<u>4,411</u>	<u>1,751,150</u>
Total net assets	<u>\$ 2,233,509</u>	<u>\$ 707,247</u>	<u>\$ 4,411</u>	<u>\$ 2,945,167</u>

CITY OF HERCULES
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	Vehicle Replacement Fund	IT Equipment Replacement Fund	Facility Maintenance Fund	Totals
Revenues:				
Charges for services	\$ 171,295	\$ 599,513	\$ -	\$ 770,808
Total revenues	<u>171,295</u>	<u>599,513</u>		<u>770,808</u>
Expenses:				
Administration	5,285	443,212	462,903	911,400
Depreciation	175,180	101,785		276,965
Total expenses	<u>180,465</u>	<u>544,997</u>	<u>462,903</u>	<u>1,188,365</u>
Operating Income (Loss)	<u>(9,170)</u>	<u>54,516</u>	<u>(462,903)</u>	<u>(417,557)</u>
Non-operating revenues (expenses):				
Interest income	9,622			9,622
Total non-operating revenues (expenses)	<u>9,622</u>			<u>9,622</u>
Income (Loss) before transfers	452	54,516	(462,903)	(407,935)
Transfers:				
Transfers in	163,332	189,649	469,075	822,056
Change in net assets	163,784	244,165	6,172	414,121
Net Assets, July 1, 2008	<u>2,069,725</u>	<u>463,082</u>	<u>(1,761)</u>	<u>2,531,046</u>
Net Assets, June 30, 2009	<u>\$ 2,233,509</u>	<u>\$ 707,247</u>	<u>\$ 4,411</u>	<u>\$ 2,945,167</u>

CITY OF HERCULES
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009

	Vehicle Replacement Fund	IT Equipment Replacement Fund	Facility Maintenance Fund	Totals
Cash Flows from Operating Activities:				
Receipts from customers	\$ 171,295	\$ 599,513	\$ (160)	\$ 770,648
Payment to suppliers and users	(12,285)	(111,231)	(240,234)	(363,750)
Payment to employees		(209,498)	(154,760)	(364,258)
Net Cash Provided (Used) by Operating Activities	<u>159,010</u>	<u>278,784</u>	<u>(395,154)</u>	<u>42,640</u>
Cash flows from Non-Capital Financing Activities:				
Transfers in	<u>163,332</u>	<u>189,649</u>	<u>469,075</u>	<u>822,056</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>163,332</u>	<u>189,649</u>	<u>469,075</u>	<u>822,056</u>
Cash flows from Capital and Related Financing Activities:				
Purchases of capital assets	<u>(212,038)</u>	<u>(314,275)</u>		<u>(526,313)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(212,038)</u>	<u>(314,275)</u>		<u>(526,313)</u>
Cash flows from Investing Activities:				
Interest received	<u>9,622</u>			<u>9,622</u>
Net Cash Provided by Investing Activities	<u>9,622</u>			<u>9,622</u>
Net Increase (Decrease) in Cash and Cash Equivalents	119,926	154,158	73,921	348,005
Cash and Cash Equivalents, July 1, 2008	<u>1,462,876</u>	<u>201,374</u>	<u>49,654</u>	<u>1,713,904</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 1,582,802</u>	<u>\$ 355,532</u>	<u>\$ 123,575</u>	<u>\$ 2,061,909</u>
Reconciliation of Cash and Cash Equivalents to Combining Statement of Net Assets				
Cash and investments	<u>\$ 1,582,802</u>	<u>\$ 355,532</u>	<u>\$ 123,575</u>	<u>\$ 2,061,909</u>
Total Cash and Investments	<u>\$ 1,582,802</u>	<u>\$ 355,532</u>	<u>\$ 123,575</u>	<u>\$ 2,061,909</u>

(Continued)

CITY OF HERCULES
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2009

	<u>Vehicle Replacement Fund</u>	<u>IT Equipment Replacement Fund</u>	<u>Facility Maintenance Fund</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (9,170)	\$ 54,516	\$ (462,903)	\$ (417,557)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	175,180	101,785		276,965
(Increase) Decrease in Operating Assets:				
Accounts receivable			(160)	(160)
Increase (Decrease) in Operating Liabilities:				
Accounts payable	(7,000)	121,240	63,280	177,520
Accrued wages		685	2,177	2,862
Compensated absences		558	2,452	3,010
Net Cash Provided (Used) by Operating Activities	<u>\$ 159,010</u>	<u>\$ 278,784</u>	<u>\$ (395,154)</u>	<u>\$ 42,640</u>

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FIDUCIARY FUNDS

Agency Funds:

Westcat Transit Fund – This fund accounts for monies held on deposit for the West Contra Costa Transit Authority.

West Contra Costa Integrated Waste Management Authority Fund – This fund accounts for monies held on deposit for the West Contra Costa Integrated Waste Management Authority.

Reassessment District 91-1 Debt Service Fund – This fund accounts for the tax revenues received, and the debt service payments made, to retire bonds on behalf of the members of the District. These bonds were issued to refinance the 83-1 improvement bonds, which were originally issued to finance the Hercules-Pinole wastewater Treatment Plant expansion.

Reassessment District 05-1 Debt Service Fund – This fund accounts for the tax revenues received, and the debt service payments made, to retire bonds on behalf of the members of the District. These bonds were issued upon and secured by the unpaid special assessments levied on parcels within the District.

A. Nobel Reassessment Debt Service Fund – This fund accounts for the tax revenues received, and the debt service payments made, to retire bonds on behalf of the members of the District. These bonds were issued to refinance the 85-1 improvement bonds and 89-1 refunding bonds.

Taylor Woodrow Maintenance LMOD Fund – This fund accounts for assessment revenues and service expenditures for the Taylor Woodrow lighting and landscaping district.

Hercules Community Library Fund – This fund accounts for donations made for the new Hercules Community Library.

Hercules Golf Club Fund – This fund accounts for monies held on deposit for the Hercules Golf Club.

Pinole/Hercules Wastewater Treatment Plant – This fund is for the establishment and operation for the retention of Wastewater Consultants and Specialists to study various options regarding the future use and operation of the Pinole/Hercules Wastewater Treatment Plant.

CITY OF HERCULES
AGENCY FUNDS
COMBINING BALANCE SHEET
June 30, 2009

	Westcat Transit	West Contra Costa Integrated Waste Management Authority	Reassessment District 91-1	Reassessment District 05-1
Assets				
Cash and investments	\$ -	\$ 6,554,054	\$ 341,920	\$ 157,728
Cash and investments with fiscal agent				1,227,456
Accounts receivable		394,210		369
Total Assets	\$ -	\$ 6,948,264	\$ 341,920	\$ 1,385,553
Liabilities				
Accounts payable	\$ 3,533	\$ 76,235	\$ 341,920	\$ 374,473
Compensated absences		12,635		
Deposits payable	(3,533)	6,859,394		1,011,080
Total Liabilities	\$ -	\$ 6,948,264	\$ 341,920	\$ 1,385,553

A. Nobel Reassessment District	Taylor Woodrow Maintenance LMOD	Hercules Community Library	Hercules Golf Club	Pinole/Hercules Wastewater Treatment Plant	Totals
\$ 714,529 955,101	\$ 60,996	\$ 5,973	\$ 37,456	\$ 27,847	\$ 7,900,503 2,182,557 394,579
<u>\$ 1,669,630</u>	<u>\$ 60,996</u>	<u>\$ 5,973</u>	<u>\$ 37,456</u>	<u>\$ 27,847</u>	<u>\$ 10,477,639</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 796,161 12,635
<u>1,669,630</u>	<u>60,996</u>	<u>5,973</u>	<u>37,456</u>	<u>27,847</u>	<u>9,668,843</u>
<u>\$ 1,669,630</u>	<u>\$ 60,996</u>	<u>\$ 5,973</u>	<u>\$ 37,456</u>	<u>\$ 27,847</u>	<u>\$ 10,477,639</u>

CITY OF HERCULES
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
WESTCAT TRANSIT				
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 3,533	\$ -	\$ -	\$ 3,533
Deposits payable	<u>(3,533)</u>			<u>(3,533)</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
WEST CONTRA COSTA INTEGRATED WASTE MANAGEMENT AUTHORITY				
ASSETS				
Cash and investments	\$ 6,820,572	\$ 17,102	\$ (283,620)	\$ 6,554,054
Accounts receivable	<u>608,710</u>		<u>(214,500)</u>	<u>394,210</u>
Total Assets	<u>\$ 7,429,282</u>	<u>\$ 17,102</u>	<u>\$ (498,120)</u>	<u>\$ 6,948,264</u>
LIABILITIES				
Accounts payable	\$ 64,544	\$ 11,691	\$ -	\$ 76,235
Compensated absences	7,224	5,411		12,635
Deposits payable	<u>7,357,514</u>		<u>(498,120)</u>	<u>6,859,394</u>
Total Liabilities	<u>\$ 7,429,282</u>	<u>\$ 17,102</u>	<u>\$ (498,120)</u>	<u>\$ 6,948,264</u>
REASSESSMENT DISTRICT 91-1				
ASSETS				
Cash and investments	\$ 339,540	\$ 2,380	\$ -	\$ 341,920
Total Assets	<u>\$ 339,540</u>	<u>\$ 2,380</u>	<u>\$ -</u>	<u>\$ 341,920</u>
LIABILITIES				
Accounts payable	\$ 339,540	\$ 2,380	\$ -	\$ 341,920
Total Liabilities	<u>\$ 339,540</u>	<u>\$ 2,380</u>	<u>\$ -</u>	<u>\$ 341,920</u>

(Continued)

CITY OF HERCULES
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2009
(Continued)

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
REASSESSMENT DISTRICT 05-1				
ASSETS				
Cash and investments	\$ -	\$ 157,728	\$ -	\$ 157,728
Cash and investments with fiscal agent	4,296,227		(3,068,771)	1,227,456
Accounts Receivable		369		369
Total Assets	<u>\$ 4,296,227</u>	<u>\$ 158,097</u>	<u>\$ (3,068,771)</u>	<u>\$ 1,385,553</u>
LIABILITIES				
Accounts Payable	\$ 2,019,881	\$ 158,097	\$ (1,803,505)	\$ 374,473
Deposits payable	2,276,346		(1,265,266)	1,011,080
Total Liabilities	<u>\$ 4,296,227</u>	<u>\$ 158,097</u>	<u>\$ (3,068,771)</u>	<u>\$ 1,385,553</u>
A. NOBEL REASSESSMENT DISTRICT				
ASSETS				
Cash and investments	\$ 795,716	\$ -	\$ (81,187)	\$ 714,529
Cash and investments with fiscal agent	948,743	6,358		955,101
Total Assets	<u>\$ 1,744,459</u>	<u>\$ 6,358</u>	<u>\$ (81,187)</u>	<u>\$ 1,669,630</u>
LIABILITIES				
Deposits payable	\$ 1,744,459	\$ 6,358	\$ (81,187)	\$ 1,669,630
Total Liabilities	<u>\$ 1,744,459</u>	<u>\$ 6,358</u>	<u>\$ (81,187)</u>	<u>\$ 1,669,630</u>
TAYLOR WOODROW MAINTENANCE LMOD				
ASSETS				
Cash and investments	\$ 57,831	\$ 3,165	\$ -	\$ 60,996
Total Assets	<u>\$ 57,831</u>	<u>\$ 3,165</u>	<u>\$ -</u>	<u>\$ 60,996</u>
LIABILITIES				
Deposits payable	\$ 57,831	\$ 3,165	\$ -	\$ 60,996
Total Liabilities	<u>\$ 57,831</u>	<u>\$ 3,165</u>	<u>\$ -</u>	<u>\$ 60,996</u>

(Continued)

CITY OF HERCULES
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2009
(Continued)

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
HERCULES COMMUNITY LIBRARY				
ASSETS				
Cash and investments	\$ 3,305	\$ 3,087	\$ (419)	\$ 5,973
Total Assets	<u>\$ 3,305</u>	<u>\$ 3,087</u>	<u>\$ (419)</u>	<u>\$ 5,973</u>
LIABILITIES				
Accounts payable	\$ 419	\$ -	\$ (419)	\$ -
Deposits payable	2,886	3,087		5,973
Total Liabilities	<u>\$ 3,305</u>	<u>\$ 3,087</u>	<u>\$ (419)</u>	<u>\$ 5,973</u>
HERCULES GOLF CLUB				
ASSETS				
Cash and investments	\$ 22,948	\$ 14,508	\$ -	\$ 37,456
Accounts Receivable	100		(100)	
Total Assets	<u>\$ 23,048</u>	<u>\$ 14,508</u>	<u>\$ (100)</u>	<u>\$ 37,456</u>
LIABILITIES				
Deposits payable	\$ 23,048	\$ 14,508	\$ (100)	\$ 37,456
Total Liabilities	<u>\$ 23,048</u>	<u>\$ 14,508</u>	<u>\$ (100)</u>	<u>\$ 37,456</u>
PINOLE/HERCULES WASTEWATER TREATMENT PLANT				
ASSETS				
Cash and investments	\$ 19,582	\$ 8,265	\$ -	\$ 27,847
Total Assets	<u>\$ 19,582</u>	<u>\$ 8,265</u>	<u>\$ -</u>	<u>\$ 27,847</u>
LIABILITIES				
Deposits payable	\$ 19,582	\$ 8,265	\$ -	\$ 27,847
Total Liabilities	<u>\$ 19,582</u>	<u>\$ 8,265</u>	<u>\$ -</u>	<u>\$ 27,847</u>

(Continued)

CITY OF HERCULES
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2009
(Continued)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
TOTAL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 8,059,494	\$ 206,235	\$ (365,226)	\$ 7,900,503
Cash and investments with fiscal agent	5,244,970	6,358	(3,068,771)	2,182,557
Accounts receivable	608,810	369	(214,600)	394,579
	<u>\$ 13,913,274</u>	<u>\$ 212,962</u>	<u>\$ (3,648,597)</u>	<u>\$ 10,477,639</u>
LIABILITIES				
Accounts payable	\$ 2,427,917	\$ 172,168	\$ (1,803,924)	\$ 796,161
Compensated absences	7,224	5,411		12,635
Deposits payable	11,478,133	35,383	(1,844,673)	9,668,843
	<u>\$ 13,913,274</u>	<u>\$ 212,962</u>	<u>\$ (3,648,597)</u>	<u>\$ 10,477,639</u>



MOSS, LEVY & HARTZHEIM LLP

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

The Honorable Members of the City Council of the
City of Hercules
Hercules, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hercules, California, as of and for the fiscal year ended June 30, 2009, which collectively comprise the City of Hercules' basic financial statements, and have issued our report thereon dated January 29, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hercules' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hercules' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hercules' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Hercules' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Hercules' financial statements that is more than inconsequential will not be prevented or detected by the City of Hercules' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Hercules' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City of Hercules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Hercules in a separate letter dated January 29, 2010.

This report is intended solely for the information and use of management, others within the organization, City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
January 29, 2010

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CITY OF HERCULES STATISTICAL SECTION

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

The Governmental Accounting Standards Board (GASB) issued Statement Number 44, "Economic Condition Reporting; the Statistics Section" which is an amendment of the National Council on Governmental Accounting's (NCGA) Statement One. This statement amends the portions of NCGA Statement One, Governmental Accounting and Financial Reporting principles that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year statements, and required supplementary information to assess the economic condition of the City. During the Fiscal Year 2004-2005, the City of Hercules implemented this statement, added new information, and eliminated schedules previously required.

The major points of emphasis are:

Financial Trends – These schedules contain trend information to help the CAFR reader understand how the City of Hercules' financial performance and economic status have changed over time.

Revenue Capacity – These schedules contain information to help the CAFR reader evaluate factors affecting the City of Hercules' ability to generate its property and sales taxes and other major revenues.

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

Demographic and Economic Information – These schedules offer demographic and economic indications to help the CAFR reader understand the environment within which the City of Hercules' financial activities occur.

Operating Information – These schedules contain information about the City of Hercules' operations and resources to help the CAFR reader understand how the City's financial information relates to the services the City provides and the activities it performs.

City of Hercules
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	\$ 12,171	\$ 8,579	\$ 25,731	\$ (11,063)	\$ 5,415	\$ 64,911	\$ 50,093
Restricted	12,858	18,255	37,692	61,752	79,222	14,555	2,244
Unrestricted	29,652	31,913	13,589	36,881	19,688	35,510	38,912
Total Governmental Activities	\$ 54,681	\$ 58,747	\$ 77,012	\$ 87,570	\$ 104,325	\$ 114,976	\$ 91,249
Business-type activities							
Invested in capital assets, net of related debt	\$ 2,924	\$ 4,762	\$ 5,780	\$ 8,009	\$ 12,758	\$ 11,655	\$ 18,017
Restricted	6	236	236	236			
Unrestricted	1,412	75	1,486	1,692	(5,483)	(3,997)	10,042
Total Business-type activities	\$ 4,342	\$ 5,073	\$ 7,503	\$ 9,937	\$ 7,275	\$ 7,658	\$ 28,059
Primary government							
Invested in capital assets, net of related debt	\$ 15,095	\$ 13,341	\$ 31,511	\$ (3,054)	\$ 18,173	\$ 76,566	\$ 68,110
Restricted	12,864	18,491	37,928	61,988	79,222	14,555	2,244
Unrestricted	31,064	31,988	15,076	38,573	14,205	31,513	48,954
Total primary government	\$ 59,023	\$ 63,820	\$ 84,515	\$ 97,507	\$ 111,600	\$ 122,634	\$ 119,308

Source: CAFR 2003, 2004, 2005, 2006, 2007, 2008, 2009

City of Hercules
Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental Activities:							
General government	\$ 5,281	\$ 6,203	\$ 8,392	\$ 4,104	\$ 4,732	\$ 5,498	\$ 7,601
Public safety	3,502	3,583	3,897	4,664	5,628	5,540	6,461
Public works	4,256	3,261	7,452	4,204	4,861	4,751	5,110
Community development	2,803	1,288	2,138	10,623	8,163	11,244	15,817
Parks and recreation	1,806	1,735	2,156	2,243	2,382	2,652	2,994
Interest on long-term debt	1,424	1,472	2,447	3,510	4,114	6,796	8,839
Total governmental activities expense	19,072	17,542	26,482	29,348	29,880	36,481	46,822
Business-type activities							
Sewer	2,369	1,845	1,836	2,112	2,657	1,531	2,757
Hercules Municipal Utility Fund	492	974	1,486	2,320	2,801	3,198	3,487
Total business-type activities expense	2,861	2,819	3,322	4,432	5,458	4,729	6,244
Total primary government expenses	\$ 21,933	\$ 20,361	\$ 29,804	\$ 33,780	\$ 35,338	\$ 41,210	\$ 53,066
Program Revenues							
Governmental activities:							
Charges for services							
General government	\$ 201	\$ 254	\$ 559	\$ 175	\$ 1,081	\$ 325	\$ 1,165
Community development	8,009	6,301	4,904	3,791	1,450	1,495	2,349
Parks and recreation	1,219	1,013	1,307	1,425	1,468	1,231	1,503
Other activities	154	547	323	240	433	1,058	905
Operating grants and contributions	1,063	503	1,307	32	434	7,584	32
Capital grants and contributions	1	47	15,111	6,416	6,983	3,420	4,937
Total governmental activities program revenues	10,647	8,665	23,511	12,079	11,849	15,113	10,891
Business-type activities:							
Charges for services							
Sewer	3,070	2,461	2,762	3,163	2,326	3,710	3,815
Hercules Municipal Utility Fund	69	546	1,415	1,701	1,727	1,953	2,354
Capital grants and contributions	671		838		3,116		411
Total business-type activities program revenues	3,810	3,007	5,015	4,864	7,169	5,663	6,580
Total primary government program revenues	\$ 14,457	\$ 11,672	\$ 28,526	\$ 16,943	\$ 19,018	\$ 20,776	\$ 17,471

(Continued)

Source: CAFR 2003, 2004, 2005, 2006, 2007, 2008, 2009

City of Hercules
Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Continued)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Net (expense)/revenue:							
Governmental activities	\$ (8,425)	\$ (8,877)	\$ (2,971)	\$ (17,269)	\$ (18,031)	\$ (21,368)	\$ (35,931)
Business-type activities	949	188	1,693	432	1,711	934	336
Total primary government net expense	<u>\$ (7,476)</u>	<u>\$ (8,689)</u>	<u>\$ (1,278)</u>	<u>\$ (16,837)</u>	<u>\$ (16,320)</u>	<u>\$ (20,434)</u>	<u>\$ (35,595)</u>
General Revenue and Other Changes in Net Assets							
Governmental activities:							
Property taxes	\$ 5,396	\$ 9,130	\$ 12,144	\$ 13,478	\$ 16,777	\$ 16,641	\$ 16,021
Sales and other taxes	3,912	4,780	6,020	6,856	6,746	6,822	7,849
Investment earnings	2,333	(199)	2,638	3,439	5,259	6,046	5,642
Miscellaneous	100	(225)	1,889	3,855	2,198	2,453	2,432
Loss on sale of assets			(717)	(9)	(14)		
Transfers	100	(543)	(738)	(2,003)	41	286	(5,326)
Total Governmental activities	<u>11,841</u>	<u>12,943</u>	<u>21,236</u>	<u>25,616</u>	<u>31,007</u>	<u>32,248</u>	<u>26,618</u>
Business-type activities							
Investment earnings						6	325
Transfers	(100)	543	738	2,003	(41)	(286)	5,326
Total business-type activities	<u>(100)</u>	<u>543</u>	<u>738</u>	<u>2,003</u>	<u>(41)</u>	<u>(280)</u>	<u>5,651</u>
Total primary government	<u>\$ 11,741</u>	<u>\$ 13,486</u>	<u>\$ 21,974</u>	<u>\$ 27,619</u>	<u>\$ 30,966</u>	<u>\$ 31,968</u>	<u>\$ 32,269</u>
Change in Net Assets							
Governmental activities	\$ 3,416	\$ 4,066	\$ 18,265	\$ 8,347	\$ 12,976	\$ 10,880	\$ (9,313)
Business-type activities	849	731	2,431	2,435	1,670	654	5,987
Total primary government	<u>\$ 4,265</u>	<u>\$ 4,797</u>	<u>\$ 20,696</u>	<u>\$ 10,782</u>	<u>\$ 14,646</u>	<u>\$ 11,534</u>	<u>\$ (3,326)</u>

Source: CAFR 2003, 2004, 2005, 2006, 2007, 2008, 2009

City of Hercules
Governmental Activities Tax Revenues by Source ¹
Last Seven Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Utility Users Tax	Sales Tax	Gas Tax	Franchise Tax	Transfer Tax	Transportation Tax	Business License Tax	Total
2003	5,387	1,120	1,078	423	308	198	283	140	8,937
2004	7,256	1,254	1,023	392	353	368	265	139	11,050
2005	13,134	1,431	1,271	420	383	279	259	138	17,315
2006	13,478	1,789	1,669	690	479	295	1,765	168	20,333
2007	16,777	1,824	1,821	441	496	131	1,884	152	23,526
2008	16,641	1,803	1,927	432	472	73	1,957	158	23,463
2009	16,021	1,959	2,566	604	600	85	1,881	154	23,870

¹ Gas tax and Transportation tax shown in CAFR as intergovernmental, and Business License Tax as Licenses and Permits.

Source: City of Hercules (10 years information not available)

City of Hercules
Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 12,783	\$ 14,724	\$ 14,548	\$ 14,262	\$ 17,518	\$ 19,135	\$ 19,693
Unreserved	12,377	9,784	12,190	11,810	9,604	7,365	5,384
Total General Fund	<u>25,160</u>	<u>24,508</u>	<u>26,738</u>	<u>26,072</u>	<u>27,122</u>	<u>26,500</u>	<u>25,077</u>
All other governmental funds							
Reserved	\$ 9,484	\$ 26,518	\$ 28,183	\$ 63,618	\$ 52,375	\$114,978	\$ 94,617
Unreserved, reported in:							
Designated, future projects						11,756	11,474
Special revenue funds	3,468	5,118	2,449	6,608	13,979	7,954	816
Debt service funds	6,391				107	1,224	(27,673)
Redevelopment Agency	(4,481)	(8,738)	(10,393)	(4,807)	(357)	(16,046)	(14,746)
Total all other governmental funds	<u>\$ 14,862</u>	<u>\$ 22,898</u>	<u>\$ 20,239</u>	<u>\$ 65,419</u>	<u>\$ 66,104</u>	<u>\$119,866</u>	<u>\$ 64,488</u>

Source: CAFR 2003, 2004, 2005, 2006, 2007, 2008, 2009
(10 years information not available)

City of Hercules
Changes in Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Revenues							
Taxes	\$ 9,308	\$ 11,050	\$ 16,303	\$ 18,550	\$ 20,880	\$ 20,750	\$ 20,176
Intergovernmental	1,141	1,570	3,264	3,084	7,440	10,396	8,192
Licenses and permits	2,536	1,876	1,086	753	509	337	492
Fines and forfeitures	53	57	57	64	168	135	147
Use of money and property	2,333	443	2,685	3,439	4,931	6,686	5,914
Program Income					4	31	318
Charges for services	6,917	6,430	5,407	4,665	2,696	2,606	3,607
Lease income	480	315	532	920	1,022	310	389
Other revenues	100	1,107	1,650	1,355	2,198	2,453	2,432
Total Revenues	22,868	22,848	30,984	32,829	39,847	43,704	41,667
Expenditures							
General government	5,108	5,798	8,176	3,792	3,528	4,373	5,206
Public safety	3,326	3,536	3,809	4,654	5,594	5,255	6,225
Public works	1,648	1,896	1,553	2,266	2,746	2,560	2,887
Community development	1,127	1,288	1,155	10,637	9,424	12,857	12,843
Parks and recreation	1,637	1,564	1,944	2,116	2,228	2,425	2,751
Capital outlay	3,535	3,170	5,469	9,568	12,568	41,331	34,018
Lease expense	480	315	532	920	1,022	1,133	1,096
Debt service							
Principal	679	4,370	4,287	438	1,546	1,815	4,532
Interest	1,675	1,381	2,256	3,120	4,099	5,020	8,800
Bond issuance cost		706		1,079		3,106	
Total Expenditures	19,215	24,024	29,181	38,591	42,754	79,874	78,358
Excess of revenues over (under) expenditures	3,653	(1,176)	1,803	(5,761)	(2,907)	(36,170)	(36,691)

(Continued)

City of Hercules
Changes in Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(Continued)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Other financing sources (uses)							
Premium from Issuance	\$ -	\$ -	\$ -	\$ 2,176	\$ -	\$ 82	\$ -
Refunding Payment to escrow				(6,351)			
Capital Contributions to HMU	(671)						
Proceeds from long-term debt	7,000	9,150		56,260	400	89,037	453
Transfers in	1,084	5,105	4,418	20,258	23,575	51,414	61,824
Transfers out	(1,110)	(5,694)	(6,648)	(22,328)	(24,129)	(51,244)	(67,972)
Total other financing sources (uses)	<u>6,303</u>	<u>8,561</u>	<u>(2,230)</u>	<u>50,015</u>	<u>(155)</u>	<u>89,289</u>	<u>(5,695)</u>
Net change in fund balances	<u>\$ 9,956</u>	<u>\$ 7,385</u>	<u>\$ (427)</u>	<u>\$ 44,253</u>	<u>\$ (3,061)</u>	<u>\$ 53,118</u>	<u>\$(42,386)</u>
Debt as a percentage of noncapital expenditures	15.01%	30.96%	27.59%	15.98%	18.70%	25.79%	30.07%

Source: CAFR 2003, 2004, 2005, 2006, 2007, 2008, 2009
(10 years information not available)

City of Hercules
Assessed Value and Estimated Actual Value of Taxable Property
Last Seven Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Real Property	Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
2003	1,722,513	32,630	57,703	1,697,440	1.202
2004	1,970,445	30,814	59,112	1,942,147	1.243
2005	2,410,917	29,865	65,569	2,375,213	1.245
2006	2,821,941	35,128	82,382	2,774,687	1.234
2007	3,187,086	39,352	83,861	3,142,577	1.236
2008	3,428,954	38,806	85,254	3,382,506	1.209
2009	3,319,675	39,831	83,593	3,275,913	1.233

Note: Property in the City is reassessed each year. Property is assessed at actual value. Therefore, the assessed values are equal to the actual value.
(10 year information is not available.)

Source: Stephen J. Ybarra, Auditor of the County of Contra Costa

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**City of Hercules
Property Tax Rates
Direct and Overlapping Governments
Last Seven Fiscal Years**

Fiscal Year	Basic Countywide Tax	City of Hercules	Bart	East Bay Regional Park	Martinez USD	West Contra Costa USD	John Swett School	Community College
2003	1.0000	0.0170	0.0000	0.0065	0.0901	0.0526	0.0319	0.0040
2004	1.0000	-	0.0000	0.0057	0.1000	0.1064	0.0275	0.0038
2005	1.0000	-	0.0000	0.0057	0.0923	0.1153	0.0273	0.0042
2006	1.0000	-	0.0048	0.0057	0.0904	0.1041	0.0246	0.0047
2007	1.0000	-	0.0050	0.0085	0.0794	0.1143	0.0244	0.0043
2008	1.0000	-	0.0076	0.0080	0.0557	0.1035	0.0229	0.0108
2009	1.0000	-	0.0090	0.0100	0.0597	0.1230	0.0247	0.0066

(10 years information not available)

**City of Hercules
Principal Property Taxpayers
June 30, 2009
(amounts expressed in thousands)**

<u>Taxpayer</u>	2009			2008			2007		
	Taxable Assessed	Rank	% of Total Taxable Assessed	Taxable Assessed	Rank	% of Total Taxable Assessed	Taxable Assessed	Rank	% of Total Taxable Assessed
	Value		Value	Value		Value	Value		Value
Bio-Rad Laboratories	\$ 127,775	1	3.90%	\$ 121,563	1	3.59%	\$ 111,349	1	3.54%
First American Title									
Eden Victoria LP	19,106	2	0.58%			0.00%	18,004	2	0.57%
HD Development of Maryland	16,731	3	0.51%	16,672	2	0.49%	16,542	3	0.53%
Rago Development Corporation	14,640	4	0.45%	14,071	3	0.42%	8,604	7	0.27%
Santa Clara Vly Housing Group	14,273	5	0.44%	13,719	4	0.41%	13,450	4	0.43%
Tulloch Brian	8,343	6	0.25%	8,019	6	0.24%	7,862	8	0.25%
Three Trees Holdings LLC	8,000	7	0.24%	8,000	7	0.24%	11,236	6	0.36%
Orinda Investors LP	6,674	8	0.20%						
Eden-Sycamore LP	6,630	9	0.20%						
Dathe Robert P. & Charlotta R.	6,564	10	0.20%						
Besphil & Co Ltd				7,863	9	0.23%	7,708	9	0.25%
Lewis - Hercules LLC				7,736	10	0.23%	7,584	10	0.24%
LB/VCC Hercules II LLC				7,951	8	0.24%			
Greenparks/Sage Franklin Canyon									
Uy Gary Z./Marissa C.									
WL Homes Bayside LLC									
LCRI Investments LLC									
Freitas Diana									
Padua Roderick/Pilling V.									
Koziol Dave									
Serb Andres C. & Janet C.									
Home Depot USA									
William Lyons Homes									
Hercules Overlook LP									
Walmart Stores Inc				12,938	5	0.38%	12,684	5	0.40%
All others	<u>3,046,276</u>		<u>93.02%</u>	<u>3,163,974</u>		<u>93.54%</u>	<u>2,927,554</u>		<u>93.16%</u>
Total	<u>\$ 3,275,012</u>		<u>100.00%</u>	<u>\$ 3,382,506</u>		<u>100.00%</u>	<u>\$ 3,142,577</u>		<u>100.00%</u>

Source: Contra Costa County Assessors Office

2004 is the earliest year available.

2006			2005			2004		
Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
111,608	1	59.12%	100,334	1	36.97%	74,766	1	4.31%
			35,632	2	13.13%			
17,651	3	9.35%	15,090	6	5.56%			
16,264	4	8.62%						
			8,270	9	3.05%			
7,708	7	4.08%						
11,015	5	5.84%	10,799	8	3.98%	5,899	8	0.34%
8,435	6	4.47%						
6,065	10	3.21%				5,837	9	0.34%
7,435	8	3.94%	25,676	4	9.46%			
						35,610	2	2.05%
			6,091	10	2.24%	21,328	3	1.23%
						10,601	4	0.61%
						10,223	5	0.59%
						8,118	6	0.47%
						6,108	7	0.35%
						5,709	10	0.33%
			14,663	7	5.40%			
			29,145	3	10.74%			
			25,676	5	9.46%			
2,589		1.37%						
						1,548,741		89.37%
<u>\$ 188,770</u>		<u>100.00%</u>	<u>\$ 271,376</u>		<u>100.00%</u>	<u>\$ 1,732,940</u>		<u>100.00%</u>

City of Hercules
Property Tax Levies and Collections
Last Seven Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy ¹		Collections in Subsequent Years ¹	Total Collections to Date	
		Amount	Percentage		Amount	Percentage
2003	5,387	5,387	100%	n/a	5,387	100%
2004	7,256	7,256	100%	n/a	7,256	100%
2005	13,134	13,134	100%	n/a	13,134	100%
2006	13,478	13,478	100%	n/a	13,478	100%
2007	16,777	16,777	100%	n/a	16,777	100%
2008	16,641	16,641	100%	n/a	16,641	100%
2009	16,021	16,021	100%	n/a	16,021	100%

¹ Teeter Plan

Source: City of Hercules (10 year information not available)

City of Hercules
Ratios of Outstanding Debt by Type
Last Seven Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Sewer Bonds	General Obligation Bonds	Capital Leases	
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	2,185,539	-	-	-	2,185,539
2009	-	-	2,029,317	-	-	-	2,029,317

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

¹ See Demographic and Economic Indicators schedule for personal income and population data.

Source: Comprehensive Annual Financial Reports - City of Hercules, California

City of Hercules
Ratios of General Bonded Debt Outstanding
Last Seven Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
----------------	--------------------------------	--	-------	--	---------------

The City of Hercules has no debt of this type, so this schedule is not required.

City of Hercules
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009
(amounts expressed in thousands)

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
Bay Area Rapid Transit District	441,360	0.466%	2,057
Contra Costa Community College District	176,050	1.489%	2,621
John Swett Unified School District	9,425	8.741%	824
West Contra Costa Unified School District	636,220	9.245%	58,819
West Contra Costa Healthcare Parcel Tax Obligations	23,905	9.384%	2,243
East Bay Regional Park District	125,850	0.687%	865
California Statewide Comm Development Authority 1915 Act Bonds	1,232	100.000%	1,232
City of Hercules 1915 Act Bonds	11,850	100.000%	11,850
Total Gross Overlapping Tax and Assessment Debt	1,425,892		80,511
Direct and Overlapping General Fund Debt:			
Contra Costa County General Fund Obligations	285,315	1.484%	4,234
Contra Costa County Pension Obligations	465,455	1.484%	6,907
Contra Costa Community College District Certificates of Participation	1,050	1.489%	16
West Contra Costa Unified School District Certificates of Participation	23,390	9.245%	2,162
City of Hercules General Fund Obligations	14,880	100.000%	14,880
Total Direct and Overlapping General Fund Debt	790,090		28,199
Gross Combined Total Debt	2,215,982		108,710 (2)
Net Combined Total Debt	2,215,982		108,710

1 Percentage of overlapping agency's assessed valuation located within boundaries of the City.

2 Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt 2.43%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$14,880,000) 0.72%

Gross Combined Total Debt 5.29%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

**City of Hercules
 Legal Debt Margin Information
 Last Three Fiscal Years
 (amounts expressed in thousands)**

	Fiscal Year		
	2007	2008	2009
Debt Limit	\$ 483,966	\$ 520,164	\$ 503,926
Total net debt applicable to limit			
Legal debt margin	483,966	520,164	503,926
Total net debt applicable to the limit as a percentage of debt limit			
Legal Debt Margin Calculation for Fiscal Year 2009:			
Assessed value ¹	\$ 3,275,913		
Add back: exempt real property ¹		83,593	
Total assessed value ¹		3,359,506	
Debt limit (15% of total assessed value)	503,926		
Debt applicable to limit:			
General obligation bonds			
Less: Amount set aside for repayment of general obligation debt			
Total net debt applicable to limit			
Legal debt margin		\$ 503,926	

Note: Under state finance law, the City of Hercules' outstanding debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

¹Source: Stephen J. Ybarra, Auditor-Controller, Contra Costa County

City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years

2007 Tax Allocation bonds

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	2,165,646	(2,165,646)	-	322,489	(6.72)
2009	-	2,539	(2,539)	2,145,000	2,788,709	-

City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years

2007 Housing Tax Allocation Bonds, Series B

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	243,707	(243,707)	-	302,275	(0.81)
2009	-	1,836	(1,836)	235,000	584,099	-

City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years

2007 Housing Tax Allocation Bonds, Series A

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	632,322	(632,322)	-	404,106	(1.56)
2009	-	2,767	(2,767)	220,000	780,319	-

City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years

2005 Tax Allocation Bonds

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	16,136	(16,136)	-	1,246,114	(0.01)
2007	-	16,051	(16,051)	1,210,000	2,614,630	-
2008	-	10,190	(10,190)	1,410,000	2,563,413	-
2009	-	8,158	(8,158)	1,460,000	2,508,270	-

City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years

2003A PFA Lease Revenue Bonds

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	71,766	-
2006	-	-	-	-	200,271	-
2007	-	-	-	115,000	248,636	-
2008	-	-	-	125,000	210,530	-
2009	-	-	-	130,000	100,915	-

City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years

2003B PFA Lease Revenue Bonds

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	170,000	398,710	-
2006	-	-	-	175,000	394,398	-
2007	-	-	-	180,000	389,960	-
2008	-	-	-	185,000	385,860	-
2009	-	-	-	190,000	381,635	-

City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years

Long-term Notes Payable

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ 24,135	\$ 61,665	-
2001	-	-	-	26,018	59,794	-
2002	-	-	-	27,901	57,778	-
2003	-	-	-	30,147	55,615	-
2004	-	-	-	32,404	53,279	-
2005	-	-	-	35,007	50,768	-
2006	-	-	-	37,620	48,055	-
2007	-	-	-	40,589	45,139	-
2008	-	-	-	43,933	41,994	-
2009	-	-	-	47,244	38,445	-

**City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years**

H.E.L.P. Loan

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-

City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years

Suntrust Lease

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	50,861	51,688	-
2009	-	-	-	105,360	99,739	-

City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years

Alfred Nobel Assessment

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ 1,128,217	\$ 12,945	\$ 1,115,272	\$ 315,000	\$ 849,598	0.96
2001	1,551,641	2,135	1,549,506	340,000	825,848	1.33
2002	998,946	7,630	991,316	10,635,000	1,107,784	0.08
2003	958,201	4,996	953,205	435,000	545,675	0.97
2004	1,057,076	4,193	1,052,883	465,000	519,403	1.07
2005	1,009,553	32,463	977,090	490,000	493,385	0.99
2006	993,642	11,523	982,119	625,000	466,281	0.90
2007	941,081	8,659	932,422	730,000	432,513	0.80
2008	916,397	18,847	897,550	910,000	382,600	0.69
2009	731,138	6,686	724,452	545,000	343,104	0.82

**City of Hercules
Pledged-Revenue Coverage
Last Ten Fiscal Years**

John Muir Parkway Assessment

Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ -	\$ -	\$ -	\$ -	\$ -	-
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	434,616	7,172	427,444		186,313	2.29
2007	465,924	8,109	457,815	75,345	310,835	1.19
2008	(30)	7,690	(7,720)	115,000	307,894	(0.02)
2009	634,790	4,929	629,861	120,000	304,043	1.49

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**City of Hercules
Demographic and Economic Statistics
Last Seven Fiscal Years**

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Labor Force	Unemployment Rate
2003	20,489	43,954	43,957	11,100	4.4%
2004	21,814	n/a	n/a	11,100	4.0%
2005	23,360	n/a	n/a	11,300	3.3%
2006	23,834	n/a	n/a	11,200	2.9%
2007	23,975	n/a	n/a	11,600	3.1%
2008	24,324	n/a	n/a	11,600	4.1%
2009	24,480	n/a	n/a	11,400	7.2%

- Notes:
- ¹ Annual Average. Source is EDD
 - ² At June 30
 - ³ Information for Contra Costa County - City information not available.
Source is California Statistical Abstract.
 - ⁴ Information will be provided for these years in later reports. Source: California Statistical Abstract
 - ⁵ Source: California Department of Finance
 - ⁶ At July 20, 2007

Source: Population = California Dept of Finance; Personal Income, Per Capita Income, Labor Force, and Unemployment Rate = California EDD

**City of Hercules
Principal Employers
Last Five Fiscal Years**

Employer	2009			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Bio-Rad	1,717	1	15.06%	1,700	1	14.66%
Mechanics Bank	250	2	2.19%	250	2	2.16%
Hercules Middle/High School	150	3	1.32%	150	4	1.29%
City of Hercules	135	4	1.18%	124	5	1.07%
Home Depot	126	5	1.11%	124	5	1.07%
Contra Costa County -- Human Services	84	6	0.74%	180	3	1.55%
Lucky (Formerly Albertson's/Sav-On)	80	7	0.70%	85	7	0.73%
Northview Pacific Laboratories	70	8	0.61%	76	8	0.66%
PTRL West Inc	47	9	0.41%	45	10	0.39%
McDonald's -- Sycamore	45	10	0.39%	40	11	0.34%
Benda Tool & Model Works	60	11	0.53%	85	7	0.73%
West Coast Pathology Lab	43	12	0.38%			
Franklin Canyon Golf Course	40	13	0.35%	40	11	0.34%
Big Lots	38	14	0.33%	38	12	0.33%
City Mechanical Inc	37	15	0.32%			
Pro Media	35	16	0.31%	35	14	0.30%
Round Table Pizza	35	16	0.31%			
Ohlone Elementary School	33	17	0.29%	36	13	0.31%
Histopathology Reference Lab	31	18	0.27%	48	9	0.41%
Lupine Hills Elementary School	30	19	0.26%			
Hanna Ranch Elementary School	29	20	0.25%			
Burger King	26	21	0.23%			
A&B Diecast				¹ 100	6	0.86%
B&C Janitorial Service				² 40	11	0.34%
Prudential California Realty				²		
Radstons Office Plus				²		
True Lite Care Provider Center				²		
Shields Nursing Center Inc				²		
Subtotal	<u>3,141</u>		<u>27.55%</u>	<u>3,196</u>		<u>27.55%</u>
Total City Labor Force	<u>11,400</u>			<u>11,600</u>		

Source: Reference USA and California Employment Development Department
(10 year information was not available)

¹ A&B Diecast in 2008 was a miscounted duplicate of Benda Tool & Model Works.

² B&C Janitorial Service, Prudential California Realty, Radstons Office Plus,
and Shields Nursing Center Inc are no longer doing business in Hercules.

<u>2007</u>			<u>2006</u>			<u>2005</u>		
Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
1184	1	10.21%	1118	1	9.98%	1700	1	15.04%
250	2	2.16%	195	2	1.74%	211	3	1.87%
140	5	1.21%	120	4	1.07%			
137	6	1.18%						
150	3	1.29%	140	3	1.25%	150	4	1.33%
146	4	1.26%	115	5	1.03%	275	2	2.43%
95	7	0.82%	85	6	0.76%	75	5	0.66%
60	9	0.52%	60	8	0.54%	50	8	0.44%
40	11	0.34%						
40	10	0.34%	35	11	0.31%	50	8	0.44%
39	12	0.34%	39	10	0.35%			
36	13	0.31%	30	13	0.27%	45	9	0.40%
33	16	0.28%						
33	15	0.28%	50	9	0.45%	59	7	0.52%
30	17	0.26%	33	12	0.29%	50	8	0.44%
81	7	0.70%	74	7	0.66%	50	8	0.44%
35	14	0.30%						
17	18	0.15%				26	10	0.23%
						72	6	0.64%
11	19	0.09%	10	14	0.09%	72	6	0.64%
<u>2,494</u>		<u>21.50%</u>	<u>2,094</u>		<u>18.70%</u>	<u>2,715</u>		<u>24.03%</u>
<u>11,600</u>			<u>11,200</u>			<u>11,300</u>		

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

Function	June 30		
	2007	2008	2009
General government	23	26	26
Police	32	31	31
Public works	14	16	16
Community development	9	8	7
Parks and recreation	54	38	51 *
Hercules Municipal Utility	5	5	4
Total	137	124	135

*2008 did not include P&R temporary part-time employees
2007 and 2009 do include these individuals calculated as FTE's.

City of Hercules
Operating Indicators by Function
Last Three Fiscal Years

Function	2007	Fiscal Year 2008	2009
Public Safety			
Part 1 crimes ¹	602	647	561
Total Incidents	26,078	22,369	22,267
Police reports	3,333	2,881	2,567
Public Works			
Street resurfacing (miles)	3	4	1
Street lights repaired	25	10	30
Potholes filled (sq. ft.)	50	75	40
Community Development			
Public improvements ² (\$000)	16,200	9,500	509
Total permit valuation (\$000)	25,225	10,248	13,467
Tax increment generated ³ (\$000)	11,443	11,501	10,910
% Change in Sales Tax Receipts	9.06%	-1.15%	33.16%
Parks and Recreation			
Community Events (July 4th, Cultural Festival, etc.) (Attendance)	13,500	13,000	24,000
Youth Sports Programs (e.g. basketball, softball)	6,050	5,689	5,000
Adult Sports Programs (Attendance) ⁴	--	--	1,120
Child Care programs (Enrollment)	338	373	3,243
Day/Summer Camps (Enrollment)	1,434	1,550	1,455
Teen/Youth Council (Members)	88	108	72
Teen Center (new in 2009) ⁴	--	--	1,149
Aquatic programs (Attendance) ⁵	8,966	14,399	10,100
Senior Center (Attendance)	49,575	51,400	54,269
Facility Rentals⁶			
Foxboro (Attendance)	--	--	3,200
Ohlone (Attendance)	--	--	4,300
Senior Center (Attendance)	--	--	5,400
Community Center (Attendance)	--	--	13,750
Samara Terrace (Attendance)	--	--	1,560
Library Meetings Rooms (Attendance)	--	--	3,640

Notes: Indicators are not available for the general government function.

¹ Part 1 Crimes are the following as reported to DOJ:
homicide, rape, robbery, burglary, assault, theft, auto theft, and arson.

² Measures public construction/improvement within the city.

³ Measures redevelopment activity within the city.

⁴ New in 2009.

⁵ Aquatics program was closed for 4 months while pool was under construction.

⁶ Facility rentals numbers are not available for years prior to 2009.

**City of Hercules
Capital Asset Statistics by Function
Last Three Fiscal Years**

Function	Fiscal Year		
	2007	2008	2009
Public Safety			
Police			
Stations	1	1	1
Patrol units	18	18	18
Public Works			
Streets (miles)	57	57	57
Streetlights	1800	1800	1800
Traffic Lights	12	12	12
Sanitary Sewers (miles)	58	58	58
Parks and Recreation			
Parks acreage	104.5	106.5	106.5
Parks	9	11	11
Swimming pools	1	1	1

Note: No capital asset indicators are available for the general government or community development functions.