

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022





CITY OF MORGAN HILL

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2022

**PREPARED BY
ADMINISTRATIVE SERVICES**



CITY OF MORGAN HILL



CITY OF MORGAN HILL

CITY OF MORGAN HILL, CALIFORNIA
Annual Comprehensive Financial Report
For The Fiscal Year Ended June 30, 2022

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INTRODUCTORY SECTION



CITY OF MORGAN HILL

October 31, 2022

Honorable Mayor, Members of the City Council, City Manager, and Citizens of Morgan Hill:

The *Annual Comprehensive Financial Report* (ACFR) of the City of Morgan Hill, California for the fiscal year ended June 30, 2022, is submitted for your information and review. Responsibility for the accuracy of the information, and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and the results of operations of the City. Management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. Management is committed to maintain the City's internal controls to adequately safeguard assets; and to provide reasonable assurances of proper recording of financial transactions. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. The financial statements within this report have been audited by the City's independent financial auditor, Maze & Associates, which has issued an unmodified opinion. The auditor's opinion letter is included in this report.

The format of this report complies with the financial reporting model developed under Governmental Accounting Standards Board (GASB) Statement No. 34, as modified by additional published statements.

- The Statement of Net Position and the Statement of Activities represent a combination of all the City's funds, comprising the City's General Fund, Special Revenue, Capital Projects, Debt Service, Internal Service, and Enterprise Funds, including activities which are restricted. Information about individual funds can be found in the combining statements contained within the ACFR.
- The amount reported as "unrestricted" in the net position section of the Statement of Net Position includes: (i) amounts designated by the City Council for general reserve purposes; (ii) amounts that have accumulated in various internal service funds to be used for the purposes intended for those funds; and (iii) amounts that have been collected from water and sewer rate payers in the business-type activities that are needed to fund ongoing water and sewer operating and capital needs.
- The amount reported as capital assets in the assets section of the Statement of Net Position includes the value of infrastructure acquired between 1980 and June 30, 2022.

To assist with the reader's review of the City's financial statements, a narrative section called Management's Discussion and Analysis (MD&A) is included. The MD&A reports on the financial highlights of the City and provides additional analysis on the variances and trends reported as part of the financial statements. The MD&A is designed to disclose any significant events or decisions that affect the financial condition of the City.

The financial reporting entity includes all of the funds of the primary government, the City of Morgan Hill, as well as all of its component units. Component units are legally separate entities for which the primary government is fully accountable. The Morgan Hill Wastewater Facilities Financing Corporation and the Morgan Hill Financing Authority are governed by boards which are substantially the same as the City's governing body. These two component units have been blended into the City's basic financial statements because the City is able to impose its will on these component units and because the component units provide services primarily to the City.

This report includes all funds of the City. The City provides a broad range of services including police and fire protection, economic development, housing assistance, water and sewer services, streets and parks construction and maintenance, planning and engineering, code compliance, recreation and community services, and general city administration and support services. The City operates and maintains two fire stations, with personnel provided under contract by the State's CalFire.

State statutes require a budget be approved before any expenditures are made. Budgets are adopted for all governmental fund types. Budgetary comparisons are reflected in the City's financial report for all governmental funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations of the various governmental funds. The City Council may amend the budget during the fiscal year. The City Manager is authorized to transfer appropriations between activities within a fund budget to facilitate the functions of those activities in accordance with the directions, goals, and policies of the City Council. Activities are defined as an individual program or division within a department. The City Council's approval is required for additional appropriations or transfers between funds. Unencumbered appropriations lapse at the end of each fiscal year.

ECONOMIC CONDITIONS AND OUTLOOK

The City's financial condition improved markedly from last year, although certain areas such as Recreation Services and Transient Occupancy Tax (TOT) remain severely impacted by the pandemic. The overall improvement is mainly due to certain major revenue categories which either did not experience the major adverse impact anticipated from the pandemic, such as property tax, or which rebounded more quickly than projected, such as sales tax revenue. This may be credited to the extraordinary fiscal and monetary responses to the pandemic by the U.S. government and the Federal Reserve. The U.S. government responded to the crisis by enacting several policies to provide fiscal stimulus to the economy and relief to those affected by this global disaster. The Federal Reserve also took a series of substantial monetary stimulus measures to complement the fiscal stimulus.

The stimulus measures taken by the Federal Reserve include lowering its benchmark interest rate to 0.00% - 0.25%, and directly buying assets like the U.S. Treasuries and mortgage-backed securities. In addition to direct asset purchases, the Federal Reserve also set up several new lending programs to support businesses.

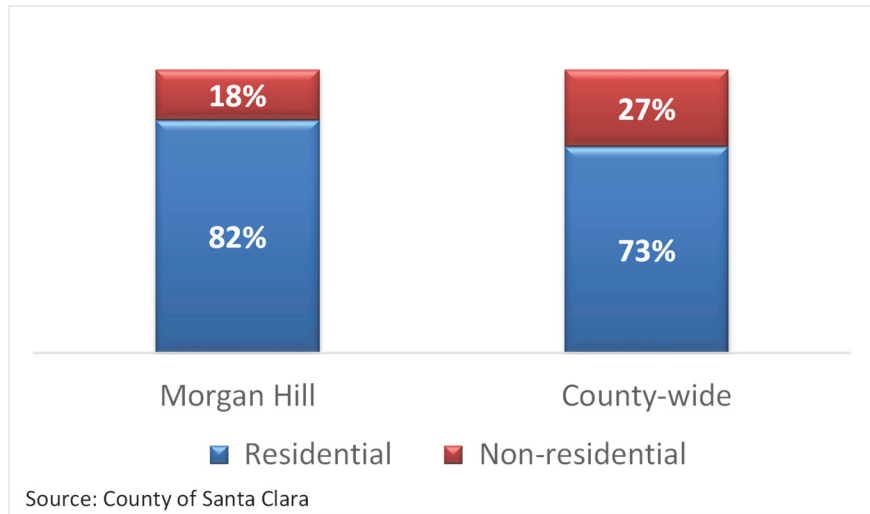
Throughout the pandemic, the U.S. government passed several stimulus and relief packages, two of which provided direct fiscal funding to the City. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, appropriated \$2.3 trillion for many different efforts including \$150 billion in grants to state and local governments. The City received approximately \$0.6 million of State pass-through funding in FY 20-21. The American Rescue Plan Act (ARPA), which President Biden signed into law on March 11, 2021, appropriated \$1.9 trillion of stimulus and relief proposals with \$350 billion of the total funding going to state and local governments. The City was allocated approximately \$11.0 million, received in two tranches, with the first tranche of about \$5.5 million received in July 2021 and which was recognized as revenue in FY 20-21. The second tranche was received in July 2022, and has been recognized as revenue in FY 21-22.

The U.S. economy contracted at a record average annualized rate of 19.2% from its peak in the fourth quarter of 2019 through the second quarter of 2020. The pace of recovery from the pandemic downturn, the deepest going back to 1947, was equally stunning. The gross domestic product (GDP) rebounded at a historic average rate of 18.3% between the second and fourth quarter of 2020. The U.S. economy topped pre-pandemic level with GDP surging at a 6.7% pace for the second quarter in 2021. In the last three months of 2021, the U.S. economy expanded an annualized rate of 6.9%. However, the growth appears to have peaked in the final months of 2021 as the GDP for the most recent quarter, the second quarter of 2022, fell by 0.4%. This followed a decrease of 1.6% for the first quarter of 2022. A popular rule of thumb is that the two consecutive quarters of decline in the GDP constitutes a recession. However, it has not been declared as such by the National Bureau of Economic Research (NBER) as other variables remain strong such as employment. The latest employment numbers released by the US Bureau of Labor Statistics shows that the total nonfarm payroll employment increased by 263,000 in September 2022, and the unemployment rate edged down to 3.5%. In the short term, Morgan Hill is expected to continue to benefit from the strong economy with relatively low unemployment and high-paying jobs, resulting in high property tax growth and associated revenues. Morgan Hill's peak unemployment rate during the pandemic was in April 2020 at 13.6%, and currently stands at 2.6% as of August 2022, better than the state-wide unemployment rate of 4.1%, but higher than the County of Santa Clara rate of 2.3%.

The fiscal and monetary responses to the pandemic by the U.S. government and the Federal Reserve might have averted the U.S. economy from a catastrophic downturn, but the subsequent consequences, chief among them being inflation, is currently the top priority for the Federal Reserve. The latest inflation rate in the U.S. hitting 8.2% in September of 2022, as the pace of price increases remains at multidecade highs. Higher inflation can be attributed to strong consumer demand, supply chain issues, and the war on Ukraine by Russia, resulting in higher energy and commodity prices. This high inflation is taking a large portion from the City's growth in tax revenue, which otherwise could have gone toward further enhancing City's services. To combat this inflation, the Federal Reserve recalibrated its monetary policy by increasing its benchmark interest rate for a third consecutive 75 basis-point (0.75%) and is on track for a fourth 75 basis-point interest rate hike in early November 2022, as well as ending its asset-purchase program that has previously provided liquidity to the bond markets. As the Federal Reserve shifts its stance to combat inflation, economists have warned that the Federal Reserve's aggressive efforts could tip the economy into recession. Many economists believe a recession could arrive by the end of this calendar year or early 2023, or worse, the U.S. economy risks a stagflation disaster with inflation remaining elevated and no growth in the economy.

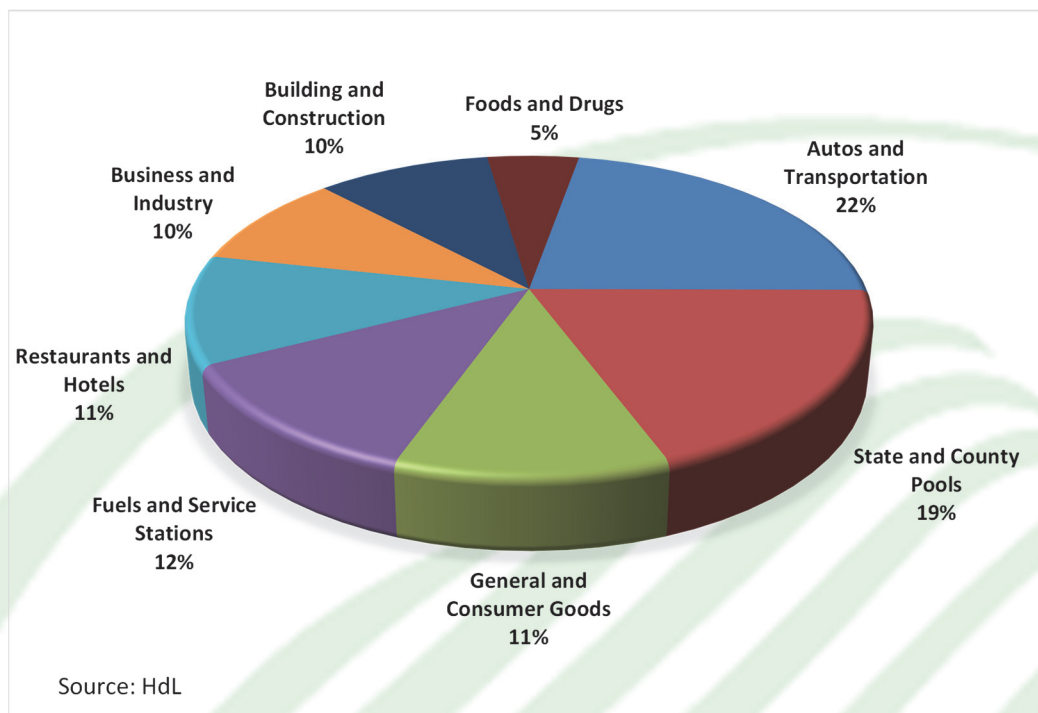
With that said, the fast recovery from the impact of the COVID-19 pandemic and continued strong growth of the City's existing tax base have propelled the City's certain revenue categories to a new high. On July 1, 2022, the County of Santa Clara Assessor's Office released the assessment roll close for FY 22-23. The assessment roll for the County grew 7.46% for FY 22-23 versus 4.60% for the prior year. The City of Morgan Hill's assessment roll for FY 22-23 grew 7.60% versus 5.75% for the prior year. The City's total net assessed value for FY 22-23 is about \$12.3 billion, increased by about \$0.8 billion from prior year total net assessed value of about \$11.5 billion. The assessment roll growth of 7.60% for the City equates to approximately \$800,000 more for our property tax. FY 22-23 assessment roll is a snapshot of property values as of January 1, 2022. Recent mortgage rate increases coupled with continued inflationary pressures will likely reduce consumer buying power which could result in flattening growth next year.

The chart below compares the City's total net assessed value of residential and non-residential properties to the County-wide for FY 21-22. The percentage of the net assessed value of non-residential properties in Morgan Hill has been consistently below the County of Santa Clara average.



Property tax is the largest source of Morgan Hill's General Fund revenue. However, it accounts for only 33% of the approximately \$50.5 million General Fund revenue projected for the current FY 22-23. Although property tax tends to be a more predictable revenue source, other major revenue categories such as sales tax and transient occupancy tax, which account for a large portion of the City's General Fund revenue, are more volatile and tend to fluctuate more with swings in the economy. The sales tax revenue for the current FY 22-23 budget is projected to decrease slightly from FY 21-22 to \$12.4 million. The FY 22-23 number was based on projections made with the support of our sales tax consultant, HdL, in April 2022, as we believe post COVID-19 pent-up demand has been resolved. However, there's room for potential upside in the final number as consumer spending so far remains resilient despite inflationary pressures.

The chart below illustrates the City's sales tax revenue by major industry group for FY 21-22. Total amount of sales tax revenue in FY 21-22 was about \$12.9 million. Sales tax revenue grew from every major industry group compared to prior year except General and Consumer Goods, which decreased by about 1%.



The COVID-19 global pandemic has had an adverse impact on development services related revenue. However, the impact was mostly due to the restrictions imposed by the public safety health order that was subsequently lifted. Development activities resumed in earnest to meet the growing demand. However, with costs continuing to outgrow the revenue, staff engaged a consultant to conduct an updated fee study of Planning and Land Development Engineering to update related fees which were last updated in 2017. The updated fees were approved by the Council and went into effect in March 2022.

Development Services revenue for the current FY 22-23 is projected to be \$6.2 million and \$6.3 million for FY 23-24, respectively. Even with updated fees, the fund is still anticipated to have an on-going annual deficit mainly because of certain activities that are not meant to be full cost recovery such as public counter/general information services, strategic initiatives, and special projects, as well as other subsidized services. These activities need to be supplemented by other funding sources, mainly the General Fund. With the adoption of the biennial budget, the City Council approved the reduced General Administrative charge back of approximately \$0.4 million. It is worth noting that an interfund loan of approximately \$2.9 million was envisioned in the FY 20-21 and FY 21-22 budget. However, with higher revenue collection coupled with conservative spending, this fund did not need an interfund loan from the General Fund during the last two years.

In addition to the Development Services Fee Study, staff also engaged a consultant to conduct a water rate study which was last completed over six years ago. As the state continues to experience an on-going drought, the governor declared a statewide drought emergency asking residents to reduce their water usage by 15% compared to 2019 to necessitate water conservation. These conservation measures being put in place are having an adverse impact to the water sales revenue, requiring a new rate to ensure that quality of service is not adversely impacted, and the health and safety of the City's water system remains at a high standard. On June 1, 2022, the City Council approved a new five -year water rates adjustment plan which became effective August 16, 2022.

City staff prepares five-year projections for the General Fund, Development Services Fund, and the Wastewater and Water Funds at least once a year. In addition, a six-year capital improvement plan is prepared and updated annually that addresses each infrastructure project or improvement and the funding/anticipated financing sources to complete. The forecasts also include annual maintenance costs anticipated as the infrastructure and improvement projects are completed and taken into the City's operations.

These projections also include an analysis of the City's ability to meet its unassigned fund balance target over the entire five-year financial forecast horizon. The City Council considers this information when approving the budget and when making key financial decisions throughout the year, to help the City Council more closely monitor compliance with its reserves policy and fund balance goals.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Morgan Hill for its *Annual Comprehensive Financial Report* for the fiscal year ended June 30, 2021. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report, the contents of which conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

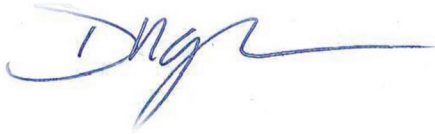
The GFOA certificate is valid for a period of one year only. The City has received this certificate for the last 27 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program

requirements and will be submitting it to the GFOA again this year.

ACKNOWLEDGMENTS

The *Annual Comprehensive Financial Report* represents many months of work by the City's entire Finance staff and other departments who assisted in the process of compiling the information. A special "thank you" to our external auditors who contributed long hours to make this document possible. Their efforts and continued dedication are greatly appreciated. I also wish to express appreciation to the City Council and City Manager for their support, interest, integrity, and sound leadership in financial matters.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Dnguyen', with a long horizontal flourish extending to the right.

Dat Nguyen, CPA, CGFM
Finance Director

CITY OF MORGAN HILL, CALIFORNIA

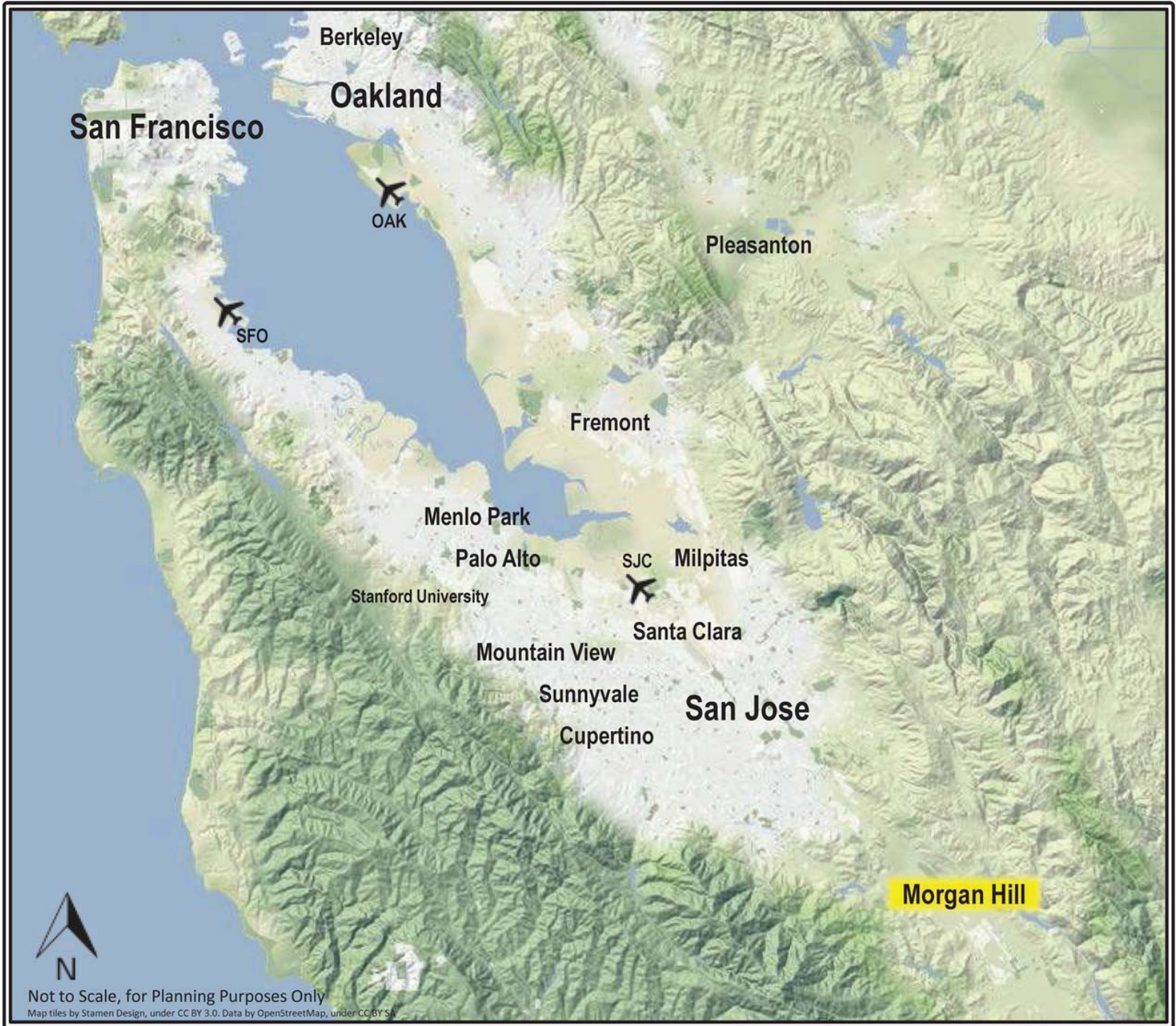
ELECTED OFFICIALS AND CITY STAFF

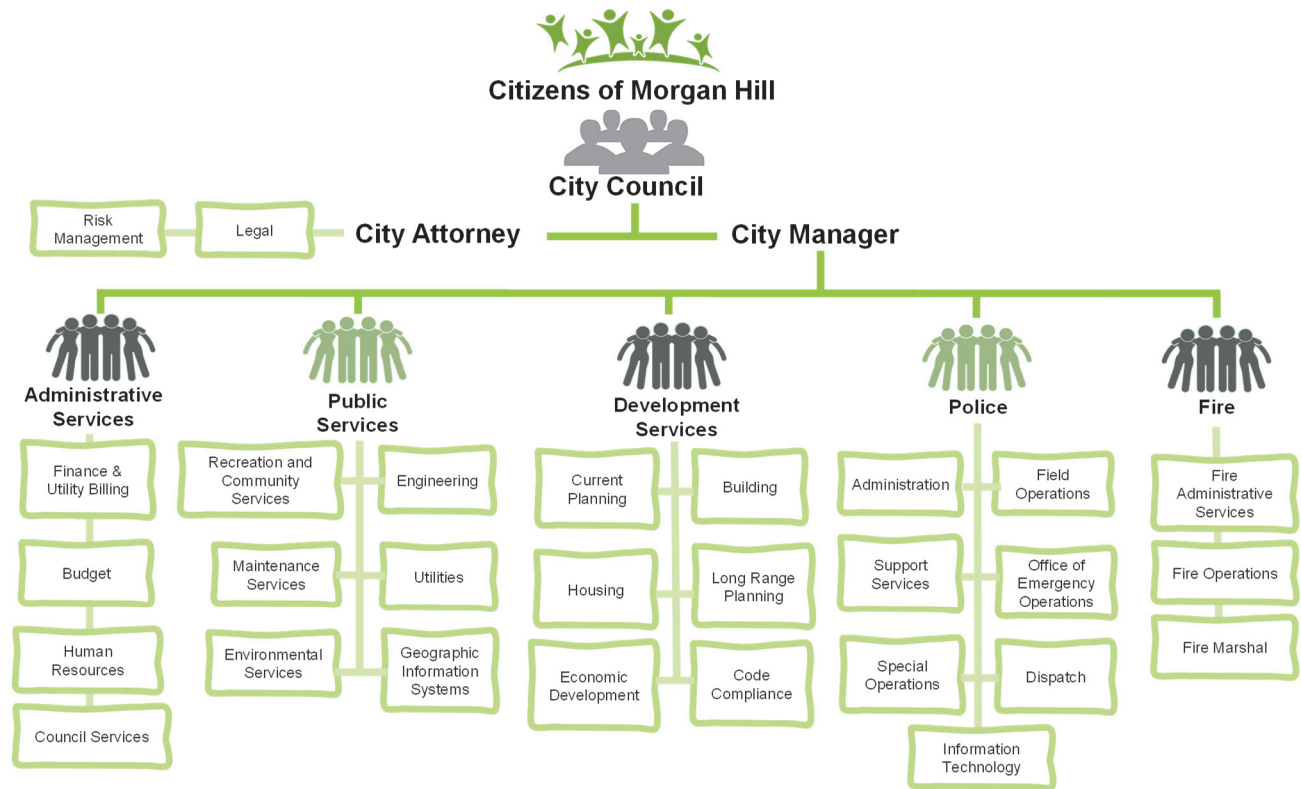
ELECTED OFFICIALS

Rich Constantine	Mayor
Gino Borgioli	Mayor Pro Tem, District A Council Member
Yvonne Martinez Beltran	District B Council Member
Rene Spring	District C Council Member
John K. McKay	District D Council Member
Caitlin Robinett Jachimowicz	City Treasurer

CITY STAFF

Christina Turner	City Manager
Donald Larkin	City Attorney
Edith Ramirez	Assistant City Manager for Development Services
Shane Palsgrove	Chief of Police
Michelle Bigelow	City Clerk/Public Information Officer
Jennifer Carman	Development Services Director
Matt Mahood	Economic Development Director
Dat Nguyen	Finance Director
George Huang	Fire Chief
Rebecca Garcia	Housing Director
Michael Horta	Human Resources Director
Spring Andrews	Information Technology Director
Chris Ghione	Public Services Director







Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Morgan Hill
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



CITY OF MORGAN HILL

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Morgan Hill, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morgan Hill (City), California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

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

Change in Accounting Principles

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 87 – *Leases*, which became effective during the year ended June 30, 2022.

As discussed in Note 10 to the financial statements, the beginning balances of leases receivable and deferred inflows of resources related to leases were restated and increased by \$6,649,732 as of July 1, 2021, as a result, and the net effect on beginning fund balance was zero.

The implementation of GASB 87 had material effects on the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
October 31, 2022

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2022

The management of the City of Morgan Hill (City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. Please read this overview in conjunction with the accompanying letter of transmittal and the basic financial statements. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, comparative data for the prior fiscal year is provided.

FINANCIAL HIGHLIGHTS

- During FY 21-22, the City's net position, representing the difference between total assets plus deferred outflows of resources of the City, and total liabilities plus deferred inflows of resources, increased by \$23.1 million to \$542.9 million. This is not, however, the same as an operating budget surplus. Of the total net position, \$125.0 million, about 23%, in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors, and the majority of the remaining, about 67%, consists of net investment in capital assets and restricted assets. Additional detailed information can be found on page 25, Statement of Net Position.
- Total revenues from all sources were \$107.9 million—\$2.5 million more than the prior year mainly due to an increase in grants and contributions, including approximately \$5.5 million of American Rescue Plan Act (ARPA) funding received in July 2022 but was recognized as revenue in FY 21-22, partially offset by mark to market loss on investment earnings. Business-type activities saw a net decrease of \$5.0 million in revenues compared to the prior year mainly due to a decrease in charges for services resulting from reduced water consumption and mark to market loss on investment earnings.
- At June 30, 2022, the City had \$53.8 million, including unamortized bond premiums, in long-term debt, comprised of \$15.4 million secured by water revenues, \$28.3 million secured by sewer revenues, \$7.5 million in lease revenue refunding bonds subject to a City appropriations covenant, \$2.5 million for Fire stations and apparatus, and less than \$0.1 million in energy efficiency loans. The \$53.8 million in long-term debt outstanding reflects a net decrease of \$3.6 million from the prior year.
- At June 30, 2022, the City's governmental funds reported ending fund balances of \$144.5 million, an increase of 2% or \$2.6 million from the prior fiscal year.
- The fund balance in the City's General Fund increased by \$5.9 million to \$36.9 million mainly from the ARPA funding and conservative spending. The unassigned fund balance in the Development Services Fund decreased by less than \$0.1 million, with an ending negative fund balance of about \$0.5 million.
- During FY 21-22, the General Fund had an excess of revenues over expenditures of \$6.0 million, excluding transfers. Transfers out exceeded transfers in by \$0.1 million. The principal purpose of the City's interfund transfers was for operational support to other funds.
- Actual revenues in the General Fund were \$1.7 million more than the final budget mainly attributed to the increase in property and sales taxes.

- Actual expenditures, excluding transfers out, in the General Fund were about \$3.2 million less than the final budget, with public safety and recreation contributing most of the savings related to their budgets.
- During FY 21-22 Deferred inflows and outflows related to Net Pension Liability increased by \$18.9 million. This is further discussed in Note 8, on page 84.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements, which are comprised of two components:

- Government-wide financial statements – These include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the City as a whole and about the overall financial condition of the City in a manner similar to a private-sector business. These statements are described in more detail in a subsequent section in this MD&A and can be found on pages 25 and 26 of this report.
- Fund financial statements – These statements provide additional information about the City's major funds, including how services were financed in the short term and including fund balances available for financing future projects. These statements are described in more detail in a subsequent section of this MD&A and can be found on pages 32 through 35.

A. Government-Wide Financial Statements

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 current fiscal year revenues and expenses are accounted for regardless of when the cash is paid or received.

These statements report the City's net position and related changes. Net position, the difference between assets and liabilities, is one way to measure the City's financial position. Over time, increases or decreases in net position is an indicator of whether the financial condition of the City is improving or deteriorating. However, it is also important to consider other non-financial factors, such as changes in the City's property tax and sales tax bases or in the condition of the City's infrastructure (for example, community facilities, parks and streets), to accurately assess the overall health of the City.

These statements present information about the City's activities, all of which are considered governmental in nature: police protection, economic development, housing assistance, water and sewer service, streets and parks construction and maintenance, planning and engineering, code compliance, recreation, community services and general city administration and support. The California Department of Forestry and Fire Protection (CALFIRE), serving as the Morgan Hill Fire Department, continue to assume contractual responsibility for providing fire protection services. These services are funded from monies received from property, sales, and other taxes, direct charges for the services provided, grants, and contributions from other agencies.

B. Fund Financial Statements

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

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented by governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data for the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

The City adopts a biennial appropriated budget for each of the City's governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

Proprietary funds: The City maintains two different 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 enterprise funds to account for sewer and water operations, as well as for sewer and water capital project activities financed by development impact fees.

Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions and to build up reserves for the replacement of capital assets. The City uses internal service funds to account for building maintenance, building replacement, information systems, unemployment insurance, workers' compensation, employee benefits, general liability claims, fleet and equipment replacement, and capital improvement program administration. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All nine internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements provide separate information for sewer operations, sewer capital project impact activities, water operations, and water capital project impact activities, all of which are presented as major funds of the City because of significant public interest.

Fiduciary Funds: The City acts as a trustee, or custodian, in collecting assessments and remitting bond payments for the Morgan Hill Business Ranch and Madrone Business Park assessment districts. The City has no legal, contingent, or moral obligation for the repayment of the debt associated with these particular assessment districts and merely ensures that assets received are used for their intended purposes. In addition, the City maintains a Special Deposits Fund in which the City accounts for deposits held in trust for the benefit of third parties. The City also maintains a fund to hold in trust amounts collected on the Santa Clara County property tax roll for the Downtown Morgan Hill Property Based Improvement District (PBID) pending their distribution to the PBID. These fiduciary activities are excluded from the City's fund financial statements because these assets cannot be used to finance operations. The activity for these funds, however, is provided for in a separate combining statement of changes in fiduciary net position contained elsewhere in this report.

Included in fiduciary funds is the Successor Agency Private Purpose Trust Fund created upon dissolution of the former Redevelopment Agency. The Trust Fund was created to hold the non-housing assets of the former Redevelopment Agency until they were transferred for governmental purposes to other entities, or distributed to the underlying taxing jurisdictions in Santa Clara County after the payment of enforceable obligations, most notably outstanding tax allocation bonds.

C. Notes to Basic Financial Statements

The notes provide additional detail that is essential to a full understanding of the information in the government-wide and fund financial statements. The notes can be found on pages 49 through 110.

D. Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information appears on page 111.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position for the fiscal year ended June 30, 2022, was \$542.9 million. A significant portion of the City's net position (\$372.6 million or 69%) reflects the City's investment in capital assets (for example, land, infrastructure, buildings, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net position (\$45.2 million or 8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$125.1 million or 23%) may be used to meet the City's ongoing obligations to citizens and creditors. The \$125.1 million in unrestricted net position is comprised of \$94.7 million in governmental unrestricted net position and \$30.3 million in business-type unrestricted net position. The governmental unrestricted net position includes many assets that are not currently available for spending. The unrestricted business-type net position are funds that have been collected from water and sewer rate payers, and are needed to fund ongoing water and sewer operating and capital needs.

The table below summarizes the City's net position:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2021-22</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2020-21</u>
Assets						
Current and other assets	\$ 175,728,384	\$ 164,241,923	\$ 75,270,755	\$ 81,727,655	\$ 250,999,139	\$ 245,969,578
Capital assets	303,329,649	289,329,734	112,195,910	104,165,336	415,525,559	393,495,070
Total Assets	479,058,033	453,571,657	187,466,665	185,892,991	666,524,698	639,464,648
Deferred outflows						
Related to OPEB (Note 9)	1,494,362	1,173,065	350,529	275,163	1,844,891	1,448,228
Related to pension (Note 8)	8,415,739	9,160,935	1,248,947	1,117,259	9,664,686	10,278,194
Total Deferred Outflows	9,910,101	10,334,000	1,599,476	1,392,422	11,509,577	11,726,422
Liabilities						
Long-term liabilities	40,239,888	59,564,413	46,656,780	53,329,564	86,896,668	112,893,977
Other liabilities	14,036,569	10,512,616	6,695,022	6,098,942	20,731,591	16,611,558
Total Liabilities	54,276,457	70,077,029	53,351,802	59,428,506	107,628,259	129,505,535
Deferred inflows						
Leases related (Note 10)	5,878,760	-	329,588	-	6,208,348	-
Related to OPEB (Note 9)	1,740,693	844,285	408,310	198,042	2,149,003	1,042,327
Related to pension (Note 8)	16,184,896	604,037	2,930,849	200,195	19,115,745	804,232
Total Deferred Inflows	23,804,349	1,448,322	3,668,747	398,237	27,473,096	1,846,559
Net position						
Net investment in capital assets	293,306,194	283,099,830	79,363,024	78,260,663	372,669,218	361,360,493
Restricted	22,896,579	25,555,920	22,398,499	25,530,099	45,295,078	51,086,019
Unrestricted	94,684,555	83,724,556	30,284,069	23,667,908	124,968,624	107,392,464
Total Net Position	\$ 410,887,328	\$ 392,380,306	\$ 132,045,592	\$ 127,458,670	\$ 542,932,920	\$ 519,838,976

Governmental activities: The table above shows that total assets increased compared to the prior year, by \$25.5 million, primarily in the current and other assets. Total liabilities decreased by \$15.8 million, mostly attributable to the decrease in the net OPEB and pension liabilities.

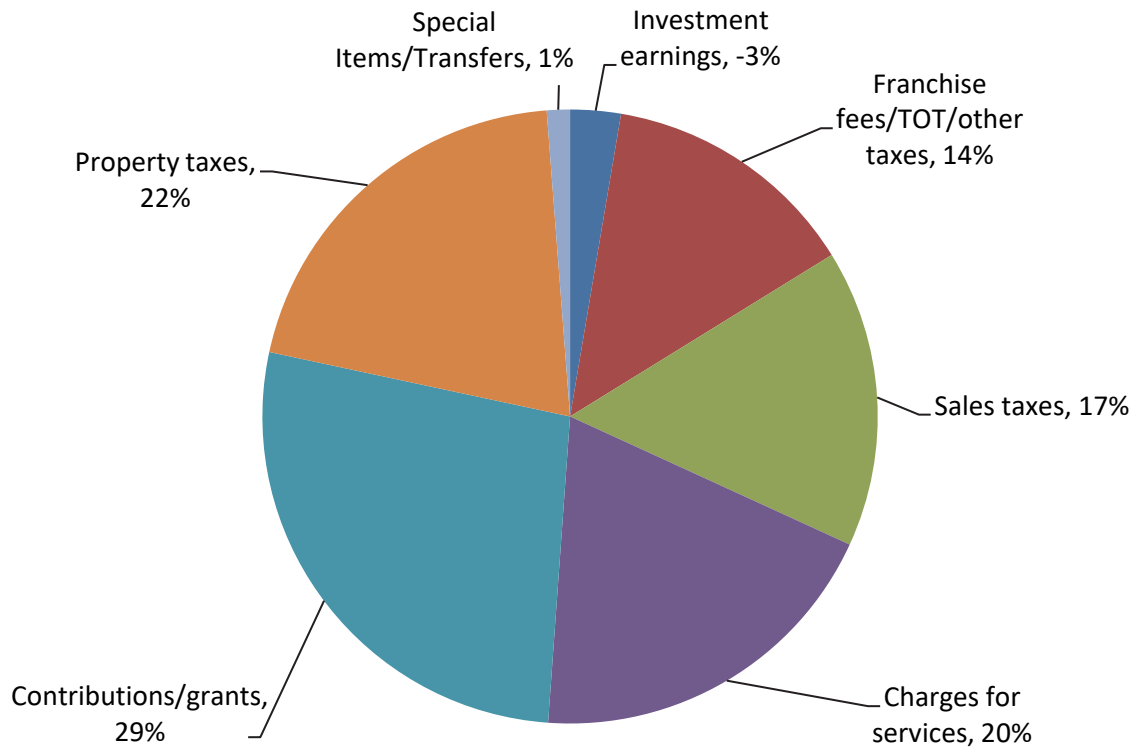
The table and charts on the next pages summarize major program expenses, program revenues used to fund specific expenditure programs, and general City revenues available for funding all City programs. In FY 21-22, property tax revenue increased about 4% compared to FY 20-21 mainly attributable to new housing units being added to the assessor's roll, property value increases as allowed under Proposition 13, and higher excess Educational Revenue Augmentation Fund (ERAF) distribution. Sales tax revenue increased by about 18% compared to prior year which can be attributable to pent-up demand, as well as continued improvement in the economy from the pandemic-induced recession.

Total governmental expenses increased by \$1.7 million or 3% to \$59.7 million compared to prior fiscal year, led by Recreation Services with approximately \$2.5 million of addition partially offset by reduction of Public Works of approximately \$2.1 million.

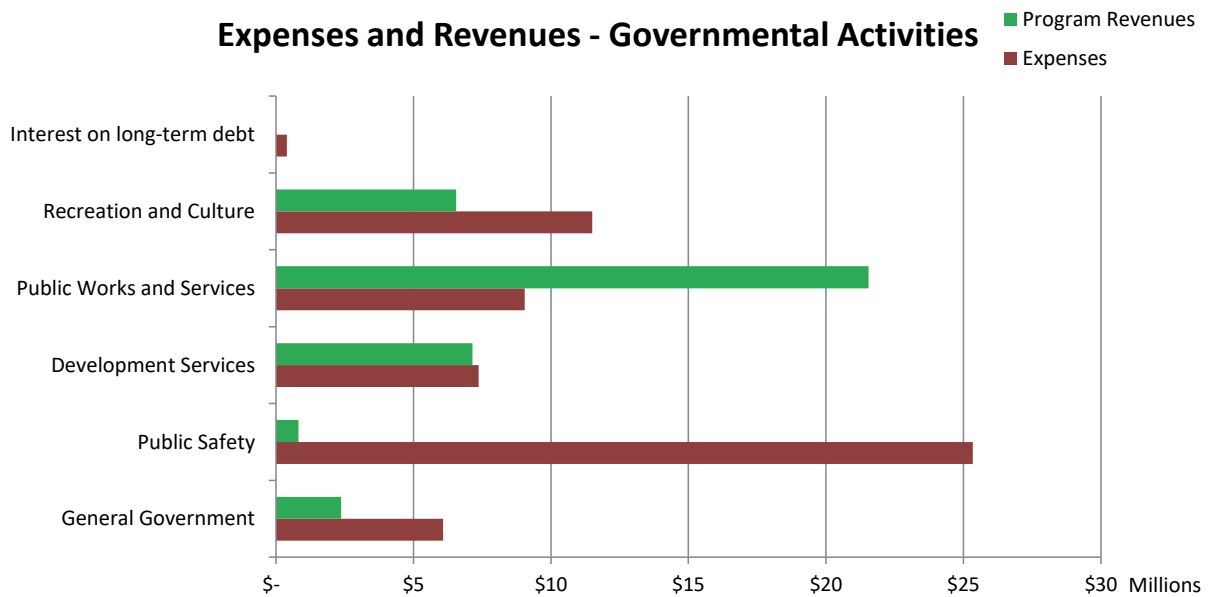
Overall, the City's Governmental Activities net position increased by about \$18.5 million.

	Governmental Activities		Business-Type Activities		Totals	
Revenues:	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
<i><u>Program Revenues:</u></i>						
Charges for Services	\$ 15,939,272	\$ 12,929,136	\$ 33,244,138	\$ 35,259,218	\$ 49,183,410	\$ 48,188,354
Operating Grants & Contributions	14,497,174	7,123,917	-	-	14,497,174	7,123,917
Capital Grants & Contributions	8,002,036	10,803,966	-	-	8,002,036	10,803,966
<i><u>General Revenues:</u></i>						
Property Taxes	16,870,230	16,264,819	-	-	16,870,230	16,264,819
Sales Taxes	12,944,786	10,962,612	-	-	12,944,786	10,962,612
Franchise, hotel & other taxes	5,925,914	4,417,893	-	-	5,925,914	4,417,893
Other general taxes/revenues	5,250,454	6,489,387	-	-	5,250,454	6,489,387
Unrestricted investment earnings	(2,201,423)	765,817	(2,577,045)	418,643	(4,778,468)	1,184,460
Total Revenues	77,228,443	69,757,547	30,667,093	35,677,861	107,895,536	105,435,408
Expenses:						
General Government	6,078,095	4,510,779	-	-	6,078,095	4,510,779
Public Safety	25,335,883	25,425,037	-	-	25,335,883	25,425,037
Development Services	7,370,299	7,580,817	-	-	7,370,299	7,580,817
Public Works and Services	9,041,213	11,098,488	-	-	9,041,213	11,098,488
Recreation and Culture	11,502,974	9,034,902	-	-	11,502,974	9,034,902
Interest on long-term debt	394,620	411,226	-	-	394,620	411,226
Sewer	-	-	11,563,983	12,081,934	11,563,983	12,081,934
Water	-	-	13,514,524	14,629,001	13,514,524	14,629,001
Total Expenses	59,723,085	58,061,250	25,078,507	26,710,935	84,801,591	84,772,184
Increase/(decrease) in net position before transfers	17,505,359	11,696,298	5,588,586	8,966,926	23,093,945	20,663,224
Transfers and special items	1,001,664	990,708	(1,001,664)	(990,708)	-	-
Increase/(decrease) in net position	18,507,023	12,687,006	4,586,922	7,976,218	23,093,945	20,663,224
Net position beginning, restated	392,380,306	379,693,300	127,458,670	119,482,452	519,838,976	499,175,753
Net position - year end	\$ 410,887,328	\$ 392,380,306	\$ 132,045,592	\$ 127,458,670	\$ 542,932,920	\$ 519,838,976

Revenues and Transfers In by Source Governmental Activities - \$78.2 Million



Expenses and Revenues - Governmental Activities



Business-type activities: Business-type activities (water and sewer) saw an increase of \$4.6 million in net position. Revenue from charges for services, combined with operation and capital contributions, in both the Water and Sewer Funds decreased by 14% or \$5.0 million compared to prior year, primarily due to reduced water consumption and mark to market loss on investment earnings. Expenses decreased by 6% or \$1.6 million compared to prior year mostly due to decrease in water production cost resulted from reduced water consumption and salary savings.

On January 17, 2014, State Governor, Edmund G. Brown, declared a drought state of emergency in California during the driest year in recorded state history, triggering water conservation efforts across the state. As a result, the City Council enacted certain water restrictions which have been in place since 2015 and on June 7, 2017, the Council adopted an ordinance, making 20% water conservation from the 2013 level permanent. On April 7, 2017, State Governor lifted the drought state of emergency across California. While the California drought emergency had been lifted, the State encouraged its residents to continue making water conservation a way of life. The reduced consumption has impacted revenues, and the City has proactively reduced and deferred certain expenses to lessen the financial impact. In January 2016, the Council adopted a resolution approving the water and sewer rate adjustments which went into effect April 1, 2016.

Subsequently on October 19, 2021, State Governor Gavin Newsom declared a drought emergency across California, urging residents to reduce their water use after the state experienced an on-going drought. The conservation measures being put in place are having an adverse impact to the water sales revenue, necessitating a review of the current rate structure to ensure that quality of service is not adversely impacted, and the health and safety of the City's water system remains at a high standard. In 2021, the City engaged a consultant to conduct a water rate study which was last completed over six years ago. The City Council approved a new five -year water rates adjustment plan on June 1, 2022.

In 2017, the City Council approved a Sewer System Master Plan for future repairs and improvements to the City's sewer system. The Master Plan identified \$57 million in expansion and capacity related improvement projects (impact fee funded) and \$52 million in improvements necessary to repair the City's existing system (ratepayer funded). City staff have determined the impact fee funded projects can likely be funded through the projected impact fees and/or financed through bonding against future impact fees. However, staff identified a significant shortage in funding to make the legally required repairs and improvements to the existing system, which was the primary factor in moving forward with a rate study.

In 2018, the City engaged a consultant to conduct the sewer rate study. The sewer rate study was introduced to the City Council and the City Council directed staff to proceed with updating the City's sewer rates. Subsequently, on May 1, 2019, the City Council adopted a resolution approving the sewer rate adjustments which went into effect July 1, 2019.

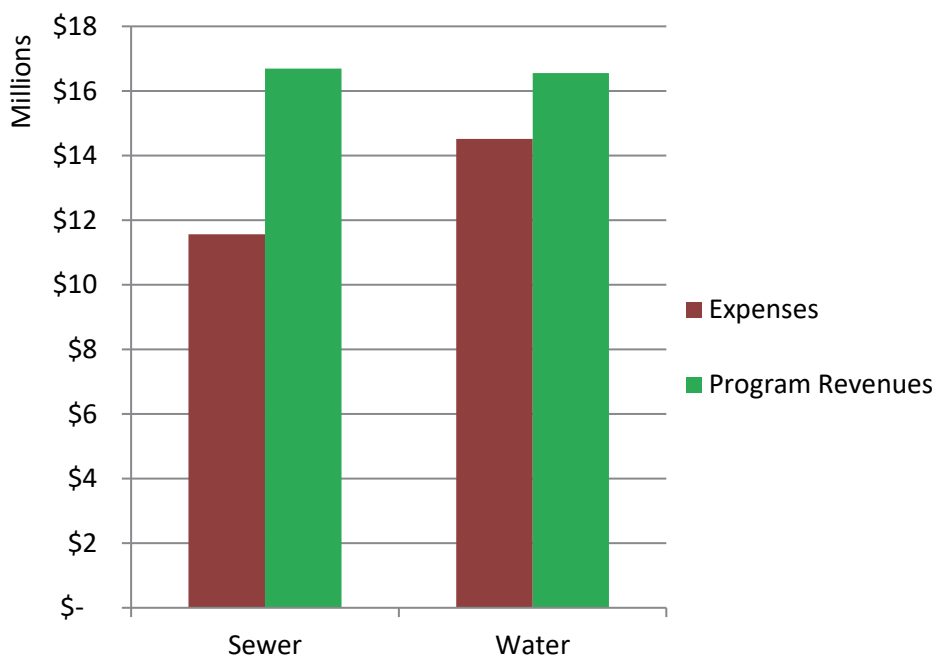
The table below illustrates the increase for a typical single-family home with median water usage (14 units of water per month; 8 units of sewer).

Total Average Single Family Monthly Utility Bill

	Adopted Rates					
	1/1/19	7/1/19	1/1/20	7/1/20	7/1/21	7/1/22
Water(a)	\$62.60	\$62.60	\$67.14	\$67.14	\$67.14	\$73.56
Sewer(a)	\$53.04	\$57.80	\$57.80	\$63.00	\$66.14	\$69.45
Total	\$115.64	\$120.44	\$124.98	\$130.14	\$133.28	\$143.01
Total Percent Increase	4.5%	9.0%	4.8%	9.2%	2.4%	7.3%(a)

(a) Includes recently approved water rate adjustments.

The chart below summarizes the financial activities of the Sewer and Water Funds for FY 21-22.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of June 30, 2022, the City's governmental funds reported combined ending fund balances of \$144.5 million, an increase of \$2.6 million or 2% from prior year. Overall revenues in governmental funds were 16% or \$10.7 million more mostly attributable to the ARPA funding of approximately \$5.5 million recognized in the fiscal year as well as continued strength in the property tax and sales tax, partially offset by the unrealized losses in investments as the result of rising interest rates which reduces the market value of existing investment holdings.

General Fund

The General Fund is the primary operating fund of the City. At the end of FY 21-22, total fund balance for the General Fund amounted to \$36.9 million, including \$32.4 million in unassigned fund balance, an increase of \$5.9 million compared to prior year mostly attributable to the aforementioned federal stimulus recognized in the fiscal year, continued strength in certain revenue categories in addition to conservative spending. Contrary to the increased revenue and conservative spending, the fair market value adjustment for the investments reduced noted increases by \$1.2 million.

Significant changes in revenues and expenditures that affected the fund balance for the General Fund are as follows:

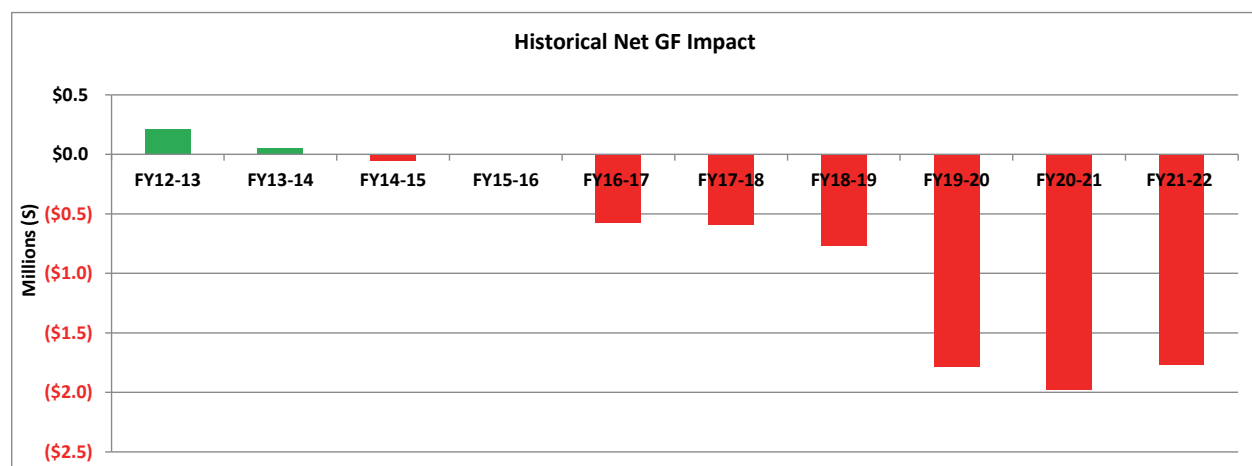
a. Revenue Highlights

Property tax revenue in the general fund was \$0.6 million or 4% more than prior year. Increases in assessed value as allowed under Proposition 13, and new housing units and commercial developments added to the Assessor's roll, contributed to the increase in property tax revenues. In addition, the City also received approximately \$2.3 million from excess Educational Revenue Augmentation Fund (ERAF) distribution during the year, approximately \$0.3 million more than prior year. Excess ERAF is the money that is returned to the cities, counties, and special districts after schools reach their state-mandated thresholds.

Sales tax revenue in FY 21-22 was \$12.9 million, an increase of \$2 million or 18% compared to prior year, exceeding the pre-pandemic level. The increase in sales tax is partially due to the opening of the Chrysler Dodge dealership as well as continued strength in certain segments such as Autos/transportation and County pool. Consumers continue to shift more toward online spending, which further accelerated due to the COVID-19 pandemic, resulting in robust growth in this segment statewide. Sales tax was one of the hardest hit categories due to the global COVID-19 pandemic which shut-down entire nations, locked borders, and shuttered businesses around the world. Locally, the County of Santa Clara issued the Shelter-in-Place (SIP) Order on March 16, 2020 and subsequently the State issued its SIP four days later. The Order required all businesses to close and residents to shelter at home, except for essential critical functions and services. However, the reduction was much less than staff had anticipated earlier as some segments of the industry such as autos performed better than forecasted, in addition to higher growth in countywide use tax pool allocations as consumers continue to shift to online shopping.

The franchise, hotel and other taxes revenue was \$5.9 million, an increase of \$1.5 million or 34% compared to prior year as this revenue category continues to recover from the pandemic. For the hotel tax, the amount received for FY 21-22 is approximately \$2.5 million, almost doubled from prior year amount of \$1.3 million but still short of pre-pandemic level of about \$3.0 million. The increase is attributable to the gradual recovery in occupancy and average daily rates.

Recreation operations ended FY 21-22 with a negative impact to the general fund of approximately \$1.8 million. The pandemic has semi-permanently changed the fitness industry and recreation centers across the nation which continue to struggle with getting members to come back. Morgan Hill recreation center is not an exception to this trend. The chart below shows the historical net impact of Recreation Operations to the general fund.



b. Expenditure Highlights

Expenditures, including transfers out increased by 17% or \$6.7 million compared to the prior year to a total of \$46.2 million. The increase in expenditures was a result of the Council's and management's decisions to continue investment in the community to address continued increase in service demand, and gradually rehire certain teammates due to the reopening of more facilities.

c. Budgetary Highlights

Over the course of the fiscal year, the City Council revised the City budget with adjustments that fell into one of the following three categories:

- Changes to adjust appropriations for capital projects
- Changes made during the fiscal year to align current year appropriations with unanticipated revenue
- Other revenue (usually grant revenues) and expenditure adjustments approved after the original budget was adopted

Budget adjustments approved by the City Council during FY 21-22 related primarily to projects, expenditure adjustments, and grant-related activity.

After taking into account these adjustments, actual General Fund expenditures including transfers out, were less than the final budget amounts by \$2.5 million, led by savings in Public Safety and Recreation Services. In addition, better performance than forecast for the Development Services Fund removed the budgeted General Fund loan to that fund.

Development Services Fund

The Development Services Fund accounts for the City's planning, building, and engineering activities. At the end of FY 21-22, the fund has a negative balance of about \$0.5 million, a decrease of less than \$0.1 million from prior year. The fund was budgeted to end the fiscal year with an operating deficit of approximately \$0.4 million and requires a General Fund loan. However, it ended up better than budgeted. Nonetheless, the fund has incurred multiple years of operating deficit which necessitates the comprehensive review of the fee structure to ensure the fund's fiscal sustainability. In 2021, staff engaged a consultant to conduct an updated fee study of Planning and Land Development Engineering to update the fees which were last updated in 2017. The updated fees were approved by the Council and went into effect in March 2022.

Housing Fund

The Housing Fund accounts for the City's housing program specific to rehabilitation and development of affordable housing in Morgan Hill. At the end of FY 21-22, the fund balance amounted to \$69.9 million, all of which is restricted, a decrease of \$1.0 million or about 1% from the prior year. As a result of the elimination of redevelopment agencies statewide, the Housing Program acted to serve as the successor to the former Morgan Hill Redevelopment Agency's housing functions and administer its legacy housing assets pursuant to Resolution 6504 adopted by the City Council on January 18, 2012. The City has accepted the housing assets of the former Redevelopment Agency (RDA) and beginning in FY 12-13 operated a limited housing program utilizing and leveraging other housing resources. The primary source of revenue for this fund is residual receipts and loan repayments from previously constructed projects and loans executed.

PROPRIETARY FUNDS

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

Unrestricted net position at June 30, 2022, amounted to \$16.3 million for Sewer Operations and \$14.0 million for Water Operations. Water Operations' unrestricted net position increased by \$3.4 million compared to prior year. The operating revenues saw a decrease of \$1.4 million primarily due to reduced consumption resulted from the on-going drought as mentioned earlier in the analysis. Sewer Operations' unrestricted net position increased by \$3.1 million from prior fiscal year with operating revenues increasing by \$1.2 million primarily due to rate adjustments. The Sewer Impact Fund had \$19.5 million in net position restricted for capital improvements and expansion, a decrease of \$2.6 million from prior year mainly due to investment in capital assets, while the Water Impact Fund had \$2.9 million for the same purpose, a decrease of \$0.5 million from prior year.

FIDUCIARY FUNDS

The City of Morgan Hill, as the Successor Agency to Redevelopment Agency, fully expended the remainder of the 2008 bond proceeds within its Downtown redevelopment project areas in the prior year, with the main transaction during FY 21-22 being the annual debt service per the Final Recognized Obligations Payment Schedule, approved by the California State Department of Finance and the County of Santa Clara.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's capital assets for its governmental activities as of June 30, 2022, amounted to \$303.3 million (net of accumulated depreciation), as summarized below.

Governmental Funds Capital Assets:	2022	2021
Land	\$ 58,445,111	\$ 55,441,945
Buildings & Improvements	81,318,206	83,366,671
Machinery, Equipment, and Vehicles	4,818,163	4,826,686
Infrastructure	131,344,213	127,516,254
Construction in Progress	27,403,956	18,178,178
Total Governmental Funds Capital Assets:	\$ 303,329,649	\$ 289,329,734

More detailed information concerning capital assets may be found in Note 5 beginning on page 68.

LONG-TERM DEBT

At the end of FY 21-22, the City has long-term debt outstanding of \$53.8 million. Of the total, Governmental Activities long-term debt portion is \$10.0 million. Of this amount, \$7.5 million in lease revenue refunding bonds is subject to a City appropriations covenant, \$2.5 million for Fire stations and apparatus, and less than \$0.1 million in energy efficiency loans.

The remaining \$43.7 million of the City's debt is almost all for bonds secured solely by specified water and sewer revenue sources. Additional detailed information on long-term debt can be found in Note 7, of the Notes Section, on page 78.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Morgan Hill, Finance Department, 17575 Peak Avenue, Morgan Hill, CA 95037.



CITY OF MORGAN HILL

Basic Financial Statements



CITY OF MORGAN HILL

Government-Wide Financial Statements



CITY OF MORGAN HILL

CITY OF MORGAN HILL

**STATEMENT OF NET POSITION AND STATEMENT
OF ACTIVITIES**

The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows and the City's total liabilities and deferred inflows, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating interfund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's Net Position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the modified accrual basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.



CITY OF MORGAN HILL

City of Morgan Hill
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled cash and investments (Note 4)	\$ 92,349,706	\$ 59,351,180	\$ 151,700,886
Restricted pooled cash and investments (Note 4)	30,000	10,825,383	10,855,383
Cash and investments with fiscal agents (Note 4)	1,806,588	-	1,806,588
Receivables:			
Accrued interest	90,298	87,114	177,412
Other accounts receivable	12,503,541	4,602,508	17,106,049
Loans receivable (Note 6)	62,911,854	74,982	62,986,836
Prepays	157,637	-	157,637
Leases receivable (Note 10)	5,878,760	329,588	6,208,348
Capital assets, Net (Note 5)			
Non-Depreciable	85,849,067	30,809,882	116,658,949
Depreciable and Sewer Capacity Rights	217,480,582	81,386,028	298,866,610
Total Assets	479,058,033	187,466,665	666,524,698
Deferred Outflows			
Related to pension (Note 8)	8,415,739	1,248,947	9,664,686
Related to OPEB (Note 9)	1,494,362	350,529	1,844,891
Total Deferred Outflows	9,910,101	1,599,476	11,509,577
Liabilities			
Accounts payable	5,714,413	887,959	6,602,372
Accrued liabilities	3,898,058	2,445,585	6,343,643
Interest payable	47,623	273,624	321,247
Customer and other deposits	2,565,762	411,872	2,977,634
Unearned revenue	338,244	5,982	344,226
Compensated absences (Note 2l):			
Due within one year	665,207	-	665,207
Due in more than one year	2,150,464	-	2,150,464
Net OPEB liabilities,			
due in more than one year (Note 9)	1,876,299	440,120	2,316,419
Net pension liabilities,			
due in more than one year (Note 8)	26,996,932	5,138,391	32,135,323
Long-term debt (Note 7)			
Due within one year	807,262	2,670,000	3,477,262
Due in more than one year	9,216,193	41,078,269	50,294,462
Total Liabilities	54,276,457	53,351,802	107,628,259
Deferred Inflows			
Leases related (Note 10)	5,878,760	329,588	6,208,348
Related to pension (Note 8)	16,184,896	2,930,849	19,115,745
Related to OPEB (Note 9)	1,740,693	408,310	2,149,003
Total Deferred Inflows	23,804,349	3,668,747	27,473,096
Net Position (Note 2n)			
Net investment in capital assets	293,306,194	79,273,024	372,579,218
Restricted for:			
Capital expansion projects	22,556,390	22,398,499	44,954,889
Debt service	340,189	-	340,189
Unrestricted	94,684,555	30,374,069	125,058,624
Total Net Position	\$ 410,887,328	\$ 132,045,592	\$ 542,932,920

See accompanying notes to basic financial statements

City of Morgan Hill
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 6,078,095	\$ 2,219,177	\$ 150,000	\$ -
Public safety	25,335,883	547,823	262,241	7,340
Development services	7,370,299	5,431,702	1,715,065	-
Public works and services	9,041,213	1,708,921	12,322,566	7,520,498
Recreation & culture	11,502,974	6,031,649	47,302	474,198
Interest on long-term debt	394,620	-	-	-
Total government activities	59,723,084	15,939,272	14,497,174	8,002,036
Business-type activities:				
Sewer	11,563,983	16,694,422	-	-
Water	13,514,524	16,549,716	-	-
Total business-type activities	25,078,507	33,244,138	-	-
Total primary government	\$ 84,801,591	\$ 49,183,410	\$ 14,497,174	\$ 8,002,036

General revenues:

Property taxes
Sales taxes
Franchise taxes
Other taxes
Other general revenues
Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning (Note 14a)

Net position - ending

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,708,918)	\$ -	\$ (3,708,918)
(24,518,479)	-	(24,518,479)
(223,532)	-	(223,532)
12,510,772	-	12,510,772
(4,949,825)	-	(4,949,825)
(394,620)	-	(394,620)
(21,284,602)	-	(21,284,602)
-	5,130,439	5,130,439
-	3,035,192	3,035,192
-	8,165,631	8,165,631
(21,284,602)	8,165,631	(13,118,971)
16,870,232	-	16,870,232
12,944,783	-	12,944,783
2,587,801	-	2,587,801
3,338,113	-	3,338,113
5,250,454	-	5,250,454
(2,201,423)	(2,577,045)	(4,778,468)
1,001,664	(1,001,664)	-
39,791,624	(3,578,709)	36,212,915
18,507,022	4,586,922	23,093,944
392,380,306	127,458,670	519,838,976
\$ 410,887,328	\$ 132,045,592	\$ 542,932,920



CITY OF MORGAN HILL

Fund Financial Statements



CITY OF MORGAN HILL

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2022. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The General Fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

DEVELOPMENT SERVICES SPECIAL REVENUE FUND

This fund accounts for revenues and expenditures associated with processing development applications, building inspections, engineering services and related fee supported activities.

HOUSING SPECIAL REVENUE FUND

The Housing Fund accounts for housing services. The fund receives revenues in the form of federal and state grants. Other revenues sources include interest and loan repayment from borrowers.

City of Morgan Hill
Balance Sheet
Governmental Funds
June 30, 2022

		Major Special Revenue Funds		Other	Total
	General	Development	Housing	Governmental	Governmental
		Services		Funds	Funds
Assets					
Pooled cash and investments (Note 4)	\$ 25,905,050	\$ 1,830,640	\$ 9,997,861	\$ 39,350,720	\$ 77,084,271
Cash and investments with fiscal agents (Note 4)	1,806,588	-	-	-	1,806,588
Receivables:					-
Accrued interest	25,348	1,323	10,080	40,092	76,843
Other accounts receivable	10,327,224	3,724	22,945	2,071,155	12,425,048
Loans receivable (Note 6)	1,996,767	-	59,902,837	1,012,250	62,911,854
Due from other funds (Note 2o)	123,996	-	-	-	123,996
Prepays	45,982	-	45,833	-	91,815
Advances receivable (Note 2o)	568,362	-	-	-	568,362
Leases receivable (Note 10)	5,878,760	-	-	-	5,878,760
Total Assets	\$ 46,678,077	\$ 1,835,687	\$ 69,979,556	\$ 42,474,217	\$ 160,967,537
Liabilities					
Accounts payable	\$ 2,647,473	\$ 659,441	\$ 1,521	\$ 1,738,500	\$ 5,046,935
Accrued liabilities	332,813	19,545	47,431	1,613,417	2,013,206
Due to other funds (Note 2o)	-	-	-	67,055	67,055
Advances payable (Note 2o)	-	-	-	568,362	568,362
Unearned revenue	321,525	-	-	15,189	336,714
Customer and other deposits	629,799	1,651,304	2,000	282,659	2,565,762
Total Liabilities	3,931,610	2,330,290	50,952	4,285,182	10,598,034
Deferred Inflow of Resources					
Leases related (Note 10)	5,878,760	-	-	-	5,878,760
Total Deferred Inflow of Resources	5,878,760	-	-	-	5,878,760
Fund Balances (Note 2n):					
Nonspendable:					
Loans receivable	1,996,767	-	-	-	1,996,767
Prepaid expenditures	45,982	-	45,833	-	91,815
Advances receivable	568,362	-	-	-	568,362
Restricted:					
PARS pension trust	1,806,588	-	-	-	1,806,588
Community services	-	-	15,856,288	1,663,899	17,520,187
Parks and recreation	-	-	-	3,539,081	3,539,081
Streets and highways	-	-	-	7,182,687	7,182,687
Debt service	-	-	-	340,189	340,189
Public safety	-	-	-	3,574,759	3,574,759
Development services	-	-	54,026,483	-	54,026,483
Capital expansion projects	-	-	-	22,556,390	22,556,390
Other purposes	-	-	-	(667,970)	(667,970)
Unassigned	32,450,008	(494,603)	-	-	31,955,405
Total Fund Balances	36,867,707	(494,603)	69,928,604	38,189,035	144,490,743
Total Liabilities,					
Deferred Inflow of Resources and Fund Balances	\$ 46,678,077	\$ 1,835,687	\$ 69,979,556	\$ 42,474,217	\$ 160,967,537

See accompanying notes to basic financial statements

City of Morgan Hill
Reconciliation of the Governmental Funds - Balance Sheet
To the Statement of Net Position
June 30, 2022

Total fund balances - governmental funds	\$ 144,490,743
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Government Funds.	298,742,629
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Internal service funds are used by management to charge the costs of building maintenance, management information systems, fleet management, general liability, workers' compensation, and CIP administration to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	14,613,753
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In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statements, it is recognized in the period that it is incurred.	(47,623)
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Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Deferred outflows of resources related to pensions	8,415,739
Deferred outflows of resources related to OPEB	1,494,362
Long-term debt	(10,023,455)
Net OPEB liability	(1,876,299)
Net pension liability	(26,996,932)
Deferred inflows of resources related to pensions	(16,184,896)
Deferred inflows of resources related to OPEB	(1,740,693)

Total net position - governmental activities	\$ 410,887,328
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See accompanying notes to basic financial statements

City of Morgan Hill
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

		Major Special Revenue Funds		Other	Total
		Development		Governmental	Governmental
	General	Services	Housing	Funds	Funds
Revenues					
Property taxes and special assessments	\$ 16,662,896	\$ -	\$ -	\$ 207,336	\$ 16,870,232
Sales taxes	12,944,783	-	-	-	12,944,783
Franchise, hotel and other taxes	5,925,914	-	-	-	5,925,914
Licenses and permits	296,030	-	-	-	296,030
Funding from other governmental agencies	6,162,841	-	-	12,709,653	18,872,494
Charges for current services	6,852,215	5,664,146	881,038	10,526,492	23,923,891
Investment income and rentals	223,167	(82,743)	(118,003)	(1,456,877)	(1,434,456)
Other revenues	351,459	4,093	1,298	82,136	438,986
Total Revenues	49,419,305	5,585,496	764,333	22,068,740	77,837,874
Expenditures					
Current					
General government	6,578,518	-	-	6,906	6,585,424
Public safety	25,256,675	-	-	57,062	25,313,737
Community development	511,120	5,562,060	766,793	728,310	7,568,283
Housing services	-	-	1,029,860	-	1,029,860
Streets and highways	2,344,720	-	-	226,270	2,570,990
Parks and recreation	7,836,757	-	-	59,249	7,896,006
Other public services	717,107	-	-	1,590,697	2,307,804
Capital outlay					
Construction projects	17,744	-	-	22,003,046	22,020,790
Debt service					
Principal	101,060	-	-	395,000	496,060
Interest and fiscal charges	102,319	-	-	292,301	394,620
Total Expenditures	43,466,020	5,562,060	1,796,653	25,358,841	76,183,574
Excess (deficiency) of revenues over (under) expenditures	<u>5,953,285</u>	<u>23,436</u>	<u>(1,032,320)</u>	<u>(3,290,101)</u>	<u>1,654,300</u>
Other Financing Sources (Uses)					
Transfers in (Note 2o)	2,669,487	-	-	9,810,117	12,479,604
Transfers (Out) (Note 2o)	(2,763,412)	(34,320)	(11,316)	(8,676,240)	(11,485,288)
Total other financing sources and uses	(93,925)	(34,320)	(11,316)	1,133,877	994,316
Net change in fund balances	5,859,360	(10,884)	(1,043,636)	(2,156,224)	2,648,616
Fund Balances - Beginning	31,008,347	(483,719)	70,972,240	40,345,259	141,842,127
Fund Balances - Ending	\$ 36,867,707	\$ (494,603)	\$ 69,928,604	\$ 38,189,035	\$ 144,490,743

See accompanying notes to basic financial statements

City of Morgan Hill
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2022

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

Net change in fund balances-total governmental funds	\$ 2,648,616
Governmental funds report capital outlay as expenditures. This is the amount of capital outlay that has been recorded as an asset on the statement of net position.	26,006,617
Depreciation expense is reported in connection with all of a government's depreciable assets.	(11,942,179)
Governmental funds report the payment of debt service as an expenditure. Payments for debt service and bond premium amortization reduce liabilities on the statement of net position.	891,886
Net change in net OPEB liability and related deferred outflows/inflows of resources.	617,716
Net change in net pension liability and related deferred outflows/inflows of resources.	439,163
Net profit (loss) from Internal Service Funds need to be combined to the government wide statement of activities.	(154,797)
Change in Net Position of Governmental Activities	<u><u>\$ 18,507,022</u></u>

See accompanying notes to basic financial statements



CITY OF MORGAN HILL

MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS:

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City reports the following major proprietary funds:

SEWER OPERATIONS ENTERPRISE FUND

The Sewer Enterprise funds account for the collection of sewer revenues, including user fees, operating costs of sewer collection and treatment and capital improvements.

SEWER IMPACT ENTERPRISE FUND

This fund receives revenues from developers of properties and the funds may only be used for the design, improvement, expansion, and development of sewer infrastructure.

WATER OPERATIONS ENTERPRISE FUND

The Water Enterprise funds account for the revenues, including user fees, the pumping and distribution of water to commercial and residential users, the maintenance of the water system and capital improvements.

WATER IMPACT ENTERPRISE FUND

This fund receives revenues from developers of properties and the funds may only be used for the design, improvement, expansion, and development of water infrastructure.

City of Morgan Hill
Proprietary Funds
Statement of Net Position
June 30, 2022

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Assets			
Current assets:			
Pooled cash and investment (Note 4)	\$ 17,499,271	\$ 21,645,826	\$ 17,264,685
Restricted pooled cash and investments (Note 4)	10,825,383	-	-
Receivables:	-	-	-
Accrued interest	44,037	21,861	18,240
Other accounts receivable	2,184,346	998	2,417,164
Notes receivable - current	-	74,982	-
Prepaid items	-	-	-
Total current assets	30,553,037	21,743,667	19,700,089
Noncurrent assets:			
Leases receivable	-	-	329,588
Capital assets, net (Note 5)			
Non-Depreciable	10,384,057	15,722,578	4,016,039
Depreciable and Sewer capacity rights	19,051,200	24,944,617	29,166,545
Total noncurrent assets	29,435,257	40,667,195	33,512,172
Total Assets	59,988,294	62,410,862	53,212,261
Deferred Outflows of Resources			
Related to pension (Note 8)	490,658	-	758,289
Related to OPEB (Note 9)	147,591	-	202,938
Total Deferred Outflows	638,249	-	961,227
Liabilities			
Current liabilities:			
Accounts payable	99,914	718	778,740
Accrued liabilities	213,648	2,173,239	58,698
Customer deposits	116,486	9,775	285,611
Due to other funds	-	-	-
Unearned revenue	-	5,982	-
Interest payable	154,128	71,606	28,255
Current obligations for:			
Bonds payable (Note 7)	1,520,000	-	707,200
Compensated absences (Note 2l)	-	-	-
Total current liabilities	2,104,176	2,261,320	1,858,504
Noncurrent liabilities:			
Long term obligations for:			
Bonds payable (Note 7)	26,813,269	-	8,424,550
Net pension liability (Note 8)	2,018,654	-	3,119,737
Energy efficiency loan (Note 7)	-	-	-
Net OPEB liability (Note 9)	185,314	-	254,806
Compensated absences (Note 2l)	-	-	-
Total noncurrent liabilities	29,017,237	-	11,799,093
Total Liabilities	31,121,413	2,261,320	13,657,597
Deferred Inflows of Resources			
Related to leases (Note 10)	-	-	329,588
Related to pension (Note 8)	1,151,405	-	1,779,444
Related to OPEB (Note 9)	171,920	-	236,390
Total Deferred Inflows	1,323,325	-	2,345,422
Net Position: (Note 2n)			
Net investment in capital assets	11,927,371	40,667,195	24,050,834
Restricted for capital expansion	-	19,482,347	-
Unrestricted	16,254,434	-	14,119,635
Total Net Position	\$ 28,181,805	\$ 60,149,542	\$ 38,170,469

See accompanying notes to basic financial statements

Business-type Activities		Governmental Activities	
Enterprise Funds (continued)		Internal Service Funds	
Water Impact	Totals		
\$ 2,941,398	\$ 59,351,180	\$ 15,265,435	
-	10,825,383	30,000	
-	-	-	
2,976	87,114	13,455	
-	4,602,508	78,493	
-	74,982	-	
-	-	65,822	
2,944,374	74,941,167	15,453,205	
-	329,588	-	
687,208	30,809,882	-	
8,223,666	81,386,028	4,587,020	
8,910,874	112,525,498	4,587,020	
11,855,248	187,466,665	20,040,225	
-	1,248,947	-	
-	350,529	-	
-	1,599,476	-	
8,587	887,959	667,478	
-	2,445,585	1,884,852	
-	411,872	-	
-	-	56,941	
-	5,982	1,530	
19,635	273,624	-	
442,800	2,670,000	-	
-	-	665,207	
471,022	6,695,022	3,276,008	
5,840,450	41,078,269	-	
-	5,138,391	-	
-	-	-	
-	440,120	-	
-	-	2,150,464	
5,840,450	46,656,780	2,150,464	
6,311,472	53,351,802	5,426,472	
-	329,588	-	
-	2,930,849	-	
-	408,310	-	
-	3,668,747	-	
2,627,624	79,273,024	4,587,020	
2,916,152	22,398,499	-	
-	30,374,069	10,026,733	
\$ 5,543,776	\$ 132,045,592	\$ 14,613,753	

City of Morgan Hill
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2022

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Operating Revenues:			
Charges for current services	\$ 14,909,287	\$ -	\$ 15,889,642
Other operating income	99,793	1,685,342	147,395
Total Operating Revenues	15,009,080	1,685,342	16,037,037
Operating expenses:			
Salaries and benefits	1,805,947	-	2,507,594
Utilities and taxes	62,795	-	4,371,801
Operations and maintenance	5,209,354	-	2,329,666
Depreciation	1,090,541	1,332,662	2,760,906
Amortization of sewer capacity rights	944,917	-	-
Administrative charges	295,344	60,384	425,868
Total Operating expenses	9,408,898	1,393,046	12,395,835
Operating Income (Loss)	5,600,182	292,296	3,641,202
Nonoperating revenues (expenses):			
Investment earnings	(825,758)	(909,139)	(719,872)
Interest and rentals	-	-	43,626
Interest (expense)	(781,039)	19,000	(611,302)
Total nonoperating revenues (expenses)	(1,606,797)	(890,139)	(1,287,548)
Income (loss) before operating transfers and contributions	3,993,385	(597,843)	2,353,654
Transfers In (Note 2o)	232,980	6,231,577	740,038
Transfers (Out) (Note 2o)	(7,185,349)	(265,680)	(470,844)
Change in net position	(2,958,984)	5,368,054	2,622,848
Total Net Position - Beginning	31,140,789	54,781,488	35,547,621
Total Net Position-Ending	\$ 28,181,805	\$ 60,149,542	\$ 38,170,469

See accompanying notes to basic financial statements

Business-type Activities		Governmental Activities Internal Service Funds
Enterprise Funds (continued)		
Water Impact	Totals	
\$ -	\$ 30,798,929	\$ 10,105,543
469,053	2,401,583	-
469,053	33,200,512	10,105,543
-	4,313,541	2,923,760
-	4,434,596	2,759,625
800	7,539,820	2,261,469
488,798	5,672,907	1,247,682
-	944,917	-
19,128	800,724	465,720
508,726	23,706,505	9,658,256
(39,673)	9,494,007	447,287
(122,276)	(2,577,045)	(609,432)
-	43,626	-
1,339	(1,372,002)	-
(120,937)	(3,905,421)	(609,432)
(160,610)	5,588,586	(162,145)
-	7,204,595	19,996
(284,386)	(8,206,259)	(12,648)
(444,996)	4,586,922	(154,797)
5,988,772	127,458,670	14,768,550
\$ 5,543,776	\$ 132,045,592	\$ 14,613,753

City of Morgan Hill
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Cash Flows from Operating activities			
Receipts from customers and users	\$ 15,050,755	\$ 2,842,643	\$ 16,385,367
Payments for supplies and services	(5,633,165)	(73,673)	(7,754,741)
Payments to employees for salaries and benefits	(2,514,953)	-	(2,994,681)
Payments for interfund services	-	-	-
Net cash provided (used) by operating activities	6,902,637	2,768,970	5,635,945
Cash Flows From Noncapital Financing Activities			
Transfers in	232,980	6,231,577	740,038
Transfers (out)	(7,185,349)	(265,680)	(470,844)
Net cash provided (used) by noncapital and financing activities	(6,952,369)	5,965,897	269,194
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(3,885,344)	(9,340,068)	(1,315,386)
Principal paid on debt	(1,762,824)	-	(526,550)
Interest paid on debt	(782,038)	-	(613,229)
Net cash provided (used) by capital and related financing activities	(6,430,206)	(9,340,068)	(2,455,165)
Cash Flows From Investing Activities			
Interest earnings	(843,341)	(916,913)	(729,059)
Net cash provided (used) by investing activities	(843,341)	(916,913)	(729,059)
Net change in cash and cash equivalents	(7,323,279)	(1,522,114)	2,720,915
Cash and cash equivalents, beginning	\$35,647,933	\$23,167,940	\$14,543,770
Cash and cash equivalents, ending	\$ 28,324,654	\$ 21,645,826	\$ 17,264,685
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating income (loss)	\$ 5,600,182	\$ 292,296	\$ 3,641,202
Adjustments to reconcile:			
Interest and rentals	-	-	43,626
Depreciation expense	1,090,541	1,332,662	2,760,906
Amortization of sewer capacity rights	944,917	-	-
(Increase) decrease in accounts receivable	(75,201)	-	233,167
(Increase) decrease in prepaid expenses	8,223	-	9,161
(Increase) decrease in notes receivables	-	28,076	-
Increase (decrease) in customer deposits	116,876	9,775	71,537
Increase (decrease) in accounts payable	(284,591)	(13,968)	(683,267)
Increase (decrease) in accrued liabilities	210,696	1,119,450	46,700
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in unearned revenue	-	679	-
Increase (decrease) in compensated absences	-	-	-
Increase (decrease) in net pension liability	(647,997)	-	(403,199)
Increase (decrease) in net OPEB liability	(61,009)	-	(83,888)
Total adjustments	1,302,455	2,476,674	1,994,743
Net cash provided (used) by operating activities	\$ 6,902,637	\$ 2,768,970	\$ 5,635,945

See accompanying notes to basic financial statements

Business-Type Activities		Governmental	
Enterprise Funds (continued)		Activities	
Water		Internal Service	
Impact	Total	Funds	
\$ 469,053	\$ 34,747,818	\$ 10,254,325	
(19,469)	(13,481,048)	(4,849,902)	
-	(5,509,634)	(3,462,619)	
-	-	(408,779)	
449,584	15,757,136	1,533,025	
-	7,204,595	9,996	
(284,386)	(8,206,259)	(2,648)	
(284,386)	(1,001,664)	7,348	
(107,600)	(14,648,398)	(1,183,159)	
(428,450)	(2,717,824)	(28,265)	
-	(1,395,267)	-	
(536,050)	(18,761,489)	(1,211,424)	
(123,116)	(2,612,429)	(613,817)	
(123,116)	(2,612,429)	(613,817)	
(493,968)	(6,618,446)	(284,868)	
\$3,435,366	76,795,009	15,580,303	
\$ 2,941,398	\$ 70,176,563	\$ 15,295,435	
\$ (39,673)	\$ 9,494,007	\$ 447,287	
-	43,626	-	
488,798	5,672,907	1,247,682	
-	944,917	-	
-	157,966	117,105	
-	17,384	(59,200)	
-	28,076	-	
-	198,188	-	
459	(981,367)	434,714	
-	1,376,846	(257,017)	
-	-	56,941	
-	679	45	
-	-	(454,532)	
-	(1,051,196)	-	
-	(144,897)	-	
489,257	6,263,129	1,085,738	
\$ 449,584	\$ 15,757,136	\$ 1,533,025	



CITY OF MORGAN HILL

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are used to account for the assets held by the City in a trust capacity or as an agent for individuals, private organizations or other governmental units. The financial activities of these funds are excluded from the entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. Custodial funds are used to account for assets held by the City as an agent for numerous assessment districts for the receipt of property tax levies to pay the debt service and administrative fees of the districts.

City of Morgan Hill
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Private- Purpose Trust Fund	
	Successor Agency	Custodial Funds
<u>Assets:</u>		
Pooled cash and investments (Note 4)	\$ 7,256	\$ 1,367,429
Cash and investments with fiscal agents (Note 4)	5,783,080	1,211,215
Accounts receivable	-	2,941
Loans receivable, net (Note 10a)	2,621,888	-
Total Assets	8,412,224	2,581,585
<u>Deferred Outflows of Resources:</u>		
Deferred amount on refunding	3,331,889	-
Total Deferred Outflows of Resources	3,331,889	-
<u>Liabilities</u>		
Accounts payable	498,504	-
Deposits held by City for external party	-	2,581,585
Interest payable	319,898	-
Long-term debt (Note 10b):		
Due within one year	5,280,000	-
Due in more than one year	62,010,000	-
Total Liabilities	68,108,402	2,581,585
<u>Net Position</u>		
Private purpose trust (RDA)	(56,364,289)	-
Other governments	-	-
Total Net Positions	\$ (56,364,289)	\$ -

See accompanying notes to basic financial statements

City of Morgan Hill
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Private- Purpose Trust Fund	
	Successor Agency	Custodial Funds
Additions:		
Property tax	\$ 6,254,732	\$ -
Member contributions	-	-
Fees and Assessments	113	-
Other revenue	-	8,397
Total additions	6,254,845	8,397
Deductions:		
Development services	13,243	-
Distribution	1,262,590	8,397
Total deductions	1,275,833	8,397
Change in Net Position	4,979,012	-
Total net position-beginning	(61,343,301)	-
Total net position-ending	\$ (56,364,289)	\$ -

See accompanying notes to basic financial statements



CITY OF MORGAN HILL

1. DEFINITION OF THE REPORTING ENTITY

The City of Morgan Hill, California, (the City) was incorporated in November 1906 as a general law city and operates under a Council-Manager form of government.

These financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Each blended and discretely presented component unit has a June 30 fiscal year end.

Blended Component Units. The financial reporting entity includes all of the funds of the primary government, the City of Morgan Hill, as well as all of its component units. These component units do not issue separate financial statements. Component units are legally separate entities for which the primary government is fully accountable. The Morgan Hill Wastewater Facilities Financing Corporation and the Morgan Hill Financing Authority are governed by boards which are substantially the same as the City's governing body. These two component units have been blended into the City's basic financial statements because the City is able to impose its will on these component units and because the component units provide services primarily to the City. Until March 7, 2012, the Morgan Hill Economic Development Corporation was similarly governed by a board that was the same as the City's governing body, so its financial activity through that date had also been blended into the City's basic financial statements. The Corporation modified its bylaws on March 7 to change the make-up of the board. The number of board members increased from five to seven, only two of whom are members of the City Council. Therefore, for the purposes of financial reporting, the Corporation's financial activity beginning March 7, 2012 is excluded from the City's basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements, except for the interfund services provided and used which are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(a) Measurement focus, basis of accounting and financial statements presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds use the economic resources measurement focus, except for the custodial funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, including lease liabilities, as well as claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions, including entering into contracts giving the City the right to use leased assets are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and financing through leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and therefore, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Development Services Fund

This fund accounts for revenues and expenditures associated with processing development applications, building inspections, engineering services and related fee supported activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Housing Fund

The Housing Fund accounts for housing services. The fund receives revenues in the form of federal and state grants. Other revenues sources include interest and loan repayment from borrowers.

The City reports major funds on the government-wide financial statements separately from other funds. Major funds are defined as any fund the City believes to be of particular importance to financial statement users. At a minimum, the General Fund and any fund that meets both of the following criteria *must* be reported as a major fund:

Ten percent criterion. An individual governmental fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.

Five percent criterion. An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any one of the items for which it met the 10 percent criterion.

The City reports the following major enterprise funds:

Sewer Operations Enterprise Funds

The Sewer Operations Enterprise funds account for the collection of sewer revenues, including user fees, operating costs of sewer collection and treatment and capital improvements.

Sewer Impact Enterprise Fund

The Sewer Impact Enterprise Fund accounts for the revenues from developers of properties and the funds may only be used for the design, improvement, expansion, and development of sewer infrastructure.

Water Operations Enterprise Funds

The Water Operations Enterprise Funds account for the revenues, including user fees, the pumping and distribution of water to commercial and residential users, the maintenance of the water system, and capital improvements.

Water Impact Enterprise Fund

The Water Impact Enterprise Fund accounts for the revenues from developers of properties and the funds may only be used for the design, improvement, expansion, and development of water infrastructure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports the following fund types:

Internal Service Funds account for services provided to other departments of the City such as information services, building maintenance, vehicle replacement, workers' compensation, unemployment and general liability insurance, and construction administration. Services are provided by these funds on a cost allocation basis.

Fiduciary funds are used to account for the assets held by the City in a trust capacity or as an agent for individuals, private organizations or other governmental units. The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The Other Post Employment Benefits (OPEB) Trust Fund was established for the defined benefit OPEB plans administered through trusts that meet specified criteria. Custodial funds are used to account for assets held by the City as an agent for numerous assessment districts for the receipt of property tax levies to pay the debt service and administrative fees of the districts.

Assets equal liabilities and the measurement of operations is not a focus of the Custodial funds. Fiduciary Funds use the full accrual basis of accounting for reporting receivables and payables. Fiduciary funds are reported in the fund financial statements but are not included for government wide reporting purposes.

Non-major governmental funds include special revenue funds where the revenues recorded in the funds are restricted for special purposes. Debt service funds are used to account for the collection of resources and payment of debt service obligations on outstanding bonds. Capital projects funds are used to account for the revenues, including grants and development fees, and expenditures for capital improvements. These funds do not meet the criteria for being reported as a major fund and are reported in the aggregate under one column, other governmental funds, on the financial statements.

(b) Budgetary Information

State statutes require a budget be approved before any expenditures are made. Budgets are adopted for all governmental fund types. Budgetary comparisons are reflected in the City's financial report for all governmental funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations of the various governmental funds. The City Council may amend the budget during the fiscal year. The City Manager is authorized to transfer appropriations between an activity budget to facilitate the functions of that activity in accordance with the directions, goals and policies of the City Council. Activities are defined as an individual program or division within a department. The City Council's approval is required for additional appropriations or transfers between activities that exceed the appropriations at the fund level. Unencumbered appropriations lapse at the end of each fiscal year except for on-going projects.

Budget proposals are prepared by each of the City's department directors. The budget proposals and justifications are submitted to the Finance Department, which compiles the information and prepares the City's preliminary budget. The City Council reviews the City Manager's recommended budget at a meeting open to the public. Changes approved at this meeting are incorporated into the final budget. The final budget is then submitted to the City Council for adoption at a public hearing.

Any revisions that increase the total budgeted expenditures of any project or fund must be approved by the City Council. Budgeted amounts presented, for the General Fund and those funds which have legally adopted budgets, include the original adopted budget, the final amended budget and comparison to actual expenditures. Since the budget is controlled at the activity level, not the department level, staff reports are presented to the City Council and Morgan Hill residents, and include a detailed report on budget versus actual variances for every activity in every fund monthly.

(c) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in all governmental fund types. Encumbrances outstanding at fiscal year-end are re-appropriated by the City Manager in the next year. See details of outstanding encumbrances in Note 12(c).

(d) Cash and Investments

Cash and investments of individual funds are combined for investment purposes in a commingled pool except for the investments held by fiscal agents, which are maintained and invested separately.

The City's cash and cash equivalents are considered to be cash on hand or demand deposits. Cash equivalents are stated at fair value. The fair value of investments is determined annually and is based on current market prices. Investment income earned on the commingled pool is allocated quarterly among the funds based upon the average daily balance of cash maintained by each fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gains or losses on securities included in the investment portfolio are recognized at the earlier of the end of the fiscal year or when the related security is sold. Investments in securities purchased with the intent to trade for a profit are prohibited by the City's policy.

Resolutions authorizing certain bonds require that certain amounts be held by a fiscal agent to secure principal and interest payments. Such amounts are classified as restricted cash and investments held by fiscal agents. Each fund type's portion of this pool is displayed on the combined balance sheet as "pooled cash and investments" and "restricted pooled cash and investments" held by the City.

(e) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

(f) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The payments are recorded as expenditures when consumed.

(g) Property Held for Resale

Property is acquired by the City for subsequent resale for redevelopment purposes. Property held for resale is reported as an asset at the lower of cost of estimated net realizable value in the fund that acquired it.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (streets, curbs and gutters, water and sewer systems, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life of at least three years. Capital assets are recorded at historical cost or estimated acquisition value if purchased or constructed. Donated capital assets are valued and reported at acquisition value.

Donated capital assets, donated works of art and similar items received in a service concession arrangement are measure at acquisition value.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value.

Property, plant and equipment of the primary government and its component units are depreciated using the straight-line method over the following estimated useful lives:

Buildings and land improvements	30-50 years
Infrastructure	20-30 years
Machinery, equipment and vehicles	5-20 years

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

(i) Sewer Capacity Rights

Capacity rights are capitalized in the Sewer Enterprise Funds. Such rights are being amortized over 30 years, the estimated life of the sewer treatment facility. Sewer capacity rights will be fully amortized in 2025.

(j) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. A deferred outflow of resources represent a consumption of net assets that applies to future periods.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. A deferred inflow of resources represents an acquisition of net assets that applies to future periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Special Assessment Districts for which the City is Not Obligated in Any Manner

Recognition of revenue related to noncurrent receivables of the special assessment districts is deferred until such receivables become current. There is no reserve for delinquent receivables since liens exist against the related properties and hence the City's management believes full value will ultimately be received by the City. Surplus fund balances remaining at the completion of a special assessment district project are disposed of in accordance with City Council resolutions and with the applicable assessment bond laws of the State of California.

(l) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick and compensatory time off subject to certain limits. There is no liability for unused sick leave as the City has no obligation to pay for any accumulated balance when employees separate from employment. All vacation and compensatory time are accrued in the government-wide and proprietary fund financial statements.

Upon retirement or leave from the City, any unused sick leave may be used in the determination of length of service in relation to pension benefits received from the California Public Employees' Retirement System (CalPERS) (see Note 8).

The City maintains a separate internal service fund, the Employee Benefits Fund, for the collecting and distributing of the cost of future compensated absences payouts. The funding for future payments is based on 15% of the total liability, with resources budgeted and set aside each year. The timing of payments for accrued vested vacation, sick leave, and compensatory time benefits (compensated absences) is not certain. Compensated absences are paid by the Employee Benefits Fund.

	Governmental Activities
Beginning Balance	\$ 3,270,203
Additions	679,967
Payments	<u>(1,134,500)</u>
Ending Balance	<u><u>\$ 2,815,670</u></u>
Current Portion	\$ 665,207
Non-current Portion	\$ 2,150,464

(m) Restricted Assets

Assets which are restricted for specified uses by bond debt requirements, grant provisions, or other requirements are classified as restricted assets held by the City as fiscal agent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Fund Balances and Net Position

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.

Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council and/or the City Manager. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. An assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the City.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of commitments made, which include future funding sources for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position:

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only for proprietary funds and at the Government-wide level, and are described below:

Net Investment in Capital Assets – describes the portion of Net Position which is represented by the current net book value of the City's capital assets and capacity rights, less the outstanding balance of any debt issued to finance these assets.

The balances related to Net Investment in Capital Assets are comprised of the following as of June 30, 2022:

	Governmental Activities	Business-Type Activities	Total
Capital assets, net of Accumulated Depreciations:	\$ 303,329,649	\$ 112,195,910	\$ 415,525,559
Less Capital Debt	(10,023,455)	(43,748,269)	(53,771,724)
Plus Unspent bond proceeds	-	10,825,383	10,825,383
Net investment in capital assets	\$ 293,306,194	\$ 79,273,024	\$ 372,579,218

Restricted – describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects and for Development Services activities.

Unrestricted describes the portion of Net Position which is not restricted as to use.

(o) Interfund Transactions

Interfund transactions are recorded as transfers on the fund financial statements which result in interfund receivables and payables. Balances reported in the fund financial statements are eliminated for the government-wide financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund transfers reported on the fund financial statements are summarized as follows:

Transfers Out	Transfers In							
	Governmental Funds		Enterprise Funds			Internal Services Funds		
	General Fund	Nonmajor Governmental	Sewer Operations	Water Operation	Sewer Impact	Building Replacement	Equipment Replacement	Total
Major Governmental Funds:								
General Fund	\$ -	\$ 2,743,416	\$ -	\$ -	\$ -	\$ 10,000	\$ 9,996	\$ 2,763,412
Development Services								
Special Revenue Fund	-	34,320	-	-	-	-	-	34,320
Housing	-	11,316	-	-	-	-	-	11,316
Nonmajor Governmental Funds:	1,905,183	6,771,057	-	-	-	-	-	8,676,240
Enterprises Funds:								-
Sewer Operations Fund	357,156	108,264	-	488,352	6,231,577	-	-	7,185,349
Sewer Impact Fund	24,996	7,704	232,980	-	-	-	-	265,680
Water Operations Fund	357,156	113,688	-	-	-	-	-	470,844
Water Impact Fund	24,996	7,704	-	251,686	-	-	-	284,386
Internal Services Funds:								-
CIP Project Implementation	-	12,648	-	-	-	-	-	12,648
Total Transfers in	\$ 2,669,487	\$ 9,810,117	\$ 232,980	\$ 740,038	\$ 6,231,577	\$ 10,000	\$ 9,996	\$ 19,704,195

The principal purpose of the City's interfund transfers was for operational support to other funds.

Due From/Due to Other Funds

Individual interfund receivables and payables on June 30, 2022, are as follows:

	Due from	Due to
General Fund	\$ 111,475	\$ -
Community Development Block Grant Special Revenue Fund	-	35,907
School Pedestrian & Traffic Safety Special Revenue Fund	-	31,148
Building Maintenance Internal Service Fund		44,420
	<u>\$ 111,475</u>	<u>\$ 111,475</u>

Interfund transactions are reported on the governmental fund type statements but are eliminated for government-wide reporting. Long term interfund advances from the General Fund to the Public Safety Facilities Impact Fund in the amounts of \$568,362 were outstanding on June 30, 2022. The total outstanding interfund advances of are reflected in the fund financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Property Tax and Special Assessment Levy, Collection, and Maximum Rates

The State of California's (the State) Constitution Article XIII A (commonly referred to as Proposition 13) provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by the voters. Assessed value is calculated at its purchase price, as defined by Article XIII A and may be increased by no more than 2% per year unless the property is further improved, sold or transferred. The State legislature has determined the method of distribution of receipts from the 1% tax levy among the counties, cities, school districts, and other districts.

Santa Clara County assesses properties and bills, collects, and distributes property taxes and special assessments as follows:

Date Category	Secured	Unsecured
Valuation Dates	January 1	January 1
Lien/Levy Dates	July 1	March 1
Due Dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent as of	December 10 (For November) April 10 (for February)	August 31

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. Taxes on real estate, land, and buildings are secured by liens on the property being taxed

(q) Unbilled Service Receivables

The City bills for water and sewer services on a monthly basis. All amounts not billed at fiscal year-end are accrued and reflected as accounts receivable in the appropriate funds.

(r) Income Taxes

The City and its related entities fall under the purview of Internal Revenue Code Section 115 and corresponding California Revenue and Taxation Code provisions. As such, they are not subject to federal or state income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Pensions

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

(t) Other Post-Employment Benefits Other than Pensions

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

OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB – For purposes of measure the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by PARS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(u) Estimates

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

3. BUDGETARY INFORMATION

Budgetary Results Reconciled to Generally Accepted Accounting Principles in the United States of America

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (US GAAP basis). The results of operations for the General Fund are presented in the accompanying budget and actual comparison statement in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget.

Budgetary control is directed by the City Council by resolution when the budget is adopted each year. Expenditures may not exceed appropriations at the fund level without Council approval. The City Manager is authorized to amend appropriations within the various departments and projects within a fund. A transfer of appropriations between funds, additional appropriations, or new appropriations require the authorization of the City Council.

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2022, the excess of expenditures over appropriations at the legal level of control is as below:

Fund	Expenditures in Excess of Appropriations
Special Revenue Fund:	
Development Services Fund	\$ (40,029)
Landscape and Lighting	(1,844)

4. CASH AND INVESTMENTS

Cash and investments as of June 30, 2022, were classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Pooled cash and investments	\$ 151,700,886
Restricted pooled cash and investments	10,855,383
Cash and investments with fiscal agents	1,806,588
Fiduciary Funds	
Pooled cash and investments	1,374,685
Cash and investments with fiscal agents	6,994,295
	<u>\$ 172,731,837</u>

4. CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2022, consisted of the following:

Cash on hand	\$	17,303
Deposits with financial institutions		1,982,086
Investments		<u>170,732,448</u>
Total cash and investments	\$	<u><u>172,731,837</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 by the City of Morgan Hill investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds, held by bond trustees that are instead governed by the provisions of trust agreements with the City.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills & Notes	5 years	N/A	No Limit	No Limit
U.S. Government Agencies	5 years	N/A	No Limit	No Limit
Local Agency Investment Funds	N/A	N/A	No Limit	\$75M
Time Deposits	5 years	A-1	5%	\$2M per institution
Money Market Mutual Funds	N/A	AAAm	20%	No Limit

4. CASH AND INVESTMENTS (continued)

Investments Authorized by Trust Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the trust 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 currently authorized for investment and held by bond trustees. The table also identifies certain provisions of these trust agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
U.S. Treasury Obligations	No limit	N/A	No limit
U.S. Agency Securities	No limit	N/A	No limit
U.S. Direct and General Obligations	No limit	A	No limit
Deposit Accounts, Federal Funds and Banker's Acceptances	No limit	N/A, A-1 (a)	10%
Repurchase agreements	No limit	N/A, A (a)	No limit
FDIC Insured Certificates of Deposit	No limit	N/A, A-1 (a)	No limit
Money Market Mutual Funds	No limit	N/A, AAAm (a)	No limit
State and Local Agency Bonds	No limit	N/A	No limit
Insurer approved Investment Contracts	No limit	N/A	No limit
Insurer approved other forms of Investments including Repurchase Agreements	No limit	N/A	No limit
Local Agency Investment Fund (LAIF)	No limit	N/A	No limit
Taxable Government Money Market Funds (a)	6 months	Am-G	No limit
Tax-exempt Government Money Market Funds (a)	6 months	Am-G	No limit

(a) 2015 Lease Revenue Refunding Bonds

4. CASH AND INVESTMENTS (continued)

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of investments of the City as of June 30, 2022:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value:			
Federal Agency	\$ -	\$ 90,670,060	\$ 90,670,060
U.S. Treasury Notes	17,944,315		17,944,315
Total Investments at Fair Value	<u>\$ 17,944,315</u>	<u>\$ 90,670,060</u>	108,614,375
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			1,860,127
Held by Bond Trustee:			
Money Market Mutual Funds			6,994,298
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			53,263,648
Total Investments			<u>\$ 170,732,448</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Federal agency securities classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investment in the California Local Agency Investment Fund totaling \$53.3 million and money market mutual funds at \$8.9 million are classified as exempt in the fair value hierarchy, as it is valued at amortized cost, which is exempt from being classified under GASB 72. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

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 mitigates its exposure to interest rate risk is by structuring the portfolio so that securities mature at the same time that major cash outflows occur; thus, eliminating the need to sell securities prior to maturity. In addition, the City prohibits the taking of short positions; that is, selling securities that the City does not own.

The City tries to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, and allowed for under bond covenants as approved by the City Council, the City cannot directly invest in securities maturing more than five years from the date of purchase.

4. CASH AND INVESTMENTS (continued)

Bond reserve funds and bond escrow funds, pursuant to bond documents, may be invested in securities exceeding five years if the maturities of such investments are made to coincide as nearly as possible with the expected use of the funds. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
Federal Agency	\$ 7,912,030	\$ 5,796,020	\$ 76,962,010	\$ 90,670,060
US Treasury Notes	6,426,675	7,778,900	3,738,740	17,944,315
Money Market Mutual Funds	1,860,127	-	-	1,860,127
Local Agency Investment Fund	53,263,648	-	-	53,263,648
Held by bond trustee:				
Money Market Mutual Funds	6,994,298	-	-	6,994,298
Total Investments	<u>\$ 76,456,778</u>	<u>\$ 13,574,920</u>	<u>\$ 80,700,750</u>	170,732,448
Cash in Banks and on hand				<u>1,999,389</u>
Total City Cash and Investments				<u>\$ 172,731,837</u>

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 the City's investment policy, or trust agreements and the actual rating as of year-end for each investment type.

Investment Type	Amount	Legal Rating	S&P Rating as of June 30, 2022		
			AA+	AAAm	Not Rated/Exempt
Federal Agency	\$ 90,670,060	N/A	\$ 90,670,060	\$ -	\$ -
US Treasury Notes	17,944,315	N/A	-	-	17,944,315
Money Market Mutual Funds	1,860,127	N/A	-	1,860,127	-
Local Agency Investment Fund	53,263,648	N/A	-	-	53,263,648
Held by Bond Trustee:					
Money Market Mutual Funds	6,994,298	N/A	-	6,994,298	-
Total	170,732,448		<u>\$ 90,670,060</u>	<u>\$ 8,854,425</u>	<u>\$ 71,207,963</u>
Cash in banks and on hand	<u>1,999,389</u>				
	<u>\$ 172,731,837</u>				

4. CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Type	Amount
Federal Farm Credit Banks	Federal Agency Securities	\$ 10,190,210
Federal Home Loan Mortgage Corporation	Federal Agency Securities	17,858,840
Federal Home Loan Bank	Federal Agency Securities	58,946,250

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 does not contain legal 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 deposit 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.

The City's investment policy requires that as protection against potential losses by the collapse of individual securities dealers, all securities owned by the City shall be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of a custody agreement executed by the bank and the City. All securities will be received and delivered using standard delivery-versus-payment (DVP) procedures. The third-party bank trustee agreement must comply with Section 53608 of the California Government Code. No outside broker/dealer or advisor may have access to the City's funds, accounts or investments, and any transfer of funds to or through an outside broker/dealer must be approved by the City Treasurer.

As of June 30, 2022, \$1,732,084 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

4. CASH AND INVESTMENTS (continued)

External Investment Pool

The City invests in LAIF, a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

An elected State Treasurer manages the State's Pooled Money Investment Account of which LAIF is a component. The LAIF Advisory Board oversees the operations of LAIF.

The City valued its investments in LAIF as of June 30, 2022, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants total's aggregate amortized cost by total aggregate fair value.

5. CAPITAL ASSETS

The following is a summary of governmental activities capital assets on June 30, 2022:

	Balance Beginning of Year	Increases	Decreases	Transfers/ Adjustments	Balance End of Year
Capital assets not being depreciated:					
Land	\$ 55,441,945	\$ 3,003,166	\$ -	\$ -	\$ 58,445,111
Construction in progress	18,178,178	15,912,348	-	(6,686,570)	27,403,956
Total capital assets not being depreciated	73,620,123	18,915,514	-	(6,686,570)	85,849,067
Capital assets being depreciated:					
Infrastructure	230,227,600	7,221,069	-	3,221,844	240,670,513
Buildings and other improvements	147,906,778	-	(351,745)	3,551,070	151,106,103
Machinery/Equipment/Vehicles	17,149,567	1,140,955	(343,260)	-	17,947,262
Total capital assets being depreciated	395,283,945	8,362,024	(695,005)	6,772,914	409,723,878
Less accumulated depreciation for:					
Infrastructure	(102,711,346)	(6,614,954)	-	-	(109,326,300)
Buildings and other improvements	(64,540,107)	(5,382,405)	133,647	968	(69,787,897)
Machinery/Equipment/Vehicles	(12,322,881)	(1,200,536)	343,260	51,058	(13,129,099)
Total accumulated depreciation	(179,574,334)	(13,197,895)	476,907	52,026	(192,243,296)
Total Capital Assets Being Depreciated, Net	215,709,611	(4,835,871)	(218,098.00)	6,824,940	217,480,582
Governmental activities, net capital assets	\$ 289,329,734	\$ 14,079,643	\$ (218,098)	\$ 138,370	\$ 303,329,649

5. CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Expense
Administration	\$ 47,994
Community Development	190,414
Public Works	7,090,320
Public Safety	839,130
Parks and Recreation	3,782,034
Housing Successor Agency	321
Internal Service	1,247,682
Total General Capital Assets	<u>\$ 13,197,895</u>

As of June 30, 2022, Capital assets of business-type activities on the government-wide financial statements consisted of:

	Balance Beginning of Year	Increases	Decreases	Transfers	Balance End of Year
Capital assets not being depreciated:					
Land	\$ 1,825,332	\$ -	\$ -	\$ -	\$ 1,825,332
Construction in progress	15,496,453	13,488,097	-	-	28,984,550
Total capital assets not being depreciated	<u>17,321,785</u>	<u>13,488,097</u>	<u>-</u>	<u>-</u>	<u>30,809,882</u>
Capital assets being depreciated:					
Infrastructure	136,015,388	858,882	-	-	136,874,270
Buildings and other improvements	63,134,473	-	-	-	63,134,473
Machinery/Equipment/Vehicles	13,968,568	301,419	(48,841)	-	14,221,146
Sewer capacity rights	28,347,522	-	-	-	28,347,522
Total capital assets, being depreciated, net	<u>241,465,951</u>	<u>1,160,301</u>	<u>(48,841)</u>	<u>-</u>	<u>242,577,411</u>
Less accumulated depreciation for:					
Infrastructure	(84,947,327)	(3,000,581)	-	-	(87,947,908)
Buildings and other improvements	(33,963,942)	(2,005,339)	-	-	(35,969,281)
Machinery/Equipment/Vehicles	(10,756,044)	(666,987)	48,841	-	(11,374,190)
Sewer Capacity Rights	(24,955,087)	(944,917)	-	-	(25,900,004)
Total accumulated depreciation	<u>(154,622,400)</u>	<u>(6,617,824)</u>	<u>48,841</u>	<u>-</u>	<u>(161,191,383)</u>
Total Capital Assets Being Depreciated, Net	<u>86,843,551</u>	<u>(5,457,523)</u>	<u>-</u>	<u>-</u>	<u>81,386,028</u>
Enterprise Funds, Net Capital Assets	<u>\$ 104,165,336</u>	<u>\$ 8,030,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,195,910</u>

Depreciation and amortization expense were charged to business-type funds as follows:

Funds	Amount
Sewer Funds	\$ 3,368,120
Water Funds	3,249,704
Total Business Type Activities	<u>\$ 6,617,824</u>

6. GOVERNMENTAL LOANS RECEIVABLE

Most of the housing loans described in the paragraphs below were originally made by the former Morgan Hill Redevelopment Agency as part of its low- and moderate-income housing duties and responsibilities. Effective February 1, 2012, the State of California dissolved all redevelopment agencies, including Morgan Hill's. Pursuant to the redevelopment dissolution law the City itself chose to assume the housing-related assets, liabilities and functions of the former Redevelopment Agency.

The governmental activities loans receivable on the statement of net position as of June 30, 2022 total \$62,911,854 and consisted of the following types:

Description	Amount
CDBG Loans/Housing Rehabilitation Loans	\$ 482,693
Sunrise Meadows	1,864,097
San Pedro Gardens	618,277
Morgan Hill Ranch Family Housing	2,197,904
Village Avante Apartments	1,761,568
Village Avante Apartments 2	1,211,401
Villa Ciolino	4,417,563
Jasmine Square	5,385,644
Murphy Ranch	9,006,044
Royal Court Apartments	5,624,823
Bella Terra	3,768,259
Millennium Housing	1,833,699
Habitat for Humanity	760,000
Crest Avenue Housing and Crest Avenue LLP	8,094,117
UHC-The Crossings	4,069,062
UHC Crossings at Monterey	840,096
BEGIN	4,298,061
Horizon Senior Housing	6,333,810
Down Payment Assistance-Citywide	259,387
Cal Homes	402,552
Sycamore Glen	367,423
Executive Management Loan	1,996,767
EAH, Inc.	5,236,940
Royal Oaks Villages	400,921
Other Loans	4,380,933
Allowance for Doubtful Accounts	(12,700,187)
Total:	<u>\$ 62,911,854</u>

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(a) CDBG Loans/Housing Rehabilitation Loans

The City administers two home improvement revolving loan funds using Federal Community Development Block Grant Funds (CDBG) and former Redevelopment Agency Housing monies. The program provides below market rate loans, secured by deeds of trust, to eligible participants for housing rehabilitation. Although payments for most loans are amortized over an established payment schedule, some loans allow for deferred payment of accrued interest and principal until the homeowner's property is sold or transferred, applicable primarily for seniors and very low-income families. On August 22, 2012 the City authorized the Office of Affordable Housing of Santa Clara County to assume the servicing of the City's existing CDBG rehabilitation loans, manage new loans including transferring existing rehabilitation loan funds to cover the costs associated with new loans. The City will continue to service one loan due to unresolved issues. As of June 30, 2022, the City has a total balance of \$482,693 of former Redevelopment Agency Housing Rehab loans, which includes accrued interest of \$132,164.

(b) Sunrise Meadows

The Sunrise Meadows project consisted of 24 self-help homes reserved for low income households, and 36 contractor-built units reserved for those at median income. The former Redevelopment Agency attached a third trust deed on each of the 24 self-help units for loan amounts varying from \$50,000 to \$100,000 each. The notes with accrued compound interest are due and payable upon the sale or transfer of the homeowner's property unless the new purchaser or occupant agrees to a new note equal to the amount of principal and accrued compound interest due at the time of sale. After the borrower has occupied the residence for 20 years, an amount equal to 10% of the principal and interest due shall be forgiven each year until no amount remains due and the loan is forgiven. As of June 30, 2022, there was a balance of \$1,864,097 outstanding, of which \$1,498,324 is accrued interest, in its Housing Fund.

(c) San Pedro Gardens

The San Pedro Gardens project was developed in 1991, the former Redevelopment Agency provided a \$825,000 loan to Housing Authority of County of Santa Clara (HACSC); \$400,000 of the loan was "repaid" via HACSC's assignment of homebuyer promissory notes to the City at the time of closing. The result was a \$400,000 reduction in the Housing Authority's note. These notes are now referred to as the original homebuyer "City" San Pedro notes and they remain on the San Pedro homes with a formula that reduces 10% principal and interest in years 21-30. If the borrower has occupied the unit for 20 years, 10% of the balance outstanding will be forgiven each year and the loan will be totally canceled at year 30. As of June 30, 2022, the balance of these loans is \$618,277, which includes accrued compound interest of \$178,933. On November 16, 2016, City Council accepted the assignment of additional 7 San Pedro homeowner's self-help notes, as consideration for forgiveness of the HACSC's outstanding loan of \$425,000.

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(d) Morgan Hill Ranch Family Housing

The Morgan Hill Ranch Family Housing Project consists of 96 residential rental units and a day care center. Ecumenical Association for Housing (EAH) developed the Project. The former Redevelopment Agency made a principal predevelopment loan of \$10,000 in FY 95-96 and principal development loan of \$610,579 in FY 96-97. The Agency provided an additional loan for land acquisition and construction costs in the amount of \$2,524,585 in FY 97-98. Commencing on the date of the first disbursement of the loans, the loans accrue compound interest at 3.28% per annum. On June 30, 2022, the loan had accrued interest of \$2,197,904 bringing the loan balance to \$22,094. All loans are secured by deeds of trust.

(e) Village Avante Apartments

On June 1, 1999, the former Redevelopment Agency entered into an agreement with Don Avante Family Homes, Inc. (affiliate of EAH) for the acquisition and rehabilitation of the existing Village Avante 112-unit housing project located in the City Project Area.

Village Avante was initially a HUD subsidized rental apartment at risk of converting to a market rate project. The Agency's assistance mandated the long-term affordability of the units.

The loan accrues simple interest at a rate of 4% per annum on the unpaid balance with annual payments until April 1, 2039 and is secured by a deed of trust. The current balance as of June 30, 2022 is \$1,761,568, which includes accrued interest of \$225,068.

(f) Village Avante Apartments 2

On March 22, 2000, the former Redevelopment Agency authorized a loan to Don Avante Associates II (affiliate of EAH) in the amount of \$640,000. This loan was used to provide more attractive and durable landscaping, new steel-post privacy fencing at each patio and new black vinyl-coated chain link fencing along the west property line. The loan also included provisions for site and street lighting to create a safer environment at night. The note is a residual receipt note with a 40-year term. It accrues simple interest at a rate of 4% per annum and is secured by deed of trust. The balance on June 30, 2022 is \$1,211,401 which includes accrued interest of \$154,776.

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(g) Villa Ciolino

On November 23, 1999, the former Redevelopment Agency approved a loan of \$1.9 million to South County Housing Corporation to acquire a blighted trailer park and housing project. South County Housing replaced 21 dilapidated housing units, rehabilitated 8 more, and added 13 additional apartments to create a new 42-unit rental housing complex. The loan is a residual receipt note in second position, at 4% compounded annually, with a term of 55 years, and is secured by deed of trust. On December 15, 1999, the Agency modified the interest rate from compound to simple. On June 28, 2000, the loan was further modified by approving an increase of \$475,000 to cover the additional costs of material and labor incurred because of an increased scope for off-site work and because of the pressures of a very busy construction marketplace. On April 1, 2015 the City Council accepted the loan transfer from South County Housing to affiliates of Eden Housing, as Villa Ciolino LLC. The balance on June 30, 2022 is \$4,417,563, which includes accrued interest of \$2,042,563.

(h) Jasmine Square

In 2000, the former Redevelopment Agency Board approved loans of \$3.25 million to South County Housing to purchase a four-plex, a dilapidated trailer park, and vacant parcels for development of an affordable housing project. Jasmine Square is a mixed-use 72 residential family apartments with 50,000 square feet of office space and a childcare center. South County Housing replaced 23 sub-standard existing housing units with this project. The loan is secured by a deed of trust. On March 16, 2006, the Agency approved an additional loan amount of \$156,350 for the accrued interest on the loans previously made by the Agency which were refinanced by a permanent loan on September 12, 2005. On April 1, 2015 the City Council accepted the loan transfer from South County Housing to affiliates of Eden Housing, as Jasmine Square LLC. The balance of the Jasmine Square loan on June 30, 2022, is \$5,385,644, which includes accrued interest of \$2,038,350.

(i) Murphy Ranch

On August 8, 2001, the former Redevelopment Agency entered into a loan agreement in the amount of \$3,300,000 with Murphy Ranch, LP. The purpose was to fund the acquisition of property and the predevelopment, infrastructure and related costs of the development of the first 62 units of a 100-unit affordable residential complex. The term of the loan is 55 years and bears simple interest at 4%.

On May 7, 2002, the agreement was amended to increase the principal amount of the promissory note by \$1,990,000, increasing the total commitment to \$5,290,000 for the total development of the 100-unit project.

On May 10, 2004, the agreement was further amended to increase the loan amount an additional \$1,570,000. On June 30, 2022, there is a balance of \$9,006,044, which includes accrued interest of \$3,333,219.

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(j) Royal Court Apartments

On May 15, 2003, the former Redevelopment Agency entered into a loan agreement in the amount of \$3,750,000 with the former South County Housing. South County Housing has used the proceeds to acquire real property, remove 13 existing sub-standard housing units, construct 12 for-sale townhomes that will remain affordable to moderate and low income households, and construct at least 55 apartments that will remain affordable to low and very low income households. The term of the loan is for six years, bears simple interest at 3% and is secured by a deed of trust. The first disbursement was processed on July 2, 2003. In April 2005, the Agency approved a low-interest, short-term loan increase of \$1,900,000 for the project (\$5,650,000 total) in response to construction delays resulting in cost increases. In August 2006, South County Housing repaid \$1.4 million of the loan to the Agency, plus accrued interest. On April 1, 2015 the City Council accepted the loan transfer from South County Housing to affiliates of Eden Housing, as Royal Court Housing LLC. On June 30, 2022, the balance due is \$5,624,823, which includes accrued interest of \$1,974,662.

(k) Bella Terra

Bella Terra is an EAH affiliate which is a “tax credit limited partnership”. Bella Terra Senior Housing Project includes 40 units of affordable senior rental housing with all resident units restricted to seniors over 55 and who qualify as low income households. On June 1, 2012 the former Redevelopment Agency approved a \$3,182,800 loan for the Bella Terra project. The term of the loan is for 55 years and is secured by a deed of trust. At June 30, 2022, the balance due is \$3,768,259, which includes accrued interest of \$585,459.

(l) Millennium Housing

On November 3, 2004, the former Redevelopment Agency approved a loan in the amount of \$1,200,000 to Millennium Housing. Millennium Housing used the Agency’s loan to assist in the purchase of the 166 unit Hacienda Mobile Home Senior Park. To “spread out” the impact of the rent increase on the residents needed to finance the acquisition loan, the Agency has provided this loan to Millennium for a rental assistance fund. The loan is deferred with a 3% simple interest and is due upon the full repayment of the tax-exempt bonds or sale of the Park. These funds can be used for bond issuance costs and the rental assistance fund. Millennium will augment the rental assistance fund, as needed, to further subsidize residents in which a rent increase is deemed a hardship.

New residents of the Park will not be eligible for this rent subsidy. Seventy-five percent of the units (75%) must remain affordable to lower income households for 55 years. At June 30, 2022, the balance due is \$1,833,699, which includes accrued interest of \$633,699. This loan is secured by a deed of trust.

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(m) Habitat for Humanity

On August 8, 2006, the former Redevelopment Agency entered into an agreement with Silicon Valley Habitat for Humanity for a loan in the amount of \$560,000 for the purchase of land and payment of impact fees. The loan carries a zero-interest rate and in the event the borrower complies with the Deed of Trust and Regulatory Agreement, the loan shall be forgiven. On December 11, 2008, the loan was amended to increase the amount of the loan by \$200,000 for the purpose of financing the cost of so-called “green building” enhancements to the affordable units, photovoltaic systems for the affordable units, and additional development costs. The loan is forgivable as long as it remains affordable to the lower income households for 45 years. The balance due on June 30, 2022, was \$760,000.

(n) Crest Avenue Housing and Crest Avenue LLP

On September 3, 2008, the former Redevelopment Agency approved a loan in the amount of \$4,400,000 to the former South County Housing (SCH). SCH is using the Agency’s loan for pre-development, acquisition, and construction for 52 units. In 2011, an additional \$1,875,000 was loaned for the rehabilitation of all units. The 52 affordable rental units are intended for extremely low and very low income eligible families. The term of the loan is 55 years and bears simple interest at 3%. On April 1, 2015 the City Council accepted the loan transfer from South County Housing to affiliates of Eden Housing, as Crest Avenue Housing, LLC. The balance of this loan at June 30, 2022, is \$8,094,117, which includes accrued interest of \$1,721,082.

(o) UHC-The Crossings

On August 19, 2008, the former Redevelopment Agency approved a loan in the amount of \$2,600,000 to Urban Housing Communities (UHC). UHC is using this loan to rehabilitate a 24-unit affordable apartment complex. These units will be available to extremely low- and low-income families. Terms of the loan include repayment over 55 years through residual receipts at 3% simple interest. The balance on June 30, 2022, is \$4,069,063, which includes accrued interest of \$1,163,062.

(p) UHC – Crossings on Monterey

On August 1, 2018, the former Redevelopment Agency approved a loan in the amount of \$750,000 to Urban Housing Communities (UHC) 00661 Morgan Hill, L.P. at 16800 Monterey Road. The term of the loan is 55 years and bears compounding interest at 3%. On June 30, 2022, the balance due is \$840,096, which includes accrued interest of \$90,096.

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(q) BEGIN

In 2007, the City of Morgan Hill received a grant award from the California Department of Housing and Community Development (HCD) for the Building Equity and Growth in Neighborhoods (BEGIN) program for the Madrone Plaza project. The BEGIN program provides down payment assistance to first time home buyers in the form of deferred payment loans. To date, eighty-three (83) home buyers have received down payment assistance. On June 30, 2022 the balance due is \$4,298,061, which includes accrued interest of \$878,224.

(r) Horizon Senior Housing

On March 19, 2008, the former Redevelopment Agency entered into a disposition, development and loan agreement for the Horizon Senior Housing project with UHC Morgan Hill, L.P. This project consists of forty-eight (48) residential rental units for occupancy at affordable housing cost by elderly households, one (1) residential rental unit for occupancy by property management staff and a three thousand (3,000) square foot community room. The term of the loan is 55 years and bears simple interest at 3%. The balance of this loan on June 30, 2022, is \$6,333,810, which includes accrued interest of \$1,659,258.

(s) Down Payment Assistance-Citywide

The Down Payment Assistance Program (DAP) assists first time home buyers who meet the income qualifications to buy their first home within the City limits. Loan payments are deferred for five (5) years and amortized over 25 years, total amount due upon sale of property. On June 30, 2022, there were 6 city wide loans with a total outstanding balance of \$259,387.

(t) Cal Homes

Cal Home program funds were awarded to South County Housing Corporation, a California non-profit public benefit corporation, for purposes including a mortgage assistance program and a first-time homebuyer mortgage assistance program. The City of Morgan Hill assumed the rights and interest in, and obligations under the Monitoring Agreements for 11 homeowners on January 15, 2018. The principal bears a simple interest rate of 3% per annum on the unpaid principal balance from the date of the borrowers note. No periodic payments are required. All payments received shall be first applied to accrued interest, if any, and the remainder shall be applied to the reduction of principal. Borrower agrees to pay the unpaid principal balance, unpaid accrued interest, and any other amounts due on the Note upon the earlier of: 30 years from the date of the Note, upon sale, transfer, lease, encumbrance of all or any interest in the property without lender's prior written consent; upon the maturity date, full repayment, any debt that is secured by a lien on the property that is senior to the Deed of Trust; or upon borrower's failure to occupy the Property as Borrower's principal place of residence during the first five years after the date of recordation of the deed of trust securing the loan.

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(u) Sycamore Glen

The loan was funded by the low/moderate housing fund of the former Redevelopment Agency to assist with the affordable senior housing project at 140 West Dunne Ave. which consists of 20 one-bedroom units. On September 5, 2018, the City Council approved the re-subordination and assigned a new 55-year term with the new interest rate set at 3% non-compounding. The balance on June 30, 2022 is \$367,423, which includes accrued interest of \$16,333.

(v) Executive Management

On June 15, 2016, City Council adopted resolution number 16-109 approving a housing loan to an executive employee in an amount of \$835,000. The loan bears an interest rate of 1.75% and requires bi-weekly principal and interest payments on the first fifty percent (50%) of the loan amount and interest only payments for the remaining fifty percent.

On December 6, 2017, City Council adopted resolution 17-097 to approve a housing loan to another executive employee in the amount of \$1,300,000. The housing loan bears an interest rate equal to 2.50%. The housing loan requires bi-weekly principal and interest payments on the first fifty percent (50%) of the loan amount and interest only payments for the remaining fifty percent. On August 5, 2020, both loans were amended and interest rates were lowered to 0.94%. On June 30, 2022, the outstanding balance of the loans was \$1,996,767.

(w) EAH, Inc.

On August 7, 2014, the City entered into an Affordable Housing Loan Agreement with the developer, EAH, Inc. This project consists of thirty-three (33) affordable multi-family mixed-use units for occupancy and two thousand (2,000) square feet of non-retail commercial space. The first loan was in the amount of \$3,622,000. On December 1, 2015, the City and EAH, Inc. amended and restated the maximum loan balance to an amount not to exceed \$4,500,000. In addition to the amendment, on December 1, 2015, the City and EAH, Inc. entered into a seller takeback loan in the amount of \$390,000 with the City providing seller financing to EAH, Inc. as the City conveyed an additional parcel of land to the developer. The term of the loan is the lesser of 55 years from the date of issuance of the final certificate of occupancy or 57 years from the date of the note. The loan bears simple interest at 3%. The amount of funds drawn down by EAH, Inc. on June 30, 2022, is \$5,236,940, which includes accrued interest of \$746,940.

(x) Royal Village Oaks

On June 1, 2022, the former Redevelopment Agency, approved a loan in the amount of \$400,000 to Royal Village Oaks. Royal Village Oaks is using this loan to construct a multi-family affordable housing development consisting of 74 apartments and related improvements. The term of the loan is 55 years with a 3% compound annual interest. The balance on June 30, 2022 is \$400,921, which includes accrued interest of \$921.

(y) Loans to Successor Agency

Please see Note 10 (c).

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(z) Other Loans

The City and Agency have issued loans for several other projects. Detailed information for these loans is included in the following table.

Project Name	Loan Balance
	Outstanding
SCH (Skeels Hotel)	\$ 225,024
Down payment Assistance	36,941
Down payment Assistance-Madrone	3,106,718
Employee computer loans	5,450
Economic Development loans	246,800
Vacant Land Sale	760,000
Subtotal	<u>\$ 4,380,933</u>

(aa) Allowance for Doubtful Accounts

The City's Allowance for Doubtful Accounts is used to estimate the uncollectible. Most of the \$12.7 million balances in the City's Allowance for Doubtful Accounts are forgiven loans. These loans are forgiven once certain criteria are met by the borrowers.

7. LONG TERM DEBT

Summary of Changes in Long-Term Debt:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Governmental Activities					
Bond Payable (Direct Borrowing)					
2015 Lease Revenue Refunding Bonds	\$ 7,320,000	\$ -	\$ (395,000)	\$ 6,925,000	\$ 415,000
Premium	640,296	-	(42,686)	597,610	-
Capital Leases (Direct Placement)					
Fire Houses	1,582,308	-	(201,523)	1,380,785	209,192
Fire Apparatus	1,270,165	-	(166,670)	1,103,495	171,370
Loans Payable (Direct Placement)					
Energy Efficiency Loan	28,265	-	(11,700)	16,565	11,700
Energy Assistance Act Loan	102,572	-	(102,572)	-	-
Total Governmental Activities	<u>10,943,606</u>	<u>-</u>	<u>(920,151)</u>	<u>10,023,455</u>	<u>807,262</u>
Business Type Activities					
Bonds Payable (Direct Borrowing)					
2014 Water Revenue Bonds	16,370,000	-	(16,370,000)	-	-
2022 Water Revenue Refunding Bonds	-	15,415,000	-	15,415,000	1,150,000
2015 Sewer Revenue Bonds	8,775,000	-	(1,600,000)	7,175,000	1,520,000
Premium	1,163,359	-	(\$77,557)	1,085,802	-
2020 Sewer Revenue Bonds	17,685,000	-	-	17,685,000	-
Premium	2,472,733	-	(85,267)	2,387,467	-
Total Business-Type Activities	<u>46,466,092</u>	<u>15,415,000</u>	<u>(18,132,824)</u>	<u>43,748,269</u>	<u>2,670,000</u>
Total Long Term Debt	<u>\$ 57,409,698</u>	<u>\$ 15,415,000</u>	<u>\$(19,052,975)</u>	<u>\$ 53,771,724</u>	<u>\$ 3,477,262</u>

7. LONG TERM DEBT (continued)

(a) Fire Houses Capital Lease-Direct Placement

On April 1, 2014, the City of Morgan Hill entered into a lease agreement for the purchase of two fire stations, known as the El Toro Fire Station and the Dunne Hill Fire Station from the Santa Clara County Central Fire Protection District. Principal and interest payments are due March 1 and September 1 of each year and mature on March 2, 2028 with an effective interest rate of 3.77%. The fire stations with a gross value of \$2,963,800 were recorded as Buildings and other improvements, a type of depreciable capital assets in the governmental activities.

(b) Fire Apparatus Capital Lease-Direct Placement

On September 7, 2012, the City of Morgan Hill entered into a lease agreement for the purchase of fire equipment. Annual principal and interest payments are due September of each year and mature on September 7, 2027 with an effective interest rate of 2.82%. The fire apparatus with a gross value of \$2,398,463 were recorded as Equipment, a type of depreciable capital assets in the governmental activities.

(c) Energy Efficiency Loan-Direct Placement

During fiscal 2014-15, the City entered into a loan agreement with the California Energy Commission in the amount of \$108,188 for LED streetlights projects throughout the City of Morgan Hill. The loan bears zero interest and payments are due in monthly installments of \$975 from September 2014 through September 2024.

(d) Energy Assistance Act Loan -Direct Placement

During fiscal 2014-15, the City entered into a loan agreement with the California Energy Commission for \$695,626 at one percent (1%) interest rate, for various energy savings projects throughout the City of Morgan Hill. Semi-annual principal and interest payments are due December 22 and June 22 of each year, which commenced on December 22, 2015. Payments on this loan shall be made from savings in energy costs or other legally available funds as the City chooses; but shall not be raised by the levy of additional taxes and shall not be an obligation against tax revenues.

(e) 2015 Lease Revenue Refunding Bonds

On December 1, 2015, the Morgan Hill Financing Authority issued \$8,720,000 in Lease Revenue Refunding Bonds. The proceeds of the bonds were used to refund the 2004 Police Facility Lease Revenue Bonds and the 2006 Library Facility Lease Revenue Bonds. The refunding was completed to realize net present value savings related to the leases securing the prior bonds. Principal payments are due each November 1, commencing in November 2016. Interest is payable semiannually on May and November 1 each year. The bonds mature in 2035 and bear an annual interest percentage rate in the range from 3.0% to 5.0%

7. LONG TERM DEBT (continued)

The City and the Authority have entered into a Site and Facility Lease, dated as of December 1, 2015, whereby the Authority has agreed to lease the Leased Property, which consists of the Police Facility, located on 16200 Vineyard Blvd., in the City. The bonds are secured by the pledge of future lease revenues from the aforementioned agreement.

The Refunding Bonds are general obligations of the Authority, payable from and secured by the pledge of all Installment and other Payments made by the City and received by the Authority pursuant to the Installment Purchase Agreement. The Installment Payments are special obligations of the City payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. There were no such events during the fiscal year ending June 30, 2022.

Annual debt service requirements for governmental debt are shown below:

For the Year Ending June 30	Governmental Activities								Totals
	Bonds Payable		Capital Leases		Loans Payable		Total		
	Direct Borrowing		Direct Placement		Direct Placement				
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 415,000	\$ 255,613	\$ 380,562	\$ 77,042	\$ 11,700	\$ -	\$ 807,262	\$ 332,655	\$ 1,139,917
2024	435,000	234,363	393,356	64,248	4,865	-	833,221	298,611	1,131,832
2025	455,000	212,113	406,589	51,015	-	-	861,589	263,128	1,124,717
2026	485,000	188,613	420,275	37,329	-	-	905,275	225,942	1,131,217
2027	500,000	163,988	434,434	23,169	-	-	934,434	187,157	1,121,591
2028-2032	2,830,000	502,890	449,064	8,524	-	-	3,279,064	511,414	3,790,478
2033-2037	1,805,000	92,188	-	-	-	-	1,805,000	92,188	1,897,188
Sub-Total	6,925,000	1,649,768	2,484,280	261,327	16,565	-	9,425,845	1,911,095	11,336,940
Add unamortized premium	597,610	-	-	-	-	-	597,610	-	597,610
Totals	\$ 7,522,610	\$ 1,649,768	\$ 2,484,280	\$ 261,327	\$ 16,565	\$ -	\$ 10,023,455	\$ 1,911,095	\$ 11,934,550

7. LONG TERM DEBT (continued)

(f) 2014 Water Revenue Bonds

On May 1, 2014, the City issued \$21,975,000 in Water Revenue Bonds for capital improvement projects and to advance refund the outstanding principal amounts of the 2003 Water Facilities Loan, the 1999 Certificates of Participation, and the 2004 Water Revenue Bonds. The bond matures in 2034 and bears a 3.75 annual percentage rate. The bonds are secured by the pledge of Net Revenues from the Water Operations. Portions of the proceeds, \$2,485,010 for the 1999 COP, \$488,039 for the 2003 loan, and \$7,740,000 for the 2004 Water revenue bonds, were deposited in irrevocable trusts with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, these debts are considered defeased and the liability for those bonds has been removed from the statement of net position.

On June 1, 2022, the City issued \$15,415,000 in 2022 Water Revenue Refunding Bonds to prepay in whole the outstanding previously issued Water Revenue Bond, Series 2014 and to pay the costs of issuance. The bond matures in 2034 and bears a 2.71 annual percentage rate.

(g) 2015 Sewer Revenue Bonds

On June 1, 2015, the City issued \$15,690,000 in Sewer Revenue Bonds for capital improvement projects and to current refund the outstanding principal amounts of the 2002 South County Regional Wastewater Revenue Bonds, finance capital improvements to the City's wastewater collection system; and pay bonds issuance costs. The bonds are secured by the pledge of Net Revenues from the Sewer Operations Fund and the Sewer Impact Fund. Principal payment is due each October 1, commencing in October 2016.

Interest is payable semiannually on April and October 1 each year. The bond matures in 2034 and bears an annual interest percentage rate in the range from 3.25% to 5.0%.

The 2015 Sewer Revenue Bonds are general obligations of the City, payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. There were no such events during the fiscal year ending June 30, 2022.

7. LONG TERM DEBT (continued)

(h) 2020 Sewer Revenue Bonds

On December 2, 2020, the Financing Authority issued \$17,685,000 in Sewer Revenue Bonds to finance capital improvements to the City's wastewater collection system. The bonds are secured by the pledge of Net Revenues from the Sewer Operations Fund and the Sewer Impact Fund. Principal payment is due each October 1, commencing in October 2023.

Interest is payable semiannually on April and October 1 each year. The bond matures in 2051 and bears an annual interest percentage rate in the range from 2.25% to 4.0%.

The 2020 Sewer Revenue Bonds are special obligations of the City, payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. There were no such events during the fiscal year ending June 30, 2022.

The pledge of future net revenue ends upon repayment of all remaining debt service on the 2015 and 2020 Bonds which is scheduled to occur in fiscal 2051. For fiscal year 2022 Sewer Operations net revenue (excluding depreciation and amortization) amounted to \$9,260,598, which represented coverage of 3.64 over the \$2,542,938 in debt service.

(i) 2022 Water Revenue Refunding Bonds

On June 1, 2022, the Financing Authority issued \$15,415,000 in Water Revenue Refunding Bonds to refinance the 2014 Water Revenue Bonds and to pay Costs of Issuance of the Bond.

The lease obligation is payable each June from 2023 to 2034, in amounts ranging from \$895,000 to \$1,506,000. Interest is payable semiannually on June and December 1 each year. The bond matures in 2034 and bears an annual interest percentage rate of 2.71%.

The refunding resulted in an overall debt service savings of \$1,009,983 over the life of the bond. The net present value of debt service savings is called an economic gain and amounted to \$862,294.

7. LONG TERM DEBT (continued)

The Revenue Bonds are general obligations of the City, payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. There were no such events during the fiscal year ending June 30, 2022.

The pledge of future net revenue ends upon repayment of all remaining debt service on the Bonds which is scheduled to occur in fiscal 2034.

Annual debt service requirements for business-type debt are shown below:

For the Year Ending June 30	Business-Type Activities		Totals
	Principal	Interest	
2023	\$ 2,670,000	\$ 1,282,684	\$ 3,952,684
2024	1,646,000	1,202,545	2,848,545
2025	1,700,000	1,149,864	2,849,864
2026	1,750,000	1,095,313	2,845,313
2027	1,808,000	1,037,148	2,845,148
2028-2032	9,960,000	4,286,244	14,246,244
2033-2037	6,036,000	2,860,987	8,896,987
2038-2042	4,420,000	1,983,183	6,403,183
2043-2047	5,385,000	1,014,991	6,399,991
2048-2051	4,900,000	223,537	5,123,537
Sub-Totals	40,275,000	16,136,496	56,411,496
Add unamortized premiums	3,473,269	-	3,473,269
	<u>\$ 43,748,269</u>	<u>\$ 16,136,496</u>	<u>\$ 59,884,765</u>

(j) Special Assessment Debt for which the City is Not Obligated in Any Manner

Certain special assessment districts are established in various parts of the City to provide improvements to properties located in those districts. Properties in the assessment districts listed below are assessed for the cost of improvements and these assessments are payable solely by property owners over the term of the debt issued to finance the improvements. The City is not legally obligated to pay these debts or to be the purchaser of last resort of foreclosed properties in these special assessment districts, nor is it obligated to advance the City's funds to repay this debt in the event of default. In fiscal year 2016, the City refinanced the two outstanding special assessment debt issues, and as of June 30, 2022, the total balance of these districts' outstanding debt was \$3,366,000 comprised of \$2,344,000 for Madrone Business Park 2015 A&B and \$1,022,000 for Morgan Hill Ranch 2015.

8. PENSION PLANS

CalPERS Miscellaneous Agent Multiple-Employers Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous Plans, an agent multiple-employers defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and the City’s resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

PARS Trust – During FY 15-16 the City established an irrevocable trust with Public Agency Retirement Services (PARS) to set aside funds for pension liability. The City Council reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the City.

On June 30, 2022 the balance in the PARS trust was \$1,806,588. Due to the interpretation of GASB 68 for the treatment of the secondary Trust other than CERBT when City has Pension with CalPERS, the PARS trust balance is incorporated as restricted cash with fiscal agent in General Fund, the contributing Fund.

The Plan’s provisions and benefits in effect on June 30, 2022, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55; 2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Annual benefits, as a % of eligible compensation	2% to 2.5%	2%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates*	26.71%	26.71%

* The required employer contributions rate does not include the unfunded accrued liability (UAL) as percentage, which is 15.51% in FY21-22.

8. PENSION PLANS (continued)

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

Net Pension Liability – The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. For governmental funds, the General Fund has been primarily used to liquidate pension liabilities. The net pension liability of each of the Plans is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability follows.

Changes in Net Pension Liability – The changes in Net Pension Liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2020 (Measurement Date)	<u>\$ 120,727,696</u>	<u>\$ 89,340,006</u>	<u>\$ 31,387,690</u>
Changes in the year:			
Service cost	2,830,305	-	2,830,305
Interest on the total pension liability	8,637,361	-	8,637,361
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between actual and expected experience	1,038,351	-	1,038,351
Plan to plan resource movement	-	-	-
Contribution - employer	-	3,729,194	(3,729,194)
Contribution - employee	-	1,517,946	(1,517,946)
Net investment income	-	20,384,416	(20,384,416)
Benefit payments, including refunds of employee contributions	(4,757,884)	(4,757,884)	-
Administrative Expense	-	(89,245)	89,245
Net changes	<u>7,748,133</u>	<u>20,784,427</u>	<u>(13,036,294)</u>
Balance at June 30, 2021 (Measurement Date)	<u><u>\$ 128,475,829</u></u>	<u><u>\$ 110,124,433</u></u>	<u><u>\$ 18,351,396</u></u>

8. PENSION PLANS (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	Current	1% Increase
	6.15%	7.15%	8.15%
Miscellaneous Net Pension Liability	\$ 35,878,658	\$ 18,351,396	\$ 3,868,834

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2022, the City recognized pension expense of \$1,307,642 for the Miscellaneous plan and \$3,599,807 for the Safety plan, for total pension expense of \$4,907,449. On June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,679,402	\$ -	\$ 2,718,406	\$ -	\$ 6,397,808	\$ -
Differences between actual and expected experience	781,123	-	2,354,972	-	3,136,095	-
Changes in assumptions	-	(322,501)	-	-	-	(322,501)
Net differences between projected and actual earnings on plan investments	-	(10,144,815)	-	(8,204,086)	-	(18,348,901)
Change in proportion	-	-	74,103	(6,709)	74,103	(6,709)
Differences between actual contributions and proportionate share of contributions	-	-	56,680	(437,634)	56,680	(437,634)
Total	\$ 4,460,525	\$ (10,467,316)	\$ 5,204,161	\$ (8,648,429)	\$ 9,664,686	\$ (19,115,745)

A total of \$6,397,808 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Year Ended June 30	Safety Annual Amortization	Miscellaneous Annual Amortization
2023	\$ (900,433)	\$ (2,364,986)
2024	(1,248,708)	(2,085,529)
2025	(1,755,883)	(2,437,344)
2026	(2,257,650)	(2,798,334)
Total	\$ (6,162,674)	\$ (9,686,193)

8. PENSION PLANS (continued)

Pension Contribution Rates – The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the City's contribution rates for the fiscal year ended June 30, 2021 increased over the fiscal year 2020 contribution rates.

Actuarial assumptions and information regarding the discount rate are discussed below.

CalPERS Safety Cost-Sharing Plan

The City's Safety Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by CalPERS. PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors two rate plans (two police) within the safety risk pool.

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

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 or 57, depending on hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

8. PENSION PLANS (continued)

The Plan's provisions and benefits in effect on June 30, 2022, are summarized as follows:

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Annual benefits, as a % of eligible compensation	3%	2.70%
Required employee contribution rates	9.00%	13.00%
Required employer contribution rates	23.71%	13.13%

Beginning in Fiscal year 2016, CalPERS collects employer contributions for the plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis, or the City can elect a lump sum payment option. The City's required contributions for the unfunded liability in Miscellaneous and Safety for the year ended June 30, 2022 was \$4,353,631 which was made under the lump sum payment option.

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

For the year ended June 30, 2022, contributions to the Miscellaneous and Safety Plans were as follows:

	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
Contributions - employer	\$ 3,290,035	\$ 389,367	\$ 2,419,270	\$ 299,136

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

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

8. PENSION PLANS (continued)

On June 30, 2022, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	\$ 13,783,927

The City's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liability is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability as of June 30, 2021 and 2022 was as follows:

	Safety
Proportion - June 30, 2021	0.31765%
Proportion - June 30, 2022	0.39276%
Change-Increase (Decrease)	0.07511%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	Discount Rate		
	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Safety Net Pension Liability	\$ 23,499,010	\$ 13,783,927	\$ 5,804,185

Actuarial assumptions and information regarding the discount rate are discussed below.

8. PENSION PLANS (continued)

Actuarial Assumptions – For the measurement period ended June 30, 2021, the total pension liabilities were determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 total pension liabilities were based on the following actuarial methods and assumptions:

	All Plans
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50%
Post Retirement Benefit Increase	thereafter

(1) Net of pension plan investment and administrative expenses, including inflation.

(2) The mortality table used was developed based on CalPERS'-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Employees Covered – On June 30, 2022, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	197	64
Inactive employees entitled to but not yet receiving benefits	213	24
Active employees	149	39
Total	<u>559</u>	<u>127</u>

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. PENSION PLANS (continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating rounded the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class.

Asset class(a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%		-0.92%
Total	100%		

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

8. PENSION PLANS (continued)

Reduction of CalPERS Discount Rate

In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy approved by the CalPERS Board of Administration in 2015, the 21.3% net return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall PERF is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

9. OTHER POST EMPLOYMENT BENEFITS (OPEB)

(a) Plan Description

The City administers an agent multiple-employer defined-benefit post-employment healthcare plan. Dependents are eligible to enroll, and benefits continue to the surviving spouses.

The City sets its monthly contribution rates for health insurance on behalf of active employees through negotiations with its employee associations and through discussions with its non-represented employees. Employees may designate additional amounts contributed by the City, up to a negotiated "Health Allowance" that varies by group (currently between \$610/month and \$778/month) to a cafeteria plan to be used for the purpose of paying PEMHCA premiums; the City then remits these additional amounts to CalPERS as employee contributions.

The City offers the same medical plans to its retirees as to its active employees, with the exception that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan under PEMHCA.

9. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Employees become eligible to retire and receive the City's paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by qualifying for disability retirement status. Benefits are paid for the lifetime of the retiree and, if applicable, the surviving spouse of the retiree. The City's contribution on behalf of all eligible retirees is determined under the "Unequal Contribution Method", under which the contribution for retirees is equal to the employer contribution for active employees, 5% multiplied by the number of years the City has participated in PEMHCA, to a maximum of 100% of the contribution for active employees after 20 years in PEMHCA. The City provides PEMHCA minimum for each subscriber under the unequal contribution method (\$143 in 2022), regardless of elected coverage tier.

The City also pays a .31% premium administrative fee for all active employees and retirees.

(b) Funding Policy

Generally accepted accounting principles do not require pre-funding of OPEB benefits. Therefore, the City's funding policy is to continue to pay healthcare premiums for retirees as they fall due. During FY 15-16, the City joined the Public Agencies Post- Retirement Health Care Plan, a multiple employer trust administered by Public Agency Retirement Services (PARS). The City established an irrevocable trust with PARS, managed by an appointed board not under the control of City Council. This trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for PARS may be obtained from PARS at 4350 Von Karman Ave., Suite 200, Newport Beach, CA 92660. On June 30, 2022 the balance in the trust was \$4,525,796.

The City Council reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the City.

(c) Employees covered by benefit terms

On June 30, 2021 (the census date), the benefit terms covered the following employees:

Active employees	187
Inactive employees, spouses, or beneficiaries	
currently receiving benefit payments	58
Inactive employees entitled to	
but not yet receiving benefit payments	0
Total	<u>245</u>

9. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

(d) Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. For governmental funds, the General Fund has been primarily used to liquidate OPEB liability.

(e) Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

Actuarial Assumption	Measurement Date
Measurement date	6/30/2021
Funding Method	Entry Age Normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Investment rate of return	5.39% as of June 30, 2020 and 6.00% as of June 30, 2021
Discount Rates	5.39% as of June 30, 2020 and 6.00% as of June 30, 2021
Salary increases	3.50%. Additional merit-based increases based on CalPERS merit salary increase tables.
Inflation	2.50% per year
Healthcare cost trend rates	7% in the first year, trending down to 3.84% over 54 years.
Mortality rate	CalPERS rates

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

9. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

(f) Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2021: (Measurement Date 6/30/20)	\$ 6,288,308	\$ 2,499,263	\$ 3,789,045
Changes Recognized for the Measurement Period:			
Service Cost	429,322	-	429,322
Interest	355,256	-	355,256
Expected investment income	-	-	-
Differences Between Expected and Actual Experience	(526,832)	-	(526,832)
Contributions:	-	-	-
Employer - City's contribution	-	656,585	(656,585)
Employer - Implicit subsidy	-	-	-
Net investment income	-	558,619	(558,619)
Benefit payments	(256,585)	(256,585)	-
Implicit rate subsidy fulfilled	-	-	-
Changes of assumptions	(531,384)	-	(531,384)
Administrative expenses*	-	(16,216)	16,216
Net Changes during Fiscal Year 2022	(530,223)	942,403	(1,472,626)
Balance at Fiscal Year Ending 6/30/2022: (Measurement Date 6/30/21)	\$ 5,758,085	\$ 3,441,666	\$ 2,316,419

*Administrative expenses are included in investment expenses.

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%), as follows:

Net OPEB Liability/(Asset)		
Discount Rate -1% (5.00%)	Discount Rate (6.00%)	Discount Rate +1% (7.00%)
\$ 2,999,769	\$ 2,316,419	\$ 1,736,842

9. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

(h) Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than current healthcare cost trend rates, as follows:

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost	1% Increase
(5.50%)	Trend Rates	(7.50%)
(6.50%)	(6.50%)	(7.50%)
\$ 1,609,992	\$ 2,316,419	\$ 3,181,704

(i) OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$407,065. On June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$ 1,169,678	\$ -
Differences between actual and expected experience	-	(1,122,648)
Net difference between projected and actual earnings on OPEB plan investments	-	(316,995)
Changes of assumptions	675,213	(709,360)
Total	<u>\$ 1,844,891</u>	<u>\$ (2,149,003)</u>

9. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

A total of \$1,169,678 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Annual Amortization
2023	\$ (242,278)
2024	(239,574)
2025	(236,128)
2026	(243,983)
2027	(172,568)
Thereafter	(339,259)
Total	<u>\$ (1,473,790)</u>

(j) OPEB Trust Fund

(i) Plan Administration

The City is the OPEB plan administrator. The Public Agency Retirement Services (PARS) administers the trust for the City under an agent-multiple employers investment portfolio. The City contracts with CalPERS, an agent multiple-employer plan administered by CalPERS to provide integrated medical/prescription drug coverage under the Public Employees' Medical and Hospital Care Act (PEMHCA).

	Fiscal Year ended June 30, 2022
Plan Type	Agent Multiple Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Entity	No

(ii) Contribution Information

The City's funding/contribution policy is to continue to pay healthcare premiums for retirees as they fall due. In addition, the City established this irrevocable trust with Public Agency Retirement Services (PARS) to set aside funds for OPEB liability. On June 30, 2022, the balance of the trust was \$4,525,796. The City reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the City.

9. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

(iii) Investment Policy

PARS offers different investment portfolios as part of the investment vehicle. The City's policy regarding the allocation of the plan's invested assets is established and may be amended by the management of the City of Morgan Hill. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the City has selected is the Moderate Objective, which has a dual goal to seek moderate growth of income and principal. The asset allocation ranges for this objective as of June 30, 2022, are listed below:

The following is the City adopted asset allocation policy as of June 30, 2022:

Asset Class Component:	Target Allocation
Equity	20-40%
Fixed Income	50-80%
Cash	0-20%
Assumed Long Term Rate of Inflation	2.50%
Discount Rate	6.00%

Market conditions may cause the account's asset allocation to vary from the stated range from time to time. The investment manager (assisting the City) will rebalance the portfolio no less than quarterly and/or when the actual weighting differs substantially from the strategic range, if appropriate and consistent with the objectives.

(iv) Investment Concentration

As of June 30, 2022, the City's Trust did not have investments in any one organization exceeding 5% of the City's Trust investments.

PARS issues a financial report that includes financial statements and required supplementary information. That report may be obtained from PARS, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660.

10. LEASES

(a) Policies

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivable or liabilities with an initial, individual value of \$300,000 or more for all funds, based on the future lease payments remaining at the start of the lease.

Lessor

The City is a lessor for noncancellable leases of buildings and facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

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

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

- The City uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

10. LEASES (Continued)

Lessee

The City is a lessee for miscellaneous leases. If the lease is over the threshold, the City will recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, City generally uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that City is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

As of June 30, 2022, the City has no leases over the threshold subject to GASB 87 as a lessee.

(b) Leases Receivable (City as Lessor)

The provisions of GASB Statement 87 were implemented during fiscal year 2022. As part of the implementation of this Statement, the City has accounted for certain lessor transactions, which required the restatement and increase of General Fund and Water Operations Enterprise Fund leases receivable and deferred inflows in the amounts of \$6,276,518 and \$373,214 as of July 1, 2021. As a result, the net effect on governmental activities and business-type activities beginning net position are zero.

10. LEASES (Continued)

The summary for the leases details and balances related to leases receivable and deferred inflows of resources recorded in the General Fund as of June 30, 2022 were:

Governmental Activities							
Lessee	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options	Monthly revenue as of June 30, 2022	Lease Receivable balance at June 30, 2022	Deferred Inflow of Resources at June 30, 2022
AT&T El Toro Telecommunications Facility	7/1/2021	1.0	6.00	6/30/2028	\$ 6,220	\$ 486,760	\$ 486,760
AT&T OSC Telecommunications Facility	10/1/2021	4.08	10.00	10/1/2035	4,383	706,930	706,930
Crown Castle Telecommunications Facility	7/1/2021	4.00	10.00	7/1/2034	4,138	666,627	666,627
Morgan Hill Unified School District	7/1/2021	3.00	2.00	4/1/2026	7,124	346,174	346,174
Santa Clara County Library	7/1/2021	12.00	-	5/1/2033	11,647	1,549,929	1,549,929
Sprint Telecommunications Facility	7/1/2021	1.67	5.00	2/1/2028	3,137	214,956	214,956
Uplift Family Services	2/1/2022	6.00	5.00	1/1/2033	14,867	1,907,384	1,907,384
Governmental Activities subtotal					<u>\$ 51,516</u>	<u>\$ 5,878,760</u>	<u>\$ 5,878,760</u>
Business Activities							
Lessee	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options	Monthly revenue as of June 30, 2022	Lease Receivable balance at June 30, 2022	Deferred Inflow of Resources at June 30, 2022
AT&T Woodland Tank Telecommunications Facility	7/1/2021	7.0	-	7/1/2027	\$ 4,443	\$ 329,588	\$ 329,588
Business Activities subtotal					<u>\$ 4,443</u>	<u>\$ 329,588</u>	<u>\$ 329,588</u>
Total					<u>\$ 55,959</u>	<u>\$ 6,208,348</u>	<u>\$ 6,208,348</u>

10. LEASES (Continued)

The future principal and interest lease receivables as of June 30, were as follows:

For the Year Ended June 30	Governmental Activities			Business Activities			Total	
	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Principal	Interest
2023	\$ 559,603	\$ 172,033	\$ 731,636	\$ 45,894	\$ 8,622	\$ 54,516	\$ 605,497	\$ 180,655
2024	518,493	156,566	675,059	49,271	7,153	56,424	567,764	163,719
2025	548,242	140,392	688,634	52,820	5,578	58,398	601,062	145,970
2026	579,352	123,295	702,647	56,550	3,892	60,442	635,902	127,187
2027	518,563	106,757	625,320	60,469	2,089	62,558	579,032	108,846
2028-2032	2,424,208	306,251	2,730,459	64,584	164	64,748	2,488,792	306,415
2033-2037	730,299	27,596	757,895	-	-	-	730,299	27,596
Totals	\$ 5,878,760	\$ 1,032,890	\$ 6,911,650	\$ 329,588	\$ 27,498	\$ 357,086	\$ 6,208,348	\$ 1,060,388

AT&T El Toro Telecommunications Facility

As shown in the summary table, the City leases El Toro Hill, Morgan Hill to AT&T New Cingular Wireless. The original lease terms were 5 years with option to extend additional 5 years. As of June 30, 2022, the lease has 6 years remaining. The City recognized \$35,761 in lease revenue and \$14,238 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

AT&T OSC Telecommunications Facility

As shown in the summary table, the City leases 16500 Condit Rd, Morgan Hill to AT&T New Cingular Wireless. The original lease terms were 5 years with option to extend two additional 5-year periods. As of June 30, 2022, the lease has 13 years remaining. The City recognized \$33,834 in lease revenue and \$14,165 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

Crown Castle Telecommunications Facility

As shown in the summary table, the City leases 100 W 3rd Street, Morgan Hill to Crown Castle GT Company LLC. The original lease terms were 6 years with option to extend two additional 5-year periods. As of June 30, 2022, the lease has 12 years remaining. The City recognized \$28,549 in lease revenue and \$18,297 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

Morgan Hill Unified School District

As shown in the summary table, the City leases 105 Edes Court, Morgan Hill to Morgan Hill Unified School District. The original lease terms were 3 years with option to extend 2 years. As of June 30, 2022, the lease has 4 years remaining. The City recognized \$81,251 in lease revenue and \$10,537 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

10. LEASES (Continued)

Santa Clara County Library

As shown in the summary table, the City leases 660 West Main Street, Morgan Hill to Santa Clara County Library Joint Powers Authority. The original lease terms were 30 years with option for 3 ten-year extensions. As of June 30, 2022, the lease has 11 years remaining. The City recognized \$127,249 in lease revenue and \$46,892 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

Sprint Telecommunications Facility

As shown in the summary table, the City leases Nob Hill Water Tank to Sprint Spectrum Realty Company, LLC. The original lease terms were 5 years with option to extend additional 5 years. As of June 30, 2022, the lease has 6 years remaining. The City recognized \$36,011 in lease revenue and \$6,757 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

Uplift Family Services

As shown in the summary table, the City leases 17060 Monterey Road, Morgan Hill to Uplift Family Services, a California non-profit corporation. The original lease terms were 6 years with option to extend additional 5 years. As of June 30, 2022, the lease has 11 years remaining. The City recognized \$55,098 in lease revenue and \$19,582 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

AT&T Woodland Tank Telecommunications Facility

As shown in the summary table, the City leases 2275 Rolling Hills Drive, Morgan Hill to New Cingular Wireless Pcs, LLC. The original lease terms were 15 years. As of June 30, 2022, the lease has 5 years remaining. The City recognized \$43,625 in lease revenue and \$9,046 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

11. SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY

(a) Loans receivable of the Successor Agency as of June 30, 2022, consisted of the following:

Project Name	Loan Balance	Special Provisions of Loan
	Outstanding	
Morgan Hill Grange	\$ 2,378,622	Loan will be forgiven at maturity unless property is transferred
Specialized Loan	420,000	After 10 years - interest free
Johnson Lumber	105,617	Development Agreement-interest free
Associated Concrete	417,796	If loan conditions are met, loan will be treated as a reimbursement grant
Allowance for Doubtful Accounts	(700,147)	
Total:	<u>\$ 2,621,888</u>	

Pursuant to Health and Safety Code (HSC) section 34191.5 (b), the City of Morgan Hill Successor Agency (Agency) submitted a Long-Range Property Management Plan (LRPMP) to the California Department of Finance (Finance). The Agency received a Finding of Completion and Finance approved the Agency's use or disposition of all the properties listed on the LRPMP.

(b) The Successor Agency's changes in long term debt:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
2020 Refunding Revenue Bond	\$ 67,290,000	\$ -	\$ -	\$ 67,290,000	\$ 5,280,000
Total	<u>\$ 67,290,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,290,000</u>	<u>\$ 5,280,000</u>

On February 21, 2008, the former Redevelopment Agency issued \$96,200,000 in Variable Rate Tax Allocation Bonds (Ojo de Agua Redevelopment Project Area) Series 2008A Tax Exempt Bonds and \$13,800,000 in Variable Rate Tax Allocation Bonds (Ojo de Agua Redevelopment Project Area) Series 2008B Taxable Bonds.

The proceeds from the sale of the Bonds were used to: 1) finance redevelopment projects benefiting the Ojo de Agua Redevelopment Project Area; 2) fund a debt service reserve account; and 3) pay costs of issuance of the Bonds.

On November 19, 2013, the Successor Agency issued \$74,310,000 Series 2013A and \$14,365,000 Series 2013B Refunding Revenue Bonds. The bonds were issued to refund and defease the previously issued former Redevelopment Agency Series 2008A Tax Exempt Bonds and the Series 2008B Taxable Bonds. The Series 2013B Bonds were fully repaid as of fiscal year 2019.

11. SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (continued)

On October 1, 2020, the Successor Agency issued \$67,290,000 of 2020 Tax Allocation Refunding Bonds. The bonds were issued to refund and defease the previously issued Successor Agency Series 2013A Tax Exempt Bonds. Interest on the bonds is payable semi-annually on each September 1 and March 1, commencing on March 1, 2021 bearing interest that ranges from .585% to 2.114%. Principal is payable annually on each September 1 until 2034. Future debt service requirements for the 2020 Bonds as follows:

For Year Ending June 30	Principal	Interest	Totals
2023	\$ 5,280,000	\$ 944,248	\$ 6,224,248
2024	5,310,000	910,192	6,220,192
2025	5,350,000	869,886	6,219,886
2026	5,390,000	822,293	6,212,293
2027	5,445,000	763,724	6,208,724
2028-2032	28,415,000	2,546,482	30,961,482
2033-2034	12,100,000	254,068	12,354,068
Totals	<u>\$ 67,290,000</u>	<u>\$ 7,110,893</u>	<u>\$ 74,400,893</u>

12. COMMITMENTS/CONTINGENCIES

(a) Grant Programs

The City participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City's compliance with applicable program requirements will be determined at a future date. The amount of any expenditure which may be disallowed by the grantor agencies cannot be determined at this time. However, the City expects such amounts to be immaterial and, to the best of staff's knowledge, has met all requirements of the various programs in the past.

Santa Clara Valley Transportation Authority, administrator of the Santa Clara County Vehicle Registration Fee (VRF) local road improvement and repair program, requires recipients to disclose VRF balance in their audit financial statements. Below is the reconciliation of VRF balances for the City of Morgan Hill.

21-22 Starting VRF Balance as of July 1, 2021:	\$ -
21-22 VRF Revenue:	289,589
21-22 VRF Interest:	-
21-22 VRF Expended:	289,589
21-22 Ending VRF Balance as of June 30, 2022:	<u>\$ -</u>

12. COMMITMENTS/CONTINGENCIES (continued)

(b) GANN Spending Limitation Initiative

Under Article XIII B of the California Constitution, the City is restricted as to the amount of annual appropriations from proceeds of taxes. If the proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following fiscal year.

For the fiscal year ended June 30, 2022, based on calculations by the City's management, proceeds of taxes did not exceed the appropriations limit.

(c) Construction and Other Significant Commitments

Listed below are the projects for uncompleted contracts over \$100,000 outstanding as of June 30, 2022 for all funds.

<u>Project Name</u>	<u>Total Amount</u>
CRC Battery Storage System Project	\$ 500,000
Tyler Munis Upgrade	642,081
COMPLETE SCBA SYSTEM	201,553
Countywide Solid Waste Fiscal Agent Agreement	119,170
Inclusive Playground	533,920
Llagas Flood Control	180,484
East 5th Street & Tennant Ave Sewer Project	101,878
Hale Avenue Extension	5,647,399
Butterfield Fire Station Design	644,200
Sewer Trunk Line Highland to Cohansey	654,020
Inflow and Infiltration Sewer Repair	649,762
Sewer Pipe Inspection & Condition Assessment	679,852
SCADA systems integration and upgrade	173,645

Listed below are the total outstanding encumbrances by each major fund and nonmajor funds in the aggregate as of June 30, 2022.

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 1,355,111
Development Services	133,254
Nonmajor Funds	9,228,357
Sewer Enterprise Fund	2,351,407
Water Enterprise Fund	298,296

12. COMMITMENTS/CONTINGENCIES (continued)**(d) Contracting Out of Fire and Emergency Medical Services**

The City of Morgan Hill entered into a reimbursement agreement with the California Department of Forestry and Fire Protection (CALFIRE) effective September 1, 2012 for fire and life safety services. The City purchased the two fire houses located within Morgan Hill and also purchased three fire trucks and other emergency personnel vehicles. CALFIRE provides personnel services with the City reimbursing the State for those labor costs. All other costs associated are the responsibility of the City including equipment, supplies, and maintenance. The agreement for services between the City of Morgan Hill and the State of California expires June 30, 2023 and has a maximum amount of \$37,381,274. During fiscal year 2022, payments to CALFIRE related to this contract totaled \$5,684,690.

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, errors and omissions, general liability, injuries to employees and unemployment claims. The City currently reports all of its risk management activities in Internal Service Funds. Claims expenses and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated using actuarial methods or other estimating techniques. These losses include an estimate of claims that have been incurred but not reported.

The City's basic financial statements also reflect as expenses the premiums assessed for insurance coverage, which are based on periodic actuarial studies by the firms providing coverage to the City.

The City is self-insured for workers' compensation up to a maximum of \$250,000 per occurrence. The City is a member of Local Agency Workers' Compensation Excess (LAWCX), a self-funded workers' compensation insurance pooled with 34 members, which cover the layer above the City's limit of \$250,000. The City, through LAWCX, purchased insurance covers the excess up to \$5,000,000 per occurrence. The City is also fully self-insured for unemployment insurance.

Prior to January 2018 the City participated in ABAG Plan Corporation, a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. On January 16, 2018, ABAG Plan Corporation transitioned to Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a self-funded pooled insurance program established by a joint powers authority in which the City is one of 28 members. For the fiscal year ended June 30, 2022, PLAN JPA provided general liability insurance up to \$30,000,000 per occurrence through a combination of \$5,000,000 pool coverage and \$25,000,000 of excess insurance, subject to a \$100,000 self-insured retention.

13. RISK MANAGEMENT (continued)

The rights and responsibilities of the member agencies are governed by the bylaws of the PLAN JPA, the risk coverage agreement, and a related memorandum of coverage. Each member chooses its self-insured liability retention at a level between \$25,000 and \$250,000. Each member has a vote in approving the pool's self-insured retention level, in setting the coverage limit, in establishing the level of pool reserves, approving the premium allocation methodology for setting premiums for each member, and in approving the methodology for returning disburseable equity to members. PLAN JPA is responsible for administering the insurance program. PLAN JPA provides claims administration and risk management services to the members.

PLAN JPA also provides property & auto insurance for the City, including a \$5,000 deductible for all property and auto. Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the fiscal year ended June 30, 2022.

Complete financial statements for PLAN JPA may be obtained at the following address:

PLAN Joint Powers Authority
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833

Changes in the reported liabilities are as follows:

	Workers' Compensation	General Liability	Total
Liability as of 06/30/19	\$ 1,131,000	\$ 267,369	\$ 1,398,369
Claims and changes in estimates during the fiscal year ended 06/30/20	315,695	262,276	577,971
Claims payments during the fiscal year ended 06/30/20	(362,695)	(61,972)	(424,667)
Liability as of 06/30/20	1,084,000	467,673	1,551,673
Claims and changes in estimates during the fiscal year ended 06/30/21	424,704	630,215	1,054,919
Claims payments during the fiscal year ended 06/30/21	(214,704)	(349,381)	(564,085)
Liability as of 06/30/21	1,294,000	748,507	2,042,507
Claims and changes in estimates during the fiscal year ended 06/30/22	610,830	(218,730)	392,100
Claims payments during the fiscal year ended 06/30/22	(387,830)	(172,047)	(559,877)
Liability as of 06/30/22	\$ 1,517,000	\$ 357,730	\$ 1,874,730

13. RISK MANAGEMENT (continued)

In addition, with respect to the general liability accrual, the City has several other unsettled lawsuits filed or claims asserted against it as of June 30, 2022. The City has reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City.

As a result of such a review, the City has categorized such claims and lawsuits as “remote” loss contingencies, as defined in FASB Statement No. 5. The final outcome of claims and lawsuits which have been categorized as remote loss contingencies is not presently determinable and any associated potential loss cannot be estimated. Accordingly, no provision has been made in the accompanying basic financial statements relative to the potential outcome of such claims and lawsuits. The ultimate resolution of such claims and lawsuits is not expected to have a material effect on the accompanying basic financial statements.

The balances in the City's General Liability, Workers' Compensation and Unemployment Insurance Internal Service Funds include a reasonable reserve for anticipated future catastrophic losses.

14. TAX ABATEMENTS

The City offers an auto dealership incentive program to the entities that propose to establish or expand businesses within the City. This incentive program is expected to provide a stimulus to the City's economy, increase the tax base and create jobs. Each of the agreements entered into by the City, provides for a rebate of taxes paid to the City according to formulas contained in the agreements. These limited terms agreements provide for a sharing of the taxes above certain amounts with a maximum rebate not to exceed the excess amount over the determined baseline to help businesses recover the cost of establishing or expanding businesses. The City generally expects to receive increased revenue as a result of these agreements. These incentive agreements require approval by City Council.

For financial reporting purposes, the GASB Statement No. 77 defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. According to the GASB 77, the substance of these agreements meets the definition of “tax abatements” as the revenues received were not available for general municipal services purposes, but rather used to effectively reduce the net tax liability of certain taxpayers per the conditions of an agreement.

The taxes paid to the City are included in the revenue reported in these financial statements. The payments made to the businesses based upon the taxes paid are also included as expenditures in these financial statements. For the fiscal year ended June 30, 2022, under this program the City has abatements of sales tax totaling \$197,928.

Pursuant to the Sales and Use Tax law (chapter 8 – Article 1 – section 7056), in order to protect the confidential information of sales taxes collected and abatements provided to each of the specific agencies, the City has presented the aggregate amount abated during the current fiscal year.

15. SUBSEQUENT EVENTS

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy approved by the CalPERS Board in 2015, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

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

Required Supplementary Information



CITY OF MORGAN HILL

City of Morgan Hill
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Property taxes and special assessments	\$ 13,390,000	\$ 15,771,000	\$ 16,662,896	\$ 891,896
Sales taxes	9,418,601	11,098,601	12,944,783	1,846,182
Franchise, hotel and other taxes	6,151,300	5,151,300	5,925,914	774,614
Licenses and permits	198,825	198,825	296,030	97,205
Funding from other govt agencies	463,820	6,193,590	6,162,841	(30,749)
Charges for current services	9,521,009	7,842,128	6,852,215	(989,913)
Investment income and rentals	1,539,513	1,193,009	223,167	(969,842)
Other revenues	317,425	305,925	351,459	45,534
Total revenues	41,000,493	47,754,378	49,419,305	1,664,927
Expenditures:				
General government				
Council	246,019	347,043	345,174	1,869
City Attorney	737,378	795,663	733,646	62,017
City Manager	514,032	631,036	598,945	32,091
Human Resources	809,760	825,484	721,973	103,511
City Clerk	660,327	693,274	614,310	78,964
Finance	1,528,379	2,722,018	2,845,536	(123,518)
Economic Development	434,476	718,767	718,934	(167)
Total General Government	4,930,371	6,733,285	6,578,518	154,767
Public Safety				
Police	18,559,576	19,190,670	18,559,949	630,721
Fire	7,352,810	7,758,901	6,696,726	1,062,175
Total Public Safety	25,912,386	26,949,571	25,256,675	1,692,896
Development services				
Congestion Management	522,513	531,456	511,120	20,336
Total Community Development	522,513	531,456	511,120	20,336
Streets and Highways				
Street Maintenance	2,362,566	2,662,248	2,344,720	317,528
Total Streets and Highways	2,362,566	2,662,248	2,344,720	317,528
Culture and recreation				
Recreation	7,929,580	7,603,511	6,700,995	902,516
Cable TV/Comm. & Marketing	24,021	24,272	31,564	(7,292)
Cable TV/Comm. & Marketing	1,118,109	1,179,250	1,104,198	75,052
Downtown maintenance	274,828	318,869	272,257	46,612
Total Culture and recreation	9,346,538	9,125,902	8,109,014	1,016,888
Other Public Services				
Solid Waste Management	324,960	652,679	444,850	207,829
Total Other Public Services	324,960	652,679	444,850	207,829
Capital outlay				
Construction projects	29,500	47,058	17,744	29,314
Debt service				
Principal	-	11,708	101,060	(89,352)
Interest and fiscal charges	-	-	102,319	(102,319)
Total Expenditures	43,428,834	46,713,907	43,466,020	3,247,887
Excess (deficiency) of revenues over (under) expenditures	(2,428,341)	1,040,471	5,953,285	4,912,814
Other Financing sources (uses):				
Transfers in	2,444,053	3,084,489	2,669,487	(415,002)
Transfers (out)	(988,167)	(2,260,397)	(2,763,412)	(503,015)
Total other financing sources (uses)	1,455,886	824,092	(93,925)	(918,017)
Net change in fund balance	\$ (972,455)	\$ 1,864,563	5,859,360	\$ 3,994,797
Fund Balance-Beginning			31,008,347	
Fund Balance-Ending			\$ 36,867,707	

City of Morgan Hill
Development Services Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Charges for services	\$ 5,091,010	\$ 5,091,010	\$ 5,664,146	\$ 573,136
Investment income	17,355	17,355	(82,743)	(100,098)
Investment income	-	-	4,093	4,093
Total Revenues	5,108,365	5,108,365	5,585,496	477,131
Expenditures:				
Current:				
General government	30,016	30,016	30,016	-
Development services	5,228,779	5,492,015	5,532,044	(40,029)
Total Expenditures	5,258,795	5,522,031	5,562,060	(40,029)
Excess (deficiency) of revenues over (under) expenditures	(150,430)	(413,666)	23,436	437,102
Other Financing Sources (Uses):				
Transfers (out)	(34,326)	(34,326)	(34,320)	6
Total other financing sources (uses)	(34,326)	(34,326)	(34,320)	6
Net change in fund balance	\$ (184,756)	\$ (447,992)	(10,884)	\$ 437,108
Fund Balance-Beginning			(483,719)	
Fund Balance-Ending			\$ (494,603)	

City of Morgan Hill
Housing Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
<u>Revenues:</u>				
Charges for services	\$ 2,489,422	\$ 2,639,422	\$ 881,038	\$ (1,758,384)
Investment income	175,794	175,793	(118,003)	(293,796)
Investment income	-	-	1,298	1,298
Total Revenues	2,665,216	2,815,215	764,333	(2,050,882)
<u>Expenditures:</u>				
Current:				
General government	5,462	5,462	5,462	-
Housing services	987,147	1,026,323	1,024,398	1,925
Community Development	840,569	1,481,562	766,793	714,769
Total Expenditures	1,833,178	2,513,347	1,796,653	716,694
<u>Other Financing Sources Uses):</u>				
Transfers (Out)	(11,313)	(11,313)	(11,316)	(3)
Total other financing sources and uses	(11,313)	(11,313)	(11,316)	(3)
Net change in fund balance	<u>\$ 820,725</u>	<u>\$ 290,555</u>	(1,043,636)	<u>\$ (2,767,579)</u>
Fund Balance-Beginning			70,972,240	
Fund Balance-Ending			\$ 69,928,604	

City of Morgan Hill Miscellaneous Plan, an Agent Multiple-Employer Defined Pension Plan
Last 10 Years*
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Period:	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Pension Liability								
Service Cost	\$ 2,070,308	\$ 2,160,542	\$ 2,258,111	\$ 2,569,067	\$ 2,841,364	\$ 2,892,885	\$ 2,951,576	\$ 2,830,305
Interest	5,561,850	5,903,293	6,326,739	6,655,208	7,136,369	7,717,398	8,104,716	8,637,361
Differences between expected and actual experience	-	(556,276)	302,964	(1,017,186)	1,625,260	2,037,515	(967,501)	1,038,351
Changes in assumptions	-	(1,526,156)	-	5,785,611	(769,774)	-	-	-
Changes in benefits	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,431,338)	(2,739,905)	(3,020,203)	(3,242,574)	(3,730,215)	(4,099,244)	(4,410,945)	(4,757,884)
Net change in total pension liability	5,200,820	3,241,498	5,867,611	10,750,126	7,103,004	8,548,554	5,677,846	7,748,133
Total pension liability - beginning	74,338,507	79,539,327	82,780,825	88,648,436	99,398,292	106,501,296	115,049,850	120,727,696
Total pension liability - ending (a)	\$ 79,539,327	\$ 82,780,825	\$ 88,648,436	\$ 99,398,562	\$ 106,501,296	\$ 115,049,850	\$ 120,727,696	\$ 128,475,829
Plan fiduciary net position								
Contributions - employer	\$ 1,708,041	\$ 2,301,680	\$ 2,590,587	\$ 2,518,266	\$ 2,950,037	\$ 3,275,042	\$ 3,646,492	\$ 3,729,194
Contributions - employee	1,128,472	1,001,923	1,071,857	1,197,450	1,211,918	1,207,537	1,274,304	1,517,946
Net investment income	9,159,676	1,400,430	317,085	7,449,380	6,195,398	5,243,810	4,253,255	20,384,416
Administrative Expense	-	-	-	(95,969)	(113,485)	(56,466)	(119,401)	(89,245)
Other Miscellaneous Income	-	-	-	-	(215,693)	183	-	-
Benefit payments, including refunds of employee contributions	(2,431,338)	(2,874,687)	(3,020,203)	(3,242,574)	(3,730,215)	(4,099,244)	(4,410,945)	(4,757,884)
Net change in plan fiduciary net position	9,564,851	1,829,346	959,326	7,826,553	6,297,960	5,570,862	4,643,705	20,784,427
Plan fiduciary net position - beginning	52,686,457	62,251,308	64,080,654	65,000,926	72,827,479	79,125,439	84,696,301	89,340,006
Plan fiduciary net position - ending (b)	\$ 62,251,308	\$ 64,080,654	\$ 65,039,980	\$ 72,827,479	\$ 79,125,439	\$ 84,696,301	\$ 89,340,006	\$ 110,124,433
Net pension liability - ending (a)-(b)	\$ 17,288,019	\$ 18,700,171	\$ 23,608,456	\$ 26,571,083	\$ 27,375,857	\$ 30,353,549	\$ 31,387,690	\$ 18,351,396
 Plan fiduciary net position as a percentage of the total pension liability	 78.26%	 77.41%	 73.37%	 73.27%	 74.30%	 73.62%	 74.00%	 85.72%
 Covered payroll	 \$ 11,640,097	 \$ 13,206,077	 \$ 13,545,383	 \$ 14,943,991	 \$ 15,095,617	 \$ 14,796,541	 \$ 15,580,036	 \$ 15,519,529
 Net pension liability as percentage of covered-employee payroll	 148.52%	 141.60%	 174.29%	 177.80%	 181.35%	 205.14%	 201.46%	 118.25%

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

Changes in assumptions. In 2017 the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, 2018, 2019 and 2020 there were no changes. amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.)

* Fiscal year 2015 was the 1st year of implementation of GASB 68.

City of Morgan Hill Miscellaneous Plan, an Agent Multiple-Employer Defined Pension Plan
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS¹

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Actuarially determined contributions	\$ 2,191,276	\$ 2,590,586	\$ 2,557,965	\$ 2,950,036	\$ 3,270,125	\$ 3,642,162	\$ 3,729,194	\$ 3,679,402
Contributions in relation to the actuarially determined contributions	<u>2,191,276</u>	<u>2,590,586</u>	<u>2,557,965</u>	<u>2,950,036</u>	<u>3,270,125</u>	<u>3,642,162</u>	<u>3,729,194</u>	<u>3,679,402</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,206,077	\$ 13,545,383	\$ 14,943,991	\$ 15,095,617	\$ 14,796,541	\$ 15,580,036	\$ 15,519,529	\$ 16,806,929
Contributions as a percentage of covered payroll	17%	19%	17%	20%	22%	23%	24%	22%
Notes to Schedule								
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Methods and assumptions used to determine contribution rates:								
Actuarial cost method	Entry Age Normal							
Amortization method	Level percentage of payroll							
Asset valuation method	Market Value of Assets							
Inflation	2.75% for 2015 to 2019, and 2.625% for 2020, and 2.50% for 2021							
Salary increases	Varies by Entry Age and Service							
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019 and 7.25% for 2020, and 7.00% for 2021, net of pension plan investment expense, including inflation							
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study.							
Mortality	The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries for 2015 to 2018. For 2019, 2020 and 2021, pre-retirement and post retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.							

¹Fiscal year 2015 was the 1st year of implementation of GASB 68

City of Morgan Hill Safety Plan, a Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

Measurement Period:	6/30/2014¹	6/30/2015¹	6/30/2016¹	6/30/2017¹	6/30/2018¹	6/30/2019¹	6/30/2020¹	6/30/2021¹
Plan's proportion of the Net Pension Liability (Asset)	0.20078%	0.33056%	0.31681%	0.30948%	0.31556%	0.31549%	0.31765%	0.39276%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 12,493,165	\$ 13,620,561	\$ 16,408,464	\$ 18,492,131	\$ 18,515,708	\$ 19,694,738	\$ 21,163,013	\$ 13,783,927
Plan's Covered Payroll ²	\$ 4,913,429	\$ 4,622,181	\$ 4,622,181	\$ 4,622,181	\$ 5,642,678	\$ 5,676,163	\$ 5,676,163	\$ 5,797,380
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	254.27%	294.68%	354.99%	400.07%	328.14%	346.97%	372.84%	237.76%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%	75.10%	88.29%

¹Historical information is required only for measurement periods for which GASB 68 is applicable.

²Covered Payroll represented above is based on pensionable earnings provided by the employer

City of Morgan Hill Safety Plan, a Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal Year:	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Actuarially determined contribution	\$ 1,580,437	\$ 1,778,790	\$ 1,902,125	\$ 2,110,520	\$ 2,232,536	\$ 2,480,901	\$ 2,519,728	\$ 2,718,406
Contributions in relation to the actuarially determined contribution	<u>1,580,437</u>	<u>1,778,790</u>	<u>1,902,125</u>	<u>2,110,520</u>	<u>2,232,536</u>	<u>2,480,901</u>	<u>2,519,728</u>	<u>2,718,406</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,622,181	\$ 4,622,181	\$ 4,789,104	\$ 5,685,714	\$ 5,642,678	\$ 5,676,163	\$ 5,797,380	\$ 6,158,051
Contributions as a percentage of covered payroll	32.17%	38.48%	39.72%	37.12%	39.57%	43.71%	43.46%	44.14%
Notes to Schedule								
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Methods and assumptions used to determine contribution rates:								
Actuarial cost method	Entry age Normal							
Amortization method	Level percentage of payroll							
Asset valuation method	5-year smoothed market							
Inflation	2.75% for 2015 to 2019, and 2.625% for 2020, and 2.50% for 2021							
Salary increases	Varies by Entry Age and Service							
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019 and 7.25% for 2020, and 7.00% for 2021, net of pension plan investment expense, including inflation							
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study.							
Mortality	The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.							

* - Fiscal year 2015 was the 1st year of implementation of GASB 68

City of Morgan Hill
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
An Agent Multiple-employer OPEB Plan
Last 10 fiscal years*

Measurement Date	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21
Total OPEB Liability (1)					
Service Cost	\$ 311,361	\$ 323,815	\$ 360,390	\$ 414,804	\$ 429,322
Interest	326,450	355,177	383,982	348,823	355,256
Differences between expected and actual experience	-	-	(979,314)	(6,639)	(526,832)
Benefit payments	(58,737)	(71,474)	(75,760)	(85,682)	(94,919)
Implicit rate subsidy fulfilled	(162,747)	(173,326)	(188,792)	(144,586)	(161,666)
Changes of assumptions	-	243,401	(357,538)	703,004	(531,384)
Net change in total OPEB liability	416,327	677,593	(857,032)	1,229,724	(530,223)
Total OPEB liability - beginning	4,821,696	5,238,023	5,915,616	5,058,584	6,288,308
Total OPEB liability - ending (a)	\$ 5,238,023	\$ 5,915,616	\$ 5,058,584	\$ 6,288,308	\$ 5,758,085
OPEB fiduciary net position					
Net investment income	\$ 70,468	\$ 65,740	\$ 99,458	\$ 61,224	\$ 558,619
Contributions:					-
Employer - City's contribution	358,737	371,474	475,760	885,682	494,919
Employer - Implicit subsidy	162,747	173,326	188,792	144,586	161,666
Administrative expense	-	-	-	-	(16,216)
Implicit rate subsidy fulfilled	(162,747)	(173,326)	(188,792)	(144,586)	(161,666)
Benefit payments	(58,737)	(71,474)	(75,760)	(85,682)	(94,919)
Net change in plan fiduciary net position	370,468	365,740	499,458	861,224	942,403
Plan fiduciary net position - beginning	402,373	772,841	1,138,581	1,638,039	2,499,263
Plan fiduciary net position - ending (b)	\$ 772,841	\$ 1,138,581	\$ 1,638,039	\$ 2,499,263	\$ 3,441,666
Net OPEB liability - ending (a)-(b)	\$ 4,465,182	\$ 4,777,035	\$ 3,420,545	\$ 3,789,045	\$ 2,316,419
Plan fiduciary net position as a percentage of the total OPEB liability	14.75%	19.25%	32.38%	39.74%	59.77%
Covered payroll	\$ 19,380,617	\$ 20,058,939	\$ 20,247,450	\$ 21,498,231	\$ 20,485,077
Total OPEB liability as a percentage of covered-employee payroll	23.04%	23.81%	16.89%	17.62%	11.31%

* Fiscal year 2018 was the first year of implementation of GASB 75
Administrative expenses are included in investment expenses.

City of Morgan Hill
SCHEDULE OF CONTRIBUTIONS
An Agent Multiple-employer OPEB Plan
Last 10 fiscal years*

Fiscal Year Ended June 30,	2018	2019	2020	2021	2022
Actuarially Determined Contribution (ADC)	\$ 623,755	\$ 652,198	\$ 732,059	\$ 721,678	\$ 530,702
Less: Contributions in Relation to the ADC	<u>(521,484)</u>	<u>(544,800)</u>	<u>(1,038,044)</u>	<u>(656,585)</u>	<u>(1,169,678)</u>
Contribution deficiency (excess)	<u>\$ 102,271</u>	<u>\$ 107,398</u>	<u>\$ (305,985)</u>	<u>\$ 65,093</u>	<u>\$ (638,976)</u>
Covered-employee payroll	\$ 19,380,617	\$ 20,058,939	\$ 20,247,450	\$ 21,498,231	\$ 20,485,077
Contributions as a percentage of Covered payroll	2.69%	2.72%	5.13%	3.05%	5.71%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

Assumptions and Methods

Actuarial Cost Method	Entry Age Normal cost, level percent of pay
Amortization Method	Closed period, level percent of pay
Amortization Period	20 years
Inflation	2.50%
Assumed Payroll Growth	3.50%
Healthcare Trend Rates	7.00%, trending down to 3.84%
Rate of Return on Assets	6.00%
Mortality & Retirement Rates	CalPERS Rates

1. BUDGETS AND BUDGETARY ACCOUNTING

The City adopts a biennial operating budget on or before June 30 of the fiscal year. The operating budget takes the form of a two-year financial plan which is adopted in its entirety by the City Council by resolution. Because Morgan Hill is a general law city, it is not subject to a budgetary process prescribed by statute or charter. The operating budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. The City Manager's budget control remains at the level of department and/or project within in any one fund. Expenditures cannot exceed the appropriated budget at the project or fund level without City Council approval. The City Manager is authorized to amend appropriations within the various departments within a fund, provided that the amount of the amended appropriation does not exceed the appropriation within the fund. Budgeted amounts are as originally adopted, or as amended by the City Council.

2. ADJUSTMENTS TO GAAP BASIS FROM BUDGETARY BASIS

City budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are considered budgetary expenditures in the year of the commitment to purchase, and capital project expenditures are budgeted on a project length basis rather than a fiscal year. The effects of these differences are shown as encumbrance adjustments, expenditures capitalized for GAAP purposes and capital outlay in the budget and actual statements.

Combining and Individual Fund Financial Statements



CITY OF MORGAN HILL

Non Major Funds



CITY OF MORGAN HILL

SPECIAL REVENUE FUND

Special Revenue Funds account for the proceeds of special revenue sources, other than special assessments, and major capital projects, that are legally restricted to expenditures for specified purposes.

Street Maintenance – This fund receives monies from state gas taxes based on population, and the funds may be expended only for street and road repair, maintenance, design, construction, and traffic signal design and installation. Proposition 111 monies from state gas taxes are received for the Congestion Management Program.

Supplemental Law Enforcement Services – This fund accounts for the receipt of one-time General Fund revenues, AB3229 and grant monies to be used to fund additional police officers and one-time capital expenditures.

General Plan Update – This fund accounts for revenues and expenditures associated with City's general plan update.

Community Development Block Grants – This fund receives revenues from Santa Clara County on a reimbursement basis, as a part of the federal government's program for low and moderate housing. Expenditures are restricted as to types of activities and nature of expense, and must benefit low- and moderate-income individuals seeking housing.

Asset Seizure – This fund accumulates revenue from the seizure of assets obtained by the police department from drug enforcement activities. Expenditures may be made from these funds only for police related activities in accordance with guidelines established by the state and federal governments.

Landscape and Lighting Districts – This fund derives its revenues from an assessment based on expenditures by the City for maintenance services to park areas within small developments. These services benefit the properties against which assessments are levied by ensuring proper upkeep.

Community Facilities District – The District was formed in 2014 to fund the costs of the maintenance and monitoring required by the San Francisco Bay Regional Water Quality Control Board for the realignment of Fisher Creek.

Environmental Programs – Sources of funding are limited to 6% of the franchise fee and revenues from the countywide AB939 fee, which are used to fund expenditures related to solid waste management.

Mobile Home Park Rent Stabilization – This fund was created to monitor the fees charged to the mobile home park owners and tenants, as regulated by the Rent Stabilization Ordinance, and to ensure that they cover the City's cost for arbitration and litigation.

Special Revenue Funds (Continued)

Employee Assistance – This fund was created to support various employee financial assistance programs. The first program, the employee computer loans, makes technology use affordable for all employees and improves skills in the workplace by encouraging use at home. Fund will be used on a revolving basis, and any future loans will be made from the repayment of previous loans.

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary and Special Revenue funds.

Park Impact Fund – This fund receives revenues from developers of properties and the fund may only be used for the design, development, maintenance, and construction of new parks or expansion of existing parks within the City.

Park Maintenance – This fund receives revenues from developers of properties and the funds may be used for the maintenance of the City's parks and for purchase of land for open space.

Drainage Impact – This fund receives revenues from developers of properties and the funds may only be used for the design and construction of new storm drains.

Open Space – This fund receives revenues from developers of properties and the funds may be used for the purchase of land for open space.

Street CIP – This fund accounts for the cost of capital improvements to the City's streets, roads and bridges.

Traffic Impact – This fund receives revenues from developers when their projects have an adverse impact on traffic flows, etc. The funds collected may be expended on new streets, traffic signals and improvements of existing streets where they are impacted by new development.

Public Facilities – This fund has no established source of revenue. Funds are transferred into this fund from the General Fund or other funds as they become available for capital projects which may not be funded by the other capital funds. Typical projects are sidewalk repair and replacement.

Capital Projects Funds (continued)

Library Impact Fund – This fund revenues are derived from a fee charged to developers to cover the costs to construct library improvements required as a result of new development. Expenditures may only be made for the future construction of the required new library facilities or to reimburse the City for funds advanced to construct such facilities. Fund is subject to the restrictions of AB1600.

Undergrounding – This fund received revenues from developers for the undergrounding of utilities in areas of new development. Expenditures may be made only for the costs of design and construction associated with undergrounding.

School/Pedestrian Traffic Safety – This fund accounts for the revenues and expenditures relating to the collection and use of development fees for this purpose.

Community/Recreation Center Impact – This fund was created to collect revenues derived from a fee charged to developers to cover the costs to construct new community centers in the City.

Public Safety Facilities Impact – This fund was created as a result of combination of Police and Fire Impact Funds. This fund collects revenues from developers to cover the costs required for police and fire capital expansion projects to assist in providing services to new developments.

Debt Service Funds

Debt Service Funds account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

Civic Center (Library) – On October 1, 2006, the Morgan Hill Financing Authority issued \$5,675,000 in Lease Revenue Bonds, which were refunded with the 2015 Lease Revenue Bonds. The proceeds of the Bonds were used to 1) assist the City of Morgan Hill in financing a portion of the construction costs of a new public library and related improvement, 2) assist the City in financing a portion of the costs for expanding City Hall facilities, 3) fund a reserve account for the Bonds, and 4) pay certain costs of issuance relating to the Bonds. This fund will account for the accumulation of resources and payments of principal, interest, and other related costs for the portion of 2015 Lease Revenue Bonds.

Police Facility – On August 1, 2004, the Morgan Hill Financing Authority issued \$7,395,000 in Lease Revenue Bonds, which were refunded with 2015 Lease Revenue Bonds. Proceeds of the Bonds were used to 1) assist the City of Morgan Hill in financing a portion of the acquisition and improvement costs of a new police headquarters and related facilities, 2) fund a reserve account for the Bonds, and 3) pay certain costs of issuance relating to the Bonds. This fund accounts for the accumulation of resources and payments of principal, interest and other related costs for the portion of 2015 Lease Revenue Bonds.

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds			
	Street Maintenance	Supplemental Law Enforcement	General Plan Update	Community Dev Block Grant
Assets				
Pooled cash and investments	\$ -	\$ 251,049	\$ 1,190,550	\$ 65,655
Cash with fiscal agents	-	-	-	-
Receivables:				
Accrued interest	379	242	1,171	64
Other accounts receivable	63,536	-	34,744	-
Loans receivable	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	\$ 63,915	\$ 251,291	\$ 1,226,465	\$ 65,719
Liabilities				
Accounts payable	\$ -	\$ -	\$ 8,162	\$ -
Accrued liabilities	-	-	20,328	-
Due to other funds	-	-	-	35,907
Customer deposits/other liabilities	-	-	-	-
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total Liabilities	-	-	28,490	35,907
Fund Balances				
Restricted				
Community services	-	-	1,197,975	29,812
Parks and recreation	-	-	-	-
Streets and highways	63,915	-	-	-
Debt service	-	-	-	-
Public safety	-	251,291	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	-	-	-
Total Fund Balances	63,915	251,291	1,197,975	29,812
Total Liabilities and Fund Balances	\$ 63,915	\$ 251,291	\$ 1,226,465	\$ 65,719

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

Special Revenue Funds (continued)				
	Asset Seizure	Landscape and Lighting	Community Facilities	Environmental Programs
Assets				
Pooled cash and investments	\$ 101,519	\$ 202,911	\$ 132,163	\$ 508,523
Cash with fiscal agents	-	-	-	-
Receivables:				
Accrued interest	125	185	59	355
Other accounts receivable	-	-	146	352,633
Loans receivable	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	\$ 101,644	\$ 203,096	\$ 132,368	\$ 861,511
Liabilities				
Accounts payable	\$ -	\$ 3,960	\$ -	\$ 341,269
Accrued liabilities	-	8,606	-	15,004
Due to other funds	-	-	-	-
Customer deposits/other liabilities	-	-	-	-
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	12,566	-	356,273
Fund Balances				
Restricted				
Community services	-	-	-	366,120
Parks and recreation	-	-	132,368	-
Streets and highways	-	190,530	-	-
Debt service	-	-	-	-
Public safety	101,644	-	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	-	-	139,118
Total Fund Balances	101,644	190,530	132,368	505,238
Total Liabilities and Fund Balances	\$ 101,644	\$ 203,096	\$ 132,368	\$ 861,511

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	<u>Special Revenue Funds (continued)</u>		<u>Capital Projects Funds</u>	
	<u>Mobile Home Park Rent Stabilization</u>	<u>Employee Assistance</u>	<u>Park Impact</u>	<u>Park Maintenance</u>
Assets				
Pooled cash and investments	\$ 69,925	\$ 56,459	\$ 61,652	\$ 3,467,995
Cash with fiscal agents	-	-	-	-
Receivables:				
Accrued interest	67	55	243	3,389
Other accounts receivable	-	-	202,500	-
Loans receivable	-	5,450	-	-
Prepaid items	-	-	-	-
Total Assets	\$ 69,992	\$ 61,964	\$ 264,395	\$ 3,471,384
Liabilities				
Accounts payable	\$ -	\$ -	\$ 33,838	\$ 64,671
Accrued liabilities	-	-	773,037	-
Due to other funds	-	-	-	-
Customer deposits/other liabilities	-	-	278,009	-
Advances payable	-	-	-	-
Unearned revenue	-	-	2,500	-
Total liabilities	-	-	1,087,384	64,671
Fund Balances				
Restricted				
Community services	69,992	-	-	-
Parks and recreation	-	-	-	3,406,713
Streets and highways	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	61,964	(822,989)	-
Total Fund Balances	69,992	61,964	(822,989)	3,406,713
Total Liabilities and Fund Balances	\$ 69,992	\$ 61,964	\$ 264,395	\$ 3,471,384

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Capital Projects Funds (continued)			
	Drainage Impact	Open Space	Street CIP	Traffic Impact
Assets				
Pooled cash and investments	\$ 12,965,534	\$ 670,272	\$ 4,376,182	\$ 2,475,714
Cash with fiscal agents	-	-	-	-
Receivables:				
Accrued interest	13,124	583	5,525	1,897
Other accounts receivable	33,734	5,193	1,374,800	3,869
Loans receivable	-	760,000	-	246,800
Prepaid items	-	-	-	-
Total Assets	\$ 13,012,392	\$ 1,436,048	\$ 5,756,507	\$ 2,728,280
Liabilities				
Accounts payable	\$ 9,632	\$ 84,277	\$ 9,381	\$ 793,544
Accrued liabilities	31,718	-	-	738,814
Due to other funds	-	-	-	-
Customer deposits/other liabilities	-	-	4,650	-
Advances payable	-	-	-	-
Unearned revenue	-	2,533	1,272	8,884
Total liabilities	41,350	86,810	15,303	1,541,242
Fund Balances				
Restricted				
Community services	-	-	-	-
Parks and recreation	-	-	-	-
Streets and highways	-	-	5,741,204	1,187,038
Debt service	-	-	-	-
Public safety	-	-	-	-
Capital expansion projects	12,971,042	1,349,238	-	-
Other purposes	-	-	-	-
Total Fund Balances	12,971,042	1,349,238	5,741,204	1,187,038
Total Liabilities and Fund Balances	\$ 13,012,392	\$ 1,436,048	\$ 5,756,507	\$ 2,728,280

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Capital Projects Funds (continued)			
	Public Facilities	Library Impact	Undergrounding	School Pedestrian & Traffic Safety
Assets				
Pooled cash and investments	\$ 3,970,299	\$ 1,443,116	\$ 1,835,159	\$ -
Cash with fiscal agents	-	-	-	-
Receivables:				
Accrued interest	4,183	1,467	1,448	-
Other accounts receivable	-	-	-	-
Loans receivable	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	\$ 3,974,482	\$ 1,444,583	\$ 1,836,607	\$ -
Liabilities				
Accounts payable	\$ 64,718	\$ -	\$ 235,959	\$ 14,915
Accrued liabilities	13,910	-	-	-
Due to other funds	-	-	-	31,148
Customer deposits/other liabilities	-	-	-	-
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	78,628	-	235,959	46,063
Fund Balances				
Restricted				
Community services	-	-	-	-
Parks and recreation	-	-	-	-
Streets and highways	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Capital expansion projects	3,895,854	1,444,583	1,600,648	-
Other purposes	-	-	-	(46,063)
Total Fund Balances	3,895,854	1,444,583	1,600,648	(46,063)
Total Liabilities and Fund Balances	\$ 3,974,482	\$ 1,444,583	\$ 1,836,607	\$ -

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	<u>Capital Projects Funds (continued)</u>		<u>Debt Service Funds</u>		
	<u>Community/ Rec Center Impact Fund</u>	<u>Public Safety Facilities Impact Fund</u>	<u>Civic Center (Library)</u>	<u>Police Facility</u>	<u>Total Nonmajor Govt Funds</u>
Assets					
Pooled cash and investments	\$ 1,308,070	\$ 3,858,112	\$ 173,278	\$ 166,583	\$ 39,350,720
Cash with fiscal agents	-	-	-	-	-
Receivables:					
Accrued interest	1,329	3,874	167	161	40,092
Other accounts receivable	-	-	-	-	2,071,155
Loans receivable	-	-	-	-	1,012,250
Prepaid items	-	-	-	-	-
Total Assets	\$ 1,309,399	\$ 3,861,986	\$ 173,445	\$ 166,744	\$ 42,474,217
Liabilities					
Accounts payable	\$ 14,374	\$ 59,800	\$ -	\$ -	\$ 1,738,500
Accrued liabilities	-	12,000	-	-	1,613,417
Due to other funds	-	-	-	-	67,055
Customer deposits/other liabilities	-	-	-	-	282,659
Advances payable	-	568,362	-	-	568,362
Unearned revenue	-	-	-	-	15,189
Total liabilities	14,374	640,162	-	-	4,285,182
Fund Balances					
Restricted					
Community services	-	-	-	-	1,663,899
Parks and recreation	-	-	-	-	3,539,081
Streets and highways	-	-	-	-	7,182,687
Debt service	-	-	173,445	166,744	340,189
Public safety	-	3,221,824	-	-	3,574,759
Capital expansion projects	1,295,025	-	-	-	22,556,390
Other purposes	-	-	-	-	(667,970)
Total Fund Balances	1,295,025	3,221,824	173,445	166,744	38,189,035
Total Liabilities and Fund Balances	\$ 1,309,399	\$ 3,861,986	\$ 173,445	\$ 166,744	\$ 42,474,217

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds			
	Street Maintenance	Supplemental Law Enforcement	General Plan Update	Community Dev Block Grant
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	686,199	161,285	-	-
Charges for current services	-	-	725,376	-
Investment income	1,227	1,432	(50,813)	415
Other revenues	-	-	8,951	-
Total Revenues	687,426	162,717	683,514	415
Expenditures:				
Current:				
General government	-	-	2,923	-
Public safety	-	7,245	-	-
Development services	-	-	722,370	5,496
Streets and highways	4,332	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	4,332	7,245	725,293	5,496
Excess (deficiency) of revenues over (under) expenditures	683,094	155,472	(41,779)	(5,081)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	110,016	-
Transfers (out)	(625,420)	(100,000)	(1,812)	-
Total other financing sources (uses)	(625,420)	(100,000)	108,204	-
Net change in fund balances	57,674	55,472	66,425	(5,081)
Fund Balances-Beginning	6,241	195,819	1,131,550	34,893
Fund Balances (deficit)-Ending	\$ 63,915	\$ 251,291	\$ 1,197,975	\$ 29,812

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds (continued)			
	Asset Seizure	Landscape and Lighting	Community Facilities	Environmental Programs
Revenues:				
Property taxes and special assessment	\$ -	\$ 186,665	\$ 20,671	\$ -
Funding from other governmental agencies	-	-	-	-
Charges for current services	-	-	-	1,399,012
Investment income	850	1,133	692	2,521
Other revenues	-	-	-	27,015
Total Revenues	850	187,798	21,363	1,428,548
Expenditures:				
Current:				
General government	-	366	77	2,508
Public safety	42,465	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	169,608	26,758	1,378,476
Capital outlay:				
Construction projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	42,465	169,974	26,835	1,380,984
Excess (deficiency) of revenues over (under) expenditures	(41,615)	17,824	(5,472)	47,564
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	433,068
Transfers (out)	-	-	-	(324,763)
Total other financing sources (uses)	-	-	-	108,305
Net change in fund balances	(41,615)	17,824	(5,472)	155,869
Fund Balances-Beginning	143,259	172,706	137,840	349,369
Fund Balances (deficit)-Ending	\$ 101,644	\$ 190,530	\$ 132,368	\$ 505,238

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds (continued)		Capital Projects Funds	
	Mobile Home Park Rent Stabilization	Employee Assistance	Park Impact	Park Maintenance
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	200,000	-
Charges for current services	-	-	619,881	111,468
Investment income	8,246	353	12,200	(105,184)
Other revenues	-	-	73	13,350
Total Revenues	8,246	353	832,154	19,634
Expenditures:				
Current:				
General government	-	1,032	-	-
Public safety	-	-	-	-
Development services	444	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	58,865	384
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	6,259,723	85,400
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	444	1,032	6,318,588	85,784
Excess (deficiency) of revenues over (under) expenditures	7,802	(679)	(5,486,434)	(66,150)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	5,383,018	1,307,787
Transfers (out)	-	-	(990,491)	(650,004)
Total other financing sources (uses)	-	-	4,392,527	657,783
Net change in fund balances	7,802	(679)	(1,093,907)	591,633
Fund Balances-Beginning	62,190	62,643	270,918	2,815,080
Fund Balances (deficit)-Ending	\$ 69,992	\$ 61,964	\$ (822,989)	\$ 3,406,713

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Capital Projects Funds (Continued)			
	Drainage Impact	Open Space	Street CIP	Traffic Impact
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	3,308,349	8,353,820
Charges for current services	1,486,583	115,089	323,108	908,645
Investment income	(548,708)	37,266	(188,804)	(101,022)
Other revenues	32,747	-	-	-
Total Revenues	970,622	152,355	3,442,653	9,161,443
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	10,340	175,288	15,192	12,708
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	182,653	-	3,024,848	10,072,094
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	192,993	175,288	3,040,040	10,084,802
Excess (deficiency) of revenues over (under) expenditures	777,629	(22,933)	402,613	(923,359)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	1,799,996	-
Transfers (out)	(22,704)	(5,399,518)	-	(106,896)
Total other financing sources (uses)	(22,704)	(5,399,518)	1,799,996	(106,896)
Net change in fund balances	754,925	(5,422,451)	2,202,609	(1,030,255)
Fund Balances-Beginning	12,216,117	6,771,689	3,538,595	2,217,293
Fund Balances (deficit)-Ending	\$ 12,971,042	\$ 1,349,238	\$ 5,741,204	\$ 1,187,038

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Capital Projects Funds (Continued)			
	Public Facilities	Library Impact	Undergrounding	School Pedestrian & Traffic Safety
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	-	-
Charges for current services	2,526,696	149,191	628,270	1,025,624
Investment income	(172,897)	(60,525)	(79,842)	43
Other revenues	-	-	-	-
Total Revenues	2,353,799	88,666	548,428	1,025,667
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	1,140	6,754
Parks and recreation	-	-	-	-
Other public services	10,155	5,700	-	-
Capital outlay:				
Construction projects	557,082	1,722	20,478	1,231,898
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	567,237	7,422	21,618	1,238,652
Excess (deficiency) of revenues over (under) expenditures	1,786,562	81,244	526,810	(212,985)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	87,072	-	-
Transfers (out)	(24,996)	(211,008)	-	(15,000)
Total other financing sources (uses)	(24,996)	(123,936)	-	(15,000)
Net change in fund balances	1,761,566	(42,692)	526,810	(227,985)
Fund Balances-Beginning	2,134,288	1,487,275	1,073,838	181,922
Fund Balances (deficit)-Ending	\$ 3,895,854	\$ 1,444,583	\$ 1,600,648	\$ (46,063)

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Capital Projects Funds (Continued)		Debt Service Funds		Total
	Community/ Rec Center Impact	Public Safety Facilities Impact Fund	Civic Center (Library)	Police Facility	NonMajor Govt Funds
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -	\$ 207,336
Funding from other governmental agencies	-	-	-	-	12,709,653
Charges for current services	277,049	230,500	-	-	10,526,492
Investment income	(54,384)	(162,116)	1,040	-	(1,456,877)
Other revenues	-	-	-	-	82,136
Total Revenues	222,665	68,384	1,040	-	22,068,740
Expenditures:					
Current:					
General government	-	-	-	-	6,906
Public safety	-	7,352	-	-	57,062
Development services	-	-	-	-	728,310
Streets and highways	516	-	-	-	226,270
Parks and recreation	-	-	-	-	59,249
Other public services	-	-	-	-	1,590,697
Capital outlay:					
Construction projects	280,625	286,523	-	-	22,003,046
Debt service:					
Principal	-	-	167,164	227,836	395,000
Interest and fiscal charges	-	-	130,915	161,386	292,301
Total Expenditures	281,141	293,875	298,079	389,222	25,358,841
Excess (deficiency) of revenues over (under) expenditures	(58,476)	(225,491)	(297,039)	(389,222)	(3,290,101)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	304,956	384,204	9,810,117
Transfers (out)	-	(203,628)	-	-	(8,676,240)
Total other financing sources (uses)	-	(203,628)	304,956	384,204	1,133,877
Net change in fund balances	(58,476)	(429,119)	7,917	(5,018)	(2,156,224)
Fund Balances-Beginning	1,353,501	3,650,943	165,528	171,762	40,345,259
Fund Balances (deficit)-Ending	\$ 1,295,025	\$ 3,221,824	\$ 173,445	\$ 166,744	\$ 38,189,035

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2022

	Special Revenue Funds			
	Street Maintenance			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	698,292	698,292	686,199	(12,093)
Charges for current services	-	-	-	-
Investment income	1,442	1,443	1,227	(216)
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	699,734	699,735	687,426	(12,309)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	4,333	4,333	4,332	1
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	4,333	4,333	4,332	-
Excess (deficiency) of revenues over (under) expenditures	695,401	695,402	683,094	(12,308)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(699,735)	(699,735)	(625,420)	74,315
Total other financing sources (uses)	(699,735)	(699,735)	(625,420)	74,315
Net change in fund balances	\$ (4,334)	\$ (4,333)	57,674	\$ 62,007
Fund Balances-Beginning			6,241	
Fund Balances (deficit)-Ending			\$ 63,915	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2022

	Special Revenue Funds (continued)			
	Supplemental Law Enforcement			Variance with
	Budgeted Amounts		Actual	Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	100,000	100,000	161,285	61,285
Investment income	859	858	1,432	574
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	100,859	100,858	162,717	61,859
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	7,245	7,245	7,245	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	7,245	7,245	7,245	-
Excess (deficiency) of revenues over (under) expenditures	93,614	93,613	155,472	61,859
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(625,420)	(100,000)	(100,000)	-
Total other financing sources (uses)	(625,420)	(100,000)	(100,000)	-
Net change in fund balances	\$ (531,806)	\$ (6,387)	55,472	\$ 61,859
Fund Balances-Beginning			195,819	
Fund Balances (deficit)-Ending			\$ 251,291	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2022

	Special Revenue Funds (continued)			
	General Plan Update			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	747,000	747,000	725,376	(21,624)
Investment income	12,267	12,266	(50,813)	(63,079)
Fines, forfeitures, and other revenues	-	-	8,951	8,951
Total Revenues	759,267	759,266	683,514	(75,752)
Expenditures:				
Current:				
General government	2,923	2,923	2,923	-
Public safety	-	-	-	-
Development services	653,203	856,472	722,370	134,102
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	656,126	859,395	725,293	134,102
Excess (deficiency) of revenues over (under) expenditures	103,141	(100,129)	(41,779)	58,350
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	110,000	110,000	110,016	16
Transfers (out)	(1,807)	(1,807)	(1,812)	(5)
Total other financing sources (uses)	108,193	108,193	108,204	11
Net change in fund balances	\$ 211,334	\$ 8,064	66,425	\$ 58,361
Fund Balances-Beginning			1,131,550	
Fund Balances (deficit)-Ending			\$ 1,197,975	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2022

Special Revenue Funds (continued)				
Community Development Block Grant				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	3,173	3,173	415	(2,758)
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	3,173	3,173	415	(2,758)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	5,499	10,864	5,496	5,368
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	5,499	10,864	5,496	-
Excess (deficiency) of revenues over (under) expenditures	(2,326)	(7,691)	(5,081)	2,610
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (2,326)	\$ (7,691)	(5,081)	\$ 2,610
Fund Balances-Beginning			34,893	
Fund Balances (deficit)-Ending			\$ 29,812	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2022

Special Revenue Funds (continued)				
Asset Seizure				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	1,931	1,931	850	(1,081)
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	1,931	1,931	850	(1,081)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	54,232	42,465	11,767
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	-	54,232	42,465	11,767
Excess (deficiency) of revenues over (under) expenditures	1,931	(52,301)	(41,615)	10,686
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 1,931	\$ (52,301)	(41,615)	\$ 10,686
Fund Balances-Beginning			143,259	
Fund Balances (deficit)-Ending			\$ 101,644	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2022

Special Revenue Funds (continued)				
Landscape and Lighting				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ 186,665	\$ 186,665
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	2,573	2,573	1,133	(1,440)
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	2,573	2,573	187,798	185,225
Expenditures:				
Current:				
General government	-	-	366	(366)
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	166,262	168,130	169,608	(1,478)
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	166,262	168,130	169,974	(1,844)
Excess (deficiency) of revenues over (under) expenditures	(163,689)	(165,557)	17,824	183,381
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (163,689)	\$ (165,557)	17,824	\$ 183,381
Fund Balances-Beginning			172,706	
Fund Balances (deficit)-Ending			\$ 190,530	

City of Morgan Hill
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Special Revenue Funds (continued)				
Community Facilities				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ 20,671	\$ 20,671
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	1,240	1,240	692	(548)
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	1,240	1,240	21,363	20,123
Expenditures:				
Current:				
General government	77	77	77	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	41,891	42,016	26,758	15,258
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	41,968	42,093	26,835	15,258
Excess (deficiency) of revenues over (under) expenditures	(40,728)	(40,853)	(5,472)	35,381
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (40,728)	\$ (40,853)	(5,472)	\$ 35,381
Fund Balances-Beginning			137,840	
Fund Balances (deficit)-Ending			\$ 132,368	

City of Morgan Hill
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Special Revenue Funds (continued)				
Environmental Programs				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	1,481,421	1,481,421	1,399,012	(82,409)
Investment income	6,380	6,380	2,521	(3,859)
Fines, forfeitures, and other revenues	44,000	44,000	27,015	(16,985)
Total Revenues	1,531,801	1,531,801	1,428,548	(103,253)
Expenditures:				
Current:				
General government	2,508	2,508	2,508	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	1,604,144	1,662,373	1,378,476	283,897
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	1,606,652	1,664,881	1,380,984	283,897
Excess (deficiency) of revenues over (under) expenditures	(74,851)	(133,080)	47,564	180,644
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	433,076	433,076	433,068	(8)
Transfers (out)	324,763	(324,763)	(324,763)	-
Total other financing sources (uses)	757,839	108,313	108,305	(8)
Net change in fund balances	\$ 682,988	\$ (24,767)	155,869	\$ 180,636
Fund Balances-Beginning			349,369	
Fund Balances (deficit)-Ending			\$ 505,238	

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Special Revenue Funds (continued)				
Mobile Home Park Rent Stabilization				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	757	757	8,246	7,489
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	757	757	8,246	7,489
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	449	449	444	5
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	449	449	444	5
Excess (deficiency) of revenues over (under) expenditures	308	308	7,802	7,494
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 308	\$ 308	7,802	\$ 7,494
Fund Balances-Beginning			62,190	
Fund Balances (deficit)-Ending			\$ 69,992	

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Special Revenue Funds (continued)				
Employee Assistance				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	28,000	28,000	-	(28,000)
Investment income	1,089	1,089	353	(736)
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	29,089	29,089	353	(28,736)
Expenditures:				
Current:				
General government	28,531	28,531	1,032	27,499
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	28,531	28,531	1,032	27,499
Excess (deficiency) of revenues over (under) expenditures	558	558	(679)	(1,237)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 558	\$ 558	(679)	\$ (1,237)
Fund Balances-Beginning			62,643	
Fund Balances (deficit)-Ending			\$ 61,964	

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Capital Project Funds				
Park Impact				Variance with Final Budget
Budgeted Amounts		Actual	Positive	
Original	Final	Amounts	(Negative)	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ 200,000	\$ 200,000
Charges for current services	1,706,028	1,706,028	619,881	(1,086,147)
Investment income	42,451	42,452	12,200	(30,252)
Other revenues	-	-	73	73
Total Revenues	1,748,479	1,748,480	832,154	(916,326)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	43,234	43,234	58,865	(15,631)
Other public services	-	-	-	-
Capital outlay:				
Construction projects	2,050,000	9,612,922	6,259,723	3,353,199
Total Expenditures	2,093,234	9,656,156	6,318,588	3,337,568
Excess (deficiency) of revenues over (under) expenditures	(344,755)	(7,907,676)	(5,486,434)	2,421,242
Other Financing Sources (Uses):				
Transfers in	-	-	5,383,018	5,383,018
Transfers (out)	(82,700)	(82,700)	(990,491)	(907,791)
Total other financing sources (uses)	(82,700)	(82,700)	4,392,527	4,475,227
Net change in fund balances	\$ (427,455)	\$ (7,990,376)	(1,093,907)	\$ 6,896,469
Fund Balances-Beginning			270,918	
Fund Balances (deficit)-Ending			\$ (822,989)	

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	Capital Project Funds (continued)			
	Park Maintenance			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,898,129	1,898,129	111,468	(1,786,661)
Investment income	86,036	86,036	(105,184)	(191,220)
Other revenues	-	-	13,350	13,350
Total Revenues	1,984,165	1,984,165	19,634	(1,964,531)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	384	(384)
Other public services	-	-	-	-
Capital outlay:				
Construction projects	500,000	695,776	85,400	610,376
Total Expenditures	500,000	695,776	85,784	609,992
Excess (deficiency) of revenues over (under) expenditures	1,484,165	1,288,389	(66,150)	(1,354,539)
Other Financing Sources (Uses):				
Transfers in	-	-	1,307,787	1,307,787
Transfers (out)	(650,000)	(650,000)	(650,004)	(4)
Total other financing sources (uses)	(650,000)	(650,000)	657,783	1,307,783
Net change in fund balances	\$ 834,165	\$ 638,389	591,633	\$ (46,756)
Fund Balances-Beginning			2,815,080	
Fund Balances (deficit)-Ending			\$ 3,406,713	

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	Capital Project Funds (continued)			
	Drainage Impact			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	772,540	772,540	1,486,583	714,043
Investment income	203,188	203,188	(548,708)	(751,896)
Other revenues	-	-	32,747	32,747
Total Revenues	975,728	975,728	970,622	(5,106)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	10,224	10,224	10,340	(116)
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	2,370,000	7,797,387	182,653	7,614,734
Total Expenditures	2,380,224	7,807,611	192,993	7,614,618
Excess (deficiency) of revenues over (under) expenditures	(1,404,496)	(6,831,883)	777,629	7,609,512
Other Financing Sources (Uses):				
Transfers in	780,000	780,000	-	(780,000)
Transfers (out)	(22,700)	(22,700)	(22,704)	(4)
Total other financing sources (uses)	757,300	757,300	(22,704)	(780,004)
Net change in fund balances	\$ (647,196)	\$ (6,074,583)	754,925	\$ 6,829,508
Fund Balances-Beginning			12,216,117	
Fund Balances (deficit)-Ending			\$ 12,971,042	

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Capital Project Funds (continued)				
Open Space				Variance with Final Budget
Budgeted Amounts		Actual	Positive	
Original	Final	Amounts	(Negative)	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	107,612	107,612	115,089	7,477
Investment income	72,773	72,773	37,266	(35,507)
Other revenues	-	-	-	-
Total Revenues	180,385	180,385	152,355	(28,030)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	80,491	180,491	175,288	5,203
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	80,491	180,491	175,288	5,203
Excess (deficiency) of revenues over (under) expenditures	99,894	(106)	(22,933)	(22,827)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(16,500)	(5,399,518)	(5,399,518)	-
Total other financing sources (uses)	(16,500)	(5,399,518)	(5,399,518)	-
Net change in fund balances	\$ 83,394	\$ (5,399,624)	(5,422,451)	\$ (22,827)
Fund Balances-Beginning			6,771,689	
Fund Balances (deficit)-Ending			\$ 1,349,238	

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Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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	Capital Project Funds (continued)			
	Streets CIP			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ 1,836,376	\$ 1,836,376	\$ 3,308,349	\$ 1,471,973
Charges for current services	1,166,582	1,166,582	323,108	(843,474)
Investment income	47,566	47,565	(188,804)	(236,369)
Other revenues	-	-	-	-
Total Revenues	3,050,524	3,050,523	3,442,653	392,130
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	15,188	15,188	15,192	(4)
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	3,330,000	6,571,954	3,024,848	3,547,106
Total Expenditures	3,345,188	6,587,142	3,040,040	3,547,102
Excess (deficiency) of revenues over (under) expenditures	(294,664)	(3,536,619)	402,613	3,939,232
Other Financing Sources (Uses):				
Transfers in	250,000	1,000,000	1,799,996	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	250,000	1,000,000	1,799,996	-
Net change in fund balances	\$ (44,664)	\$ (2,536,619)	2,202,609	\$ 3,939,232
Fund Balances-Beginning			3,538,595	
Fund Balances (deficit)-Ending			\$ 5,741,204	

City of Morgan Hill
Nonmajor Governmental Funds
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	Capital Project Funds (continued)			
	Traffic Impact			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ 8,353,820	\$ 8,353,820
Charges for current services	1,453,970	1,453,970	908,645	(545,325)
Investment income	14,419	14,418	(101,022)	(115,440)
Other revenues	-	-	-	-
Total Revenues	1,468,389	1,468,388	9,161,443	7,693,055
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	12,706	12,706	12,708	(2)
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	300,000	29,581,176	10,072,094	19,509,082
Total Expenditures	312,706	29,593,882	10,084,802	19,509,080
Excess (deficiency) of revenues over (under) expenditures	1,155,683	(28,125,494)	(923,359)	27,202,135
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(886,900)	(886,900)	(106,896)	780,004
Total other financing sources (uses)	(886,900)	(886,900)	(106,896)	780,004
Net change in fund balances	\$ 268,783	\$ (29,012,394)	(1,030,255)	\$ 27,982,139
Fund Balances-Beginning			2,217,293	
Fund Balances (deficit)-Ending			\$ 1,187,038	

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	Capital Project Funds (continued)			
	Public Facilities			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	854,808	854,808	2,526,696	1,671,888
Investment income	22,216	22,216	(172,897)	(195,113)
Other revenues	-	-	-	-
Total Revenues	877,024	877,024	2,353,799	1,476,775
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	10,108	10,108	10,155	(47)
Capital outlay:				
Construction projects	-	1,344,128	557,082	787,046
Total Expenditures	10,108	1,354,236	567,237	786,999
Excess (deficiency) of revenues over (under) expenditures	866,916	(477,212)	1,786,562	2,263,774
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(25,000)	(25,000)	(24,996)	4
Total other financing sources (uses)	(25,000)	(25,000)	(24,996)	4
Net change in fund balances	\$ 841,916	\$ (502,212)	1,761,566	\$ 2,263,778
Fund Balances-Beginning			2,134,288	
Fund Balances (deficit)-Ending			\$ 3,895,854	

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Nonmajor Governmental Funds
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	Capital Project Funds (continued)			
	Library Impact			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	963,698	963,698	149,191	(814,507)
Investment income	26,848	26,848	(60,525)	(87,373)
Other revenues	-	-	-	-
Total Revenues	990,546	990,546	88,666	(901,880)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	5,699	5,699	5,700	(1)
Capital outlay:				
Construction projects	-	2,000	1,722	278
Total Expenditures	5,699	7,699	7,422	277
Excess (deficiency) of revenues over (under) expenditures	984,847	982,847	81,244	(901,603)
Other Financing Sources (Uses):				
Transfers in	87,071	87,071	87,072	1
Transfers (out)	(211,005)	(211,005)	(211,008)	(3)
Total other financing sources (uses)	(123,934)	(123,934)	(123,936)	(2)
Net change in fund balances	\$ 860,913	\$ 858,913	(42,692)	\$ (901,605)
Fund Balances-Beginning			1,487,275	
Fund Balances (deficit)-Ending			\$ 1,444,583	

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	Capital Project Funds (continued)			
	Undergrounding			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	-	-	628,270	628,270
Investment income	13,073	13,073	(79,842)	(92,915)
Other revenues	73,000	73,000	-	(73,000)
Total Revenues	86,073	86,073	548,428	462,355
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	1,135	1,135	1,140	(5)
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	138,263	20,478	117,785
Total Expenditures	1,135	139,398	21,618	-
Excess (deficiency) of revenues over (under) expenditures	84,938	(53,325)	526,810	580,135
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 84,938	\$ (53,325)	526,810	\$ 580,135
Fund Balances-Beginning			1,073,838	
Fund Balances (deficit)-Ending			\$ 1,600,648	

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Capital Project Funds (continued)				
School Pedestrian & Traffic Safety				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	579,410	579,410	1,025,624	446,214
Investment income	12,557	12,557	43	(12,514)
Other revenues	-	-	-	-
Total Revenues	591,967	591,967	1,025,667	433,700
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	6,709	6,709	6,754	(45)
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	150,000	1,258,757	1,231,898	26,859
Total Expenditures	156,709	1,265,466	1,238,652	26,814
Excess (deficiency) of revenues over (under) expenditures	435,258	(673,499)	(212,985)	460,514
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	(15,000)	(15,000)	(15,000)	-
Net change in fund balances	\$ 420,258	\$ (688,499)	(227,985)	\$ 460,514
Fund Balances-Beginning			181,922	
Fund Balances (deficit)-Ending			\$ (46,063)	

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	Capital Project Funds (continued)			
	Community/Rec Center Impact			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,709,214	1,709,214	277,049	(1,432,165)
Investment income	20,804	20,804	(54,384)	(75,188)
Other revenues	-	-	-	-
Total Revenues	1,730,018	1,730,018	222,665	(1,507,353)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	513	513	516	(3)
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	1,060,000	1,454,321	280,625	1,173,696
Total Expenditures	1,060,513	1,454,834	281,141	1,173,693
Excess (deficiency) of revenues over (under) expenditures	669,505	275,184	(58,476)	(333,660)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 669,505	\$ 275,184	(58,476)	\$ (333,660)
Fund Balances-Beginning			1,353,501	
Fund Balances (deficit)-Ending			\$ 1,295,025	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2022

	Capital Project Funds (continued)			
	Public Safety Facilities Impact			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	794,578	794,578	230,500	(564,078)
Investment income	7,009	69,839	(162,116)	(231,955)
Other revenues	-	-	-	-
Total Revenues	801,587	864,417	68,384	(796,033)
Expenditures:				
Current:				
Public safety	3,182	31,557	7,352	24,205
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	1,030,000	286,523	743,477
Total Expenditures	3,182	1,061,557	293,875	767,682
Excess (deficiency) of revenues over (under) expenditures	798,405	(197,140)	(225,491)	(28,351)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(228,623)	(228,623)	(203,628)	24,995
Total other financing sources (uses)	(228,623)	(228,623)	(203,628)	24,995
Net change in fund balances	\$ 569,782	\$ (425,763)	(429,119)	\$ (3,356)
Fund Balances-Beginning			3,650,943	
Fund Balances (deficit)-Ending			\$ 3,221,824	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2022

	Debt Service Funds			
	Civic Center (Library)			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Charges for current services	\$ -	\$ -	\$ -	\$ -
Investment income	2,438	2,438	1,040	(1,398)
Total Revenues	2,438	2,438	1,040	(1,398)
Expenditures:				
Debt service:				
Principal	165,000	165,000	167,164	(2,164)
Interest and fiscal charges	139,947	139,947	130,915	9,032
Total Expenditures	304,947	304,947	298,079	6,868
Excess (deficiency) of revenues over (under) expenditures	(302,509)	(293,477)	(297,039)	(3,562)
Other Financing Sources (Uses):				
Transfers in	304,947	304,947	304,956	9
Total other financing sources (uses)	304,947	304,947	304,956	9
Net change in fund balances	\$ 2,438	\$ 11,470	7,917	\$ (3,553)
Fund Balances-Beginning			165,528	
Fund Balances (deficit)-Ending			\$ 173,445	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2022

	Debt Service Funds, (continued)			
	Police Facility			Variance with Final Budget
	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original	Final		
Revenues:				
Charges for current services	\$ -	\$ -	\$ -	\$ -
Investment income	1,443	1,444	-	(1,444)
Total Revenues	1,443	1,444	-	(1,444)
Expenditures:				
Debt service:				
Principal	310,252	310,252	227,836	82,416
Interest and fiscal charges	79,245	161,386	161,386	-
Total Expenditures	389,497	471,638	389,222	82,416
Excess (deficiency) of revenues over (under) expenditures	(388,054)	(387,778)	(389,222)	(1,444)
Other Financing Sources (Uses):				
Transfers in	384,195	384,204	384,204	-
Total other financing sources (uses)	384,195	384,204	384,204	-
Net change in fund balances	\$ (3,859)	\$ (3,574)	(5,018)	\$ (1,444)
Fund Balances-Beginning			171,762	
Fund Balances (deficit)-Ending			\$ 166,744	



CITY OF MORGAN HILL

Internal Service Funds



CITY OF MORGAN HILL

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by a department for other departments on a cost-reimbursement basis.

Information Systems – Based on the information technology equipment in each department, the Information Systems fund levies for the costs of operating this fund.

Building and Maintenance – This fund levies a charge against each department for its share, based on the square footage of the City's owned facilities, of the costs of operations for building maintenance.

Building Replacement – This fund accounts for reserves set aside for the future replacement of major building components. A funding schedule based on the replacement cost and life of the major building components is used as an allocation to user departments.

CIP Project Implementation – This fund levies a charge against each fund for its share of the costs of implementing the capital improvements program including the costs incurred for personnel, administration and capital outlay.

Unemployment Insurance – This fund receives funds through charging each department an assessment, based on gross salaries, to cover the cost of charges for unemployment benefits levied by the State.

Workers' Compensation – This fund assesses a levy against all labor expenditures to provide the revenue to cover the costs for excess workers' compensation insurance premiums, claims administration, and expenses for the workers' compensation program. A fund reserve covers the City's \$250,000 deductible per claim.

Equipment Replacement – This fund is used to accumulate reserves, via a charge to all operating departments with equipment and/or vehicles to fund the replacement of the equipment and vehicles.

Employee Benefits – This fund collects and holds the annual increase in employee paid leave liability, the difference between accrued and taken. In addition, this fund reports the compensated absence liability for the City as a whole.

General Liability – This fund levies a charge against each operating fund/department for its share, based on payroll, of the liability and property insurance programs to cover expenditures for insurance premiums, claims administration, and claims expense. A fund reserve covers the City's \$100,000 deductible per liability claim.

City of Morgan Hill
Internal Service Funds
Combining Statement of Net Position
June 30, 2022

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
Assets:					
Current assets					
Pooled cash and investment	\$ 1,249,399	\$ -	\$ 3,723,515	\$ 10,040	\$ 316,480
Restricted pooled cash and investments	-	-	-	-	-
Receivables:					
Accrued interest	868	-	3,758	-	301
Other accounts receivable	1,530	481	-	-	-
Prepaid items	-	-	-	-	-
Total current assets	1,251,797	481	3,727,273	10,040	316,781
Noncurrent assets					
Advance to other funds					
Depreciable Capital assets, net	287,308	271,170	1,558,354	-	-
Total noncurrent assets	287,308	271,170	1,558,354	-	-
Total Assets	1,539,105	271,651	5,285,627	10,040	316,781
Liabilities:					
Current liabilities					
Accounts payable	453,254	100,831	7,693	1,713	-
Accrued liabilities	1,214	8,767	141	-	-
Due to other funds	-	56,941	-	-	-
Unearned revenue	1,530	-	-	-	-
Current obligations for:					
Energy efficiency loan	-	-	-	-	-
Compensated absences	-	-	-	-	-
Total current liabilities	455,998	166,539	7,834	1,713	-
Noncurrent liabilities					
Long term obligations for:					
Compensated absences	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-
Total Liabilities	455,998	166,539	7,834	1,713	-
Net Position:					
Net investment in capital assets	287,308	271,170	1,558,354	-	-
Unrestricted	795,799	(166,058)	3,719,439	8,327	316,781
Total Net Position	\$ 1,083,107	\$ 105,112	\$ 5,277,793	\$ 8,327	\$ 316,781

City of Morgan Hill
Internal Service Funds
Combining Statement of Net Position
June 30, 2022

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Assets:					
Current assets					
Pooled cash and investment	\$ 1,912,694	\$ 6,061,218	\$ 503,440	\$ 1,488,649	\$ 15,265,435
Restricted pooled cash and investments	30,000	-	-	-	30,000
Receivables:					
Accrued interest	1,748	6,016	424	340	13,455
Other accounts receivable	-	76,482	-	-	78,493
Prepaid items	-	-	-	65,822	65,822
Total current assets	1,944,442	6,143,716	503,864	1,554,811	15,453,205
Noncurrent assets					
Advance to other funds	-	-	-	-	-
Depreciable Capital assets, net	-	2,470,188	-	-	4,587,020
Total noncurrent assets	-	2,470,188	-	-	4,587,020
Total Assets	1,944,442	8,613,904	503,864	1,554,811	20,040,225
Liabilities:					
Current liabilities					
Accounts payable	-	30,472	-	73,515	667,478
Accrued liabilities	1,517,000	-	-	357,730	1,884,852
Due to other funds	-	-	-	-	56,941
Unearned revenue	-	-	-	-	1,530
Current obligations for:					
Energy efficiency loan	-	-	-	-	-
Compensated absences	-	-	665,207	-	665,207
Total current liabilities	1,517,000	30,472	665,207	431,245	3,276,008
Noncurrent liabilities					
Long term obligations for:					
Compensated absences	-	-	2,150,464	-	2,150,464
Total noncurrent liabilities	-	-	2,150,464	-	2,150,464
Total Liabilities	1,517,000	30,472	2,815,671	431,245	5,426,472
Net Position:					
Net investment in capital assets	-	2,470,188	-	-	4,587,020
Unrestricted	427,442	6,113,244	(2,311,807)	1,123,566	10,026,733
Total Net Position	\$ 427,442	\$ 8,583,432	\$ (2,311,807)	\$ 1,123,566	\$ 14,613,753

City of Morgan Hill
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
Operating Revenues:					
Charges for current services	\$ 2,248,233	\$ 1,130,653	\$ 686,690	\$ 1,759,247	\$ -
Total Operating Revenues	2,248,233	1,130,653	686,690	1,759,247	-
Operating Expenses:					
Salaries and benefits	818,381	362,900	-	1,433,549	-
Claims and insurance premiums	-	-	-	-	14,220
Operations and maintenance	1,365,205	786,986	20,370	41,087	-
Depreciation	35,896	217,210	362,026	-	-
Administrative charges	27,912	129,132	-	308,676	-
Total Operating Expenses (Loss)	2,247,394	1,496,228	382,396	1,783,312	14,220
Operating Income	839	(365,575)	304,294	(24,065)	(14,220)
Nonoperating revenues(expenses):					
Investment earnings	(51,976)	77	(157,036)	100	2,043
Total nonoperating revenue (expenses)	(51,976)	77	(157,036)	100	2,043
Income (loss) before operating transfers	(51,137)	(365,498)	147,258	(23,965)	(12,177)
Transfers in	-	-	10,000	-	-
Transfers out	-	-	-	(12,648)	-
Total transfers	-	-	10,000	(12,648)	-
Change in net position	(51,137)	(365,498)	157,258	(36,613)	(12,177)
Total net position-beginning	1,134,244	470,610	5,120,535	44,940	328,958
Total net position(deficit)-ending	\$ 1,083,107	\$ 105,112	\$ 5,277,793	\$ 8,327	\$ 316,781

City of Morgan Hill
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Operating Revenues:					
Charges for current services	\$ 802,939	\$ 1,154,582	\$ 606,241	\$ 1,716,958	\$ 10,105,543
Total Operating Revenues	802,939	1,154,582	606,241	1,716,958	10,105,543
Operating Expenses:					
Salaries and benefits	-	-	225,435	83,495	2,923,760
Claims and insurance premiums	1,077,238	-	-	1,668,167	2,759,625
Operations and maintenance	36,612	-	-	11,209	2,261,469
Depreciation	-	632,550	-	-	1,247,682
Administrative charges	-	-	-	-	465,720
Total Operating Expenses (Loss)	1,113,850	632,550	225,435	1,762,871	9,658,256
Operating Income	(310,911)	522,032	380,806	(45,913)	447,287
Nonoperating revenues(expenses):					
Investment earnings	(83,309)	(255,461)	3,168	(67,038)	(609,432)
Total nonoperating revenue (expenses)	(83,309)	(255,461)	3,168	(67,038)	(609,432)
Income (loss) before operating transfers	(394,220)	266,571	383,974	(112,951)	(162,145)
Transfers in	-	9,996	-	-	19,996
Transfers (out)	-	-	-	-	(12,648)
Total transfers	-	9,996	-	-	7,348
Change in net position	(394,220)	276,567	383,974	(112,951)	(154,797)
Total net position-beginning	821,662	8,306,865	(2,695,781)	1,236,517	14,768,550
Total net position(deficit)-ending	\$ 427,442	\$ 8,583,432	\$ (2,311,807)	\$ 1,123,566	\$ 14,613,753

City of Morgan Hill
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2022

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 2,254,810	\$ 1,130,275	\$ 686,690	\$ 1,759,247	\$ -
Payment for supplies and services	(941,000)	(810,271)	(60,626)	(40,773)	(19,133)
Payments to employees for salaries and benefits	(817,382)	(419,926)	(28,300)	(1,433,549)	-
Payments for interfund services	(27,912)	(72,191)	-	(308,676)	-
Net cash provided (used) by operating activities	<u>468,516</u>	<u>(172,113)</u>	<u>597,764</u>	<u>(23,751)</u>	<u>(19,133)</u>
Cash Flows from NonCapital Financing Activities					
Interfund loans received (paid)	-	-	-	-	-
Transfers from other funds	-	-	-	-	-
Transfers (to) other funds	-	-	10,000	(12,648)	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(12,648)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Principal paid on capital debt	-	(28,265)	-	-	-
Purchases of capital assets	(38,610)	3,550	(361,186)	-	-
Net cash provided (used) by capital and related financing activities	<u>(38,610)</u>	<u>(24,715)</u>	<u>(361,186)</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest earnings	(52,339)	315	(158,588)	100	1,884
Net cash provided (used) by investing activities	<u>(52,339)</u>	<u>315</u>	<u>(158,588)</u>	<u>100</u>	<u>1,884</u>
Net increase (decrease) in cash and equivalents	<u>377,567</u>	<u>(196,513)</u>	<u>87,990</u>	<u>(36,299)</u>	<u>(17,249)</u>
Cash and equivalents at July 1	<u>871,832</u>	<u>196,513</u>	<u>3,635,525</u>	<u>46,339</u>	<u>333,729</u>
Cash and equivalents at June 30	<u>\$ 1,249,399</u>	<u>\$ -</u>	<u>\$ 3,723,515</u>	<u>\$ 10,040</u>	<u>\$ 316,480</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 839	\$ (365,575)	\$ 304,294	\$ (24,065)	\$ (14,220)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	35,896	217,210	362,026	-	-
(Increase) decrease in receivables	(45)	(378)	-	-	-
(Increase) decrease in Prepaid items	6,622	-	-	-	-
Increase (decrease) in accounts payable	424,160	(23,285)	(40,256)	314	-
Increase (decrease) in accrued liabilities	999	(57,026)	(28,300)	-	(4,913)
Increase (decrease) in due to other funds	-	56,941	-	-	-
Increase (decrease) in unearned revenue	45	-	-	-	-
Increase in compensated absences	-	-	-	-	-
(Decrease) in OPEB payable	-	-	-	-	-
Total adjustments	<u>467,677</u>	<u>193,462</u>	<u>293,470</u>	<u>314</u>	<u>(4,913)</u>
Net cash provided (used) by operating activities	<u>\$ 468,516</u>	<u>\$ (172,113)</u>	<u>\$ 597,764</u>	<u>\$ (23,751)</u>	<u>\$ (19,133)</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2022

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 804,739	\$ 1,103,155	\$ 606,241	\$ 1,909,168	\$ 10,254,325
Payment for supplies and services	(911,546)	-	-	(2,066,553)	(4,849,902)
Payments to employees for salaries and benefits	-	-	(679,967)	(83,495)	(3,462,619)
Payments for interfund services	-	-	-	-	(408,779)
Net cash provided (used) by operating activities	(106,807)	1,103,155	(73,726)	(240,880)	1,533,025
Cash Flows from NonCapital Financing Activities					
Interfund loans received (paid)	-	-	-	-	-
Transfers (to)/from other funds	-	9,996	-	-	9,996
Transfers (to)/from other funds	-	-	-	-	(2,648)
Net cash provided (used) by noncapital financing activities	-	9,996	-	-	7,348
Cash Flows from Capital and Related Financing Activities					
Principal paid on capital debt	-	-	-	-	(28,265)
Purchases of capital assets	-	(786,913)	-	-	(1,183,159)
Net cash provided (used) by capital and related financing activities	-	(786,913)	-	-	(1,211,424)
Cash Flows from Investing Activities					
Interest earnings	(83,785)	(257,824)	3,072	(66,652)	(613,817)
Net cash provided (used) by investing activities	(83,785)	(257,824)	3,072	(66,652)	(613,817)
Net increase (decrease) in cash and equivalents	(190,592)	68,414	(70,654)	(307,532)	(284,868)
Cash and equivalents at July 1	2,133,286	5,992,804	574,094	1,796,181	15,580,303
Cash and equivalents at June 30	\$ 1,942,694	\$ 6,061,218	\$ 503,440	\$ 1,488,649	\$ 15,295,435
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (310,911)	\$ 522,032	\$ 380,806	\$ (45,913)	\$ 447,287
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	632,550	-	-	1,247,682
(Increase) decrease in receivables	1,800	(76,482)	-	192,210	117,105
(Increase) decrease in Prepaid items	-	-	-	(65,822)	(59,200)
Increase (decrease) in accounts payable	(20,696)	25,055	-	69,422	434,714
Increase (decrease) in accrued liabilities	223,000	-	-	(390,777)	(257,017)
Increase (decrease) in due to other funds	-	-	-	-	56,941
Increase (decrease) in unearned revenue	-	-	-	-	45
Increase in compensated absences	-	-	(454,532)	-	(454,532)
(Decrease) in OPEB payable	-	-	-	-	-
Total adjustments	204,104	581,123	(454,532)	(194,967)	1,085,738
Net cash provided(used) by operating activities	\$ (106,807)	\$ 1,103,155	\$ (73,726)	\$ (240,880)	\$ 1,533,025



CITY OF MORGAN HILL

Custodial Funds



CITY OF MORGAN HILL

City of Morgan Hill
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2022

	Custodial Funds		
	Downtown MH PBID	Morgan Hill Business Ranch	Madrone Business Park A.D.
<u>Assets:</u>			
Pooled cash and investments	\$ 106,757	\$ 500,337	\$ 760,335
Cash and investments with fiscal agents	-	614,537	596,678
Accounts receivable	103	2,106	732
Total Assets	106,860	1,116,980	1,357,745
<u>Liabilities</u>			
Deposits held by City for external party	106,860	1,116,980	1,357,745
Total Liabilities	106,860	1,116,980	1,357,745
<u>Net Position</u>			
Other governments	-	-	-
Total Net Positions	\$ -	\$ -	\$ -

City of Morgan Hill
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2022

	Custodial Funds		
	Downtown MH PBID	Morgan Hill Business Ranch	Madrone Business Park A.D.
Additions:			
Other revenue	\$ 675	\$ 3,435	\$ 4,287
Total additions	675	3,435	4,287
Deductions:			
Distribution	675	3,435	4,287
Total deductions	675	3,435	4,287
Change in Net Position	-	-	-
Total net position-beginning	-	-	-
Total net position-ending	\$ -	\$ -	\$ -

STATISTICAL SECTION



CITY OF MORGAN HILL

STATISTICAL SECTION

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Debt Capacity These schedules present information to help the reader assess the affordability of the Government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	200
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City of Morgan Hill
Net Position by Component
Last Ten Fiscal Years

	2013	2014	2015	2016
<u>Governmental activities</u>				
Net investment in capital assets	\$ 243,502,678	\$ 243,272,964	\$ 212,704,540	\$ 247,387,770
Restricted	34,245,650	38,526,702	41,403,713	29,985,864
Unrestricted	93,778,744	102,514,658	67,076,890	83,047,293
Total governmental activities net position	<u>\$ 371,527,072</u>	<u>\$ 384,314,324</u>	<u>\$ 321,185,143</u>	<u>\$ 360,420,927</u>
 <u>Business-type activities</u>				
Net investment in capital assets	\$ 64,290,517	\$ 53,811,487	\$ 59,973,693	\$ 66,841,902
Restricted	22,194,353	26,762,669	22,200,202	18,635,222
Unrestricted	5,787,781	14,656,166	10,015,654	10,092,674
Total business-type activities net position	<u>\$ 92,272,651</u>	<u>\$ 95,230,322</u>	<u>\$ 92,189,549</u>	<u>\$ 95,569,798</u>
 <u>Primary government</u>				
Net investment in capital assets	\$ 307,793,195	\$ 297,084,451	\$ 272,678,233	\$ 314,229,672
Restricted	56,440,003	65,289,371	63,603,915	48,621,086
Unrestricted	99,566,525	117,170,824	77,092,544	93,139,967
Total primary government net position	<u>\$ 463,799,723</u>	<u>\$ 479,544,646</u>	<u>\$ 413,374,692</u>	<u>\$ 455,990,725</u>

Source: City of Morgan Hill Annual Financial Reports

2017	2018	2019	2020	2021	2022
\$ 255,440,265	\$ 261,192,662	\$ 270,716,404	\$ 274,397,215	\$ 283,099,830	\$ 293,306,194
32,099,094	35,645,795	35,888,935	31,219,706	25,555,920	22,896,579
80,663,122	69,792,792	73,843,142	74,649,954	83,724,556	94,684,555
<u>\$ 368,202,481</u>	<u>\$ 366,631,249</u>	<u>\$ 380,448,481</u>	<u>\$ 380,266,875</u>	<u>\$ 392,380,306</u>	<u>\$ 410,887,328</u>
\$ 74,296,295	\$ 75,398,340	\$ 75,944,603	\$ 78,347,533	\$ 78,260,663	\$ 79,273,024
17,655,169	19,634,698	22,966,985	23,633,751	25,530,099	22,398,499
6,561,396	7,811,265	12,275,045	17,501,168	23,667,908	30,374,069
<u>\$ 98,512,860</u>	<u>\$ 102,844,303</u>	<u>\$ 111,186,633</u>	<u>\$ 119,482,452</u>	<u>\$ 127,458,670</u>	<u>\$ 132,045,592</u>
\$ 329,736,560	\$ 336,591,002	\$ 346,661,007	\$ 352,744,748	\$ 361,360,493	\$ 372,579,218
49,754,263	55,280,493	58,855,920	54,853,457	51,086,019	45,295,078
87,224,518	77,604,057	86,118,187	92,151,122	107,392,464	125,058,624
<u>\$ 466,715,341</u>	<u>\$ 469,475,552</u>	<u>\$ 491,635,114</u>	<u>\$ 499,749,327</u>	<u>\$ 519,838,976</u>	<u>\$ 542,932,920</u>

City of Morgan Hill
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

	2013	2014	2015	2016
Expenses				
Governmental activities:				
General Government	\$ 2,885,308	\$ 2,904,732	\$ 2,843,336	\$ 4,092,113
Public Safety	17,279,531	17,670,163	19,950,164	17,737,431
Community development	6,435,624	5,717,704	4,790,542	6,300,312
Public Works development	6,249,886	6,516,103	3,166,946	6,544,763
Recreation and culture	10,051,499	9,871,553	9,993,458	10,819,408
Interest on long term debt	574,134	511,693	558,971	643,763
Total governmental activities expenses	<u>43,475,982</u>	<u>43,191,948</u>	<u>41,303,417</u>	<u>46,137,790</u>
Business-type activities:				
Sewer	9,942,911	9,642,194	9,887,909	10,098,803
Water	10,438,233	10,851,273	10,527,296	13,642,270
Total Business-type activities expenses	<u>20,381,144</u>	<u>20,493,467</u>	<u>20,415,205</u>	<u>23,741,073</u>
Total primary government expenses	<u>\$ 63,857,126</u>	<u>\$ 63,685,415</u>	<u>\$ 61,718,622</u>	<u>\$ 69,878,863</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 2,034,479	\$ 1,927,610	\$ 1,771,476	\$ 1,688,575
Public Safety	583,799	738,424	760,141	801,342
Community development	2,817,569	6,719,080	5,801,869	4,301,337
Public Works development	149,794	181,583	41,703	48,513
Recreation and culture	5,640,640	5,834,679	6,477,163	6,747,293
Operating grants and contributions	3,227,567	4,601,340	3,355,013	3,317,893
Capital grants and contributions	12,024,593	10,942,471	7,272,503	11,837,394
Total governmental activities program revenues	<u>26,478,441</u>	<u>30,945,187</u>	<u>25,479,868</u>	<u>28,742,347</u>
Business-type activities:				
Charges for services:				
Sewer	12,524,768	13,927,768	10,561,028	10,506,697
Water	10,722,187	11,225,987	9,041,044	10,834,507
Operating grants and contributions				
Capital grants and contributions	1,399,261	946,507	3,734,586	6,408,502
Total business-type activities program revenues	<u>24,646,216</u>	<u>26,100,262</u>	<u>23,336,658</u>	<u>27,749,706</u>
Total primary government program revenues	<u>\$ 51,124,657</u>	<u>\$ 57,045,449</u>	<u>\$ 48,816,526</u>	<u>\$ 56,492,053</u>
Net(Expense)/Revenue				
Governmental activities	\$ (16,997,541)	\$ (12,246,761)	\$ (15,823,549)	\$ (17,395,443)
Business-type activities	4,265,072	5,606,795	2,921,453	4,008,633
Total primary government net expense	<u>\$ (12,732,469)</u>	<u>\$ (6,639,966)</u>	<u>\$ (12,902,096)</u>	<u>\$ (13,386,810)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 8,867,646	\$ 8,933,340	\$ 9,380,677	\$ 10,245,679
Sales taxes	7,766,996	8,640,396	8,790,769	9,437,549
Franchise taxes	3,359,018	3,786,751	4,232,789	4,585,883
Other general revenue taxes	858,724	881,549	1,146,383	784,422
Unrestricted investment earnings	1,424,940	2,494,499	713,844	1,035,927
Special item-transfer to Economic Development Corporation				
Special item- assets transfer from Succesor Agency				29,601,047
Extraordinary item-Loss on dissolution of the redevelopment agency				
Transfers	761,419	775,682	813,033	938,735
Total governmental activities	<u>23,038,743</u>	<u>25,512,217</u>	<u>25,077,495</u>	<u>56,629,242</u>
Business-type activities:				
Investment earnings	119,266	174,824	210,301	310,351
Transfers	(761,419)	(775,682)	(813,033)	(938,735)
Total business-type activities	<u>(642,153)</u>	<u>(600,858)</u>	<u>(602,732)</u>	<u>(628,384)</u>
Total primary government	<u>\$ 22,396,590</u>	<u>\$ 24,911,359</u>	<u>\$ 24,474,763</u>	<u>\$ 56,000,858</u>
Change in Net Position				
Governmental activities	\$ 6,041,202	\$ 13,265,456	\$ 9,253,946	\$ 39,233,799
Business-type activities	3,622,919	5,005,937	2,318,721	3,380,249
Total primary government	<u>\$ 9,664,121</u>	<u>\$ 18,271,393</u>	<u>\$ 11,572,667</u>	<u>\$ 42,614,048</u>

Source: City of Morgan Hill Annual Financial Reports

2017	2018	2019	2020	2021	2022
\$ 5,243,127	\$ 5,540,751	\$ 5,368,602	\$ 4,854,064	\$ 4,510,779	\$ 6,078,095
20,618,190	24,086,862	25,033,126	28,053,895	25,425,037	25,335,883
6,687,917	7,671,757	7,868,001	7,592,026	7,580,817	7,370,299
8,727,478	10,903,897	10,223,756	10,522,637	11,098,488	9,041,213
11,607,305	12,091,531	13,156,302	12,204,294	9,034,902	11,502,974
474,499	549,201	531,464	395,089	411,226	394,620
53,358,516	60,843,999	62,181,251	63,622,005	58,061,249	59,723,084
10,597,987	10,942,326	11,054,950	11,490,716	12,081,934	11,563,983
10,933,406	12,708,481	13,485,448	13,958,536	14,629,001	13,514,524
21,531,393	23,650,807	24,540,398	25,449,252	26,710,935	25,078,507
\$ 74,889,909	\$ 84,494,806	\$ 86,721,649	\$ 89,071,257	\$ 84,772,184	\$ 84,801,591
\$ 1,744,657	\$ 1,916,569	\$ 2,357,831	\$ 2,443,926	\$ 2,389,963	\$ 2,219,177
812,692	649,945	647,481	684,999	465,684	547,823
4,909,182	4,909,128	5,514,980	4,423,110	4,494,623	5,431,702
45,947	39,436	45,629	50,298	278,011	1,708,921
8,546,080	8,821,942	8,836,944	6,863,720	5,300,855	6,031,649
2,076,767	2,546,575	3,459,753	3,334,629	7,123,917	14,497,174
13,726,076	11,751,424	11,929,521	8,517,899	10,803,966	8,002,036
31,861,401	30,635,019	32,792,139	26,318,581	30,857,019	38,438,482
10,755,875	10,852,957	16,875,779	17,053,305	16,606,460	16,694,422
12,067,226	13,031,315	16,112,250	16,790,872	18,652,758	16,549,716
2,275,118	5,223,111				
25,098,219	29,107,383	32,988,029	33,844,177	35,259,218	33,244,138
\$ 56,959,620	\$ 59,742,402	\$ 65,780,168	\$ 60,162,758	\$ 66,116,237	\$ 71,682,620
\$ (21,497,115)	\$ (30,208,980)	\$ (29,389,112)	\$ (37,303,424)	\$ (27,204,230)	\$ (21,284,602)
3,566,826	5,456,576	8,447,631	8,394,925	8,548,283	8,165,631
\$ (17,930,289)	\$ (24,752,404)	\$ (20,941,481)	\$ (28,908,499)	\$ (18,655,947)	\$ (13,118,971)
\$ 10,908,334	\$ 11,582,252	\$ 12,986,475	\$ 14,688,450	\$ 16,264,819	\$ 16,870,232
9,734,686	10,358,420	10,651,629	9,851,376	10,962,612	12,944,783
5,198,405	5,478,690	5,764,566	5,129,479	4,417,893	5,925,914
1,247,902	1,023,350	3,597,906	2,318,614	6,489,387	5,250,454
1,211,374	1,253,089	5,441,878	4,156,151	765,817	(2,201,423)
977,968	983,673	918,444	977,749	990,708	1,001,664
29,278,669	30,679,474	39,360,898	37,121,819	39,891,236	39,791,624
354,204	558,832	850,625	878,643	418,643	(2,577,045)
(977,968)	(983,673)	(918,444)	(977,749)	(990,708)	(1,001,664)
(623,764)	(424,841)	(67,819)	(99,106)	(572,065)	(3,578,709)
\$ 28,654,905	\$ 30,254,633	\$ 39,293,079	\$ 37,022,713	\$ 39,319,171	\$ 36,212,915
\$ 7,781,554	\$ 470,494	\$ 9,971,786	\$ (181,605)	\$ 12,687,006	\$ 18,507,022
2,943,062	5,031,735	8,379,812	8,295,819	7,976,218	4,586,922
\$ 10,724,616	\$ 5,502,229	\$ 18,351,598	\$ 8,114,214	\$ 20,663,224	\$ 23,093,944

City of Morgan Hill
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2013	2014	2015	2016
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved				
Nondisposable	718,372	689,445	1,681,066	1,651,263
Restricted	-	-	-	-
Unassigned	9,865,845	12,025,157	14,017,661	15,894,753
Total General Fund	<u>\$ 10,584,217</u>	<u>\$ 12,714,602</u>	<u>\$ 15,698,727</u>	<u>\$ 17,546,016</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds				
Capital projects funds				
Nondisposable	-	500	-	-
Restricted	48,587,517	56,701,605	119,292,842	119,738,718
Unassigned	(730,381)	(716,642)	(805,653)	(688,296)
Total all other governmental funds	<u>\$ 47,857,136</u>	<u>\$ 55,985,463</u>	<u>\$ 118,487,189</u>	<u>\$ 119,050,422</u>
Total Governmental Funds	<u>\$ 58,441,353</u>	<u>\$ 68,700,065</u>	<u>\$ 134,185,916</u>	<u>\$ 136,596,438</u>

Source: City of Morgan Hill Annual Financial Reports

2017	2018	2019	2020	2021	2022
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,451,243	2,809,542	2,749,755	2,950,526	2,666,729	2,611,111
-	863,024	919,894	1,364,387	1,546,111	1,806,588
14,379,374	14,715,819	18,751,008	19,980,233	26,795,507	32,450,008
<u>\$ 16,830,617</u>	<u>\$ 18,388,385</u>	<u>\$ 22,420,657</u>	<u>\$ 24,295,146</u>	<u>\$ 31,008,347</u>	<u>\$ 36,867,707</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	16,667	139	45,833	45,833
120,547,789	119,480,110	117,366,252	113,405,611	110,787,947	108,071,806
(778,193)	(736,932)	(640,897)	(430,089)	-	(494,603)
<u>\$ 119,769,596</u>	<u>\$ 118,743,178</u>	<u>\$ 116,742,022</u>	<u>\$ 112,975,661</u>	<u>\$ 110,833,780</u>	<u>\$ 107,623,036</u>
<u>\$ 136,600,213</u>	<u>\$ 137,131,563</u>	<u>\$ 139,162,679</u>	<u>\$ 137,270,807</u>	<u>\$ 141,842,127</u>	<u>\$ 144,490,743</u>

City of Morgan Hill
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2013	2014	2015	2016
Revenues				
Property taxes	\$ 9,807,260	\$ 9,114,923	\$ 9,562,718	\$ 10,245,679
Sales taxes	7,766,996	8,640,396	8,790,769	9,437,549
Franchise, hotel and other taxes	3,359,018	3,786,751	4,232,789	4,585,883
Licenses and permits	166,257	182,302	190,796	198,342
Funding from other governmental agencies	2,137,551	4,480,359	2,710,916	1,677,125
Charges for current services	19,702,922	20,861,323	21,652,816	26,135,362
Investment income and rentals	716,840	1,746,402	1,666,549	1,891,025
Other revenues	2,402,060	1,217,491	867,721	568,333
Total Revenues	46,058,904	50,029,947	49,675,074	54,739,298
Expenditures				
General government	2,921,137	2,970,303	3,696,113	4,324,063
Public safety	16,688,342	17,239,104	17,949,585	18,921,528
Community development	5,745,943	5,254,396	8,560,835	6,033,214
Housing services	614,133	1,454,793	499,003	1,199,544
Streets and Highways	1,829,659	2,031,937	2,890,630	1,985,604
Parks and recreation	6,768,239	6,570,951	7,292,338	7,690,282
Other public services	489,920	519,578	737,953	651,551
Capital outlay*	8,717,393	3,613,722	3,931,546	9,358,068
Debt service:				
Interest	496,913	486,148	649,264	739,333
Principal	295,000	300,000	310,000	450,323
Total Expenditures	44,566,679	40,440,932	46,517,267	51,353,510
Excess of revenues over (under) expenditures	1,492,225	9,589,015	3,157,807	3,385,788
Other Financing Sources (Uses)				
Proceeds from loans/bonds/sale			695,626	9,921,411
Transfers in	3,354,602	3,946,729	3,573,463	3,939,487
Transfers out	(2,692,325)	(3,277,032)	(3,068,817)	(4,322,934)
Issuance of long term debt				
Payment to refunded escrow agent				(10,515,215)
Proceeds from sale of capital assets				
Proceeds from capital leases	5,500,210			
Other financing use				
Total other financing sources (uses)	6,162,487	669,697	1,200,272	(977,251)
Special and Extraordinary Items				
Special item-transfer to Economic Development Corporation				
Extraordinary item-loss on dissolution of the redevelopment agency				
Total special and extraordinary items				
Net change in fund balances	\$ 7,654,712	\$ 10,258,712	\$ 4,358,079	\$ 2,408,537
Debt service as a percentage of non-capital expenditures	Not available	2.1%	2.5%	3.3%

Source: City of Morgan Hill Annual Financial Reports

	2017	2018	2019	2020	2021	2022
\$	10,908,334	\$ 11,582,252	\$ 12,986,475	\$ 14,688,450	\$ 16,264,819	\$ 16,870,232
	9,734,686	10,358,420	10,651,629	9,851,376	10,962,612	12,944,783
	5,198,405	5,478,690	5,764,566	5,129,479	4,417,893	5,925,914
	194,186	199,824	207,393	152,642	141,280	296,030
	1,479,375	1,694,780	2,964,464	5,759,822	10,045,540	18,872,494
	23,488,554	27,113,111	26,593,418	22,093,980	23,787,363	23,923,891
	933,215	1,101,533	5,211,051	3,914,019	540,573	(1,434,456)
	1,539,966	1,172,387	841,030	505,751	944,094	438,986
	<u>53,476,721</u>	<u>58,700,997</u>	<u>65,220,026</u>	<u>62,095,519</u>	<u>67,104,174</u>	<u>77,837,874</u>
	4,880,688	5,048,209	5,207,567	4,845,180	4,365,737	6,585,424
	20,360,934	20,799,919	21,963,078	24,363,254	24,330,213	25,313,737
	6,386,603	6,524,119	7,310,548	7,593,331	7,166,342	7,568,283
	857,137	932,317	1,007,840	1,005,828	1,012,035	1,029,860
	2,046,303	2,092,142	2,431,834	2,478,804	2,312,370	2,570,990
	8,347,351	8,586,861	9,331,980	8,528,223	5,300,646	7,896,006
	1,138,415	1,061,927	1,658,110	1,391,786	1,094,799	2,307,804
	9,158,669	13,339,395	14,101,650	14,513,000	15,955,677	22,020,790
	531,126	423,561	439,549	460,540	414,351	394,620
	402,582	497,022	477,670	454,670	476,554	496,060
	<u>54,109,808</u>	<u>59,305,472</u>	<u>63,929,826</u>	<u>65,634,616</u>	<u>62,428,724</u>	<u>76,183,574</u>
	<u>(633,087)</u>	<u>(604,475)</u>	<u>1,290,200</u>	<u>(3,539,097)</u>	<u>4,675,450</u>	<u>1,654,300</u>
	525,000	71,000	143,064	950,000		
	4,002,983	3,981,873	6,470,357	8,304,850	6,919,370	12,479,604
	(3,891,121)	(3,647,503)	(5,872,505)	(7,607,625)	(6,449,926)	(11,485,288)
	<u>636,862</u>	<u>405,370</u>	<u>740,916</u>	<u>1,647,225</u>	<u>469,444</u>	<u>994,316</u>
\$	<u>3,775</u>	<u>\$ (199,105)</u>	<u>\$ 2,031,116</u>	<u>\$ (1,891,872)</u>	<u>\$ 5,144,894</u>	<u>\$ 2,648,616</u>
	2.1%	2.0%	1.9%	1.8%	1.9%	3.4%

City of Morgan Hill
Net Secured Assessed Value by Property Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Residential Property	Industrial & Manufacturing	Retail Property	Office Property	Agricultural & Misc
2013	\$ 4,507,614,537	\$ 539,717,016	\$ 421,320,064	\$ 117,463,292	\$ 352,093,930
2014	4,962,067,340	512,710,837	421,152,501	122,140,120	316,791,276
2015	5,574,226,679	513,579,704	422,977,007	114,132,142	310,190,203
2016	5,994,430,054	516,619,206	429,631,743	119,977,599	346,290,015
2017	6,532,653,616	538,100,408	437,279,917	122,061,211	335,160,931
2018	6,990,066,541	597,536,886	467,902,715	128,406,960	337,960,807
2019	7,478,188,299	656,273,198	496,730,736	139,290,008	349,898,664
2020	8,128,202,961	694,452,420	526,258,702	141,454,850	382,300,624
2021	8,644,991,974	741,054,601	556,272,062	145,709,057	426,819,598
2022	9,136,985,529	850,922,352	553,610,543	136,702,795	441,476,330

Source: Santa Clara County Annual Assessor's Report

	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
\$	48,455,400	\$ 5,889,753,439	1.1521%
	48,370,000	6,286,492,074	1.2069%
	48,746,600	6,886,359,135	1.2048%
	49,525,000	7,357,423,617	1.1610%
	50,008,000	7,915,248,083	1.1529%
	50,339,800	8,471,534,109	1.2090%
	50,531,600	9,069,849,305	1.1983%
	50,971,200	9,821,698,357	1.1749%
	50,946,000	10,463,901,292	1.1195%
	49,918,400	11,069,779,149	1.1358%

City of Morgan Hill
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year Ended June 30,	State Property Tax Rate		Voter-Approved Local Rates		State plus Voter-Approved Local Tax Rate
	Maximum Permitted by Prop 13	Total Direct Rate	County	Debt Service for Schools and Other Districts	
2013	1.00%	1.00%	0.0463%	0.1058%	1.1521%
2014	1.00%	1.00%	0.0447%	0.1622%	1.2069%
2015	1.00%	1.00%	0.0503%	0.1545%	1.2048%
2016	1.00%	1.00%	0.0412%	0.1198%	1.1610%
2017	1.00%	1.00%	0.0412%	0.1117%	1.1529%
2018	1.00%	1.00%	0.0412%	0.1678%	1.2090%
2019	1.00%	1.00%	0.0412%	0.1571%	1.1983%
2020	1.00%	1.00%	0.0412%	0.1337%	1.1749%
2021	1.00%	1.00%	0.0412%	0.0783%	1.1195%
2022	1.00%	1.00%	0.0412%	0.0946%	1.1358%

Source: Santa Clara County Tax Rates and Information Report



CITY OF MORGAN HILL

City of Morgan Hill
Principal Property Tax Payers
Current Fiscal Year and Ten Years Ago

<u>Taxpayer</u>	<u>Land Use</u>	2022		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Value</u>
Bridge Group Investments LLC	Industrial	\$ 105,911,294	1	0.96%
Morgan Ranch Apartment Homes 182 LLC	Housing	66,947,570	2	0.60%
Sunsweet Morgan Hill Development LLC	Housing	37,809,159	3	0.34%
Morgan Hill Multifamily LLC	Housing	34,556,990	4	0.31%
Woodland Residents Inc	Housing	30,725,315	5	0.28%
Willowbrook California Props LLC	Industrial	27,538,599	6	0.25%
Jtj Apartment Investors LLC (16945 Del Monte)	Housing	27,149,424	7	0.25%
Stag CA Holdings LP	Industrial	26,750,000	8	0.24%
Madrone Parkway LLC	Industrial	24,060,213	9	0.22%
Morgan Hill Sr Living LP	Nursing Home	23,809,452	10	0.22%
		<u>\$ 299,346,722</u>		<u>2.70%</u>

Source: County of Santa Clara Metroscan

2013			
Taxable Assessed Value		Rank	Percentage of Total Value
\$	26,595,410	1	0.45%
	n/a	n/a	n/a
	n/a	n/a	n/a
	n/a	n/a	n/a
	16,498,088	7	0.28%
	23,266,601	2	0.40%
	15,308,945	10	0.26%
	n/a	n/a	n/a
	16,301,394	8	0.28%
	20,115,948	3	0.34%
\$	91,490,976		1.55%

City of Morgan Hill
Property Tax Levies and Collections
Last Ten Fiscal years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2013	6,441,484	6,441,484	100%	City of Morgan Hill participates in the Teeter Plan*		
2014	7,207,535	7,207,535	100%			
2015	8,168,385	8,168,385	100%			
2016	9,851,539	9,851,539	100%			
2017	10,430,200	10,430,200	100%			
2018	11,359,893	11,359,893	100%			
2019	12,536,679	12,536,679	100%			
2020	14,464,689	14,464,689	100%			
2021	16,041,590	16,041,590	100%			
2022	16,662,896	16,662,896	100%			

*The Teeter Plan provides for a tax distribution procedure by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided.

Source: City of Morgan Hill Annual Financial Reports



CITY OF MORGAN HILL

City of Morgan Hill
Ratios of Outstanding Debt by Type
Last Ten Fiscal years

Fiscal Year Ended June 30,	<u>Governmental Activities</u>					Special Assessment Bonds
	Revenue Bonds	Lease Revenue Bonds	Loans Payable	Capital Lease Payable		
2013	\$ -	\$ 16,165,817.00	\$ 1,143,352.00	\$ -	\$ -	-
2014	-	10,843,867	-	5,150,845	-	-
2015	-	10,535,000	794,067	4,843,077	-	-
2016	-	9,878,725	687,099	4,524,793	-	-
2017	-	9,531,039	577,817	4,210,256	-	-
2018	-	9,163,354	467,559	3,870,521	-	-
2019	-	8,780,668	356,310	3,538,469	-	-
2020	-	8,377,982	244,087	3,195,261	-	-
2021	-	7,960,296	130,837	2,852,473	-	-
2022	-	7,522,610	16,565	2,484,280	-	-

Source: City of Morgan Hill Annual Financial Reports

<u>Business-Type Activities</u>							
Water Facilities Loan	Water Certificates of Participation	Water Revenue Bonds	Sewer Capacity Rights	Wastewater Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 416,366.69	\$ 2,213,558.00	\$ 7,490,272.00	\$ 13,326,068.00	\$ -	\$ 40,755,433.69	0.26%	1,017
-	-	21,975,000	13,483,660	-	51,453,372	0.18%	1,249
-	-	21,265,000	-	17,318,703	54,755,847	0.17%	1,311
-	-	20,470,000	-	17,241,146	52,801,763	0.19%	1,186
-	-	19,635,000	-	15,903,588	49,857,700	0.20%	1,120
-	-	18,770,000	-	14,511,031	46,782,465	0.22%	1,051
-	-	17,875,000	-	13,058,474	43,608,921	0.23%	980
-	-	16,945,000	-	11,535,916	40,298,246	0.30%	867
-	-	16,370,000	-	30,096,092	57,409,698	0.22%	1,212
-	-	15,415,000	-	28,333,269	53,771,724	0.24%	1,158



CITY OF MORGAN HILL

City of Morgan Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2022

2021-22 Assessed Valuation: \$ 11,481,021,640

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2022	% Applicable (1)	City's Share of Debt 6/30/2022
Santa Clara County	\$ 1,130,850,000	1.992%	\$ 22,526,532
Gavilan Joint Community College District	206,905,000	28.995%	59,992,105
Morgan Hill Unified School District	109,290,000	67.453%	73,719,384
City of Morgan Hill 1915 Act Bonds	3,366,000	100%	3,366,000
Santa Clara Valley Water District Benefit Assessment District	48,150,000	1.992%	959,148
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 160,563,169
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	1,210,694,365	1.992%	24,117,032
Santa Clara County Pension Obligation Bonds	335,638,470	1.992%	6,685,918
Santa Clara County Board of Education Certificates of Participation	1,820,000	1.992%	36,254
Gavilan Joint Community College District General Fund Obligations	6,405,000	28.995%	1,857,130
Morgan Hill Unified School District Certificates of Participation	13,505,000	67.453%	9,109,528
Santa Clara County Vector Control Certificates of Participation	1,505,000	1.992%	29,980
City of Morgan Hill Lease Revenue Bonds	6,925,000	100%	6,925,000
City of Morgan Hill Capital Lease Obligations	2,484,280	100%	2,484,280
City of Morgan Hill Loans Payable	16,565	100%	16,565
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 51,261,687
Less: Santa Clara County supported obligations			\$360,129
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 50,901,558
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$67,290,000	100%	\$ 67,290,000
TOTAL DIRECT DEBT			\$ 9,425,845
TOTAL GROSS OVERLAPPING DEBT			\$ 269,689,011
TOTAL NET OVERLAPPING DEBT			\$ 269,328,882
GROSS COMBINED TOTAL DEBT			\$ 279,114,856 (2)
NET COMBINED TOTAL DEBT			\$ 278,754,727

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

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

Ratios to 2021-22 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.40%
Total Direct Debt (\$9,425,845).....	0.08%
Gross Combined Total Debt.....	2.43%
Net Combined Total Debt.....	2.43%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$3,751,136,028):

Total Overlapping Tax Increment Debt.....	1.79%
---	-------

City of Morgan Hill
Legal Debt Margin Information
Last Ten Fiscal Years (In thousands)

	2013	2014	2015	2016
Debt limit	\$ 883,463	\$ 942,974	\$ 1,032,954	\$ 1,103,614
Total net debt applicable to limit	-	-	-	-
Legal debt margin	\$ 883,463	\$ 942,974	\$ 1,032,954	\$ 1,103,614
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

Sources: County of Santa Clara Tax Rates and Information and City of Morgan Hill Annual Financial Report

Legal Debt limit is the total assessed value x 15%

2017	2018	2019	2020	2021	2022
\$ 1,187,287	\$ 1,270,730	\$ 1,360,477	\$ 1,473,255	\$ 1,569,585	\$ 1,660,467
-	-	-	-	-	-
\$ 1,187,287	\$ 1,270,730	\$ 1,360,477	\$ 1,473,255	\$ 1,569,585	\$ 1,660,467
0%	0%	0%	0%	0%	0%

City of Morgan Hill
Pledged -Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Sewer Bonds		
	Utility Services Charges	Less: Operating Costs	Net Available Revenue
2013	\$ 12,524,768	\$ 6,215,680	\$ 6,309,088
2014	13,927,768	5,993,976	7,933,792
2015	13,694,418	5,958,745	7,735,673
2016	15,464,101	5,777,190	9,686,912
2017	12,512,784	6,034,500	6,478,284
2018	11,325,433	6,535,770	4,789,663
2019	16,875,779	7,092,390	9,783,389
2020	17,053,305	7,664,100	9,389,205
2021	16,606,460	7,935,418	8,671,042
2022	16,694,422	7,433,824	9,260,598

	Water Bonds		
	Utility Services Charges	Less: Operating Costs	Net Available Revenue
2013	\$ 10,722,187	\$ 7,454,660	\$ 3,267,527
2014	11,225,987	7,636,802	3,589,185
2015	9,066,452	7,021,356	2,045,095
2016	10,181,073	7,728,531	2,452,542
2017	12,472,647	7,575,225	4,897,422
2018	14,036,049	8,990,718	5,045,331
2019	15,979,787	9,745,293	6,234,494
2020	16,696,656	10,223,043	6,473,613
2021	18,601,867	10,812,958	7,788,909
2022	16,506,090	9,564,057	6,942,033

Source: City of Morgan Hill Annual Financial Report

Sewer Bonds

Debt Service				
Principal		Interest		Coverage
\$	1,190,000	\$	617,050	3.49
	1,235,000		576,100	4.38
	1,275,000		532,175	4.28
	-		528,074	18.34
	1,260,000		676,300	3.35
	1,315,000		624,800	2.47
	1,375,000		564,125	5.05
	1,445,000		493,625	4.84
	1,520,000		419,500	4.47
	1,600,000		341,500	4.77

Water Bonds

Debt Service				
Principal		Interest		Coverage
\$	371,525	\$	515,629	3.68
	384,023		571,463	3.76
	710,000		892,734	1.28
	795,000		797,438	1.54
	835,000		767,625	3.06
	865,000		736,313	3.15
	895,000		703,875	3.90
	930,000		670,313	4.05
	575,000		635,438	6.43
	955,000		613,875	4.42

City of Morgan Hill
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Median Household Income	Median Persons Per Household	Per Capita Median Income	County Unemployment Rate	Median Age	School Enrollment
2013	40,079	\$ 105,500	4.000	\$ 26,375	7.1	36.2	8,701
2014	41,197	94,238	3.010	31,308	6.8	38.4	8,528
2015	41,779	95,531	3.030	31,528	5.2	37.5	9,000
2016	43,645	94,319	3.060	30,823	4.1	38.3	9,135
2017	44,145	96,051	3.000	32,017	4.1	36.8	9,137
2018	44,513	100,900	2.980	33,859	3.0	37.9	9,133
2019	45,742	107,161	3.010	35,602	2.8	38.4	8,487
2020	46,454	119,753	2.960	40,457	9.5	38.4	9,022
2021	47,374	124,419	2.980	41,751	7.0	39.3	8,894
2022	46,451	128,373	3.100	41,411	4.7	37.8	8,664

Source: State of Calif, Dept of Finance, Bureau of Labor Statistics

School enrollment data =<https://dq.cde.ca.gov/dataquest/dataquest.asp>



CITY OF MORGAN HILL

City of Morgan Hill
Principal Employers
Current Fiscal Year, Prior Fiscal Year and Ten Years Ago

<u>Employer</u>	Fiscal Year 2022		
	Number of Employees	Rank	Percent of Total City Employment
Morgan Hill Unified School District	800	1	5.94%
Anritsu	404	2	3.00%
Specialized Bicycle Components	360	3	2.67%
Paramit Corporation	352	4	2.61%
Lusamerica Foods, Inc.	319	5	2.37%
Mission Bell Mfg, Inc.	270	6	2.01%
Sun Basket	266	7	1.98%
Shoe Palace Corporation	243	8	1.80%
Marki Microwave, Inc.	200	9	1.49%
City of Morgan Hill	198	10	1.47%
Young's Market Company, LLC	185	11	1.37%
Wolfspeed, Inc (Formerly Cree, Inc)	181	12	1.34%
Walmart #5766	153	13	1.14%
New Product Integratin Solutions, Inc.	152	14	1.13%
Psynergy	146	15	1.08%
Paragon Mechanical	142	16	1.05%
Lin Engineering	124	17	0.92%
The Ford Store of Morgan Hill Inc.	120	18	0.89%
NXEdge MH LLC	120	18	0.89%
Pacific Hills Manor	118	19	0.88%
ANDPAK Inc	115	20	0.85%
Sakata Seed America			
The Home Depot #8572			
Flextronics International			
Infineon Technologies, North America Corp			
Extreme Learning			
Target Store #T2252			
Covenant Care MH LLC			
Gryphon Financial Group			
TenCate Advanced Composites USA, Inc			
Safeway #1891			
Safeway Inc. #1455			
 Total	 <u>4,968</u>		 <u>36.90%</u>

*Source: HDL Business License Database

Fiscal Year 2021			Fiscal Year 2013		
Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
800	1	6.04%	692	1	4.14%
468	2	3.53%	522	2	3.13%
307	7	2.32%	522	3	3.13%
419	3	3.16%	370	4	2.22%
277	9	2.09%	157	11	0.94%
277	8	2.09%	162	9	0.97%
402	4	3.03%			
179	12	1.35%			
353	5	2.66%			
191	10	1.44%	169	8	1.01%
162	13	1.22%	151	12	0.90%
156	15	1.18%			
188	11	1.42%	160	10	0.96%
145	16	1.09%			
120	19	0.91%			
124	18	0.94%			
126	17	0.95%			
120	20	0.91%			
			108	19	0.65%
318	6	2.40%			0.57%
160	14	1.21%	126	16	0.75%
			210	5	1.26%
			202	6	1.21%
			173	7	1.04%
			141	13	0.84%
			138	14	0.83%
			128	15	0.77%
			125	17	0.75%
			109	18	0.65%
			107	20	0.64%
<hr/> <hr/> 5,292			<hr/> <hr/> 4,472		
		39.94%			27.36%

City of Morgan Hill
Full-time Equivalent City Government Employees by Department
Last Ten Fiscal Years

	2013	2014	2015	2016
City Council	5.00	5.00	5.00	5.00
City Manager	0.70	0.95	1.20	3.00
City Attorney	2.63	2.63	2.63	2.63
Administrative Services	16.30	18.25	18.40	19.15
Community Services**	23.90	24.65	21.79	23.33
Police	55.50	56.50	58.50	59.50
Fire	0.25	0.25	-	-
Development Services	20.33	20.08	22.67	19.87
Engineering and Utilities**	31.79	31.79	32.29	43.10
Internal Services*	13.10	13.90	19.52	11.92
Public Services				
Total City Government Employees	169.50	174.00	182.00	187.50

* Effective FY2017, Internal Services Department staffing is allocated directly to respective department.

** Effective FY2022, Community Services and Engineering & Utilities consolidated to Public Services Department.

Source: City of Morgan Hill

2017	2018	2019	2020	2021	2022
5.00	5.00	5.00	5.00	5.00	5.00
3.90	4.05	2.75	2.85	2.85	2.00
2.75	2.75	2.25	2.60	2.85	2.85
24.23	24.96	25.95	19.85	19.38	19.35
29.62	29.39	29.70	27.55	25.85	-
60.60	61.60	62.50	66.50	68.50	68.50
0.10	0.10	-	-	-	-
25.90	26.17	27.71	28.95	25.68	27.85
41.40	40.98	40.14	40.20	40.40	-
-	-	-	-	-	-
					72.70
193.50	195.00	196.00	193.50	190.50	198.25

City of Morgan Hill
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Recreation and Community Services</u>				
Daily Visitors	373,591	327,313	349,844	402,342
Recreation Program Visits	78,596	96,879	77,451	84,519
RCS Facility Rental Reservation Hours	43,712	48,600	53,775	373,733
CRC/AC Memberships	4,620	4,697	4,737	4,703
% of expenditures for capital outlay	0.00%	1.46%	0.31%	0%
<u>Public Safety</u>				
Police				
Number of crimes reported	4,176	3,388	3,725	3,863
% of expenditures for capital outlay	0.46%	0.32%	1.22%	0.76%
Fire				
* Fire and Life Safety Inspections	501	1,214	1,375	1,074
* Public Education Attendees	1,009	2,223	2,536	3,370
% of expenditures for capital outlay	53%	0.36%	3.78%	0.19%
<u>Public Works</u>				
Sewer Operations				
Sewer lines flushed (ft)	649,943	372,834	587,687	445,843
Sanitary Sewer Overflows (SSO)	6	10	10	5
% of expenditures for capital outlay	0.66%	0.00%	0.54%	0.66%
Water Operations				
Water production (thous gal)	2,742,031	2,808,225	2,217,117	1,884,822
Water meters installed	218	258	271	348
Water meters repaired or replaced	819	1,087	1,409	780
Water customer accounts	12,713	12,857	13,274	13,647
% of expenditures for capital outlay	5.00%	8.72%	7.75%	5.75%
Streets Maintenance				
New signs installed	11	19	19	10
Signs repaired/replaced	106	130	164	63
% of expenditures for capital outlay	0.00%	0.00%	0.00%	0.00%
<u>Community Development</u>				
Planning applications	182	216	210	171
Building permits issued	1,734	1,966	2,105	2,204
% of expenditures for capital outlay	0.00%	22.92%	0.25%	4.71%
<u>Housing Agency</u>				
Rehab loans	0	0	0	0
Below Market Rate home sales	25	21	10	24
% of expenditures for capital outlay	0.00%	0.00%	0.00%	0.00%
<u>Total City Government Employees</u>	169.5	174.0	182.0	187.5

Fire Services added January 1, 2013
Source: Departments of the City of Morgan Hill

*FY20-21 Data

2017	2018	2019	2020	2021	2022
314,149	321,079	807,746	275,522	142,731	231,993
95,602	86,392	87,807	64,132	13,018	33,758
44,238	47,439	44,913	31,963	10,011	13,759
4,903	4,944	4,895	4,771	3,876	3,279
3.22%	3.22%	6.06%	6.94%	8.56%	9.88%
4,113	4,137	3,811	3,879	3,618	3,427
3.10%	3.22%	8.49%	2.95%	3.46%	2.51%
1,359	1,133	1,062	1,044	1,038	1,038
3,417	3,242	3,391	1,413	1,211	1,211
3.82%	1.61%	4.99%	1.56%	1.46%	1.27%
363,622	649,668	452,703	594,420	622,180	465,355
14	5	10	8	4	1
1.24%	1.78%	4.61%	1.81%	3.50%	2.06%
2,123,958	2,372,393	2,344,062	2,468,274	2,573,773	2,292,174
195	469	186	343	84	89
286	585	780	298	255	325
13,841	13,953	14,368	14,711	14,748	14,795
9.04%	5.51%	3.07%	3.70%	3.79%	3.53%
23	107	154	32	70	24
100	132	77	117	130	42
0.00%	5.49%	5.94%	3.29%	4.98%	6.21%
185	160	181	144	178	156
2,197	2,191	1,828	1,531	1,580	1,819
2.79%	0.60%	0.17%	0.28%	0.20%	0.57%
9	35	0	0	0	0
7	20	10	10	13	1
0.00%	0.00%	65.37%	0.13%	0.11%	0.83%
193.5	195	196	193.5	190.5	198.25

City of Morgan Hill
Capital Asset Statistics by Function
Last Ten Fiscal Years

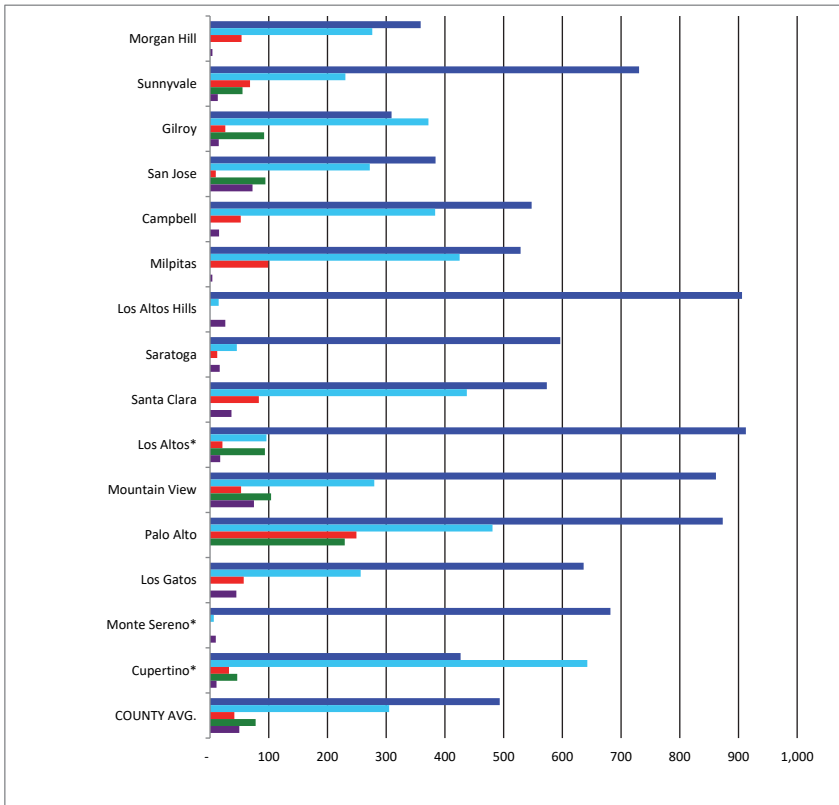
<u>Function/Program</u>	2013	2014	2015	2016
Community Services				
Parks & Open Space Acreage*	470	470	492	492
Parks*	22	22	23	22
Swimming Pools	4	4	4	4
Community and Recreation Centers	4	4	4	4
Streets				
Streets (miles)	148	149	149	n/a
Streetlights	3,649	3,689	4,161	n/a
Public Safety				
Police Stations	1	1	1	1
Patrol Units	20	22	22	22
Motorcycle Patrol Units	2	2	2	4
Fire Houses (new 2013)	2	2	2	2
Fire Apparatus (new 2013)	3	3	3	4
Fire Personnel Vehicles (new 2013)	3	3	3	3
Sewer				
Sewer lines (miles)	160	167	165	161
Storm drains (miles)	96	110	111	114
Maximum daily capacity (thousand gallons)	5,900	5,900	5,900	n/a
Water				
Water mains (miles)	182	185	185	189
Water wells	17	17	17	17
Maximum daily capacity (thousand gallons)	15,200	15,200	15,500	n/a

Source: Departments of the City of Morgan Hill

2017	2018	2019	2020	2021	2022
492	498	495	495	495	495
22	22	25	25	25	26
4	4	4	4	4	4
4	4	4	4	4	4
127	127	128	128	129	129
n/a	n/a	n/a	n/a	n/a	n/a
1	1	1	1	1	1
24	28	28	28	29	30
4	4	4	5	5	5
2	2	2	2	2	2
4	4	4	4	4	4
3	3	3	4	4	4
162	166	169.59	161	163	163
114	116	116	116	116	116
6,600	7,200	7,200	7,200	7,200	7,200
186	192	192.45	192	192	195
17	17	15	16	16	16
13,500	14,820	16,612	15,179	18,099	17,297

City of Morgan Hill, California

Property Tax per Capita, Sales Tax per Capita, Transient Occupancy Tax per Capita, and
Business License Tax Per Capita - Santa Clara County Cities - 2021-22



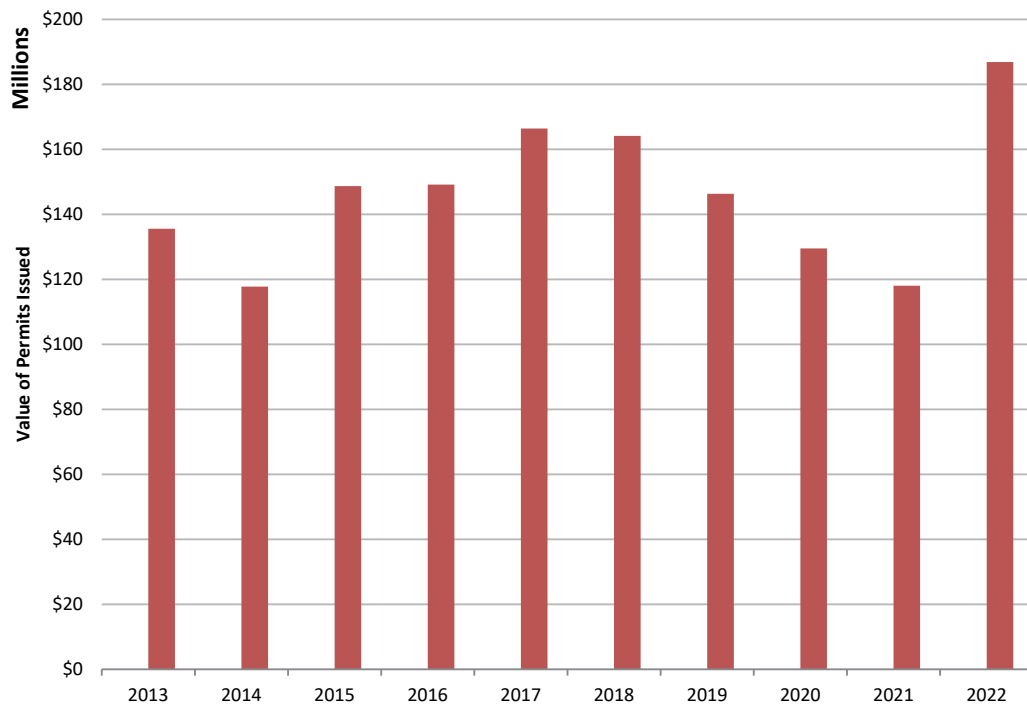
City	Population	Property Tax		Sales Tax		Transient Occupancy		Utility Tax		Business License	
		Amount	Per capita	Amount	Per capita	Amount	Per capita	Amount	Per capita	Amount	Per capita
Morgan Hill	46,451	16,662,896	359	12,832,736	276	2,494,220	54	-	-	188,254	4
Sunnyvale	155,326	113,499,852	731	35,801,316	230	10,584,492	68	8,594,301	55	2,045,190	13
Gilroy	59,520	18,404,499	309	22,131,283	372	1,545,721	26	5,481,084	92	880,406	15
San Jose	1,029,782	395,500,000	384	280,200,000	272	10,000,000	10	97,060,000	94	74,500,000	72
Campbell	42,833	23,464,393	548	16,419,362	383	2,240,547	52	-	-	659,094	15
Milpitas	80,839	42,758,866	529	34,364,274	425	8,012,001	99	-	-	320,623	4
Los Altos Hills	8,400	7,611,087	906	122,819	15	-	-	-	-	218,387	26
Saratoga	30,546	18,218,780	596	1,393,853	46	372,717	12	-	-	502,009	16
Santa Clara	130,127	74,630,557	574	56,901,656	437	10,812,400	83	-	-	4,758,477	37
Los Altos*	31,190	28,464,193	913	2,996,325	96	660,000	21	2,917,252	94	537,089	17
Mountain View	83,864	72,255,912	862	23,456,153	280	4,437,081	53	8,716,790	104	6,277,126	75
Palo Alto	67,973	59,353,109	873	32,704,761	481	16,946,050	249	15,598,693	229	-	-
Los Gatos	33,062	21,036,867	636	8,483,673	257	1,895,064	57	-	-	1,481,267	45
Monte Sereno*	3,500	2,386,696	682	22,366	6	-	-	-	-	34,034	10
Cupertino*	66,274	28,278,000	427	42,581,000	642	2,141,000	32	3,074,000	46	730,932	11
COUNTY AVG.	124,646	61,501,714	493	38,027,438	305	5,152,950	41	9,676,543	78	6,208,859	50

FY 21-22 Actuals

*FY20-21 Data, Source: ACFR /City websites

City of Morgan Hill, California

Property Values, Construction and Permits Issued - Last Ten Fiscal Years



Fiscal Year	Assessed Property Values	Value of Permits Issued for			
		Total Building Permits Issued	Commercial	Residential	Total
2013	5,889,753,439	1,734	9,440,434	126,140,682	135,581,116
2014	6,286,492,074	1,966	10,296,037	107,467,327	117,763,364
2015	6,886,359,135	2,105	29,977,231	118,711,385	148,688,616
2016	7,357,423,617	2,204	30,405,249	118,759,212	149,164,461
2017	7,915,248,083	2,197	44,534,477	121,894,120	166,428,597
2018	8,471,534,109	2,191	40,565,306	123,589,216	164,154,522
2019	9,069,849,305	1,828	27,610,533	118,714,198	146,324,731
2020	9,821,698,357	1,531	68,120,524	61,375,290	129,495,814
2021	10,463,901,292	1,580	59,582,204	58,453,995	118,036,199
2022	11,069,779,149	1,819	53,841,550	133,023,188	186,864,738

Source: City of Morgan Hill Building Department

City of Morgan Hill, California

Miscellaneous Statistics - June 30, 2022

General Information

Date of Incorporation	October 1906
Form of Government	Council/Manager
Area	12.9 square miles
Number of Registered voters	28,119
Median household income for Morgan Hill	\$ 128,373
Elevation in feet	320
Building Permits Issued during year	1,819

Demographics:

Median Age	37.8
Median Persons per household	3.10
Population (consisting of)	46,451
White	45.5%
Hispanic	34.0%
Asian	15.3%
Black	1.7%
Native American	0.4%
Other, mixed	3.1%

Fire Protection:

Number of stations (2 City, 1 State)	3
Fire Apparatus	4
Fire Vehicles Other	4

Police Protection:

Number of stations	1
Number of reserves	0
Number of police cars/motorcycles	35

Municipal Water Services:

Number of Active Accounts	14,795
Average Daily Consumption (gallons)	6,279,928
Miles of Water Mains	195
Pumping Capacity (thousand gallons/day)	17,297

Education: Morgan Hill Unified School District

Elementary Schools (K-5)	6
Elementary/Middle School (K-8)	2
Middle Schools (6-8)	2
Comprehensive High Schools (9-12)	2
Continuation High School (10-12)	1
Community Adult School	1
Total School Enrollment	8,644

Health Facilities:

Dentists and Optometrists	35
Physicians/Surgeons	33
Chiropractors	9
Therapists	21
Medical Clinics	7
Veterinarians	4

Culture and Recreation:

Parks	26
Acres in parks	495
Libraries	1
Theaters	2
Churches	16
Reservoirs	11
Recreation Centers	4

Employees:

City Council	5.00
City Manager	2.00
City Attorney	2.85
Administrative Services	19.35
Police	68.50
Development Services	27.85
Public Services	72.70

Total Employees	198.25
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Sewer Services

Peak Flow (thousand gallons/day)	4,200
Miles of sewer lines	163

Sources: Various data records