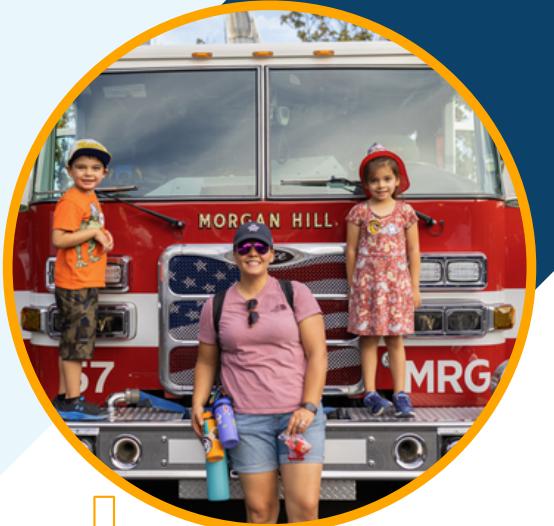




ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED
JUNE 30, 2023





CITY OF MORGAN HILL

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023

**PREPARED BY
FINANCE DEPARTMENT**



CITY OF MORGAN HILL



CITY OF MORGAN HILL

CITY OF MORGAN HILL, CALIFORNIA
Annual Comprehensive Financial Report
For The Fiscal Year Ended June 30, 2023

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INTRODUCTORY SECTION



CITY OF MORGAN HILL



17575 PEAK AVENUE
MORGAN HILL, CA 95037-4128
GENERAL: 408-779-7237
FAX: 408-778-1564
WWW.MORGAN-HILL.CA.GOV

November 15, 2023

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, 2023, 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 maintaining 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, 2023.

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 of 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 plus another under construction, 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 U.S. economy has remained steadfast in the face of high prices and a rapid run-up in borrowing costs, repeatedly outperforming most economists' projections and tempering recession fears. The primary driver of that resilience is the enduring strength of the job market, which continues to fuel household demand. The latest employment numbers released by the U.S. Bureau of Labor Statistics show that the total nonfarm payroll employment increased by 336,000 in September 2023, and the unemployment rate remained unchanged at 3.8%. Morgan Hill continues to benefit from the strong economy with relatively low unemployment and high-paying jobs, resulting in significant 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 3.1% as of September 2023, better than the state-wide unemployment rate of 4.9% and the County of Santa Clara rate of 3.2%.

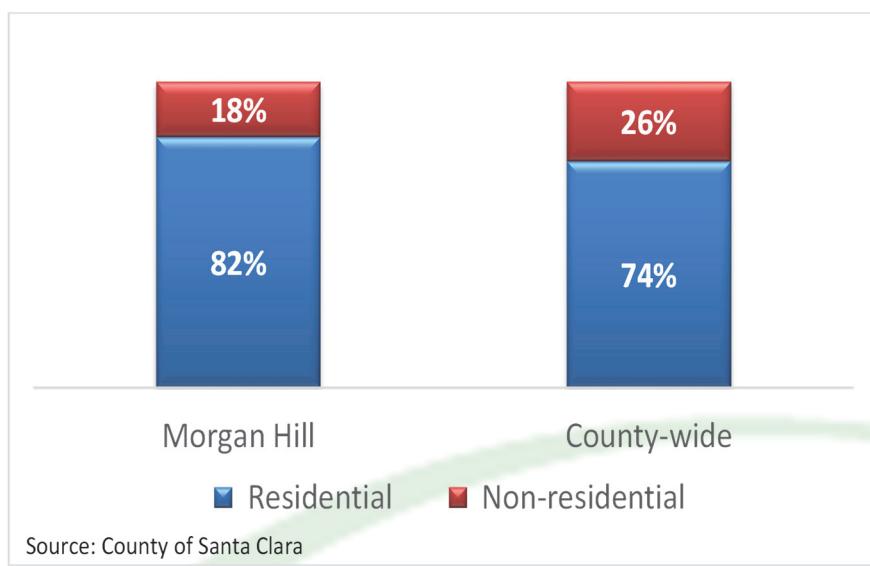
The all-items annual percentage change of the consumer price index (CPI) as of September 2023 shows that inflation has been cut by more than half to 3.7% versus the prior year of 8.2%, and stands well below the recent peak of 9.1% in June 2022. The core personal consumption expenditures (PCE) price index, which strips out food and energy costs, declined to 2.4% in the latest quarter versus 4.9% in the same period last year. Looking ahead, the durability of economic growth in subsequent quarters will help the Federal Reserve determine whether to raise interest rates again, which in turn normally increases borrowing costs and dampens consumer confidence. After over a year of aggressive interest rate hikes that brought the federal funds rate from a historic low of 0% - 0.25% to a multi-decade high of 5.25% - 5.5%, inflation continues to dissipate, but remains elevated and above the central bank's goal of 2%.

As for the City's financial condition, it continues to improve, most notably in Recreation Services and Transient Occupancy Tax (TOT), which were most severely impacted by the pandemic, as well as steady growth in property tax. Still, both Recreation Services and TOT remain below the levels achieved prior to the pandemic. Additionally, the City's second largest revenue category for the General Fund, sales tax, declined slightly from a record high last

year. The City's sales tax consultant, HdL, revised the City's current FY 23-24 sales tax revenue estimate, before tax rebates, to \$12.5 million, a downward revision of about \$0.2 million from the current FY 23-24 budget, partially attributable to falling gas prices compared to the prior year, lower household discretionary spending, and weaker consumer confidence.

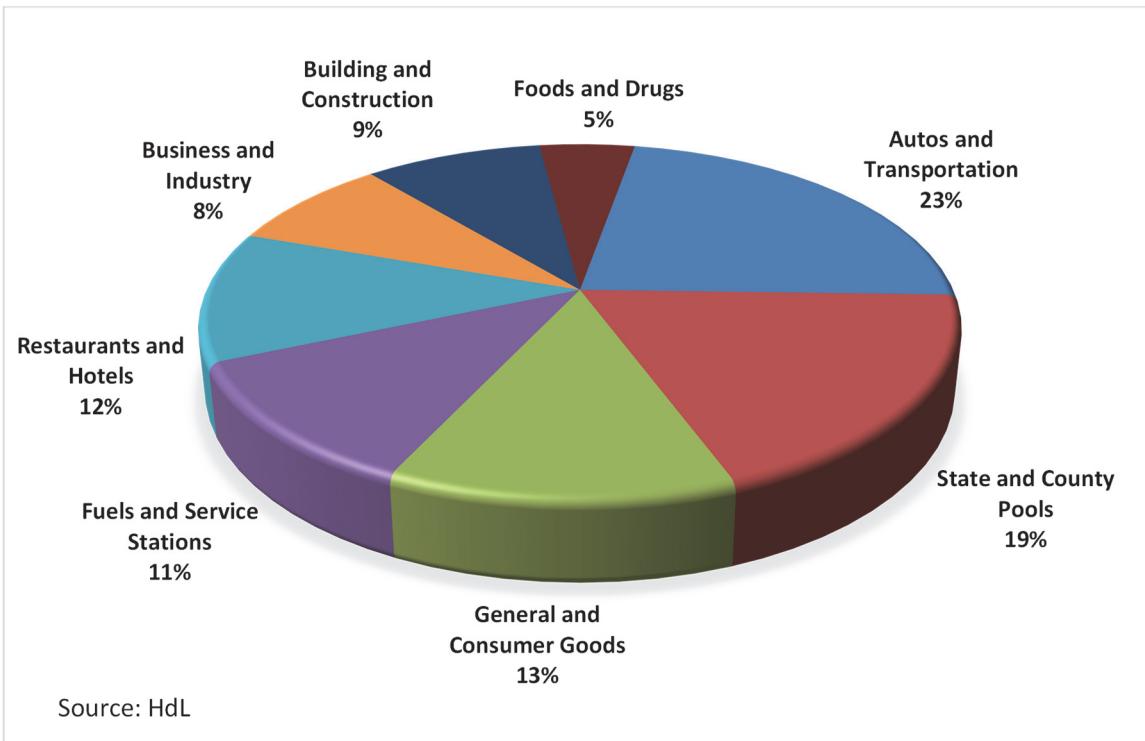
With that said, continued gradual recovery in Recreation Services and steady growth of the City's property tax have propelled the City's general fund revenues to approximately the same amount as in the prior year despite the absence of approximately \$5.5 million in American Rescue Plan Act (ARPA) funds. On July 3, 2023, the County of Santa Clara Assessor's Office released the assessment roll close for FY 22-23. The assessment roll for the County grew 6.65% for FY 23-24. The City of Morgan Hill's assessment roll for FY 23-24 grew 6.34%, slightly better than forecasted in the revised budget of 6.0%. However, the City's noted growth rate for this year was lower than last year's growth rate of 7.60%. The City's total net assessed value for FY 23-24 is about \$13.1 billion, an increase of about \$0.8 billion from the prior year's total net assessed value of about \$12.3 billion. The assessment roll growth of 6.34% for the City equates to approximately \$800,000 more in property tax revenue. However, continued higher mortgage rates coupled with low inventory of available homes for sale will likely result in a fewer number of homes sold than in past years. This will lead to lower supplemental and transfer property tax revenue.

The chart below compares the City's total net assessed value of residential and non-residential properties to the County-wide for FY 22-23. 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 35% of the approximately \$53.5 million General Fund revenue projected for the current FY 23-24. 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 23-24 is budgeted at \$12.7 million, slightly lower than FY 22-23 actual of \$12.9 million. The FY 23-24 number was based on projections made with the support of our sales tax consultant, HdL, in April 2023.

The chart below illustrates the City's sales tax revenue by major industry group for FY 22-23. Total amount of sales tax revenue in FY 22-23 was about \$12.9 million, before sales tax rebates, unchanged from prior year. Sales tax revenue grew from every major industry group compared to the previous year, other than a reduction in Building and Construction and State and County Pools, which decreased by about 3% and less than 1%, respectively.



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, 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 23-24 is projected to be \$6.3 million. Even with updated fees, the fund is still anticipated to have an on-going annual deficit mainly because certain activities are not meant to be full cost recovery such as public counter/general information services, strategic initiatives, 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 Fund Administrative chargeback of approximately \$0.4 million.

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. Furthermore, the City is engaging a consultant to conduct an updated sewer rate study as the City is currently in the final year of the five-year sewer rate adjustments that the Council approved in 2019.

City staff prepares five-year projections for the General Fund, Development Services Fund, and the Sewer 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, 2022. 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 28 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".

Dat Nguyen, CPA, CGFM
Finance Director

CITY OF MORGAN HILL, CALIFORNIA

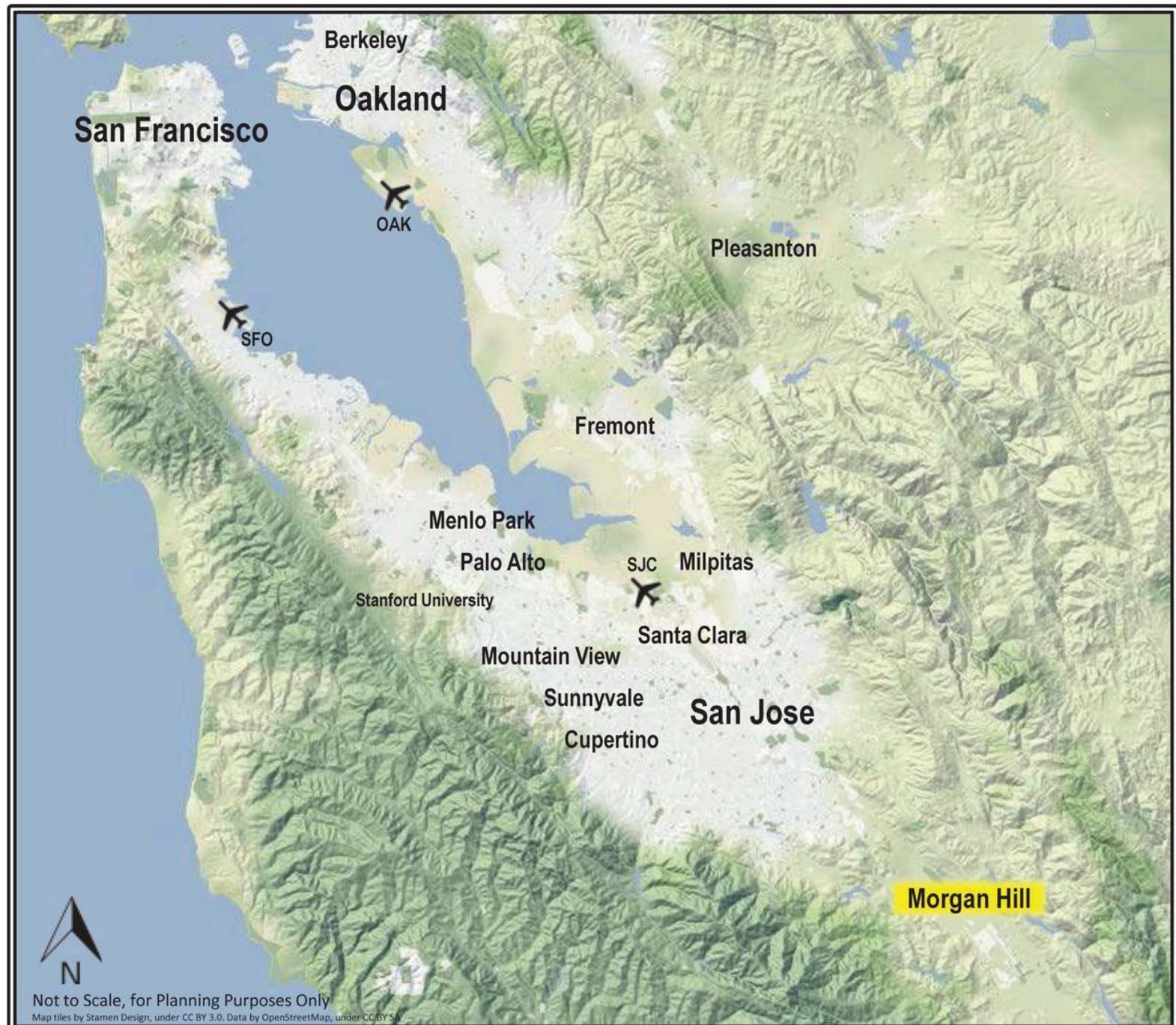
ELECTED OFFICIALS AND CITY STAFF

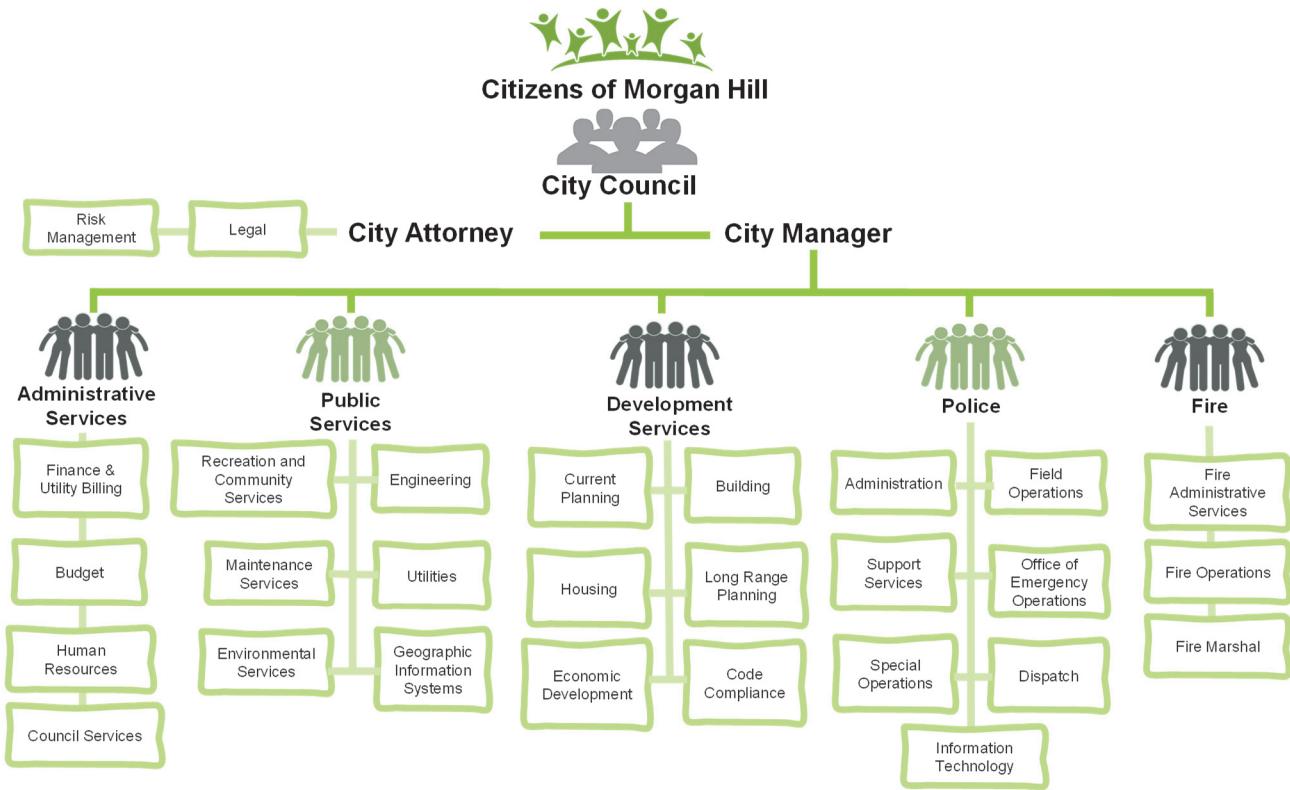
ELECTED OFFICIALS

Mark Turner	Mayor
Rene Spring	Mayor Pro Tem, District C Council Member
Gino Borgioli	District A Council Member
Yvonne Martinez Beltran	District B Council Member
Marilyn Librers	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
Jennifer Ponce	Emergency Operations Coordinator
Dat Nguyen	Finance Director
Baraka Carter	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, 2022

Christopher P. Monill

Executive Director/CEO



CITY OF MORGAN HILL

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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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.

Emphasis of a Matter - Change in Accounting Principles

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITA's)*, which became effective during the year ended June 30, 2023 and required the City to record certain subscription related balances and activity as discussed in Note 11 in the financial statements.

The emphasis of this matter does not constitute a change in our opinions.

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 November 15, 2023 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.

Maze & Associates

Pleasant Hill, California
November 15, 2023

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2023

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, 2023. 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 22-23, 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 \$23.3 million to \$566.2 million. This is not, however, the same as an operating budget surplus. Of the total net position, \$139.0 million, about 25%, in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors, and the majority of the remaining, about 75%, 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 \$119.4 million—\$11.5 million more than the prior year mainly due to an increase in charges for service, investment earnings, and property taxes, partially offset by reduction in grants and contributions and other revenues. Business-type activities saw a net increase of \$7.5 million in revenues compared to the prior year mainly due to an increase in charges for services resulting from higher rates as well as an increase in water consumption, and investment earnings.
- At June 30, 2023, the City had \$50.1 million, including unamortized bond premiums, in long-term debt, comprised of \$14.3 million secured by water revenues, \$26.6 million secured by sewer revenues, \$7.1 million in lease revenue refunding bonds subject to a City appropriations covenant, \$2.1 million for Fire stations and apparatus, and less than \$0.1 million in energy efficiency loans. The \$50.1 million in long-term debt outstanding reflects a net decrease of \$3.7 million from the prior year.
- At June 30, 2023, the City's governmental funds reported ending fund balances of \$146.9 million, an increase of 2% or \$2.4 million from the prior fiscal year.
- The fund balance in the City's General Fund decreased slightly by \$0.2 million to \$36.7 million mainly from the absence of American Rescue Plan Act (ARPA) funding, partially offset by an overall increase in taxes, charges for current services, and investment earnings. The unassigned fund balance in the Development Services Fund increased by about \$0.1 million, with an ending negative fund balance of about \$0.4 million.
- During FY 22-23, the General Fund had an excess of revenues over expenditures of \$0.7 million, excluding transfers. Transfers out exceeded transfers in by \$0.9 million. The principal purpose of the City's interfund transfers was for operational support to other funds as well as contributions toward unfunded liability.
- Actual revenues in the General Fund were \$1.1 million more than the final budget mainly attributed to the increase in property taxes, licenses and permits, and investment earnings.

- Actual expenditures, excluding transfers out, in the General Fund were about \$5.6 million less than the final budget, with public safety and general government services contributing most of the savings related to their budgets.
- During FY 22-23 Deferred outflows related to Pension for Governmental Activities increased by \$10.9 million and Deferred inflows for the same purpose decreased by \$14.6 million. This is further discussed in Note 8, on page 82.

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 27 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, continues 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 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. 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) with the final distribution was made during the year. 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, 2023, was \$566.2 million. A significant portion of the City's net position (\$379.5 million or 67%) 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 (\$47.7 million or 8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$139.0 million or 25%) may be used to meet the City's ongoing obligations to citizens and creditors. The \$139.0 million in unrestricted net position is comprised of \$100.2 million in governmental unrestricted net position and \$38.8 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:

	Governmental Activities		Business-Type Activities		Totals	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Assets						
Current and other assets	\$ 178,002,056	\$ 175,728,384	\$ 73,308,622	\$ 75,270,755	\$ 251,310,678	\$ 250,999,139
Capital assets	312,558,253	303,329,649	119,827,593	112,195,910	432,385,846	415,525,559
Total Assets	490,560,309	479,058,033	193,136,215	187,466,665	683,696,524	666,524,698
Deferred outflows						
Related to OPEB (Note 9)	2,119,626	1,494,362	491,221	350,529	2,610,847	1,844,891
Related to pension (Note 8)	19,324,267	8,415,739	3,294,865	1,248,947	22,619,132	9,664,686
Total Deferred Outflows	21,443,893	9,910,101	3,786,086	1,599,476	25,229,979	11,509,577
Liabilities						
Long-term liabilities	65,972,949	40,239,888	49,787,825	46,656,780	115,760,774	86,896,668
Other liabilities	12,584,335	14,036,569	5,497,705	6,695,022	18,082,040	20,731,591
Total Liabilities	78,557,284	54,276,457	55,285,530	53,351,802	133,842,814	107,628,259
Deferred inflows						
Leases related (Note 10)	5,363,320	5,878,760	266,582	329,588	5,629,902	6,208,348
Related to OPEB (Note 9)	1,269,311	1,740,693	294,162	408,310	1,563,473	2,149,003
Related to pension (Note 8)	1,547,871	16,184,896	129,954	2,930,849	1,677,825	19,115,745
Total Deferred Inflows	8,180,502	23,804,349	690,698	3,668,747	8,871,200	27,473,096
Net position						
Net investment in capital assets	300,675,120	293,306,194	78,825,056	79,363,024	379,500,176	372,669,218
Restricted	24,399,382	22,896,579	23,279,896	22,398,499	47,679,278	45,295,078
Unrestricted	100,191,914	94,684,555	38,841,121	30,284,069	139,033,035	124,968,624
Total Net Position	\$ 425,266,416	\$ 410,887,328	\$ 140,946,073	\$ 132,045,592	\$ 566,212,489	\$ 542,932,920

Governmental activities: The table above shows that total assets increased compared to the prior year, by \$11.5 million, primarily in the current and other assets. Total liabilities increased by \$24.3 million, mostly attributable to the increase 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 22-23, property tax revenue increased about 9% compared to FY 21-22 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 decreased by about 2% compared to prior year which can be attributable to deceleration of strong growth experienced in previous year, as well as higher sales tax rebates. Operating grants and contributions decreased by 12% compared to the previous year mainly attributed to the absence of ARPA funding.

Total governmental expenses increased by \$8.2 million or 14% to \$67.9 million compared to the prior fiscal year, led by Public Works and Services with \$2.1 million of addition and Public Safety with approximately \$2.0 million of addition.

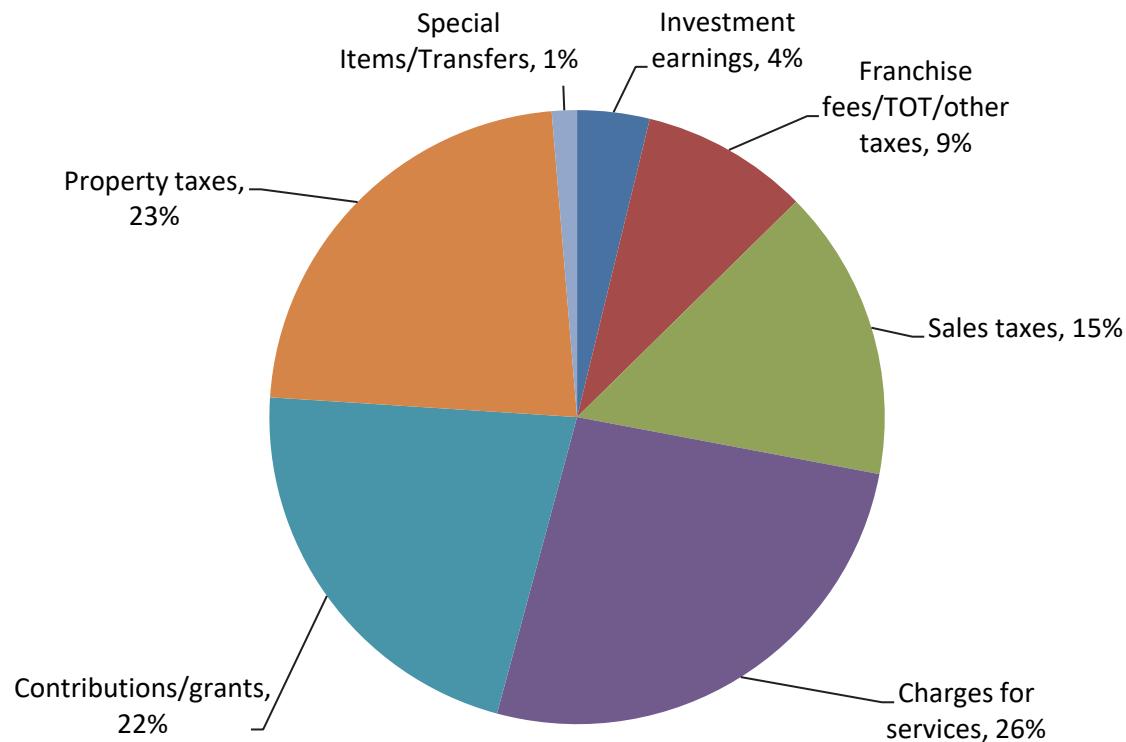
Overall, the City's Governmental Activities net position increased by about \$14.4 million.

The table below summarizes the major program revenues and expenses:

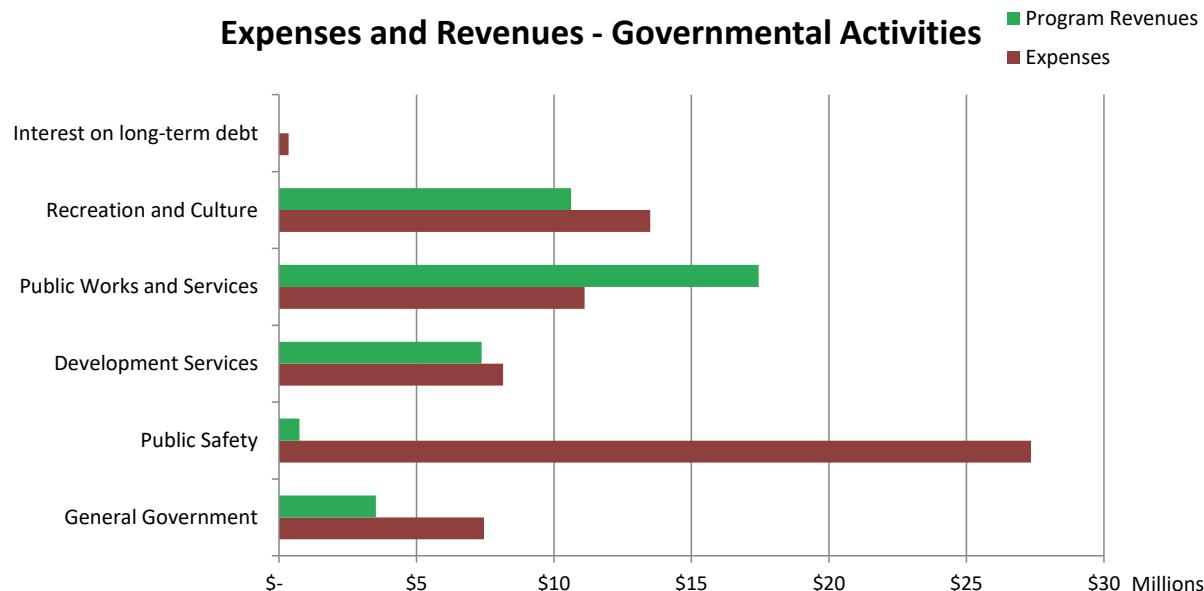
Revenues:	Governmental Activities		Business-Type Activities		Totals	
	2022-23	2022-21	2022-23	2022-21	2022-23	2022-21
<u>Program Revenues:</u>						
Charges for Services	\$ 21,662,252	\$ 15,939,272	\$ 37,389,702	\$ 33,244,138	\$ 59,051,954	\$ 49,183,410
Operating Grants & Contributions	12,822,355	14,497,174	-	-	12,822,355	14,497,174
Capital Grants & Contributions	5,220,883	8,002,036	-	-	5,220,883	8,002,036
<u>General Revenues:</u>						
Property Taxes	18,389,728	16,870,230	-	-	18,389,728	16,870,230
Sales Taxes	12,684,597	12,944,786	-	-	12,684,597	12,944,786
Franchise, hotel & other taxes	5,708,085	5,925,914	-	-	5,708,085	5,925,914
Other general taxes/revenues	1,577,457	5,250,454	-	-	1,577,457	5,250,454
Unrestricted investment earnings	3,139,978	(2,201,423)	759,309	(2,577,045)	3,899,287	(4,778,468)
Total Revenues	81,205,335	77,228,443	38,149,011	30,667,093	119,354,346	107,895,536
<u>Expenses:</u>						
General Government	7,458,513	6,078,095	-	-	7,458,513	6,078,095
Public Safety	27,352,247	25,335,884	-	-	27,352,247	25,335,884
Development Services	8,145,451	7,370,299	-	-	8,145,451	7,370,299
Public Works and Services	11,111,249	9,041,213	-	-	11,111,249	9,041,213
Recreation and Culture	13,498,609	11,502,974	-	-	13,498,609	11,502,974
Interest on long-term debt	348,102	394,620	-	-	348,102	394,620
Sewer	-	-	13,862,810	11,563,983	13,862,810	11,563,983
Water	-	-	14,297,796	13,514,524	14,297,796	13,514,524
Total Expenses	67,914,171	59,723,086	28,160,606	25,078,507	96,074,777	84,801,592
Increase/(decrease) in net position before transfers	13,291,164	17,505,358	9,988,405	5,588,586	23,279,569	23,093,944
Transfers and special items	1,087,924	1,001,664	(1,087,924)	(1,001,664)	-	-
Increase/(decrease) in net position	14,379,088	18,507,022	8,900,481	4,586,922	23,279,569	23,093,944
Net position - beginning	410,887,328	392,380,306	132,045,592	127,458,670	542,932,920	519,838,976
Net position - year end	\$ 425,266,416	\$ 410,887,328	\$ 140,946,073	\$ 132,045,592	\$ 566,212,489	\$ 542,932,920

The chart below shows the major program revenues and transfers in by source of the City's Governmental Activities:

Revenues and Transfers In by Source Governmental Activities - \$82.3 Million



The chart below summarizes the financial activities of the major programs:



Business-type activities: Business-type activities (water and sewer) saw an increase of \$8.9 million in net position. Revenue from charges for services, combined with investment earnings, in both the Water and Sewer Funds increased by 24% or \$7.5 million compared to the prior year, primarily due to increased water consumption, higher rates, and higher investment earnings. Expenses increased by 12% or \$3.1 million compared to the prior year mostly due to an increase in water production costs resulted from increased water consumption and overall cost increases.

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 put in place had an adverse impact to the water sales revenue, necessitating a review of the current rate structure to ensure that quality of service was 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 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.

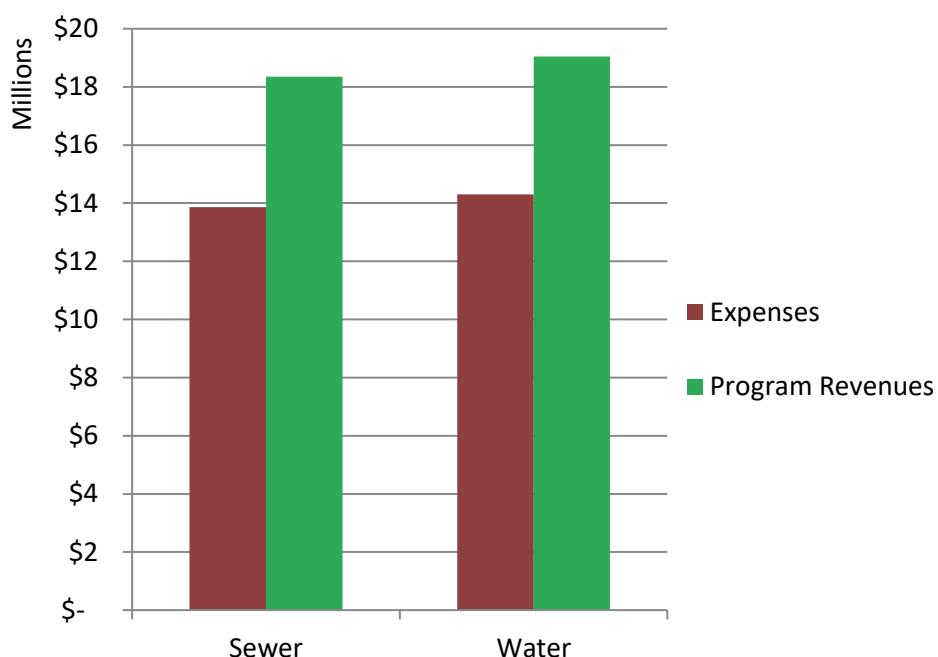
In 2018, the City engaged a consultant to conduct the sewer rate study. The sewer rate study was introduced to the City Council and the City Council directed staff to proceed with updating the City's sewer rates. Subsequently, on May 1, 2019, the City Council adopted a resolution approving the sewer rate adjustments which went into effect July 1, 2019. The City is currently engaging a consultant to conduct an updated sewer rate adjustment study as the City is in the final year of the approved 5-year sewer rate adjustment.

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					
	7/1/19	1/1/20	7/1/20	7/1/21	7/1/22	7/1/23
Water	\$62.60	\$67.14	\$67.14	\$67.14	\$73.56	\$80.18
Sewer	\$57.80	\$57.80	\$63.00	\$66.14	\$69.45	\$72.97
Total	\$120.44	\$124.98	\$130.14	\$133.28	\$143.01	\$153.15
Total Percent Increase	9.0%	4.8%	9.2%	2.4%	7.3%	7.1%

The chart below summarizes the financial activities of the Sewer and Water Funds for FY 22-23.



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, 2023, the City's governmental funds reported combined ending fund balances of \$146.9 million, an increase of \$2.4 million or 2% from the prior year. Overall revenues in governmental funds were 4% or \$3.3 million more, mostly attributable to continued strength in the property tax, charges for services, and higher interest earnings from investment holdings, partially offset by the absence of ARPA funding.

General Fund

The General Fund is the primary operating fund of the City. At the end of FY 22-23, total fund balance for the General Fund amounted to \$36.7 million, including \$31.7 million in unassigned fund balance, a decrease of \$0.2 million compared to prior year mostly attributable to continued strength and

improvement in most revenue categories despite the absence of federal stimulus recognized in the previous year, partially offset by the contribution toward the City's general government services unfunded liabilities such as street and park maintenance from prior year budget savings.

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

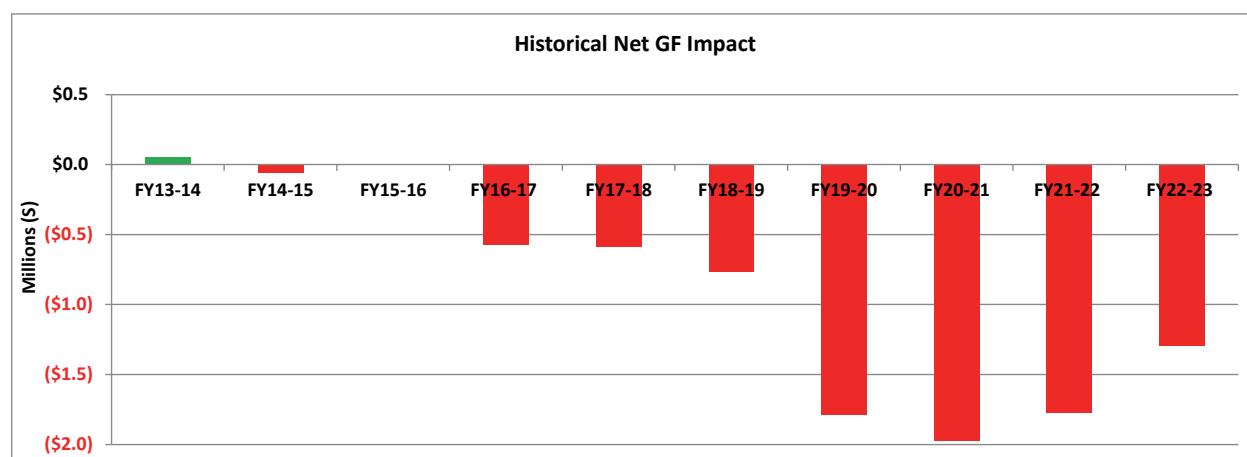
a. Revenue Highlights

Property tax revenue in the general fund was \$1.5 million or 9% more than the 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 \$0.2 million more than the amount budgeted. Excess ERAF is the money that is returned to the cities, counties, and special districts after schools reach their state-mandated thresholds.

Net sales tax revenue, after sales tax rebates, in FY 22-23 was \$12.7 million, a decrease of \$0.3 million or 2% compared to the prior year. The decrease in sales tax is partially due to decelerating to little or no growth from the strong gains in the previous year, as well as higher sales tax rebates in FY 22-23 compared to FY 21-22 of about \$0.2 million.

The franchise, hotel and other taxes revenue was \$5.7 million, a decrease of \$0.2 million or 4% compared to the prior year mainly due to \$0.5 million reduction in property transfer tax compared to the prior year as high interest rates resulted in lower number of properties transferred or sold. For the hotel tax, the amount received for FY 22-23 is approximately \$2.6 million, slightly better than the previous year of \$2.5 million but still short of pre-pandemic level of about \$3.0 million. The increase is attributable to the continued gradual recovery in occupancy and average daily rates.

Recreation operations ended FY 22-23 with a negative impact to the general fund of approximately \$1.3 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. Staff continue to work on plans to lessen the financial impact to the General Fund, including closely monitor the expenses and increase membership. The chart below shows the historical net impact of Recreation Operations to the general fund.



b. Expenditure Highlights

Expenditures, including transfers out increased by 14% or \$6.4 million compared to the prior year to a total of \$52.6 million. The increase in expenditures was mainly due to new programs launched this year, such as Innovative Transit and County Solid Waste Program, the gradual recovery in Recreation Services, as well as additional staffing programmed in the current year along with better staff recruitment and retention efforts citywide.

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 22-23 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 \$5.6 million, led by savings in Public Safety and General Government.

Development Services Fund

The Development Services Fund accounts for the City's planning, building, and engineering activities. At the end of FY 22-23, the fund has a negative balance of about \$0.4 million, an improvement of about \$0.1 million from the prior year. The fund was budgeted with a higher revenue amount than actual received for the year by about \$0.3 million. However, bigger budget savings mainly from conservative spending was more than enough to offset a shortfall in revenue. Nonetheless, the fund has incurred multiple years of operating deficit which necessitated 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 22-23, the fund balance amounted to \$68.2 million, all of which is restricted, a decrease of \$1.8 million or about 2% 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 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, 2023, amounted to \$18.9 million for Sewer Operations and \$20.0 million for Water Operations. Water Operations' unrestricted net position increased by \$6.0 million compared to prior year. The operating revenues increased by about \$2.2 million compared to the prior year primarily due to increased consumption and rate adjustments. Sewer Operations' unrestricted net position increased by \$2.6 million from the prior fiscal year with operating revenues increasing by \$0.4 million primarily due to rate adjustments. The Sewer Impact Fund had \$20.3 million in net position restricted for capital improvements and expansion, an increase of \$0.8 million from prior year mainly due to higher impact fee collection, while the Water Impact Fund had \$3.0 million for the same purpose, a slight increase of \$0.1 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 22-23 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, 2023, amounted to \$312.6 million (net of accumulated depreciation), as summarized below.

Governmental Funds Capital Assets:	2023	2022
Land	\$ 58,445,111	\$ 58,445,111
Buildings & Improvements	76,019,459	81,318,206
Machinery, Equipment, and Vehicles	4,758,318	4,818,163
Infrastructure	133,234,830	131,344,213
Subscription assets	2,737,137	532,501
Construction in Progress	37,363,398	27,403,956
Total Governmental Funds Capital Assets:	\$ 312,558,253	\$ 303,862,150

More detailed information concerning capital assets may be found in Note 5 beginning on page 67.

LONG-TERM DEBT

At the end of FY 22-23, the City has long-term debt outstanding of \$50.1 million. Of the total, Governmental Activities long-term debt portion is \$9.2 million. Of this amount, \$7.1 million in lease revenue refunding bonds is subject to a City appropriations covenant, \$2.1 million for Fire stations and apparatus, and less than \$0.1 million in energy efficiency loans.

The remaining \$40.9 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, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled cash and investments (Note 4)	\$ 101,997,041	\$ 67,642,961	\$ 169,640,002
Restricted pooled cash and investments (Note 4)	30,000	-	30,000
Cash and investments with fiscal agents (Note 4)	2,515,551	-	2,515,551
Receivables:			
Accrued interest	22,000	17,785	39,785
Other accounts receivable	6,517,777	5,312,154	11,829,931
Loans receivable (Note 6)	61,272,035	48,704	61,320,739
Prepays	118,951	3,324	122,275
Leases receivable (Note 10)	5,528,701	283,694	5,812,395
Capital assets, Net (Note 5)			
Non-Depreciable	95,808,509	35,724,870	131,533,379
Depreciable and Sewer Capacity Rights	216,749,744	84,102,723	300,852,467
Total Assets	490,560,309	193,136,215	683,696,524
Deferred Outflows			
Related to pension (Note 8)	19,324,267	3,294,865	22,619,132
Related to OPEB (Note 9)	2,119,626	491,221	2,610,847
Total Deferred Outflows	21,443,893	3,786,086	25,229,979
Liabilities			
Accounts payable	4,803,620	1,273,476	6,077,096
Accrued liabilities	2,852,417	1,995,556	4,847,973
Interest payable	50,472	206,734	257,206
Customer and other deposits	2,537,438	331,979	2,869,417
Unearned revenue	397,861	930	398,791
Compensated absences (Note 2l)			
Due within one year	707,062	-	707,062
Due in more than one year	2,366,581	-	2,366,581
SBITA's (Note 11)			
Due within one year	402,244	43,030	445,274
Due in more than one year	2,307,382	44,062	2,351,444
Net OPEB liabilities			
Due in more than one year (Note 9)	2,274,763	527,174	2,801,937
Net pension liabilities			
Due in more than one year (Note 8)	50,683,937	9,947,144	60,631,081
Long-term debt (Note 7)			
Due within one year	833,221	1,646,000	2,479,221
Due in more than one year	8,340,286	39,269,445	47,609,731
Total Liabilities	78,557,284	55,285,530	133,842,814
Deferred Inflows			
Leases related (Note 10)	5,363,320	266,582	5,629,902
Related to pension (Note 8)	1,547,871	129,954	1,677,825
Related to OPEB (Note 9)	1,269,311	294,162	1,563,473
Total Deferred Inflows	8,180,502	690,698	8,871,200
Net Position (Note 2n)			
Net investment in capital assets	300,675,120	78,825,056	379,500,176
Restricted for:			
Capital expansion projects	21,541,242	23,279,896	44,821,138
Debt service	342,589	-	342,589
Pension contributions	2,515,551	-	2,515,551
Unrestricted	100,191,914	38,841,121	139,033,035
Total Net Position	\$ 425,266,416	\$ 140,946,073	\$ 566,212,489

See accompanying notes to basic financial statements

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

Functions/Programs	Expenses	Program Revenues			Capital Grants and Contributions
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities:					
General government	\$ 7,458,513	\$ 3,376,129	\$ 150,000	\$ -	-
Public safety	27,352,247	459,680	281,393	-	-
Development services	8,145,451	5,711,012	1,660,745	-	-
Public works and services	11,111,249	2,013,288	10,498,305	4,935,381	
Recreation & culture	13,498,609	10,102,143	231,912	285,502	
Interest on long-term debt	348,102	-	-	-	
Total government activities	67,914,171	21,662,252	12,822,355	5,220,883	
Business-type activities:					
Sewer	13,862,810	18,350,976	-	-	-
Water	14,297,796	19,038,726	-	-	-
Total business-type activities	28,160,606	37,389,702	-	-	
Total primary government	\$ 96,074,777	\$ 59,051,954	\$ 12,822,355	\$ 5,220,883	

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

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
\$ (3,932,384)	\$ -	\$ (3,932,384)
(26,611,174)	- (26,611,174)	
(773,694)	- (773,694)	
6,335,725	- 6,335,725	
(2,879,052)	- (2,879,052)	
(348,102)	- (348,102)	
<u>(28,208,681)</u>	<u>-</u>	<u>(28,208,681)</u>
- 4,488,166	4,488,166	
<u>- 4,740,930</u>	<u>4,740,930</u>	
<u>- 9,229,096</u>	<u>9,229,096</u>	
<u>(28,208,681)</u>	<u>9,229,096</u>	<u>(18,979,585)</u>
18,389,728	- 18,389,728	
12,684,597	- 12,684,597	
2,369,972	- 2,369,972	
3,338,113	- 3,338,113	
1,577,457	- 1,577,457	
3,139,978	759,309 3,899,287	
<u>1,087,924</u>	<u>(1,087,924)</u>	-
<u>42,587,769</u>	<u>(328,615)</u>	<u>42,259,154</u>
<u>14,379,088</u>	<u>8,900,481</u>	<u>23,279,569</u>
<u>410,887,328</u>	<u>132,045,592</u>	<u>542,932,920</u>
<u>\$ 425,266,416</u>	<u>\$ 140,946,073</u>	<u>\$ 566,212,489</u>



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 2023. 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, 2023

	Major Special Revenue Funds			Other Governmental Funds	Total Governmental Funds		
	Development		Housing				
	General	Services					
Assets							
Pooled cash and investments (Note 4)	\$ 31,608,147	\$ 1,736,387	\$ 9,902,242	\$ 41,287,941	\$ 84,534,717		
Cash and investments with fiscal agents (Note 4)	2,515,380	-	-	171	2,515,551		
Receivables:							
Accrued interest	6,176	429	2,202	9,450	18,257		
Other accounts receivable	4,394,113	7,428	2,846	2,111,767	6,516,154		
Loans receivable (Note 6)	1,967,573	-	58,251,100	1,053,362	61,272,035		
Due from other funds (Note 2o)	65,493	-	-	-	65,493		
Prepays	40,112	22,923	45,833	1,662	110,530		
Advances receivable (Note 2o)	518,362	-	-	-	518,362		
Leases receivable (Note 10)	5,528,701	-	-	-	5,528,701		
Total Assets	\$ 46,644,057	\$ 1,767,167	\$ 68,204,223	\$ 44,464,353	\$ 161,079,800		
Liabilities							
Accounts payable	\$ 3,228,023	\$ 545,027	\$ 10,362	\$ 864,070	\$ 4,647,482		
Accrued liabilities	91,544	8,788	-	594,622	694,954		
Due to other funds (Note 2o)	-	-	-	65,493	65,493		
Advances payable (Note 2o)	-	-	-	518,362	518,362		
Unearned revenue	382,986	-	1,319	11,933	396,238		
Customer and other deposits	860,717	1,617,106	2,000	57,615	2,537,438		
Total Liabilities	4,563,270	2,170,921	13,681	2,112,095	8,859,967		
Deferred Inflow of Resources							
Leases related (Note 10)	5,363,320	-	-	-	5,363,320		
Total Deferred Inflow of Resources	5,363,320	-	-	-	5,363,320		
Fund Balances (Note 2n):							
Nonspendable:							
Loans receivable	1,967,573	-	-	-	1,967,573		
Prepaid expenditures	40,112	22,923	45,833	1,662	110,530		
Advances receivable	518,362	-	-	-	518,362		
Restricted:							
PARS pension trust	2,515,380	-	-	-	2,515,380		
Community services	-	-	16,225,763	1,951,398	18,177,161		
Parks and recreation	-	-	-	6,680,958	6,680,958		
Streets and highways	-	-	-	8,158,735	8,158,735		
Debt service	-	-	-	342,589	342,589		
Public safety	-	-	-	3,473,091	3,473,091		
Development services	-	-	51,918,946	-	51,918,946		
Capital expansion projects	-	-	-	21,541,242	21,541,242		
Other purposes	-	-	-	202,583	202,583		
Unassigned	31,676,040	(426,677)	-	-	31,249,363		
Total Fund Balances	36,717,467	(403,754)	68,190,542	42,352,258	146,856,513		
Total Liabilities, Deferred Inflow of Resources and Fund Balances							
	\$ 46,644,057	\$ 1,767,167	\$ 68,204,223	\$ 44,464,353	\$ 161,079,800		

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, 2023****Total fund balances - governmental funds** \$ 146,856,513

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.

307,833,658

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.

16,449,685

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.

(50,472)

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	19,324,267
Deferred outflows of resources related to OPEB	2,119,626
Long-term debt	(9,173,507)
SBITA liability	(2,317,472)
Net OPEB liability	(2,274,763)
Net pension liability	(50,683,937)
Deferred inflows of resources related to pensions	(1,547,871)
Deferred inflows of resources related to OPEB	<u>(1,269,311)</u>

Total net position - governmental activities\$ 425,266,416

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, 2023

	General	Major Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
		Development Services	Housing		
Revenues					
Property taxes and special assessments	\$ 18,143,284	\$ -	\$ -	\$ 246,444	\$ 18,389,728
Sales taxes	12,684,597	-	-	-	12,684,597
Franchise, hotel and other taxes	5,708,085	-	-	-	5,708,085
Licenses and permits	790,534	-	-	-	790,534
Funding from other governmental agencies	1,368,280	-	-	10,370,637	11,738,917
Charges for current services	8,062,941	5,867,582	856,774	13,409,780	28,197,077
Investment income and rentals	2,405,797	26,070	420,934	300,247	3,153,048
Other revenues	266,969	-	24	189,058	456,051
Total Revenues	49,430,487	5,893,652	1,277,732	24,516,166	81,118,037
Expenditures					
Current					
General government	7,138,137	-	-	1,534	7,139,671
Public safety	28,037,287	-	-	30,230	28,067,517
Community development	551,976	5,779,253	845,515	861,586	8,038,330
Housing services	-	-	2,157,688	-	2,157,688
Streets and highways	2,474,399	-	-	193,175	2,667,574
Parks and recreation	9,575,591	-	-	48,522	9,624,113
Other public services	823,808	-	-	1,887,215	2,711,023
Capital outlay					
Construction projects	1,169	-	-	17,713,756	17,714,925
Subscription assets	2,606,720	-	-	-	2,606,720
Debt service					
Principal	-	-	-	415,000	415,000
Interest and fiscal charges	80,579	-	-	264,674	345,253
Total Expenditures	51,289,666	5,779,253	3,003,203	21,415,692	81,487,814
Excess (deficiency) of revenues over (under) expenditures	(1,859,179)	114,399	(1,725,471)	3,100,474	(369,777)
Other Financing Sources (Uses)					
Subscription assets	2,606,720	-	-	-	2,606,720
Transfers in (Note 2o)	3,013,804	-	-	3,858,103	6,871,907
Transfers (Out) (Note 2o)	(3,911,585)	(23,550)	(12,591)	(2,795,354)	(6,743,080)
Total other financing sources and uses	1,708,939	(23,550)	(12,591)	1,062,749	2,735,547
Net change in fund balances	(150,240)	90,849	(1,738,062)	4,163,223	2,365,770
Fund Balances - Beginning	36,867,707	(494,603)	69,928,604	38,189,035	144,490,743
Fund Balances - Ending	\$ 36,717,467	\$ (403,754)	\$ 68,190,542	\$ 42,352,258	\$ 146,856,513

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, 2023

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

Net change in fund balances-total governmental funds	\$ 2,365,770
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.	21,775,650
Depreciation expense is reported in connection with all of a government's depreciable assets.	(12,684,621)
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.	(1,467,524)
Net change in net OPEB liability and related deferred outflows/inflows of resources.	698,182
Net change in net pension liability and related deferred outflows/inflows of resources.	1,858,548
Net profit (loss) from Internal Service Funds need to be combined to the government wide statement of activities.	<u>1,835,932</u>
Change in Net Position of Governmental Activities	<u><u>\$ 14,379,088</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, 2023

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Assets			
Current assets:			
Pooled cash and investment (Note 4)	\$ 20,446,743	\$ 22,302,379	\$ 21,912,405
Restricted pooled cash and investments (Note 4)	-	-	-
Receivables:			
Accrued interest	6,864	5,132	5,091
Other accounts receivable	2,291,478	760	3,019,916
Notes receivable - current	-	48,704	-
Prepaid items	1,662	-	1,662
Total current assets	22,746,747	22,356,975	24,939,074
Noncurrent assets:			
Leases receivable	-	-	283,694
Capital assets, net (Note 5)			
Non-Depreciable	7,018,003	26,174,914	2,400,657
Depreciable and Sewer capacity rights	21,804,399	24,729,390	29,359,233
Total noncurrent assets	28,822,402	50,904,304	32,043,584
Total Assets	51,569,149	73,261,279	56,982,658
Deferred Outflows of Resources			
Related to pension (Note 8)	1,464,384	-	1,830,481
Related to OPEB (Note 9)	210,711	-	280,510
Total Deferred Outflows	1,675,095	-	2,110,991
Liabilities			
Current liabilities:			
Accounts payable	404,211	18,151	850,930
Accrued liabilities	7,204	1,975,432	12,920
Customer deposits	148,258	10,958	172,763
Unearned revenue	-	930	-
Interest payable	153,178	53,556	-
Current obligations for:			
Bonds payable (Note 7)	465,000	-	725,490
SBITAs (Note 12)	-	-	43,030
Compensated absences (Note 21)	-	-	-
Total current liabilities	1,177,851	2,059,027	1,805,133
Noncurrent liabilities:			
Long term obligations for:			
Bonds payable (Note 7)	26,185,445	-	7,727,760
SBITAs (Note 12)	-	-	44,062
Net pension liability (Note 8)	4,420,953	-	5,526,191
Net OPEB liability (Note 9)	226,134	-	301,040
Compensated absences (Note 21)	-	-	-
Total noncurrent liabilities	30,832,532	-	13,599,053
Total Liabilities	32,010,383	2,059,027	15,404,186
Deferred Inflows of Resources			
Related to leases (Note 10)	-	-	266,582
Related to pension (Note 8)	57,757	-	72,197
Related to OPEB (Note 9)	126,182	-	167,980
Total Deferred Inflows	183,939	-	506,759
Net Position: (Note 2n)			
Net investment in capital assets	2,171,957	50,904,304	23,219,548
Restricted for capital expansion	-	20,297,948	-
Unrestricted	18,877,965	-	19,963,156
Total Net Position	\$ 21,049,922	\$ 71,202,252	\$ 43,182,704

See accompanying notes to basic financial statements

Business-type Activities		Governmental Activities	
Enterprise Funds (continued)		Internal Service Funds	
Water Impact	Totals		
\$ 2,981,434	\$ 67,642,961	\$ 17,462,324	
-	-	30,000	
698	17,785	3,743	
-	5,312,154	1,623	
-	48,704	-	
-	3,324	8,421	
2,982,132	73,024,928	17,506,111	
-	283,694	-	
131,296	35,724,870	-	
8,209,701	84,102,723	4,724,595	
8,340,997	120,111,287	4,724,595	
11,323,129	193,136,215	22,230,706	
-	3,294,865	-	
-	491,221	-	
-	3,786,086	-	
184	1,273,476	156,138	
-	1,995,556	2,157,463	
-	331,979	-	
-	930	1,623	
-	206,734	-	
455,510	1,646,000	-	
-	43,030	127,630	
-	-	707,062	
455,694	5,497,705	3,149,916	
5,356,240	39,269,445	-	
-	44,062	264,524	
-	9,947,144	-	
-	527,174	-	
-	-	2,366,581	
5,356,240	49,787,825	2,631,105	
5,811,934	55,285,530	5,781,021	
-	266,582	-	
-	129,954	-	
-	294,162	-	
-	690,698	-	
2,529,247	78,825,056	4,332,441	
2,981,948	23,279,896	-	
-	38,841,121	12,117,244	
\$ 5,511,195	\$ 140,946,073	\$ 16,449,685	

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

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
<u>Operating Revenues:</u>			
Charges for current services	\$ 15,398,431	\$ -	\$ 18,246,873
Other operating income	-	2,952,545	-
Total Operating Revenues	15,398,431	2,952,545	18,246,873
<u>Operating expenses:</u>			
Salaries and benefits	2,751,442	-	2,989,635
Utilities and taxes	76,456	-	4,553,133
Operations and maintenance	6,270,455	20	2,356,499
Depreciation	1,322,791	1,459,444	2,990,894
Amortization of sewer capacity rights	944,917	-	-
Administrative charges	302,697	49,724	433,083
Total Operating expenses	11,668,758	1,509,188	13,323,244
Operating Income (Loss)	3,729,673	1,443,357	4,923,629
<u>Nonoperating revenues (expenses):</u>			
Investment earnings	328,621	195,516	207,563
Interest and rentals	-	-	63,006
Interest (expense)	(702,914)	18,050	(389,491)
Total nonoperating revenues (expenses)	(374,293)	213,566	(118,922)
Income (loss) before operating transfers and contributions	3,355,380	1,656,923	4,804,707
Transfers In (Note 2o)	802,180	10,230,667	721,648
Transfers (Out) (Note 2o)	(11,289,443)	(834,880)	(514,120)
Change in net position	(7,131,883)	11,052,710	5,012,235
Total Net Position - Beginning	28,181,805	60,149,542	38,170,469
Total Net Position-Ending	\$ 21,049,922	\$ 71,202,252	\$ 43,182,704

See accompanying notes to basic financial statements

Business-type Activities		Governmental Activities	
Enterprise Funds (continued)		Internal Service Funds	
Water Impact	Totals		
\$ -	\$ 33,645,304	\$ 11,431,847	
728,847	3,681,392	-	
728,847	37,326,696	11,431,847	
-	5,741,077	4,122,172	
-	4,629,589	2,791,006	
13,882	8,640,856	1,704,218	
573,374	6,346,503	1,320,526	
-	944,917	-	
17,440	802,944	704,388	
604,696	27,105,886	10,642,310	
124,151	10,220,810	789,537	
27,609	759,309	87,298	
-	63,006	-	
19,635	(1,054,720)	-	
47,244	(232,405)	87,298	
171,395	9,988,405	876,835	
-	11,754,495	970,000	
(203,976)	(12,842,419)	(10,903)	
(32,581)	8,900,481	1,835,932	
5,543,776	132,045,592	14,613,753	
\$ 5,511,195	\$ 140,946,073	\$ 16,449,685	

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

Cash Flows from Operating activities

Receipts from customers and users	\$ 15,323,071	\$ 2,782,437	\$ 17,577,167
Payments for supplies and services	(6,553,417)	(37,363)	(7,230,873)
Payments to employees for salaries and benefits	(2,484,555)	-	(3,462,368)
Payments for interfund services	-	-	-
Net cash provided (used) by operating activities	6,285,099	2,745,074	6,883,926

Cash Flows From Noncapital Financing Activities

Transfers in	802,180	10,230,667	721,648
Transfers (out)	(11,289,443)	(834,880)	(514,120)
Net cash provided (used) by noncapital and financing activities	(10,487,263)	9,395,787	207,528

Cash Flows From Capital and Related Financing Activities

Acquisition and construction of capital assets	(1,654,853)	(11,696,553)	(1,568,200)
Principal paid on debt	(1,682,824)	-	(678,500)
Interest paid on debt	(703,864)	-	(417,746)
Net cash provided (used) by capital and related financing activities	(4,041,541)	(11,696,553)	(2,664,446)

Cash Flows From Investing Activities

Interest earnings	365,794	212,245	220,712
Net cash provided (used) by investing activities	365,794	212,245	220,712
Net change in cash and cash equivalents	(7,877,911)	656,553	4,647,720
Cash and cash equivalents, beginning	28,324,654	21,645,826	17,264,685
Cash and Cash equivalents, ending	\$ 20,446,743	\$ 22,302,379	\$ 21,912,405

Reconciliation of operating loss to net cash provided (used) by operating activities

Operating income (loss)	\$ 3,729,673	\$ 1,443,357	\$ 4,923,629
Adjustments to reconcile:			
Interest and rentals	-	-	63,006
Depreciation expense	1,322,791	1,459,444	2,990,894
Amortization of sewer capacity rights	944,917	-	-
(Increase) decrease in accounts receivable	(107,132)	238	(602,752)
(Increase) decrease in prepaid expenses	(1,662)	-	(1,662)
(Increase) decrease in notes receivables	-	26,278	-
(Increase) decrease in lease receivables	-	-	(17,112)
Increase (decrease) in customer deposits	31,772	1,183	(112,848)
Increase (decrease) in accounts payable	304,297	17,433	72,190
Increase (decrease) in accrued liabilities	(206,444)	(197,807)	(45,778)
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in unearned revenue	-	(5,052)	-
Increase (decrease) in compensated absences	-	-	-
Increase (decrease) in SBITA's	-	-	87,092
Increase (decrease) in net pension liability	334,925	-	(372,985)
Increase (decrease) in net OPEB liability	(68,038)	-	(99,748)
Total adjustments	2,555,426	1,301,717	1,960,297
Net cash provided (used) by operating activities	\$ 6,285,099	\$ 2,745,074	\$ 6,883,926

Schedule of non-cash capital and related financing activities:
 Recorded SBITA

See accompanying notes to basic financial statements



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, 2023

	Private- Purpose Trust Fund		
	Successor Agency	Custodial Funds	
Assets:			
Pooled cash and investments (Note 4)	\$ 50,274	\$ 778,364	
Cash and investments with fiscal agents (Note 4)	5,797,638	1,035,790	
Accounts receivable	-	2,887	
Loans receivable, net (Note 12a)	2,621,888	-	
Total Assets	<u>8,469,800</u>	<u>1,817,041</u>	
Deferred Outflows of Resources:			
Deferred amount on refunding	3,028,990	-	
Total Deferred Outflows of Resources	<u>3,028,990</u>	<u>-</u>	
Liabilities			
Accounts payable	498,504	-	
Deposits held by City for external party	-	1,817,041	
Interest payable	309,601	-	
Long-term debt (Note 12b):			
Due within one year	5,310,000	-	
Due in more than one year	56,700,000	-	
Total Liabilities	<u>62,818,105</u>	<u>1,817,041</u>	
Net Position			
Private purpose trust (RDA)	(51,319,315)	-	
Other governments	-	-	
Total Net Positions	<u>\$ (51,319,315)</u>	<u>\$ -</u>	

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, 2023

	Private- Purpose Trust Fund	
	Successor Agency	Custodial Funds
Additions:		
Property tax	\$ 6,254,187	\$ -
Member contributions	-	-
Fees and Assessments	34,269	-
Other revenue	-	846,934
Total additions	6,288,456	846,934
Deductions:		
Development services	6,632	-
Distribution	1,236,850	846,934
Total deductions	1,243,482	846,934
Change in Net Position	5,044,974	-
Total net position-beginning	(56,364,289)	-
Total net position-ending	\$ (51,319,315)	\$ -

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, including custodial funds, use the economic resources 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 or 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 measured 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 and/or Balance Sheet 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 and/or Balance Sheet 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	\$	2,815,670
Additions		734,157
Payments		<u>(476,184)</u>
Ending Balance	\$	<u>3,073,643</u>
Current Portion	\$	707,062
Non-current Portion	\$	2,366,581

(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.

Deficit Fund Balance – As of June 30, 2023, the Development Services Special Revenue had a deficit fund balance of \$403,754, and the Successor Agency Private Purpose Trust Fund had deficit net position of \$51,319,315.

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, 2023:

	Governmental Activities	Business-Type Activities	Total
Capital assets, net of Accumulated Depreciation:	\$ 309,419,032	\$ 119,827,593	\$ 429,246,625
Less Capital Debt	(11,883,133)	(41,002,537)	(52,885,670)
Plus Unspent bond proceeds	-	-	-
Net investment in capital assets	\$ 297,535,899	\$ 78,825,056	\$ 376,360,955

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, for Development Services activities, and balances held in an irrevocable trust for pension contributions.

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								Total
	Governmental Funds		Enterprise Funds			Internal Services Funds			
General Fund	Nonmajor Governmental	Sewer Operations	Sewer Impact	Water Operation	Building Replacement	Equipment Replacement			
Major Governmental Funds:									
General Fund	\$ -	\$ 2,941,585	\$ -	\$ -	\$ 10,000	\$ 960,000	\$ 3,911,585	B	
Development Services		23,550						23,550	C
Special Revenue Fund	-	12,591	-	-	-	-	-	12,591	C
Housing Special Revenue	-								
Nonmajor Governmental Funds	2,213,804	581,550						2,795,354	A,C
Enterprises Funds:									
Sewer Operations Fund	375,000	133,404	-	10,230,667	550,372	-	-	11,289,443	A,D
Sewer Impact Fund	25,000	7,700	802,180	-	-	-	-	834,880	A,E
Water Operations Fund	375,000	139,120	-	-	-	-	-	514,120	A,F
Water Impact Fund	25,000	7,700	-	-	171,276	-	-	203,976	A,G
Internal Services Funds:									
Information Systems	-	2,711	-	-	-	-	-	2,711	C
CIP Project Implementation	-	7,603	-	-	-	-	-	7,603	C
General Liability	-	589						589	C
Total Transfers in	\$ 3,013,804	\$ 3,858,103	\$ 802,180	\$ 10,230,667	\$ 721,648	\$ 10,000	\$ 960,000	\$ 19,596,402	

The principal purposes of the City's interfund transfers were as follows:

- A. Transfers to the General Fund were to fund General Fund operations and administrative services for which the other funds received services.
- B. Transfers out from General Fund to:
 - Nonmajor Governmental Funds were for annual General Fund contribution of Street CIP for street pavement and rehabilitation as well as for the General Fund's share of the Civic Center debt service.
 - Building and Equipment Replacement Funds were for future replacement programs.
- C. Transfers to Nonmajor Governmental Funds were for the respective funds share of the Civic Center debt service.
- D. Transfers out from Sewer Operations Fund to:
 - Nonmajor Governmental Funds were to fund environmental services program operations and administrative services for which the Sewer Operations Fund received services.
 - Sewer Impact were for the sewer system capital program.
 - Water Operations were for Utility Billing services.
- E. Transfers out from Sewer Impact to:
 - Nonmajor Governmental Funds were for the fund's share of the general plan update.
 - Sewer Operations were for the fund's share of the sewer debt service.
- F. Transfers to Nonmajor Governmental Funds were to fund environmental services program operations and administrative services for which the Water Operations Fund received services.
- G. Transfers out from Water Impact to:
 - Nonmajor Governmental Funds were for the fund's share of the general plan update.
 - Water Operations were for the fund's share of the water debt service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due From/Due to Other Funds

Individual interfund receivables and payables on June 30, 2023, are as follows:

	Due from	Due to
General Fund	\$ 65,493	\$ -
Environmental Programs Special Revenue	- \$ 65,493	65,493 \$ 65,493
	<u>\$ 65,493</u>	<u>\$ 65,493</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 Capital Projects Fund in the amount of \$518,362 were outstanding on June 30, 2023. The total outstanding interfund advances of are reflected in the fund financial statements.

(p) **Closed Fund**

During fiscal year ended June 30, 2023, the City closed the Downton MH PBID Custodial Fund.

(q) **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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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, 2023, there were no excess of expenditures over appropriations at the legal level of control.

4. CASH AND INVESTMENTS

Cash and investments as of June 30, 2023, were classified in the accompanying financial statements as follows:

Statement of Net Position:**Primary Government**

Pooled cash and investments	\$ 169,640,002
Restricted pooled cash and investments	30,000
Cash and investments with fiscal agents	2,515,551
<hr/>	
Fiduciary Funds	
Pooled cash and investments	828,638
Cash and investments with fiscal agents	6,833,428
	<hr/>
	\$ 179,847,619

Cash and investments as of June 30, 2023, consisted of the following:

Cash on hand	\$ 16,100
Deposits with financial institutions	(694,413)
Investments	180,525,932
Total cash and investments	\$ 179,847,619

4. CASH AND INVESTMENTS (continued)

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
Negotiable CD's	5 years	A-1	5%	\$250K
Time Deposits	5 years	A-1	5%	\$2M per institution
Money Market Mutual Funds	N/A	AAAm	20%	No Limit

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, 2023:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value:			
Federal Agency	\$ -	\$ 128,879,358	\$ 128,879,358
Certificate of Deposits	-	1,499,008	1,499,008
U.S. Treasury Notes	12,723,020	-	12,723,020
Total Investments at Fair Value	<u>\$ 12,723,020</u>	<u>\$ 130,378,366</u>	143,101,386
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			27,692,497
Held by Bond Trustee:			
Money Market Mutual Funds			6,867,740
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			2,864,309
Total Investments			<u>\$ 180,525,932</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 \$2.9 million and money market mutual funds at \$6.9 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.

4. CASH AND INVESTMENTS (continued)

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.

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	\$ 20,761,650	\$ 18,626,900	\$ 89,490,808	\$ 128,879,358
US Treasury Notes	9,083,720	-	3,639,300	12,723,020
Certificate of Deposits	998,631	249,772	250,605	1,499,008
Money Market Mutual Funds	27,692,497	-	-	27,692,497
Local Agency Investment Fund	2,864,309	-	-	2,864,309
Held by bond trustee:				
Money Market Mutual Funds	6,867,740	-	-	6,867,740
Total Investments	<u>\$ 68,268,547</u>	<u>\$ 18,876,672</u>	<u>\$ 93,380,713</u>	<u>180,525,932</u>
<i>Cash in Banks and on hand</i>				<u>(678,313)</u>
Total City Cash and Investments				<u>\$ 179,847,619</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, 2023		
			AA+	AAAm	Not Rated/Exempt
Federal Agency	\$ 128,879,358	N/A	\$ 128,879,358	\$ -	\$ -
US Treasury Notes	12,723,020	N/A	-	-	12,723,020
Certificate of Deposits	1,499,008	N/A	1,499,008	-	-
Money Market Mutual Funds	27,692,497	N/A	4,163,993	2,347,885	21,180,619
Local Agency Investment Fund	2,864,309	N/A	-	-	2,864,309
Held by Bond Trustee:					
Money Market Mutual Funds	6,867,740	N/A	-	6,867,740	-
Total	180,525,932		<u>\$ 134,542,359</u>	<u>\$ 9,215,625</u>	<u>\$ 36,767,948</u>
<i>Cash in banks and on hand</i>			<u>(678,313)</u>		
			<u>\$ 179,847,619</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	\$ 12,036,030
Federal Home Loan Mortgage Corporation	Federal Agency Securities	27,637,800
Federal Home Loan Bank	Federal Agency Securities	83,606,388

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, 2023, the City did not have any deposits with financial institutions in excess of federal depository insurance limits.

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, 2023, 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, 2023:

	Balance Beginning of year (as restated)	Increases	Decreases	Transfers/ Adjustments	Balance End of Year
Capital assets not being depreciated:					
Land	\$ 58,445,111	\$ -	\$ -	\$ -	\$ 58,445,111
Construction in progress	27,403,956	10,315,257	-	(355,815)	37,363,398
Total capital assets not being depreciated	85,849,067	10,315,257	-	(355,815)	95,808,509
Capital assets being depreciated:					
Infrastructure	240,670,513	8,503,407	-	355,815	249,529,735
Buildings and other improvements	151,106,103	68,337	(7,485)	-	151,166,955
Machinery/Equipment/Vehicles	17,947,262	1,213,020	-	-	19,160,282
Subscription assets	532,501	2,606,720	-	-	3,139,221
Total capital assets being depreciated	410,256,379	12,391,484	(7,485)	355,815	422,996,193
Less accumulated depreciation for:					
Infrastructure	(109,326,300)	(6,968,605)	-	-	(116,294,905)
Buildings and other improvements	(69,787,897)	(5,360,722)	1,123	-	(75,147,496)
Machinery/Equipment/Vehicles	(13,129,099)	(1,273,736)	871	-	(14,401,964)
Subscription assets	-	(402,084)	-	-	(402,084)
Total accumulated depreciation	(192,243,296)	(14,005,147)	1,994	-	(206,246,449)
Total Capital Assets Being Depreciated, Net	218,013,083	(1,613,663)	(5,491)	355,815	216,749,744
Governmental activities, net capital assets	\$ 303,862,150	\$ 8,701,594	\$ (5,491)	\$ -	\$ 312,558,253

5. CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Expense
Administration	\$ 147,487
Community Development	190,414
Public Works	7,263,618
Public Safety	1,189,838
Parks and Recreation	3,892,600
Housing Successor Agency	664
Internal Service Funds	<u>1,320,526</u>
Total General Capital Assets	<u>\$ 14,005,147</u>

As of June 30, 2023, 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	28,984,550	13,447,530	-	(8,532,542)	33,899,538
Total capital assets not being depreciated	30,809,882	13,447,530	-	-	35,724,870
Capital assets being depreciated:					
Infrastructure	136,874,270	1,042,175	-	8,532,542	146,448,987
Buildings and other improvements	63,134,473	-	-	-	63,134,473
Machinery/Equipment/Vehicles	14,221,146	301,186	-	-	14,522,332
Subscription assets	-	132,212	-	-	132,212
Sewer capacity rights	28,347,522	-	-	-	28,347,522
Total capital assets, being depreciated, net	242,577,411	1,475,573	-	8,532,542	252,585,526
Less accumulated depreciation for:					
Infrastructure	(87,947,908)	(3,671,414)	-	-	(91,619,322)
Buildings and other improvements	(35,969,281)	(1,970,262)	-	-	(37,939,543)
Machinery/Equipment/Vehicles	(11,374,190)	(660,756)	-	-	(12,034,946)
Subscription assets	-	(44,071)	-	-	(44,071)
Sewer Capacity Rights	(25,900,004)	(944,917)	-	-	(26,844,921)
Total accumulated depreciation	(161,191,383)	(7,291,420)	-	-	(168,482,803)
Total Capital Assets Being Depreciated, Net	81,386,028	(5,815,847)	-	8,532,542	84,102,723
Enterprise Funds, Net Capital Assets	\$ 112,195,910	\$ 7,631,683	\$ -	\$ 8,532,542	\$ 119,827,593

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

Funds	Amount
Sewer Funds	\$ 3,727,152
Water Funds	3,564,268
Total Business Type Activities	\$ 7,291,420

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, 2023 total \$61,272,035 and consisted of the following types:

Description	Amount
CDBG Loans/Housing Rehabilitation Loans	\$ 484,839
Sunrise Meadows	1,015,723
San Pedro Gardens	526,026
Morgan Hill Ranch Family Housing	2,269,995
Village Avante Apartments	1,810,011
Village Avante Apartments 2	1,244,714
Villa Ciolino	4,512,563
Jasmine Square	5,470,730
Murphy Ranch	9,232,957
Royal Court Apartments	4,146,767
Bella Terra	3,791,893
Millennium Housing	1,869,699
Habitat for Humanity	760,000
Crest Avenue Housing and Crest Avenue LLP	8,219,233
UHC-The Crossings	4,156,242
UHC Crossings at Monterey	865,264
BEGIN	4,200,207
Horizon Senior Housing	6,474,047
Down Payment Assistance-Citywide	203,496
Cal Homes	316,089
Sycamore Glen	377,956
Executive Management Loan	1,967,573
EAH, Inc.	5,368,170
Royal Village Oaks	412,921
Other Loans	4,203,608
Allowance for Doubtful Accounts	(12,628,688)
Total:	<u>\$ 61,272,035</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. All CDBG loans are paid and closed out. The City no longer services any CDBG loans. As of June 30, 2023, the City has a total balance of \$484,839 of former Redevelopment Agency Housing Rehab loans, which includes accrued interest of \$137,847.

(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, 2023, there was a balance of \$1,015,172 outstanding, of which \$783,400 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, 2023, the balance of these loans is \$526,026, which includes accrued compound interest of \$101,026. 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, 2023, the loan had accrued interest of \$94,186 bringing the loan balance to \$2,269,995. 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, 2023 is \$1,810,011, which includes accrued interest of \$273,512.

(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, 2023 is \$1,244,714 which includes accrued interest of \$188,089.

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, 2023 is \$4,512,563, which includes accrued interest of \$2,137,563.

(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, 2023, is \$5,470,730, which includes accrued interest of \$2,166,018.

(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, 2023, there is a balance of \$9,232,957, which includes accrued interest of \$3,560,132.

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. The new borrower retained \$2,750,000 of the original \$3,750,000 loan and \$1,000,000 stayed with the original borrower, South County Housing which is to be forgiven for the Assisted Living Units. This amount plus the accrued interest balance of \$587,560 for the loan forgiveness portion was written off on June 30, 2023. On June 30, 2023, the balance due is \$4,146,768, which includes accrued interest of \$1,496,768.

(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, 2023, the balance due is \$3,791,893, which includes accrued interest of \$609,093.

(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, 2023, the balance due is \$1,869,699, which includes accrued interest of \$669,699. 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, 2023, 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, 2023, is \$8,219,233, which includes accrued interest of \$1,846,198.

(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, 2023, is \$4,156,242, which includes accrued interest of \$1,250,242.

(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, 2023, the balance due is \$865,264, which includes accrued interest of \$115,263.

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, 2023 the balance due is \$4,200,207, which includes accrued interest of \$920,569.

(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, 2023, is \$6,474,047, which includes accrued interest of \$1,799,495.

(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, 2023, there were 6 city wide loans with a total outstanding balance of \$203,496, which includes accrued interest of \$7,093.

(t) Cal Homes

Cal Homes 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. The balance of these loans was \$316,089 as of June 30, 2023 which includes accrued interest of \$86,866.

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, 2023 is \$377,956, which includes accrued interest of \$26,866.

(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, 2023, the outstanding balance of the loans was \$1,967,573.

(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, 2023, is \$5,368,170, which includes accrued interest of \$868,170.

(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, 2023 is \$412,921, which includes accrued interest of \$12,921.

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(y) 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)	\$	225,296
Down payment Assistance		34,868
Down payment Assistance-Madrone		2,890,082
Employee computer loans		6,506
Economic Development loans		286,856
Vacant Land Sale		760,000
Subtotal	\$	<u>4,203,608</u>

(z) Allowance for Doubtful Accounts

The City's Allowance for Doubtful Accounts is used to estimate the uncollectible. Most of the \$12.6 million balances in the City's Allowance for Doubtful Accounts are forgivable loans. These loans are forgiven once certain criteria are met by the borrowers.

7. LONG TERM DEBT**Summary of Changes in Long-Term Debt:**

Governmental Activities	Balance		Reductions	Balance		Current Portion
	July 1, 2022	June 30, 2023		July 1, 2022	June 30, 2023	
Bond Payable (Direct Borrowing)						
2015 Lease Revenue Refunding Bonds	\$ 6,925,000	\$ (415,000)		\$ 6,510,000	\$ 435,000	
Premium	597,610	(42,686)		554,924		-
Capital Leases (Direct Placement)						
Fire Houses	1,380,785	(209,192)		1,171,593	217,153	
Fire Apparatus	1,103,495	(171,370)		932,125	176,203	
Loans Payable (Direct Placement)						
Energy Efficiency Loan	16,565	(11,700)		4,865	4,865	
Total Governmental Activities	10,023,455	(849,948)		9,173,507	833,221	
Business Type Activities						
Bonds Payable (Direct Borrowing)						
2022 Water Revenue Refunding Bonds	15,415,000	(1,150,000)		14,265,000	\$ 1,181,000	
2015 Sewer Revenue Bonds	7,175,000	(1,520,000)		5,655,000	335,000	
Premium	1,085,802	(77,557)		1,008,245		-
2020 Sewer Revenue Bonds	17,685,000	-		17,685,000	130,000	
Premium	2,387,467	(85,267)		2,302,200		-
Total Business-Type Activities	43,748,269	(2,832,824)		40,915,445	1,646,000	
Total Long Term Debt	\$ 53,771,724	\$ (3,682,772)		\$ 50,088,952	\$ 2,479,221	

(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.

7. LONG TERM DEBT (continued)

(d) 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%

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, 2023.

(e) Annual debt service requirements for governmental debt are shown below:

For the Year	Governmental Activities									
	Bonds Payable		Capital Leases		Loans Payable					
	Direct Borrowing		Direct Placement		Direct Placement					
For the Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Totals
Ending June 30	\$ 435,000	\$ 234,363	\$ 393,356	\$ 64,248	\$ 4,865	\$ -	\$ 833,221	\$ 298,611	\$ 1,131,832	
2024	455,000	212,113	406,589	51,015	-	-	861,589	263,128	1,124,717	
2025	485,000	188,613	420,275	37,329	-	-	905,275	225,942	1,131,217	
2026	500,000	163,988	434,434	23,169	-	-	934,434	187,157	1,121,591	
2027	530,000	138,238	449,064	8,524	-	-	979,064	146,762	1,125,826	
2029-2033	2,920,000	411,340	-	-	-	-	2,920,000	411,340	3,331,340	
2034-2037	1,185,000	45,500	-	-	-	-	1,185,000	45,500	1,230,500	
Sub-Total	6,510,000	1,394,155	2,103,718	184,285	4,865	-	8,618,583	1,578,440	10,197,023	
Add unamortized premium	554,924	-	-	-	-	-	554,924	-	554,924	
Totals	\$ 7,064,924	\$ 1,394,155	\$ 2,103,718	\$ 184,285	\$ 4,865	\$ -	\$ 9,173,507	\$ 1,578,440	\$ 10,751,947	

7. LONG TERM DEBT (continued)**(f) 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, 2023.

(g) 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, 2023.

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 2023, Sewer Operations net revenue (excluding depreciation and amortization) amounted to \$8,900,182, which represented coverage of 14.80 over the \$601,438 in debt service.

7. LONG TERM DEBT (continued)**(h) 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.

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, 2023.

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.

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

For the Year Ending June 30	Business-Type Activities		
	Totals		
	Principal	Interest	Totals
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	1,871,000	976,914	2,847,914
2029-2033	10,270,000	3,982,149	14,252,149
2034-2038	4,670,000	2,654,105	7,324,105
2039-2043	4,600,000	1,802,782	6,402,782
2044-2048	5,575,000	826,374	6,401,374
2049-2052	3,715,000	126,618	3,841,618
Sub-Totals	37,605,000	14,853,812	52,458,812
Add unamortized premiums	3,310,445	-	3,310,445
	<u>\$ 40,915,445</u>	<u>\$ 14,853,812</u>	<u>\$ 55,769,257</u>

7. LONG TERM DEBT (continued)**(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, 2023, the total balance of these districts' outstanding debt was \$1,998,000 comprised of \$1,676,000 for Madrone Business Park 2015 A&B and \$322,000 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, 2023, the balance in the PARS trust was \$2,515,551. 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.

8. PENSION PLANS (continued)

The Plan's provisions and benefits in effect on June 30, 2023, 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	50 - 55	52 - 67
Annual benefits, as a % of eligible compensation	2% to 2.5%	1% to 2.5%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates*	30.41%	30.41%

* The required employer contributions rate does not include the unfunded accrued liability (UAL) as percentage, which is 19.20% in FY22-23.

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. Employer contribution rates may change if plan contracts are amended.

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, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability follows.

8. PENSION PLANS (continued)

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, 2021 (Measurement Date)	\$ 128,475,829	\$ 110,124,433	\$ 18,351,396
Changes in the year:			
Service cost	3,054,722	-	3,054,722
Interest on the total pension liability	9,040,250	-	9,040,250
Changes in benefit terms	-	-	-
Changes in assumptions	4,470,923	-	4,470,923
Differences between actual and expected experience	(764,435)	-	(764,435)
Plan to plan resource movement	-	(23,518)	23,518
Contribution - employer	-	3,679,364	(3,679,364)
Contribution - employee	-	2,049,486	(2,049,486)
Net investment income	-	(8,325,147)	8,325,147
Benefit payments, including refunds of employee contributions	(5,383,140)	(5,383,140)	-
Administrative Expense	-	(68,601)	68,601
Net changes	10,418,320	(8,071,556)	18,489,876
Balance at June 30, 2022 (Measurement Date)	\$ 138,894,149	\$ 102,052,877	\$ 36,841,272

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:

Miscellaneous Net Pension Liability	Discount Rate		
	1% Decrease	Current	1% Increase
	5.90%	6.90%	7.90%
\$ 56,222,746	\$ 36,841,272	\$ (20,891,525)	

8. PENSION PLANS (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2023, the City recognized pension expense of \$4,730,508 for the Miscellaneous plan and \$364,886 for the Safety plan, for total pension expense of \$5,095,394. On June 30, 2023, 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	\$ 3,969,316	\$ -	\$ 3,022,686	\$ -	\$ 6,992,002	\$ -
Differences between actual and expected experience	269,203	(481,311)	984,574	(258,339)	1,253,777	(739,650)
Changes in assumptions	2,815,026	-	2,398,733	-	5,213,759	-
Net differences between projected and actual earnings on plan investments	5,149,659	-	3,756,743	-	8,906,402	-
Change in proportion	-	-	248,310	(4,086)	248,310	(4,086)
Differences between actual contributions and proportionate share of contributions	-	-	4,882	(934,089)	4,882	(934,089)
Total	\$ 12,203,204	\$ (481,311)	\$ 10,415,928	\$ (1,196,514)	\$ 22,619,132	\$ (1,677,825)

A total of \$6,992,002 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, 2024. 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	Miscellaneous		Safety	
	Annual		Annual	
	Amortization	Amortization	Amortization	Amortization
2024	\$ 2,472,261	\$ 1,804,557		
2025	1,708,615	1,358,865		
2026	386,683	741,644		
2027	3,185,018	2,291,662		
Total	\$ 7,752,577	\$ 6,196,728		

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, 2023, 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	50 - 57
Annual benefits, as a % of eligible compensation	3%	2% to 2.7%
Required employee contribution rates	9.00%	13.00%
Required employer contribution rates	23.75%	12.78%

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, 2023 was \$5,038,509 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, 2023, contributions to the Miscellaneous and Safety Plans were as follows:

	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
Contributions - employer	\$ 3,574,945	\$ 394,371	\$ 2,622,375	\$ 400,311

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, 2023, 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		\$ 23,789,809

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, 2022, 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, 2021 rolled forward to June 30, 2022 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	0.39276%
Proportion - June 30, 2022	0.34621%
Change-Increase (Decrease)	-0.04655%

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
	5.90%	6.90%	7.90%
Safety Net Pension Liability	\$ 34,570,149	\$ 23,789,809	\$ 14,979,316

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

8. PENSION PLANS (continued)

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

	All Plans
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.90% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)
	The lesser of contract COLA or 2.30% until Purchasing Power
	Protection Allowance Floor on Purchasing Power applies, 2.30%
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 probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvements using 80% of scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions from November 2021 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a November 2021 actuarial experience study for the period 2001 to 2019. Further details of the Experience Study can be found on the CalPERS website.

Employees Covered – On June 30, 2023, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	207	68
Inactive employees entitled to but not yet receiving benefits	211	25
Active employees	146	40
Total	564	133

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 6.90%. 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. 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. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

The expected real rate of return by asset class are as follows:

Asset Class (1)	Assumed Asset Allocation	Real Return 1,2
Global Equity-Cap Weighted	30.0%	4.54%
Global Equity-Non-Cap Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	<u>100.0%</u>	

(1) An expected inflation of 2.30% used for this period.

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

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, 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 PEPRA 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 PEPRA 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, 2023, the balance in the trust was \$4,941,862.

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, 2022 (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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2021 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	6/30/2022
Funding Method	Entry Age Normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Investment rate of return	6.00% as of June 30, 2021 and 5.50% as of June 30, 2022
Discount Rates	6.00% as of June 30, 2021 and 5.50% as of June 30, 2022
Salary increases	2.80%. Additional merit-based increases based on CalPERS merit salary increase tables.
Inflation	2.30% per year
	Non-Medicare: Actives: 8.40% for active members and 8.60% for active Spouse Retirees: 10% for retirees
Healthcare cost trend rates	Medicare: 1.30% for retirees
Mortality rate	CalPERS rates

The discount rate used to measure the total OPEB liability was 5.50%. 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

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2022:			
(Measurement Date 6/30/21)	\$ 5,758,085	\$ 3,441,666	\$ 2,316,419
Changes Recognized for the Measurement Period:			
Service Cost	310,942	-	310,942
Interest	356,169	-	356,169
Expected investment income	-	-	-
Differences Between Expected and Actual Experience	10,957	-	10,957
Contributions:	-	-	-
Employer - City's contribution	-	1,169,678	(1,169,678)
Employer - Implicit subsidy	-	-	-
Net investment income	-	(626,994)	626,994
Benefit payments	(269,678)	(269,678)	-
Implicit rate subsidy fulfilled	-	-	-
Changes of assumptions	347,914	-	347,914
Administrative expenses*	-	(2,220)	2,220
Net Changes during Fiscal Year 2022	756,304	270,786	485,518
Balance at Fiscal Year Ending 6/30/2023:			
(Measurement Date 6/30/22)	\$ 6,514,389	\$ 3,712,452	\$ 2,801,937

*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 (4.50%) or one percentage point higher (6.50%), as follows:

Net OPEB Liability/(Asset)		
Discount Rate -1% (4.50%)	Discount Rate (5.50%)	Discount Rate +1% (6.50%)
\$ 3,592,279	\$ 2,801,937	\$ 2,133,361

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 Trend Rates	1% Increase
(4.50%)	(5.50%)	(6.50%)
\$ 1,929,994	\$ 2,801,937	\$ 3,878,874

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

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$410,878. On June 30, 2023, 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	\$ 1,276,846	\$ -
Differences between actual and expected experience	9,587	(953,329)
Net difference between projected and actual earnings		
on OPEB plan investments	452,069	-
Changes of assumptions	872,345	(610,144)
Total	<u>\$ 2,610,847</u>	<u>\$ (1,563,473)</u>

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

A total of \$1,276,846 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, 2024. 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
2024	\$ (22,708)
2025	(19,262)
2026	(27,117)
2027	44,298
2028	(129,657)
Thereafter	(75,026)
Total	<u><u>\$ (229,472)</u></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, 2023	
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, 2023, the balance of the trust was \$4,941,862. 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 following is the City adopted asset allocation policy as of June 30, 2023:

Asset Classes	Target Allocation	Projected Real Rate of Return
Global Equity	34.0%	4.50%
Fixed Income	41.0%	1.40%
Global Real Estate (REITs)	5.0%	3.70%
Treasury Inflation-Protected Securities (TIPS)	17.0%	0.50%
Commodities	3.0%	1.10%
Total	100.00%	

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, 2023, 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 noncancelable 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 noncancelable 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 noncancelable 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.

10. LEASES (Continued)

(b) Leases Receivable (City as Lessor)

The following is a summary for leases and balances related to leases receivable and deferred inflows of resources recorded as of June 30, 2023:

Lessee	Governmental Activities					Monthly revenue as of June 30, 2023	Lease Receivable balance at June 30, 2023	Deferred Inflow of Resources at June 30, 2023
	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options				
AT&T El Toro Telecommunications Facility	7/1/2021	1.0	6.00	6/30/2028	\$ 6,220	\$ 358,246	\$ 373,230	
AT&T OSC Telecommunications Facility	10/1/2021	4.08	10.00	10/1/2035	4,383	678,026	648,717	
Crown Castle Telecommunications Facility	7/1/2021	4.00	10.00	7/1/2034	4,138	637,082	595,866	
Morgan Hill Unified School District	7/1/2021	3.00	2.00	4/1/2026	7,124	263,531	256,455	
Santa Clara County Library	7/1/2021	12.00	-	5/1/2033	11,647	1,423,126	1,397,649	
Sprint Telecommunications Facility	7/1/2021	1.67	5.00	2/1/2028	-	-	-	
Uplift Family Services	2/1/2022	6.00	5.00	1/1/2033	14,867	1,781,951	1,709,739	
Spectrum Pacific West	12/29/2022	5.00	5.00	12/31/1932	3,348	386,739	381,664	
Governmental Activities subtotal					\$ 51,727	\$ 5,528,701	\$ 5,363,320	

Lessee	Business Activities					Monthly revenue as of June 30, 2023	Lease Receivable balance at June 30, 2023	Deferred Inflow of Resources at June 30, 2023
	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options				
AT&T Woodland Tank Telecommunications Facility	7/1/2021	7.0	-	7/1/2027	\$ 4,443	\$ 283,694	\$ 266,582	
Business Activities subtotal					\$ 4,443	\$ 283,694	\$ 266,582	
Total					\$ 56,170	\$ 5,812,395	\$ 5,629,902	

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	Total
2024	\$ 547,837	\$ 167,922	\$ 715,759	\$ 49,271	\$ 7,153	\$ 56,424	\$ 597,108	\$ 175,075	\$ 772,183
2025	579,935	150,823	730,758	52,820	5,578	58,398	632,755	156,401	789,156
2026	613,517	132,729	746,246	56,550	3,892	60,442	670,067	136,621	806,688
2027	555,329	113,961	669,290	60,469	2,089	62,558	615,798	116,050	731,848
2028	514,603	97,882	-	64,584	164	64,748	579,187	98,046	64,748
2029-2033	2,164,375	224,102	2,388,477	-	-	-	2,164,375	224,102	2,388,477
2034-2037	553,105	27,596	580,701	-	-	-	553,105	27,596	580,701
Totals	\$ 5,528,701	\$ 915,015	\$ 5,831,231	\$ 283,694	\$ 18,876	\$ 302,570	\$ 5,812,395	\$ 933,891	\$ 6,133,801

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, 2023, the lease has 5 years remaining. The City recognized \$56,725 in lease revenue and \$13,005 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, 2023, the lease has 12 years remaining. The City recognized \$14,452 in lease revenue and \$10,388 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, 2023, the lease has 11 years remaining. The City recognized \$29,546 in lease revenue and \$19,175 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, 2023, the lease has 3 years remaining. The City recognized \$82,643 in lease revenue and \$9,146 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, 2023, the lease has 10 years remaining. The City recognized \$126,803 in lease revenue and \$47,339 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 leased 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, 2023, the lessee terminated its lease.

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, 2023, the lease has 10 years remaining. The City recognized \$125,433 in lease revenue and \$56,268 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.

Spectrum Pacific West

As shown in the summary table, the City leases 365 East Dunne Avenue, Morgan Hill to Spectrum Pacific West, LLC, a Delaware limited liability company. The original lease terms were 5 years with option to extend additional 5 years. As of June 30, 2023, the lease has 9 years remaining. The City recognized \$15,012 in lease revenue and \$4,988 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, 2023, the lease has 4 years remaining. The City recognized \$45,894 in lease revenue and \$8,622 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. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

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

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

- The City uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.
- The subscription term includes the noncancelable period of the subscription.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Subscription assets are reported with other capital assets and subscription liabilities are reported as long-term debt on the statement of net position.

The provisions of GASB Statement 96 were implemented during fiscal year 2023. As part of the implementation of this Statement, the City accounted for certain SBITAs, one of which required the restatement of capital assets – intangibles and SBITA liabilities in Governmental Activities and the Information Systems Internal Service Fund in the amount of \$532,501 as of July 1, 2022. As a result, the net effect on Governmental Activities beginning net position are \$0.

During the fiscal year, the City entered into four additional SBITAs that qualify to be recorded under GASB 96, for a total of five arrangements.

11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs) (continued)

A summary of the City's SBITA transactions for the fiscal year ended June 30, 2023, are as follows:

	Balance June 30, 2022 (as restated)	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Governmental Activities					
Tyler Munis ERP	\$ -	\$ 418,673	\$ 142,880	\$ 275,793	\$ 136,261
CAD/RMS	-	679,033	-	679,033	-
Flock Camera Systems	-	1,294,018	146,368	1,147,650	113,660
Dash Cam Systems	-	214,996	-	214,996	24,693
Microsoft Enterprise Agreement (MEA)	<u>532,501</u>	-	140,347	<u>392,154</u>	<u>127,630</u>
<i>Subtotal - Governmental</i>	<u>532,501</u>	2,606,720	429,595	<u>2,709,626</u>	<u>402,244</u>
Business-Type Activities					
Water Operations Enterprise:					
Tyler Munis ERP	<u>-</u>	<u>132,212</u>	<u>45,120</u>	<u>87,092</u>	<u>43,030</u>
Total SBITA Liabilities	<u>\$ 532,501</u>	<u>\$ 2,738,932</u>	<u>\$ 474,715</u>	<u>\$ 2,796,718</u>	<u>\$ 445,274</u>

The future principal and interest subscription liability payments as of June 30, 2023 are as follows:

For the Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 402,244	\$ 48,739	\$ 450,983	\$ 43,030	\$ 2,090	\$ 45,120
2025	492,529	45,295	537,824	44,062	1,057	45,119
2026	330,995	53,948	384,943	-	-	-
2027	203,070	44,832	247,902	-	-	-
2028	209,151	38,750	247,901	-	-	-
2029-2033	997,196	997,196	1,994,392	-	-	-
2034	<u>74,441</u>	<u>74,442</u>	<u>148,883</u>	-	-	-
Totals	<u>\$ 2,709,626</u>	<u>\$ 1,303,202</u>	<u>\$ 4,012,828</u>	<u>\$ 87,092</u>	<u>\$ 3,147</u>	<u>\$ 90,239</u>

12. SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY**(a) Loans receivable of the Successor Agency as of June 30, 2023, consisted of the following:**

Project Name	Loan Balance Outstanding	Special Provisions of Loan
Morgan Hill Grange	\$ 2,545,125	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	419,316	If loan conditions are met, loan will be treated as a reimbursement grant
Allowance for Doubtful Accounts	<u>(868,170)</u>	
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, 2022	Reductions	Balance June 30, 2023	Current Portion
2020 Refunding Revenue Bond	\$ 67,290,000	\$ (5,280,000)	\$ 62,010,000	\$ 5,310,000
Total	<u>\$ 67,290,000</u>	<u>\$ (5,280,000)</u>	<u>\$ 62,010,000</u>	<u>\$ 5,310,000</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.

12. 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
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	5,510,000	693,035	6,203,035
2029-2033	28,895,000	2,042,932	30,937,932
2034	6,110,000	64,583	6,174,583
Totals	<u>\$ 62,010,000</u>	<u>\$ 6,166,645</u>	<u>\$ 68,176,645</u>

13. 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.

22-23 Starting VRF Balance as of July 1, 2022:	\$ -
22-23 VRF Revenue:	267,855
22-23 VRF Interest:	-
22-23 VRF Expended:	267,855
22-23 Ending VRF Balance as of June 30, 2023:	<u>\$ -</u>

13. COMMITMENTS/CONTINGENCIES (continued)**(b) GANN Spending Limitation Initiative**

Under Article XIIIB 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, 2023, 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, 2023 for all funds.

<u>Project Name</u>	<u>Total Amount</u>
Sewer Trunk Line Highland to Cohansey	\$ 445,006
Butterfield Fire Station Design	211,200
CRC Battery Storage System	523,062
Cal-Fire Complete SCBA System	201,553
Tyler Munis Upgrade	668,385
Countywide Solid Waste Fiscal Agent Agreement	122,274
Flood Protection Project - Valley Water - Storm Culvert	107,700
Villa Mira Monte - Architectural Design	137,622
Upper Llagas Creek Flood Protection Project	3,500,000
Lift Station C&I and Jackson Oak Booster Generator Replacement	315,000
West Little Llagas Creek Trail	157,872
Butterfield Park Project Design	221,527
Inflow & Infiltration Sewer Repair Project	2,637,620
Upper Llagas Creek Flood Protection Project	107,700
Axon Dispatch and Records Management System Upgrade	778,400
Transportation Master Plan	893,960

Listed below are the total outstanding encumbrances by each major fund and nonmajor funds in the aggregate as of June 30, 2023.

13. COMMITMENTS/CONTINGENCIES (continued)

Fund	Amount
General Fund	\$ 2,549,117
Development Services	113,878
Nonmajor Funds	6,402,019
Sewer Enterprise Fund	3,605,551
Water Enterprise Fund	1,088,372

(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 2023, payments to CALFIRE related to this contract totaled \$6,295,262.

14. 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, 2023, 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.

14. 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 disbursable 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, 2023.

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 06/30/20	\$ 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
Claims and changes in estimates during the fiscal year ended 06/30/23	216,093	345,364	561,457
Claims payments during the fiscal year ended 06/30/23	(169,093)	(119,606)	(288,699)
Liability as of 06/30/23	\$ 1,564,000	\$ 583,488	\$ 2,147,488

14. 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, 2023. 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.

15. 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, 2023, under this program the City has abatements of sales tax totaling \$216,169.

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.

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, 2023**

	Budgeted Amounts			Variance with Final Budget	
			Actual Amounts	Positive (Negative)	
	Original	Final		\$	(\$)
Revenues					
Property taxes and special assessments	\$ 17,383,705	\$ 17,883,705	\$ 18,143,284	\$ 259,579	
Sales taxes	12,395,413	12,895,413	12,684,597	(210,816)	
Franchise, hotel and other taxes	5,860,000	5,860,000	5,708,085	(151,915)	
Licenses and permits	223,975	223,975	790,534	566,559	
Funding from other govt agencies	1,482,540	1,536,335	1,368,280	(168,055)	
Charges for current services	8,216,201	8,216,201	8,062,941	(153,260)	
Investment income and rentals	1,455,561	1,405,293	2,405,797	1,000,504	
Other revenues	313,910	313,910	266,969	(46,941)	
Total revenues	47,331,305	48,334,832	49,430,487	1,095,655	
Expenditures:					
General government					
Council	429,736	429,736	409,047	20,689	
City Attorney	939,274	1,078,974	820,377	258,597	
City Manager	852,048	852,048	646,501	205,547	
Human Resources	843,575	843,575	821,083	22,492	
City Clerk	948,948	948,948	765,706	183,242	
Finance	1,797,536	3,626,967	2,896,313	730,654	
Economic Development	862,690	1,204,873	779,110	425,763	
Total General Government	6,673,807	8,985,121	7,138,137	1,846,984	
Public Safety					
Police	21,110,370	21,767,338	20,652,059	1,115,279	
Fire	8,251,278	8,618,847	7,385,228	1,233,619	
Total Public Safety	29,361,648	30,386,185	28,037,287	2,348,898	
Development services					
Congestion Management	758,962	758,962	551,976	206,986	
Total Development Services	758,962	758,962	551,976	206,986	
Streets and Highways					
Street Maintenance	2,649,113	2,683,618	2,474,399	209,219	
Total Streets and Highways	2,649,113	2,683,618	2,474,399	209,219	
Culture and recreation					
Recreation	8,764,780	8,825,980	8,335,235	490,745	
Cable TV/Comm.& Marketing	64,699	64,699	49,032	15,667	
Park maintenance	1,460,132	1,486,682	1,191,324	295,358	
Downtown maintenance	325,873	325,886	207,023	118,863	
Total Culture and recreation	10,615,484	10,703,247	9,782,614	920,633	
Other Public Services					
Solid Waste Management	741,491	779,171	616,785	162,386	
Total Other Public Services	741,491	779,171	616,785	162,386	
Capital outlay					
Construction projects	35,000	35,000	1,169	33,831	
Subscription assets	-	-	2,606,720	(2,606,720)	
Debt service					
Principal	-	-	-	-	
Interest and fiscal charges	-	-	80,579	(80,579)	
Total Expenditures	50,835,505	54,331,304	51,289,666	3,041,638	
Excess (deficiency) of revenues over (under) expenditures	(3,504,200)	(5,996,472)	(1,859,179)	4,137,293	
Other Financing sources (uses):					
Subscription assets	-	-	2,606,720	2,606,720	
Transfers in	3,181,038	3,368,213	3,013,804	(354,409)	
Transfers (out)	(1,511,585)	(3,911,585)	(3,911,585)	-	
Total other financing sources (uses)	1,669,453	(543,372)	1,708,939	2,252,311	
Net change in fund balance	\$ (1,834,747)	\$ (6,539,844)	\$ (150,240)	\$ 6,389,604	
Fund Balance-Beginning			36,867,707		
Fund Balance-Ending			\$ 36,717,467		

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, 2023

				Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Charges for services	\$ 6,180,767	\$ 6,180,767	\$ 5,867,582	\$ (313,185)
Investment income	470	470	26,070	25,600
Total Revenues	<u>6,181,237</u>	<u>6,181,237</u>	<u>5,893,652</u>	<u>(287,585)</u>
Expenditures:				
Current:				
Development services	6,031,817	6,109,416	5,779,253	330,163
Total Expenditures	<u>6,031,817</u>	<u>6,109,416</u>	<u>5,779,253</u>	<u>330,163</u>
Excess (deficiency) of revenues over (under) expenditures	149,420	71,821	114,399	42,578
Other Financing Sources (Uses):				
Transfers (out)	(23,550)	(23,550)	(23,550)	-
Total other financing sources (uses)	<u>(23,550)</u>	<u>(23,550)</u>	<u>(23,550)</u>	<u>-</u>
Net change in fund balance	<u>\$ 125,870</u>	<u>\$ 48,271</u>	90,849	<u>\$ 42,578</u>
Fund Balance-Beginning			(494,603)	
Fund Balance-Ending			<u>\$ (403,754)</u>	

**City of Morgan Hill
Housing Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2023**

					Variance with Final Budget
	Budgeted Amounts		Actual	Positive	
	Original	Final	Amounts	(Negative)	
Revenues:					
Charges for services	\$ 1,736,396	\$ 1,736,396	\$ 856,774	\$ (879,622)	
Investment income	71,580	71,580	420,934	349,354	
Other revenues	-	-	24	24	
Total Revenues	1,807,976	1,807,976	1,277,732	(530,244)	
Expenditures:					
Current:					
Housing services	1,141,398	1,141,398	2,157,688	(1,016,290)	
Community Development	1,889,195	1,889,195	845,515	1,043,680	
Total Expenditures	3,030,593	3,030,593	3,003,203	27,390	
Other Financing Sources (Uses):					
Transfers (Out)	(10,499)	(10,499)	(12,591)	(2,092)	
Total other financing sources and uses	(10,499)	(10,499)	(12,591)	(2,092)	
Net change in fund balance	\$ (1,233,116)	\$ (1,233,116)	(1,738,062)	\$ (559,726)	
Fund Balance-Beginning			69,928,604		
Fund Balance-Ending			\$ 68,190,542		

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
Total Pension Liability					
Service Cost	\$ 2,070,308	\$ 2,160,542	\$ 2,258,111	\$ 2,569,067	\$ 2,841,364
Interest	5,561,850	5,903,293	6,326,739	6,655,208	7,136,369
Differences between expected and actual	-	(556,276)	302,964	(1,017,186)	1,625,260
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)
Net change in total pension liability	<u>5,200,820</u>	<u>3,241,498</u>	<u>5,867,611</u>	<u>10,750,126</u>	<u>7,103,004</u>
Total pension liability - beginning	<u>74,338,507</u>	<u>79,539,327</u>	<u>82,780,825</u>	<u>88,648,436</u>	<u>99,398,292</u>
Total pension liability - ending (a)	<u><u>\$ 79,539,327</u></u>	<u><u>\$ 82,780,825</u></u>	<u><u>\$ 88,648,436</u></u>	<u><u>\$ 99,398,562</u></u>	<u><u>\$ 106,501,296</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 1,708,041	\$ 2,301,680	\$ 2,590,587	\$ 2,518,266	\$ 2,950,037
Contributions - employee	1,128,472	1,001,923	1,071,857	1,197,450	1,211,918
Net investment income	9,159,676	1,400,430	317,085	7,449,380	6,195,398
Administrative Expense	-	-	-	(95,969)	(113,485)
Net Plan to Plan Resource Movement	-	-	-	-	-
Other Miscellaneous Income	-	-	-	-	(215,693)
Benefit payments, including refunds of employee contributions	(2,431,338)	(2,874,687)	(3,020,203)	(3,242,574)	(3,730,215)
Net change in plan fiduciary net position	<u>9,564,851</u>	<u>1,829,346</u>	<u>959,326</u>	<u>7,826,553</u>	<u>6,297,960</u>
Plan fiduciary net position - beginning	<u>52,686,457</u>	<u>62,251,308</u>	<u>64,080,654</u>	<u>65,000,926</u>	<u>72,827,479</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 62,251,308</u></u>	<u><u>\$ 64,080,654</u></u>	<u><u>\$ 65,039,980</u></u>	<u><u>\$ 72,827,479</u></u>	<u><u>\$ 79,125,439</u></u>
Net pension liability - ending (a)-(b)	<u><u>\$ 17,288,019</u></u>	<u><u>\$ 18,700,171</u></u>	<u><u>\$ 23,608,456</u></u>	<u><u>\$ 26,571,083</u></u>	<u><u>\$ 27,375,857</u></u>
Plan fiduciary net position as a percentage of the total pension liability	78.26%	77.41%	73.37%	73.27%	74.30%
Covered payroll	\$ 11,640,097	\$ 13,206,077	\$ 13,545,383	\$ 14,943,991	\$ 15,095,617
Net pension liability as percentage of covered-employee payroll	148.52%	141.60%	174.29%	177.80%	181.35%

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, 2020 and 2021, there were no changes. In 2022, the accounting discount rate reduced from 7.15% to 6.90%. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5% discount rate.

* 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 CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (Continued)

Measurement Period:	2018-2019	2019-2020	2020-2021	2021-2022
Total Pension Liability				
Service Cost	\$ 2,892,885	\$ 2,951,576	\$ 2,830,305	\$ 3,054,722
Interest	7,717,398	8,104,716	8,637,361	9,040,250
Differences between expected and actual experience	2,037,515	(967,501)	1,038,351	(764,435)
Changes in assumptions	-	-	-	4,470,923
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,099,244)	(4,410,945)	(4,757,884)	(5,383,140)
Net change in total pension liability	8,548,554	5,677,846	7,748,133	10,418,320
Total pension liability - beginning	106,501,296	115,049,850	120,727,696	128,475,829
Total pension liability - ending (a)	\$ 115,049,850	\$ 120,727,696	\$ 128,475,829	\$ 138,894,149
Plan fiduciary net position				
Contributions - employer	\$ 3,275,042	\$ 3,646,492	\$ 3,729,194	\$ 3,679,364
Contributions - employee	1,207,537	1,274,304	1,517,946	2,049,486
Net investment income	5,243,810	4,253,255	20,384,416	(8,325,147)
Administrative Expense	(56,466)	(119,401)	(89,245)	(68,601)
Net Plan to Plan Resource Movement	-	-	-	(23,518)
Other Miscellaneous Income	183	-	-	-
Benefit payments, including refunds of employee contributions	(4,099,244)	(4,410,945)	(4,757,884)	(5,383,140)
Net change in plan fiduciary net position	5,570,862	4,643,705	20,784,427	(8,071,556)
Plan fiduciary net position - beginning	79,125,439	84,696,301	89,340,006	110,124,433
Plan fiduciary net position - ending (b)	\$ 84,696,301	\$ 89,340,006	\$ 110,124,433	\$ 102,052,877
Net pension liability - ending (a)-(b)	\$ 30,353,549	\$ 31,387,690	\$ 18,351,396	\$ 36,841,272
Plan fiduciary net position as a percentage of the total pension liability	73.62%	74.00%	85.72%	73.48%
Covered payroll	\$ 14,796,541	\$ 15,580,036	\$ 15,519,529	\$ 16,806,929
Net pension liability as percentage of covered-employee payroll	205.14%	201.46%	118.25%	219.20%

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, 2020 and 2021, there were no changes. In 2022, the accounting discount rate reduced from 7.15% to 6.90%. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5% discount rate.

* 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

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Actuarially determined contributions	\$ 2,191,276	\$ 2,590,586	\$ 2,557,965	\$ 2,950,036	\$ 3,270,125
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>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 13,206,077	\$ 13,545,383	\$ 14,943,991	\$ 15,095,617	\$ 14,796,541
Contributions as a percentage of covered payroll	17%	19%	17%	20%	22%

Notes to Schedule

Valuation date: 6/30/2012 6/30/2013 6/30/2014 6/30/2015 6/30/2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Fair value of assets
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, 2.50% for 2021 and 2022, and 2.30% for 2023
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, 7.00% for 2021 and 2022, and 6.80% for 2023, 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. For 2023, pre-retirement and post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

¹Fiscal 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 (Continued)

	2019-2020	2020-2021	2021-2022	2022-2023
Actuarially determined contributions	\$ 3,642,162	\$ 3,729,194	\$ 3,679,402	\$ 3,969,316
Contributions in relation to the actuarially determined contributions	<u>3,642,162</u>	<u>3,729,194</u>	<u>3,679,402</u>	<u>3,969,316</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,580,036	\$ 15,519,529	\$ 16,806,929	\$ 14,385,788
Contributions as a percentage of covered payroll	23%	24%	22%	28%
Notes to Schedule				
Valuation date:	6/30/2017	6/30/2018	6/30/2019	6/30/2021
Methods and assumptions used to determine contribution rates:				
Actuarial cost method	Entry Age Normal			
Amortization method	Level percentage of payroll			
Asset valuation method	Fair value of assets			
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, 2.50% for 2021 and 2022, and 2.30% for 2023			
Salary increases	Varies by Entry Age and Service			
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, 7.00% for 2021 and 2022, and 6.80% for 2023, 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. For 2023, pre-retirement and post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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:	<u>6/30/2014¹</u>	<u>6/30/2015¹</u>	<u>6/30/2016¹</u>	<u>6/30/2017¹</u>	<u>6/30/2018¹</u>
Plan's proportion of the Net Pension Liability (Asset)	0.20078%	0.33056%	0.31681%	0.30948%	0.31556%
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
Plan's Covered Payroll ²	\$ 4,913,429	\$ 4,622,181	\$ 4,622,181	\$ 4,622,181	\$ 5,642,678
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%
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%

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 THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS AS OF THE MEASUREMENT DATE (Continued)**

Measurement Period:	<u>6/30/2019¹</u>	<u>6/30/2020¹</u>	<u>6/30/2021¹</u>	<u>6/30/2022¹</u>
Plan's proportion of the Net Pension Liability (Asset)	0.31549%	0.31765%	0.39276%	0.34621%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 19,694,738	\$ 21,163,013	\$ 13,783,927	\$ 23,789,809
Plan's Covered Payroll ²	\$ 5,676,163	\$ 5,676,163	\$ 5,797,380	\$ 6,158,051
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	346.97%	372.84%	237.76%	386.32%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	75.10%	88.29%	76.68%

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
Actuarially determined contribution	\$ 1,580,437	\$ 1,778,790	\$ 1,902,125	\$ 2,110,520	\$ 2,232,536
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>
Contribution deficiency (excess)	<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
Contributions as a percentage of covered payroll	32.17%	38.48%	39.72%	37.12%	39.57%
Notes to Schedule					
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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, 2.625% for 2020, 2.50% for 2021 and 2022, and 2.30% for 2023				
Salary increases	Varies by Entry Age and Service				
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, 7.00% for 2021 and 2022, and 6.80% for 2023, 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. For 2023, pre- retirement and post-retirement mortality rates include generational mortality improvement using 80% of Scale MP- 2020 published by the Society of Actuaries.				

* - Fiscal 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 CONTRIBUTIONS (Continued)**

Fiscal Year:	2019-2020	2020-2021	2021-2022	2022-2023
Actuarially determined contribution	\$ 2,480,901	\$ 2,519,728	\$2,718,406	\$ 3,022,686
Contributions in relation to the actuarially determined contribution	<u>2,480,901</u>	<u>2,519,728</u>	<u>2,718,406</u>	<u>3,022,686</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,676,163	\$ 5,797,380	\$ 6,158,051	\$ 7,464,268
Contributions as a percentage of covered payroll	43.71%	43.46%	44.14%	40.50%

Notes to Schedule

Valuation date: 6/30/2017 6/30/2018 6/30/2019 6/30/2021

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, 2.625% for 2020, 2.50% for 2021 and 2022, and 2.30% for 2023
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, 7.00% for 2021 and 2022, and 6.80% for 2023, 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. For 2023, pre-retirement and post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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
Total OPEB Liability (1)				
Service Cost	\$ 311,361	\$ 323,815	\$ 360,390	\$ 414,804
Interest	326,450	355,177	383,982	348,823
Differences between expected and actual experience	-	-	(979,314)	(6,639)
Benefit payments	(58,737)	(71,474)	(75,760)	(85,682)
Implicit rate subsidy fulfilled	(162,747)	(173,326)	(188,792)	(144,586)
Changes of assumptions	-	243,401	(357,538)	703,004
Net change in total OPEB liability	416,327	677,593	(857,032)	1,229,724
Total OPEB liability - beginning	4,821,696	5,238,023	5,915,616	5,058,584
Total OPEB liability - ending (a)	\$ 5,238,023	\$ 5,915,616	\$ 5,058,584	\$ 6,288,308
 OPEB fiduciary net position				
Net investment income	\$ 70,468	\$ 65,740	\$ 99,458	\$ 61,224
Contributions:				
Employer - City's contribution	358,737	371,474	475,760	885,682
Employer - Implicit subsidy	162,747	173,326	188,792	144,586
Administrative expense	-	-	-	-
Implicit rate subsidy fulfilled	(162,747)	(173,326)	(188,792)	(144,586)
Benefit payments	(58,737)	(71,474)	(75,760)	(85,682)
Net change in plan fiduciary net position	370,468	365,740	499,458	861,224
Plan fiduciary net position - beginning	402,373	772,841	1,138,581	1,638,039
Plan fiduciary net position - ending (b)	\$ 772,841	\$ 1,138,581	\$ 1,638,039	\$ 2,499,263
 Net OPEB liability - ending (a)-(b)	\$ 4,465,182	\$ 4,777,035	\$ 3,420,545	\$ 3,789,045
 Plan fiduciary net position as a percentage of the total OPEB liability	14.75%	19.25%	32.38%	39.74%
Covered-employee payroll	\$ 19,380,617	\$ 20,058,939	\$ 20,247,450	\$ 21,498,231
Total OPEB liability as a percentage of covered-employee payroll	23.04%	23.81%	16.89%	17.62%

* 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 CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

An Agent Multiple-employer OPEB Plan (Continued)

Last 10 fiscal years*

Measurement Date	6/30/21	6/30/22
Total OPEB Liability (1)		
Service Cost	\$ 429,322	\$ 310,942
Interest	355,256	356,169
Differences between expected and actual experience	(526,832)	10,957
Benefit payments	(94,919)	(104,715)
Implicit rate subsidy fulfilled	(161,666)	(164,963)
Changes of assumptions	(531,384)	347,914
Net change in total OPEB liability	(530,223)	756,304
Total OPEB liability - beginning	6,288,308	5,758,085
Total OPEB liability - ending (a)	\$ 5,758,085	\$ 6,514,389
 OPEB fiduciary net position		
Net investment income	\$ 558,619	\$ (626,994)
Contributions:		
Employer - City's contribution	494,919	1,169,678
Employer - Implicit subsidy	161,666	
Administrative expense	(16,216)	(2,220)
Implicit rate subsidy fulfilled	(161,666)	(164,963)
Benefit payments	(94,919)	(104,715)
Net change in plan fiduciary net position	942,403	270,786
Plan fiduciary net position - beginning	2,499,263	3,441,666
Plan fiduciary net position - ending (b)	\$ 3,441,666	\$ 3,712,452
 Net OPEB liability - ending (a)-(b)	\$ 2,316,419	\$ 2,801,937
 Plan fiduciary net position as a percentage of the total OPEB liability	59.77%	56.99%
Covered-employee payroll	\$ 22,027,504	\$ 22,027,504
Total OPEB liability as a percentage of covered-employee payroll	10.52%	12.72%

* 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
Actuarially Determined Contribution (ADC)	\$ 623,755	\$ 652,198	\$ 732,059	\$ 721,678
Less: Contributions in Relation to the ADC	(521,484)	(544,800)	(1,038,044)	(656,585)
Contribution deficiency (excess)	\$ 102,271	\$ 107,398	\$ (305,985)	\$ 65,093
Covered-employee payroll	\$ 20,058,939	\$ 20,247,250	\$ 21,498,231	\$ 20,485,077
Contributions as a percentage of Covered-employee payroll	2.60%	2.69%	4.83%	3.21%

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	14 years
Inflation	2.30%
Assumed Payroll Growth	2.80%
Healthcare Trend Rates	Non-Medicare: Actives: 8.40% for active members and 8.60% for active Spouse Retirees: 10% for retirees Medicare: 1.30% for retirees
Rate of Return on Assets	5.50%
Mortality & Retirement Rates	CalPERS Rates

City of Morgan Hill**SCHEDULE OF CONTRIBUTIONS**

An Agent Multiple-employer OPEB Plan (Continued)

Last 10 fiscal years*

Fiscal Year Ended June 30,	2022	2023
Actuarially Determined Contribution (ADC)	\$ 530,702	\$ 470,389
Less: Contributions in Relation to the ADC	<u>(1,169,678)</u>	<u>(1,276,846)</u>
Contribution deficiency (excess)	<u>\$ (638,976)</u>	<u>\$ (806,457)</u>
Covered-employee payroll	\$ 22,027,504	\$ 24,392,520
Contributions as a percentage of Covered-employee payroll	5.31%	5.23%

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	14 years
Inflation	2.30%
Assumed Payroll Growth	2.80%
Healthcare Trend Rates	Non-Medicare: Actives: 8.40% for active members and 8.60% for active Spouse Retirees: 10% for retirees Medicare: 1.30% for retirees
Rate of Return on Assets	5.50%
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 FUNDS

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, 2023

	Special Revenue Funds					
	Street Maintenance	Supplemental Law Enforcement		General Plan Update	Community Dev Block Grant	
Assets						
Pooled cash and investments	\$ -	\$ 319,801	\$ 1,094,999	\$ 30,752		
Cash with fiscal agents	-	-	-	-		
Receivables:						
Accrued interest	67	66	276	15		
Other accounts receivable	68,860	-	184,744	-		
Loans receivable	-	-	-	-		
Prepaid items	-	-	1,662	-		
Total Assets	\$ 68,927	\$ 319,867	\$ 1,281,681	\$ 30,767		
Liabilities						
Accounts payable	\$ -	\$ -	\$ 3,249	\$ -		
Accrued liabilities	-	-	-	-		
Due to other funds	-	-	-	-		
Customer deposits/other liabilities	-	-	-	-		
Advances payable	-	-	-	-		
Unearned revenue	-	-	-	-		
Total Liabilities	-	-	3,249	-		
Fund Balances						
Nonspendable	-	-	1,662	-		
Restricted						
Community services	-	-	1,276,770	30,767		
Parks and recreation	-	-	-	-		
Streets and highways	68,927	-	-	-		
Debt service	-	-	-	-		
Public safety	-	319,867	-	-		
Capital expansion projects	-	-	-	-		
Other purposes	-	-	-	-		
Total Fund Balances	68,927	319,867	1,278,432	30,767		
Total Liabilities and Fund Balances	\$ 68,927	\$ 319,867	\$ 1,281,681	\$ 30,767		

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

	Special Revenue Funds (continued)			
	Asset Seizure	Landscape and Lighting	Community Facilities District	Environmental Programs
Assets				
Pooled cash and investments	\$ 102,474	\$ 208,351	\$ 150,493	\$ 491,873
Cash with fiscal agents	-	-	-	-
Receivables:				
Accrued interest	22	38	29	100
Other accounts receivable	-	-	129	416,298
Loans receivable	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	\$ 102,496	\$ 208,389	\$ 150,651	\$ 908,271
Liabilities				
Accounts payable	\$ -	\$ 6,558	\$ -	\$ 119,719
Accrued liabilities	-	9,882	-	14,805
Due to other funds	-	-	-	65,493
Customer deposits/other liabilities	-	-	-	-
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	16,440	-	200,017
Fund Balances				
Nonspendable	-	-	-	-
Restricted				
Community services	-	-	-	567,564
Parks and recreation	-	-	150,651	-
Streets and highways	-	191,949	-	-
Debt service	-	-	-	-
Public safety	102,496	-	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	-	-	140,690
Total Fund Balances	102,496	191,949	150,651	708,254
Total Liabilities and Fund Balances	\$ 102,496	\$ 208,389	\$ 150,651	\$ 908,271

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

	Special Revenue Funds (continued)			Capital Projects Funds		
	Mobile Home					
	Park Rent Stabilization	Employee Assistance	Park Impact	Park Maintenance		
Assets						
Pooled cash and investments	\$ 76,280	\$ 55,375	\$ 1,753,809	\$ 4,163,162		
Cash with fiscal agents	-	-	-	-		
Receivables:						
Accrued interest	17	12	451	990		
Other accounts receivable	-	-	2,500	-		
Loans receivable	-	6,506	-	-		
Prepaid items	-	-	-	-		
Total Assets	\$ 76,297	\$ 61,893	\$ 1,756,760	\$ 4,164,152		
Liabilities						
Accounts payable	\$ -	\$ -	\$ 307,078	\$ 53,063		
Accrued liabilities	-	-	882	-		
Due to other funds	-	-	-	-		
Customer deposits/other liabilities	-	-	19,310	-		
Advances payable	-	-	-	-		
Unearned revenue	-	-	2,500	-		
Total Liabilities	-	-	329,770	53,063		
Fund Balances						
Nonspendable	-	-	-	-		
Restricted						
Community services	76,297	-	-	-		
Parks and recreation	-	-	1,426,990	4,111,089		
Streets and highways	-	-	-	-		
Debt service	-	-	-	-		
Public safety	-	-	-	-		
Capital expansion projects	-	-	-	-		
Other purposes	-	61,893	-	-		
Total Fund Balances	76,297	61,893	1,426,990	4,111,089		
Total Liabilities and Fund Balances	\$ 76,297	\$ 61,893	\$ 1,756,760	\$ 4,164,152		

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

Capital Projects Funds (continued)					
	Drainage Impact	Open Space	Street CIP	Traffic Impact	
Assets					
Pooled cash and investments	\$ 13,167,081	\$ 535,929	\$ 3,958,336	\$ 2,834,873	
Cash with fiscal agents	-	-	-	-	
Receivables:					
Accrued interest	3,002	120	696	696	
Other accounts receivable	-	7,980	126,570	1,304,686	
Loans receivable	-	760,000	-	286,856	
Prepaid items	-	-	-	-	
Total Assets	<u>\$ 13,170,083</u>	<u>\$ 1,304,029</u>	<u>\$ 4,085,602</u>	<u>\$ 4,427,111</u>	
Liabilities					
Accounts payable	\$ 8,482	\$ -	\$ 2,750	\$ 123,578	
Accrued liabilities	-	-	-	569,053	
Due to other funds	-	-	-	-	
Customer deposits/other liabilities	-	-	4,650	-	
Advances payable	-	-	-	-	
Unearned revenue	-	2,533	-	6,900	
Total liabilities	<u>8,482</u>	<u>2,533</u>	<u>7,400</u>	<u>699,531</u>	
Fund Balances					
Nonspendable	-	-	-	-	
Restricted					
Community services	-	-	-	-	
Parks and recreation	-	-	-	-	
Streets and highways	-	-	4,078,202	3,727,580	
Debt service	-	-	-	-	
Public safety	-	-	-	-	
Capital expansion projects	13,161,601	1,301,496	-	-	
Other purposes	-	-	-	-	
Total Fund Balances	<u>13,161,601</u>	<u>1,301,496</u>	<u>4,078,202</u>	<u>3,727,580</u>	
Total Liabilities and Fund Balances	<u>\$ 13,170,083</u>	<u>\$ 1,304,029</u>	<u>\$ 4,085,602</u>	<u>\$ 4,427,111</u>	

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

	Capital Projects Funds (continued)				School Pedestrian & Traffic Safety
	Public Facilities	Library Impact	Undergrounding		
Assets					
Pooled cash and investments	\$ 4,214,597	\$ 1,407,910	\$ 1,625,929	\$ 93,260	
Cash with fiscal agents	-	-	-	-	
Receivables:					
Accrued interest	987	328	372	26	
Other accounts receivable	-	-	-	-	
Loans receivable	-	-	-	-	
Prepaid items	-	-	-	-	
Total Assets	\$ 4,215,584	\$ 1,408,238	\$ 1,626,301	\$ 93,286	
Liabilities					
Accounts payable	\$ 166,431	\$ -	\$ -	\$ -	
Accrued liabilities	-	-	-	-	
Due to other funds	-	-	-	-	
Customer deposits/other liabilities	5,547	-	-	1,209	
Advances payable	-	-	-	-	
Unearned revenue	-	-	-	-	
Total liabilities	171,978	-	-	1,209	
Fund Balances					
Nonspendable	-	-	-	-	
Restricted					
Community services	-	-	-	-	
Parks and recreation	-	-	-	-	
Streets and highways	-	-	-	92,077	
Debt service	-	-	-	-	
Public safety	-	-	-	-	
Capital expansion projects	4,043,606	1,408,238	1,626,301	-	
Other purposes	-	-	-	-	
Total Fund Balances	4,043,606	1,408,238	1,626,301	92,077	
Total Liabilities and Fund Balances	\$ 4,215,584	\$ 1,408,238	\$ 1,626,301	\$ 93,286	

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

	Capital Projects Funds (continued)		Debt Service Funds		Total Nonmajor Govt Funds
	Community/ Rec Center Impact Fund	Public Safety Facilities Impact Fund	Civic Center (Library)	Police Facility	
Assets					
Pooled cash and investments	\$ 1,047,268	\$ 3,613,026	\$ 175,763	\$ 166,600	\$ 41,287,941
Cash with fiscal agents	-	-	71	100	171
Receivables:					
Accrued interest	251	834	30	25	9,450
Other accounts receivable	-	-	-	-	2,111,767
Loans receivable	-	-	-	-	1,053,362
Prepaid items	-	-	-	-	1,662
Total Assets	\$ 1,047,519	\$ 3,613,860	\$ 175,864	\$ 166,725	\$ 44,464,353
Liabilities					
Accounts payable	\$ 28,392	\$ 44,770	\$ -	\$ -	\$ 864,070
Accrued liabilities	-	-	-	-	594,622
Due to other funds	-	-	-	-	65,493
Customer deposits/other liabilities	26,899	-	-	-	57,615
Advances payable	-	518,362	-	-	518,362
Unearned revenue	-	-	-	-	11,933
Total liabilities	55,291	563,132	-	-	2,112,095
Fund Balances					
Nonspendable	-	-	-	-	1,662
Restricted					
Community services	-	-	-	-	1,951,398
Parks and recreation	992,228	-	-	-	6,680,958
Streets and highways	-	-	-	-	8,158,735
Debt service	-	-	175,864	166,725	342,589
Public safety	-	3,050,728	-	-	3,473,091
Capital expansion projects	-	-	-	-	21,541,242
Other purposes	-	-	-	-	202,583
Total Fund Balances	992,228	3,050,728	175,864	166,725	42,352,258
Total Liabilities and Fund Balances	\$ 1,047,519	\$ 3,613,860	\$ 175,864	\$ 166,725	\$ 44,464,353

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

	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	790,720	165,271	-	-
Charges for current services	-	-	756,758	-
Investment income	4,356	4,556	17,892	1,035
Other revenues	-	-	158,951	-
Total Revenues	795,076	169,827	933,601	1,035
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	1,251	-	-
Development services	-	-	861,058	80
Streets and highways	5,040	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	5,040	1,251	861,058	80
Excess (deficiency) of revenues over (under) expenditures	790,036	168,576	72,543	955
Other Financing Sources (Uses)				
Transfers in	-	-	110,000	-
Transfers (out)	(785,024)	(100,000)	(102,086)	-
Total other financing sources (uses)	(785,024)	(100,000)	7,914	-
Net change in fund balances	5,012	68,576	80,457	955
Fund Balances (Deficits)-Beginning	63,915	251,291	1,197,975	29,812
Fund Balances-Ending	\$ 68,927	\$ 319,867	\$ 1,278,432	\$ 30,767

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

	Special Revenue Funds (continued)			
	Asset Seizure	Landscape and Lighting	Community Facilities District	Environmental Programs
Revenues:				
Property taxes and special assessment	\$ -	\$ 196,662	\$ 49,782	\$ -
Funding from other governmental agencies	-	-	-	-
Charges for current services	-	-	-	1,692,168
Investment income	1,611	2,696	1,877	6,695
Other revenues	-	-	-	3,693
Total Revenues	1,611	199,358	51,659	1,702,556
Expenditures:				
Current:				
General government	-	-	-	614
Public safety	759	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	197,880	33,376	1,631,993
Capital outlay:				
Construction projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	759	197,880	33,376	1,632,607
Excess (deficiency) of revenues over (under) expenditures	852	1,478	18,283	69,949
Other Financing Sources (Uses)				
Transfers in	-	-	-	528,429
Transfers (out)	-	(59)	-	(395,362)
Total other financing sources (uses)	-	(59)	-	133,067
Net change in fund balances	852	1,419	18,283	203,016
Fund Balances (Deficits)-Beginning	101,644	190,530	132,368	505,238
Fund Balances-Ending	\$ 102,496	\$ 191,949	\$ 150,651	\$ 708,254

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

	Special Revenue Funds (continued)			Capital Projects Funds	
	Mobile Home		Employee Assistance	Park Impact	Park Maintenance
	Park Rent Stabilization	 			
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	-	-	-
Charges for current services	-	-	-	3,723,766	1,594,182
Investment income	6,753	849	(74,822)	(33,316)	(33,316)
Other revenues	-	-	-	-	9,725
Total Revenues	6,753	849	3,648,944	1,570,591	
Expenditures:					
Current:					
General government	-	920	-	-	-
Public safety	-	-	-	-	-
Development services	448	-	-	-	-
Streets and highways	-	-	-	-	-
Parks and recreation	-	-	-	46,283	2,239
Other public services	-	-	-	-	-
Capital outlay:					
Construction projects	-	-	-	1,269,982	693,976
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	448	920	1,316,265	696,215	
Excess (deficiency) of revenues over (under) expenditures	6,305	(71)	2,332,679	874,376	
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	480,000
Transfers (out)	-	-	(82,700)	(650,000)	
Total other financing sources (uses)	-	-	(82,700)	(170,000)	
Net change in fund balances	6,305	(71)	2,249,979	704,376	
Fund Balances (Deficits)-Beginning	69,992	61,964	(822,989)	3,406,713	
Fund Balances-Ending	\$ 76,297	\$ 61,893	\$ 1,426,990	\$ 4,111,089	

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

Capital Projects Funds (Continued)				
	Drainage Impact	Open Space	Street CIP	Traffic Impact
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	2,465,168	6,949,478
Charges for current services	1,119,676	37,729	900,765	1,608,009
Investment income	123,218	40,382	45,400	(2,481)
Other revenues	4,089	-	7,300	300
Total Revenues	1,246,983	78,111	3,418,633	8,555,306
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	12,287	28,253	102,917	22,653
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	1,021,437	-	6,938,718	5,985,211
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,033,724	28,253	7,041,635	6,007,864
Excess (deficiency) of revenues over (under) expenditures	213,259	49,858	(3,623,002)	2,547,442
Other Financing Sources (Uses)				
Transfers in	-	-	1,960,000	100,000
Transfers (out)	(22,700)	(97,600)	-	(106,900)
Total other financing sources (uses)	(22,700)	(97,600)	1,960,000	(6,900)
Net change in fund balances	190,559	(47,742)	(1,663,002)	2,540,542
Fund Balances (Deficits)-Beginning	12,971,042	1,349,238	5,741,204	1,187,038
Fund Balances-Ending	\$ 13,161,601	\$ 1,301,496	\$ 4,078,202	\$ 3,727,580

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

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	465,008	170,210	-	208,351
Investment income	31,290	16,361	26,794	1,595
Other revenues	-	-	-	5,000
Total Revenues	496,298	186,571	26,794	214,946
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	1,141	5,369
Parks and recreation	-	-	-	-
Other public services	8,603	15,363	-	-
Capital outlay:				
Construction projects	314,943	-	-	56,437
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	323,546	15,363	1,141	61,806
Excess (deficiency) of revenues over (under) expenditures	172,752	171,208	25,653	153,140
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	(25,000)	(207,553)	-	(15,000)
Total other financing sources (uses)	(25,000)	(207,553)	-	(15,000)
Net change in fund balances	147,752	(36,345)	25,653	138,140
Fund Balances (Deficits)-Beginning	3,895,854	1,444,583	1,600,648	(46,063)
Fund Balances-Ending	\$ 4,043,606	\$ 1,408,238	\$ 1,626,301	\$ 92,077

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

	Capital Projects Funds (Continued)		Debt Service Funds		Total NonMajor Govt Funds
	Community/ Rec Center Impact	Public Safety Facilities Impact Fund	Civic Center (Library)	Police Facility	
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -	\$ 246,444
Funding from other governmental agencies	-	-	-	-	10,370,637
Charges for current services	524,941	608,217	-	-	13,409,780
Investment income	24,250	50,856	2,400	-	300,247
Other revenues	-	-	-	-	189,058
Total Revenues	549,191	659,073	2,400	-	24,516,166
Expenditures:					
Current:					
General government	-	-	-	-	1,534
Public safety	-	28,220	-	-	30,230
Development services	-	-	-	-	861,586
Streets and highways	15,515	-	-	-	193,175
Parks and recreation	-	-	-	-	48,522
Other public services	-	-	-	-	1,887,215
Capital outlay:					
Construction projects	836,473	596,579	-	-	17,713,756
Debt service:					
Principal	-	-	176,832	238,168	415,000
Interest and fiscal charges	-	-	115,333	149,341	264,674
Total Expenditures	851,988	624,799	292,165	387,509	21,415,692
Excess (deficiency) of revenues over (under) expenditures	(302,797)	34,274	(289,765)	(387,509)	3,100,474
Other Financing Sources (Uses)					
Transfers in	-	-	292,184	387,490	3,858,103
Transfers (out)	-	(205,370)	-	-	(2,795,354)
Total other financing sources (uses)	-	(205,370)	292,184	387,490	1,062,749
Net change in fund balances	(302,797)	(171,096)	2,419	(19)	4,163,223
Fund Balances (Deficits)-Beginning	1,295,025	3,221,824	173,445	166,744	38,189,035
Fund Balances-Ending	\$ 992,228	\$ 3,050,728	\$ 175,864	\$ 166,725	\$ 42,352,258

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, 2023

	Special Revenue Funds			Variance with Final Budget	
	Street Maintenance				
	Budgeted Amounts		Actual Amounts		
	Original	Final	Amounts	Positive (Negative)	
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -	
Funding from other govt agencies	909,478	909,478	790,720	(118,758)	
Charges for current services	-	-	-	-	
Investment income	58	58	4,356	4,298	
Fines, forfeitures, and other revenues	-	-	-	-	
Total Revenues	909,536	909,536	795,076	(114,460)	
Expenditures:					
Current:					
General government	-	-	-	-	
Public safety	-	-	-	-	
Development services	-	-	-	-	
Streets and highways	5,040	5,040	5,040	-	
Other public services	-	-	-	-	
Capital outlay:					
Construction projects	-	-	-	-	
Total Expenditures	5,040	5,040	5,040	-	
Excess (deficiency) of revenues over (under) expenditures	904,496	904,496	790,036	(114,460)	
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	
Transfers (out)	(904,438)	(904,438)	(785,024)	119,414	
Total other financing sources (uses)	(904,438)	(904,438)	(785,024)	119,414	
Net change in fund balances	\$ 58	\$ 58	5,012	\$ 4,954	
Fund Balances-Beginning			63,915		
Fund Balances-Ending			\$ 68,927		

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, 2023

Special Revenue Funds (continued)					
Supplemental Law Enforcement					
	Budgeted Amounts		Actual		Variance with 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	165,271	65,271	65,271
Investment income	1,438	1,438	4,556	3,118	3,118
Fines, forfeitures, and other revenues	-	-	-	-	-
Total Revenues	101,438	101,438	169,827	68,389	68,389
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	1,252	1,252	1,251	1	1
Development services	-	-	-	-	-
Streets and highways	-	-	-	-	-
Other public services	-	-	-	-	-
Capital outlay:					
Construction projects	-	-	-	-	-
Total Expenditures	1,252	1,252	1,251	1	1
Excess (deficiency) of revenues over (under) expenditures	100,186	100,186	168,576	68,390	68,390
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers (out)	(785,024)	(100,000)	(100,000)	-	-
Total other financing sources (uses)	(785,024)	(100,000)	(100,000)	-	-
Net change in fund balances	\$ (684,838)	\$ 186	68,576	\$ 68,390	68,390
Fund Balances-Beginning			251,291		
Fund Balances-Ending			\$ 319,867		

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, 2023

Special Revenue Funds (continued)					
General Plan Update					
	Budgeted Amounts		Actual		Variance with Final Budget
	Original		Final		Positive (Negative)
Revenues:					
Property taxes and special assessment	\$	-	\$	-	\$
Funding from other govt agencies	-	-	-	-	-
Charges for current services	875,250	875,250	756,758	(118,492)	
Investment income	10,632	10,632	17,892	7,260	
Fines, forfeitures, and other revenues	-	-	158,951	158,951	
Total Revenues	885,882	885,882	933,601	47,719	
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Development services	878,299	933,954	861,058	72,896	
Streets and highways	-	-	-	-	-
Other public services	-	-	-	-	-
Capital outlay:					
Construction projects	-	-	-	-	-
Total Expenditures	878,299	933,954	861,058	72,896	
Excess (deficiency) of revenues over (under) expenditures	7,583	(48,072)	72,543	120,615	
Other Financing Sources (Uses):					
Transfers in	110,000	110,000	110,000	-	
Transfers (out)	(2,086)	(2,086)	(102,086)	(100,000)	
Total other financing sources (uses)	107,914	107,914	7,914	(100,000)	
Net change in fund balances	\$ 115,497	\$ 59,842	80,457	\$ 20,615	
Fund Balances-Beginning			1,197,975		
Fund Balances-Ending			\$ 1,278,432		

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, 2023

Special Revenue Funds (continued)					
Community Development Block Grant					
	Budgeted Amounts		Actual Amounts		Variance with Final Budget
	Original	Final	Original	Final	Positive (Negative)
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	- -	- -	- -	- -	- -
Charges for current services	- -	- -	- -	- -	- -
Investment income	244	244	1,035	1,035	791
Fines, forfeitures, and other revenues	- -	- -	- -	- -	- -
Total Revenues	244	244	1,035	1,035	791
Expenditures:					
Current:					
General government	- -	- -	- -	- -	- -
Public safety	- -	- -	- -	- -	- -
Development services	81	81	80	80	1
Streets and highways	- -	- -	- -	- -	- -
Other public services	- -	- -	- -	- -	- -
Capital outlay:					
Construction projects	- -	- -	- -	- -	- -
Total Expenditures	81	81	80	80	-
Excess (deficiency) of revenues over (under) expenditures	163	163	955	955	792
Other Financing Sources (Uses):					
Transfers in	- -	- -	- -	- -	- -
Transfers (out)	- -	- -	- -	- -	- -
Total other financing sources (uses)	- -	- -	- -	- -	- -
Net change in fund balances	\$ 163	\$ 163	955	955	\$ 792
Fund Balances-Beginning				29,812	
Fund Balances-Ending				\$ 30,767	

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, 2023

Special Revenue Funds (continued)							
Asset Seizure						Variance with Final Budget	
Budgeted Amounts		Actual Amounts		Positive (Negative)			
Original	Final	Original	Final	Original	Final		
Revenues:							
Property taxes and special assessment	\$ -	Property taxes and special assessment	\$ -	Property taxes and special assessment	\$ -	\$ -	
Funding from other govt agencies	-	Funding from other govt agencies	-	Funding from other govt agencies	-	-	
Charges for current services	-	Charges for current services	-	Charges for current services	-	-	
Investment income	979	Investment income	979	Investment income	1,611	632	
Fines, forfeitures, and other revenues	-	Fines, forfeitures, and other revenues	-	Fines, forfeitures, and other revenues	-	-	
Total Revenues	979	Total Revenues	979	Total Revenues	1,611	632	
Expenditures:							
Current:							
General government	-	General government	-	General government	-	-	
Public safety	759	Public safety	759	Public safety	759	-	
Development services	-	Development services	-	Development services	-	-	
Streets and highways	-	Streets and highways	-	Streets and highways	-	-	
Other public services	-	Other public services	-	Other public services	-	-	
Capital outlay:							
Construction projects	-	Construction projects	-	Construction projects	-	-	
Total Expenditures	759	Total Expenditures	759	Total Expenditures	759	-	
Excess (deficiency) of revenues over (under) expenditures	220	Excess (deficiency) of revenues over (under) expenditures	220	Excess (deficiency) of revenues over (under) expenditures	852	632	
Other Financing Sources (Uses):							
Transfers in	-	Transfers in	-	Transfers in	-	-	
Transfers (out)	(59)	Transfers (out)	(59)	Transfers (out)	-	59	
Total other financing sources (uses)	(59)	Total other financing sources (uses)	(59)	Total other financing sources (uses)	-	59	
Net change in fund balances	\$ 161	Net change in fund balances	\$ 161	Net change in fund balances	\$ 852	\$ 691	
Fund Balances-Beginning					101,644		
Fund Balances-Ending					\$ 102,496		

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, 2023

Special Revenue Funds (continued)							
Landscape and Lighting							
	Budgeted Amounts		Actual		Variance with Final Budget		
	Original		Final		Amounts		Positive (Negative)
Revenues:							
Property taxes and special assessment	\$	198,650	\$	198,650	\$	196,662	\$ (1,988)
Funding from other govt agencies		-		-		-	-
Charges for current services		-		-		-	-
Investment income		1,266		1,266		2,696	1,430
Fines, forfeitures, and other revenues		-		-		-	-
Total Revenues		199,916		199,916		199,358	(558)
Expenditures:							
Current:							
General government		-		-		-	-
Public safety		-		-		-	-
Development services		-		-		-	-
Streets and highways		-		-		-	-
Other public services		168,130		224,479		197,880	26,599
Capital outlay:							
Construction projects		-		-		-	-
Total Expenditures		168,130		224,479		197,880	26,599
Excess (deficiency) of revenues over (under) expenditures		31,786		(24,563)		1,478	26,041
Other Financing Sources (Uses):							
Transfers in		-		-		-	-
Transfers (out)		(59)		(59)		(59)	-
Total other financing sources (uses)		(59)		(59)		(59)	-
Net change in fund balances	\$	31,727	\$	(24,622)		1,419	\$ 26,041
Fund Balances-Beginning						190,530	
Fund Balances-Ending						\$ 191,949	

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, 2023

Special Revenue Funds (continued)									
Community Facilities District								Variance with Final Budget	
Budgeted Amounts				Actual Amounts		Positive (Negative)			
	Original		Final						
Revenues:									
Property taxes and special assessment	\$ 36,500	\$ 36,500	\$ 49,782	\$ 13,282					
Funding from other govt agencies	-	-	-	-					
Charges for current services	-	-	-	-					
Investment income	1,091	1,091	1,877	786					
Fines, forfeitures, and other revenues	-	-	-	-					
Total Revenues	37,591	37,591	51,659	14,068					
Expenditures:									
Current:									
General government	-	-	-	-					
Public safety	-	-	-	-					
Development services	-	-	-	-					
Streets and highways	-	-	-	-					
Other public services	39,852	39,852	33,376	6,476					
Capital outlay:									
Construction projects	-	-	-	-					
Total Expenditures	39,852	39,852	33,376	6,476					
Excess (deficiency) of revenues over (under) expenditures	(2,261)	(2,261)	18,283	20,544					
Other Financing Sources (Uses):									
Transfers in	-	-	-	-					
Transfers (out)	-	-	-	-					
Total other financing sources (uses)	-	-	-	-					
Net change in fund balances	\$ (2,261)	\$ (2,261)	18,283	\$ 20,544					
Fund Balances-Beginning			132,368						
Fund Balances-Ending			\$ 150,651						

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, 2023

Special Revenue Funds (continued)					
Environmental Programs					
	Budgeted Amounts		Actual		Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)	
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -	-
Funding from other govt agencies	-	-	-	-	-
Charges for current services	1,481,421	1,481,421	1,692,168	210,747	
Investment income	3,211	3,211	6,695	3,484	
Fines, forfeitures, and other revenues	-	-	3,693	3,693	
Total Revenues	1,484,632	1,484,632	1,702,556	217,924	
Expenditures:					
Current:					
General government	615	615	614	1	
Public safety	-	-	-	-	
Development services	-	-	-	-	
Streets and highways	-	-	-	-	
Other public services	1,604,144	1,662,373	1,631,993	30,380	
Capital outlay:					
Construction projects	-	-	-	-	
Total Expenditures	1,604,759	1,662,988	1,632,607	30,381	
Excess (deficiency) of revenues over (under) expenditures	(120,127)	(178,356)	69,949	248,305	
Other Financing Sources (Uses):					
Transfers in	528,429	528,429	528,429	-	
Transfers (out)	324,763	(395,362)	(395,362)	-	
Total other financing sources (uses)	853,192	133,067	133,067	-	
Net change in fund balances	\$ 733,065	\$ (45,289)	203,016	\$ 248,305	
Fund Balances-Beginning			505,238		
Fund Balances-Ending			\$ 708,254		

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, 2023

Special Revenue Funds (continued)					
Mobile Home Park Rent Stabilization					
	Budgeted Amounts		Actual Amounts		Variance with Final Budget
	Original	Final	Original	Final	Positive (Negative)
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	- -	- -	- -	- -	- -
Charges for current services	- -	- -	- -	- -	- -
Investment income	441	441	6,753	6,753	6,312
Fines, forfeitures, and other revenues	- -	- -	- -	- -	- -
Total Revenues	441	441	6,753	6,753	6,312
Expenditures:					
Current:					
General government	- -	- -	- -	- -	- -
Public safety	- -	- -	- -	- -	- -
Development services	448	448	448	448	- -
Streets and highways	- -	- -	- -	- -	- -
Other public services	- -	- -	- -	- -	- -
Capital outlay:					
Construction projects	- -	- -	- -	- -	- -
Total Expenditures	448	448	448	448	- -
Excess (deficiency) of revenues over (under) expenditures	(7)	(7)	6,305	6,305	6,312
Other Financing Sources (Uses):					
Transfers in	- -	- -	- -	- -	- -
Transfers (out)	- -	- -	- -	- -	- -
Total other financing sources (uses)	- -	- -	- -	- -	- -
Net change in fund balances	\$ (7)	\$ (7)	6,305	6,305	\$ 6,312
Fund Balances-Beginning				69,992	
Fund Balances-Ending				\$ 76,297	

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, 2023

Special Revenue Funds (continued)					
Employee Assistance					
	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final	Amounts	Positive (Negative)	
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -	-
Funding from other govt agencies	-	-	-	-	-
Charges for current services	-	-	-	-	-
Investment income	673	673	849		176
Fines, forfeitures, and other revenues	-	-	-		-
Total Revenues	673	673	849		176
Expenditures:					
Current:					
General government	20,919	20,919	920		19,999
Public safety	-	-	-		-
Development services	-	-	-		-
Streets and highways	-	-	-		-
Other public services	-	-	-		-
Capital outlay:					
Construction projects	-	-	-		-
Total Expenditures	20,919	20,919	920		19,999
Excess (deficiency) of revenues over (under) expenditures	(20,246)	(20,246)	(71)		20,175
Other Financing Sources (Uses):					
Transfers in	-	-	-		-
Transfers (out)	-	-	-		-
Total other financing sources (uses)	-	-	-		-
Net change in fund balances	\$ (20,246)	\$ (20,246)	(71)	\$	20,175
Fund Balances-Beginning					61,964
Fund Balances-Ending				\$	61,893

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, 2023

	Capital Project Funds				Variance with Final Budget	
	Park Impact		Actual Amounts	Positive (Negative)		
	Budgeted Amounts	Original	Final			
Revenues:						
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -	\$ -	
Charges for current services		1,357,720	1,357,720	3,723,766	2,366,046	
Investment income		11,551	11,551	(74,822)	(86,373)	
Other revenues		-	-	-	-	
Total Revenues	1,369,271	1,369,271	3,648,944	2,279,673		
Expenditures:						
Current:						
Public safety		-	-	-	-	
Streets and highways		-	-	-	-	
Parks and recreation		30,557	30,557	46,283	(15,726)	
Other public services		-	-	-	-	
Capital outlay:						
Construction projects		1,164,839	3,272,375	1,269,982	2,002,393	
Total Expenditures	1,195,396	3,302,932	1,316,265	1,986,667		
Excess (deficiency) of revenues over (under) expenditures		173,875	(1,933,661)	2,332,679	4,266,340	
Other Financing Sources (Uses):						
Transfers in		-	-	-	-	
Transfers (out)		(82,700)	(82,700)	(82,700)	-	
Total other financing sources (uses)	(82,700)	(82,700)	(82,700)	(82,700)		
Net change in fund balances	\$ 91,175	\$ (2,016,361)		2,249,979	\$ 4,266,340	
Fund Balances (Deficit)-Beginning				(822,989)		
Fund Balances-Ending				\$ 1,426,990		

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, 2023

Capital Project Funds (continued)				
	Park Maintenance			Variance with Final Budget
	Budgeted Amounts		Actual	
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	489,549	489,549	1,594,182	1,104,633
Investment income	24,675	24,675	(33,316)	(57,991)
Other revenues	-	-	9,725	9,725
Total Revenues	514,224	514,224	1,570,591	1,056,367
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	2,239	(2,239)
Other public services	-	-	-	-
Capital outlay:				
Construction projects	1,371,890	1,579,845	693,976	885,869
Total Expenditures	1,371,890	1,579,845	696,215	883,630
Excess (deficiency) of revenues over (under) expenditures	(857,666)	(1,065,621)	874,376	1,939,997
Other Financing Sources (Uses):				
Transfers in	-	480,000	480,000	-
Transfers (out)	(650,000)	(650,000)	(650,000)	-
Total other financing sources (uses)	(650,000)	(170,000)	(170,000)	-
Net change in fund balances	\$ (1,507,666)	\$ (1,235,621)	704,376	\$ 1,939,997
Fund Balances-Beginning			3,406,713	
Fund Balances-Ending			\$ 4,111,089	

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, 2023

Capital Project Funds (continued)				
	Drainage Impact			Variance with Final Budget
	Budgeted Amounts		Actual	Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	328,691	328,691	1,119,676	790,985
Investment income	74,959	74,959	123,218	48,259
Other revenues	-	-	4,089	4,089
Total Revenues	403,650	403,650	1,246,983	843,333
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	12,288	12,288	12,287	1
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	2,374,425	5,662,047	1,021,437	4,640,610
Total Expenditures	2,386,713	5,674,335	1,033,724	4,640,611
Excess (deficiency) of revenues over (under) expenditures	(1,983,063)	(5,270,685)	213,259	5,483,944
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(22,700)	(22,700)	(22,700)	-
Total other financing sources (uses)	(22,700)	(22,700)	(22,700)	-
Net change in fund balances	\$ (2,005,763)	\$ (5,293,385)	190,559	\$ 5,483,944
Fund Balances-Beginning			12,971,042	
Fund Balances-Ending			\$ 13,161,601	

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, 2023

Capital Project Funds (continued)					
Open Space					
	Budgeted Amounts		Actual		Variance with Final Budget
	Original		Amounts		Positive (Negative)
Revenues:					
Funding from other govt agencies	\$	-	\$	-	\$ -
Charges for current services				37,729	37,729
Investment income		5,058		40,382	35,324
Other revenues		-		-	-
Total Revenues		5,058		78,111	73,053
Expenditures:					
Current:					
Public safety	-		-		-
Streets and highways		28,254		28,253	1
Parks and recreation	-		-	-	-
Other public services	-		-	-	-
Capital outlay:					
Construction projects		150,000		-	150,000
Total Expenditures		178,254		28,253	150,001
Excess (deficiency) of revenues over (under) expenditures		(173,196)		49,858	223,054
Other Financing Sources (Uses):					
Transfers in	-		-		-
Transfers (out)		(97,600)		(97,600)	-
Total other financing sources (uses)		(97,600)		(97,600)	-
Net change in fund balances	\$	(270,796)	\$	(270,796)	\$ (47,742)
Fund Balances-Beginning					1,349,238
Fund Balances-Ending					\$ 1,301,496

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, 2023

Capital Project Funds (continued)							
Streets CIP							Variance with Final Budget
Budgeted Amounts			Actual		Positive		
Original	Final	Amounts					(Negative)
Revenues:							
Funding from other govt agencies	\$ 2,546,460	\$ 2,546,460	\$ 2,465,168	\$ (81,292)			
Charges for current services	1,147,000	1,147,000	900,765	(246,235)			
Investment income	9,190	9,190	45,400	36,210			
Other revenues	-	-	7,300	-			
Total Revenues	3,702,650	3,702,650	3,418,633	(284,017)			
Expenditures:							
Current:							
Public safety	-	-	-	-			
Streets and highways	102,916	102,916	102,917	(1)			
Parks and recreation	-	-	-	-			
Other public services	-	-	-	-			
Capital outlay:							
Construction projects	4,537,790	8,215,640	6,938,718	1,276,922			
Total Expenditures	4,640,706	8,318,556	7,041,635	1,276,921			
Excess (deficiency) of revenues over (under) expenditures	(938,056)	(4,615,906)	(3,623,002)	992,904			
Other Financing Sources (Uses):							
Transfers in	1,000,000	1,960,000	1,960,000	-			
Transfers (out)	-	-	-	-			
Total other financing sources (uses)	1,000,000	1,960,000	1,960,000	-			
Net change in fund balances	\$ 61,944	\$ (2,655,906)	(1,663,002)	\$ 992,904			
Fund Balances-Beginning			5,741,204				
Fund Balances-Ending			\$ 4,078,202				

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, 2023

	Capital Project Funds (continued)					
	Traffic Impact			Variance with Final Budget		
	Budgeted Amounts		Actual			Positive (Negative)
	Original	Final	Amounts			
Revenues:						
Funding from other govt agencies	\$ 4,100,000	\$ 4,100,000	\$ 6,949,478	\$ 2,849,478		
Charges for current services	908,567	908,567	1,608,009	699,442		
Investment income	11,232	11,232	(2,481)	(13,713)		
Other revenues	-	-	300	300		
Total Revenues	5,019,799	5,019,799	8,555,306	3,535,507		
Expenditures:						
Current:						
Public safety	-	-	-	-		
Streets and highways	22,651	22,651	22,653	(2)		
Parks and recreation	-	-	-	-		
Other public services	-	-	-	-		
Capital outlay:						
Construction projects	3,415,900	9,566,281	5,985,211	3,581,070		
Total Expenditures	3,438,551	9,588,932	6,007,864	3,581,068		
Excess (deficiency) of revenues over (under) expenditures	1,581,248	(4,569,133)	2,547,442	7,116,575		
Other Financing Sources (Uses):						
Transfers in	-	-	100,000	100,000		
Transfers (out)	(106,900)	(106,900)	(106,900)	-		
Total other financing sources (uses)	(106,900)	(106,900)	(6,900)	100,000		
Net change in fund balances	\$ 1,474,348	\$ (4,676,033)	2,540,542	\$ 7,216,575		
Fund Balances-Beginning			1,187,038			
Fund Balances-Ending			\$ 3,727,580			

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, 2023

Capital Project Funds (continued)					
Public Facilities					
	Budgeted Amounts		Actual		Variance with Final Budget
	Original	Final	Amounts	 	
(Negative)					
Revenues:					
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for current services	719,835	719,835	465,008	(254,827)	
Investment income	22,820	22,820	31,290	8,470	
Other revenues	-	-	-	-	
Total Revenues	742,655	742,655	496,298	(246,357)	
Expenditures:					
Current:					
Public safety	-	-	-	-	-
Streets and highways	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Other public services	8,603	8,603	8,603	-	-
Capital outlay:					
Construction projects	2,644,000	3,658,775	314,943	3,343,832	
Total Expenditures	2,652,603	3,667,378	323,546	3,343,832	
Excess (deficiency) of revenues over (under) expenditures	(1,909,948)	(2,924,723)	172,752	3,097,475	
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers (out)	(25,000)	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	(25,000)	(25,000)	(25,000)	(25,000)	
Net change in fund balances	\$ (1,934,948)	\$ (2,949,723)	147,752	\$ 3,097,475	
Fund Balances-Beginning			3,895,854		
Fund Balances-Ending			\$ 4,043,606		

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, 2023

Capital Project Funds (continued)				
Library Impact				
	Budgeted Amounts		Actual	Variance with Final Budget
	Original		Amounts	Positive (Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	469,886	469,886	170,210	(299,676)
Investment income	10,696	10,696	16,361	5,665
Other revenues	-	-	-	-
Total Revenues	480,582	480,582	186,571	(294,011)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	15,363	15,363	15,363	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	15,363	15,363	15,363	-
Excess (deficiency) of revenues over (under) expenditures	465,219	465,219	171,208	(294,011)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(207,553)	(207,553)	(207,553)	-
Total other financing sources (uses)	(207,553)	(207,553)	(207,553)	-
Net change in fund balances	\$ 257,666	\$ 257,666	(36,345)	\$ (294,011)
Fund Balances-Beginning			1,444,583	
Fund Balances-Ending			\$ 1,408,238	

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, 2023

Capital Project Funds (continued)				
	Undergrounding			Variance with Final Budget
	Budgeted Amounts		Actual	
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services		20,000	20,000	(20,000)
Investment income	9,592	9,592	26,794	17,202
Other revenues	-	-	-	-
Total Revenues	29,592	29,592	26,794	(2,798)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	1,141	1,141	1,141	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	1,055,300	1,193,563	-	1,193,563
Total Expenditures	1,056,441	1,194,704	1,141	-
Excess (deficiency) of revenues over (under) expenditures	(1,026,849)	(1,165,112)	25,653	1,190,765
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (1,026,849)	\$ (1,165,112)	25,653	\$ 1,190,765
Fund Balances-Beginning			1,600,648	
Fund Balances-Ending			\$ 1,626,301	

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, 2023

Capital Project Funds (continued)					
School Pedestrian & Traffic Safety					
				Variance with Final Budget	
		Budgeted Amounts		Actual	
		Original	Final	Amounts	Positive (Negative)
Revenues:					
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for current services		481,984	481,984	208,351	(273,633)
Investment income		307	307	1,595	1,288
Other revenues		-	-	5,000	5,000
Total Revenues	482,291	482,291		214,946	(267,345)
Expenditures:					
Current:					
Public safety		-	-	-	-
Streets and highways		5,368	5,368	5,369	(1)
Parks and recreation		-	-	-	-
Other public services		-	-	-	-
Capital outlay:					
Construction projects		422,120	423,470	56,437	367,033
Total Expenditures	427,488	428,838		61,806	367,032
Excess (deficiency) of revenues over (under) expenditures		54,803	53,453	153,140	99,687
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	\$ 39,803	\$ 38,453		138,140	\$ 99,687
Fund Balances (Deficit)-Beginning				(46,063)	
Fund Balances-Ending				\$ 92,077	

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, 2023

Capital Project Funds (continued)				
Community/Rec Center Impact				
Budgeted Amounts		Actual		Variance with Final Budget
Original	Final	Amounts	Positive (Negative)	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,333,270	1,333,270	524,941	(808,329)
Investment income	2,218	2,218	24,250	22,032
Other revenues	-	-	-	-
Total Revenues	1,335,488	1,335,488	549,191	(786,297)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	15,510	15,510	15,515	(5)
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	949,770	2,310,766	836,473	1,474,293
Total Expenditures	965,280	2,326,276	851,988	1,474,288
Excess (deficiency) of revenues over (under) expenditures	370,208	(990,788)	(302,797)	687,991
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 370,208	\$ (990,788)	(302,797)	\$ 687,991
Fund Balances-Beginning			1,295,025	
Fund Balances-Ending			\$ 992,228	

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, 2023

Capital Project Funds (continued)				
Public Safety Facilities Impact Fund				
Budgeted Amounts		Actual		Variance with Final Budget
Original	Final	Amounts	Positive (Negative)	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	449,448	449,448	608,217	158,769
Investment income	22,127	22,127	50,856	28,729
Other revenues	-	-	-	-
Total Revenues	471,575	471,575	659,073	187,498
Expenditures:				
Current:				
Public safety	69,206	116,936	28,220	88,716
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	8,864,520	11,758,720	596,579	11,162,141
Total Expenditures	8,933,726	11,875,656	624,799	11,250,857
Excess (deficiency) of revenues over (under) expenditures	(8,462,151)	(11,404,081)	34,274	11,438,355
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(255,370)	(255,370)	(205,370)	50,000
Total other financing sources (uses)	(255,370)	(255,370)	(205,370)	50,000
Net change in fund balances	\$ (8,717,521)	\$ (11,659,451)	(171,096)	\$ 11,488,355
Fund Balances-Beginning			3,221,824	
Fund Balances-Ending			\$ 3,050,728	

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, 2023

	Debt Service Funds			Variance with Final Budget	
	Civic Center (Library)		Actual Amounts		
	Budgeted Amounts	Original	Final		
Revenues:					
Charges for current services	\$	-	\$ -	\$ -	
Investment income		-	-	2,400 2,400	
Total Revenues		-	-	2,400 2,400	
Expenditures:					
Debt service:					
Principal	178,391		178,391	176,832 1,559	
Interest and fiscal charges	113,793		115,333	115,333 -	
Total Expenditures	292,184		293,724	292,165 1,559	
Excess (deficiency) of revenues over (under) expenditures	(292,184)		(293,724)	(289,765) 3,959	
Other Financing Sources (Uses):					
Transfers in	292,184		292,184	292,184 -	
Total other financing sources (uses)	292,184		292,184	292,184 -	
Net change in fund balances	\$ -		\$ (1,540)	2,419 \$ 3,959	
Fund Balances-Beginning				173,445	
Fund Balances-Ending				\$ 175,864	

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, 2023

Debt Service Funds, (continued)					
Police Facility Bond					
Budgeted Amounts		Actual		Variance with Final Budget	
Original		Final		Positive (Negative)	
Revenues:					
Charges for current services	\$ -	\$ -	\$ -	\$ -	-
Investment income	-	-	-	-	-
Total Revenues	-	-	-	-	-
Expenditures:					
Debt service:					
Principal	236,609	238,168	238,168		-
Interest and fiscal charges	150,881	149,341	149,341		-
Total Expenditures	387,490	387,509	387,509		-
Excess (deficiency) of revenues over (under) expenditures	(387,490)	(387,509)	(387,509)		-
Other Financing Sources (Uses):					
Transfers in	387,490	387,490	387,490		-
Total other financing sources (uses)	387,490	387,490	387,490		-
Net change in fund balances	\$ -	\$ (19)	(19)	\$ -	-
Fund Balances-Beginning			166,744		
Fund Balances-Ending			\$ 166,725		



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, 2023

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
Assets:					
Current assets					
Pooled cash and investment	\$ 817,586	\$ 63,919	\$ 4,363,653	\$ 11,951	\$ 295,217
Restricted pooled cash and investments	-	-	-	-	-
Receivables:					
Accrued interest	163	-	976	-	65
Other accounts receivable	1,623	-	-	-	-
Prepaid items	-	565	-	-	7,856
Total current assets	819,372	64,484	4,364,629	11,951	303,138
Noncurrent assets					
Advance to other funds					
Depreciable Capital assets, net	827,917	129,851	1,324,453	3,960	-
Total noncurrent assets	827,917	129,851	1,324,453	3,960	-
Total Assets	1,647,289	194,335	5,689,082	15,911	303,138
Liabilities:					
Current liabilities					
Accounts payable	24,648	47,777	55,127	2,219	-
Accrued liabilities	-	9,451	-	524	-
Unearned revenue	1,623	-	-	-	-
Current obligations for:					
SBITAs	127,630	-	-	-	-
Compensated absences	-	-	-	-	-
Total current liabilities	153,901	57,228	55,127	2,743	-
Noncurrent liabilities					
Long term obligations for:					
SBITAs	264,524	-	-	-	-
Compensated absences	-	-	-	-	-
Total noncurrent liabilities	264,524	-	-	-	-
Total Liabilities	418,425	57,228	55,127	2,743	-
Net Position:					
Net investment in capital assets	435,763	129,851	1,324,453	3,960	-
Unrestricted	793,101	7,256	4,309,502	9,208	303,138
Total Net Position	\$ 1,228,864	\$ 137,107	\$ 5,633,955	\$ 13,168	\$ 303,138

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

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Assets:					
Current assets					
Pooled cash and investment	\$ 2,122,047	\$ 7,671,291	\$ 582,067	\$ 1,534,593	\$ 17,462,324
Restricted pooled cash and investments	30,000	-	-	-	30,000
Receivables:					
Accrued interest	451	1,692	102	294	3,743
Other accounts receivable	-	-	-	-	1,623
Prepaid items	-	-	-	-	8,421
Total current assets	2,152,498	7,672,983	582,169	1,534,887	17,506,111
Noncurrent assets					
Advance to other funds	-	-	-	-	-
Depreciable Capital assets, net	-	2,437,985	-	429	4,724,595
Total noncurrent assets	-	2,437,985	-	429	4,724,595
Total Assets	2,152,498	10,110,968	582,169	1,535,316	22,230,706
Liabilities:					
Current liabilities					
Accounts payable	-	7,016	-	19,351	156,138
Accrued liabilities	1,564,000	-	-	583,488	2,157,463
Unearned revenue	-	-	-	-	1,623
Current obligations for:					
SBITAs	-	-	-	-	127,630
Compensated absences	-	-	707,062	-	707,062
Total current liabilities	1,564,000	7,016	707,062	602,839	3,149,916
Noncurrent liabilities					
Long term obligations for:					
SBITAs	-	-	-	-	264,524
Compensated absences	-	-	2,366,581	-	2,366,581
Total noncurrent liabilities	-	-	2,366,581	-	2,631,105
Total Liabilities	1,564,000	7,016	3,073,643	602,839	5,781,021
Net Position:					
Net investment in capital assets	-	2,437,985	-	429	4,332,441
Unrestricted	588,498	7,665,967	(2,491,474)	932,048	12,117,244
Total Net Position	\$ 588,498	\$ 10,103,952	\$ (2,491,474)	\$ 932,477	\$ 16,449,685

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

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
<u>Operating Revenues:</u>					
Charges for current services	\$ 2,227,436	\$ 1,655,746	\$ 799,504	\$ 1,856,939	\$ -
Total Operating Revenues	<u>2,227,436</u>	<u>1,655,746</u>	<u>799,504</u>	<u>1,856,939</u>	<u>-</u>
<u>Operating Expenses:</u>					
Salaries and benefits	1,321,078	338,213	-	1,378,414	-
Claims and insurance premiums	-	-	-	-	18,358
Operations and maintenance	601,308	886,632	114,015	44,414	-
Depreciation	205,015	141,319	348,075	440	-
Administrative charges	25,554	257,607	-	421,227	-
Total Operating Expenses (Loss)	<u>2,152,955</u>	<u>1,623,771</u>	<u>462,090</u>	<u>1,844,495</u>	<u>18,358</u>
Operating Income	74,481	31,975	337,414	12,444	(18,358)
<u>Nonoperating revenues(expenses):</u>					
Investment earnings	73,987	20	8,748	-	4,715
Total nonoperating revenue (expenses)	<u>73,987</u>	<u>20</u>	<u>8,748</u>	<u>-</u>	<u>4,715</u>
Income (loss) before operating transfers	<u>148,468</u>	<u>31,995</u>	<u>346,162</u>	<u>12,444</u>	<u>(13,643)</u>
Transfers in	-	-	10,000	-	-
Transfers out	(2,711)	-	-	(7,603)	-
Total transfers	<u>(2,711)</u>	<u>-</u>	<u>10,000</u>	<u>(7,603)</u>	<u>-</u>
Change in net position	145,757	31,995	356,162	4,841	(13,643)
Total net position (deficit)-beginning	1,083,107	105,112	5,277,793	8,327	316,781
Total net position (deficit)-ending	\$ 1,228,864	\$ 137,107	\$ 5,633,955	\$ 13,168	\$ 303,138

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

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
<u>Operating Revenues:</u>					
Charges for current services	\$ 897,511	\$ 1,209,749	\$ 804,961	\$ 1,980,001	\$ 11,431,847
Total Operating Revenues	<u>897,511</u>	<u>1,209,749</u>	<u>804,961</u>	<u>1,980,001</u>	<u>11,431,847</u>
<u>Operating Expenses:</u>					
Salaries and benefits	-	-	992,129	92,338	4,122,172
Claims and insurance premiums	703,206	-	-	2,069,442	2,791,006
Operations and maintenance	39,610	7,018	-	11,221	1,704,218
Depreciation	-	625,629	-	48	1,320,526
Administrative charges	-	-	-	-	704,388
Total Operating Expenses (Loss)	<u>742,816</u>	<u>632,647</u>	<u>992,129</u>	<u>2,173,049</u>	<u>10,642,310</u>
Operating Income	154,695	577,102	(187,168)	(193,048)	789,537
<u>Nonoperating revenues(expenses):</u>					
Investment earnings	6,361	(16,582)	7,501	2,548	87,298
Total nonoperating revenue (expenses)	<u>6,361</u>	<u>(16,582)</u>	<u>7,501</u>	<u>2,548</u>	<u>87,298</u>
Income (loss) before operating transfers	<u>161,056</u>	<u>560,520</u>	<u>(179,667)</u>	<u>(190,500)</u>	<u>876,835</u>
Transfers in	-	960,000	-	-	970,000
Transfers (out)	-	-	-	(589)	(10,903)
Total transfers	<u>-</u>	<u>960,000</u>	<u>-</u>	<u>(589)</u>	<u>959,097</u>
Change in net position	<u>161,056</u>	<u>1,520,520</u>	<u>(179,667)</u>	<u>(191,089)</u>	<u>1,835,932</u>
Total net position (deficit)-beginning	<u>427,442</u>	<u>8,583,432</u>	<u>(2,311,807)</u>	<u>1,123,566</u>	<u>14,613,753</u>
Total net position (deficit)-ending	\$ 588,498	\$ 10,103,952	\$ (2,491,474)	\$ 932,477	\$ 16,449,685

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

	Information Systems	Building Maintenance	Building Replacement	Project Implementation	CIP	Unemployment Insurance
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 2,227,343	\$ 1,655,662	\$ 799,504	\$ 1,856,939	\$ (7,856)	
Payment for supplies and services	(637,667)	(939,686)	(66,581)	(43,908)	(18,358)	
Payments to employees for salaries and benefits	(1,322,292)	(337,529)	(141)	(1,377,890)	-	
Payments for interfund services	(25,554)	(314,548)	-	(421,227)	-	
Net cash provided (used) by operating activities	241,830	63,899	732,782	13,914	(26,214)	
Cash Flows from NonCapital Financing Activities						
Transfers from other funds	-	-	10,000	-	-	
Transfers (to) other funds	(2,711)	-	-	(7,603)	-	
Net cash provided (used) by noncapital financing activities	(2,711)	-	10,000	(7,603)	-	
Cash Flows from Capital and Related Financing Activities						
Principal paid on capital debt	-	-	-	-	-	
Purchases of capital assets	(745,624)	-	(114,174)	(4,400)	-	
Net cash provided (used) by capital and related financing activities	(745,624)	-	(114,174)	(4,400)	-	
Cash Flows from Investing Activities						
Interest earnings	74,692	20	11,530	-	4,951	
Net cash provided (used) by investing activities	74,692	20	11,530	-	4,951	
Net increase (decrease) in cash and equivalents	(431,813)	63,919	640,138	1,911	(21,263)	
Cash and equivalents at July 1	1,249,399	-	3,723,515	10,040	316,480	
Cash and equivalents at June 30	\$ 817,586	\$ 63,919	\$ 4,363,653	\$ 11,951	\$ 295,217	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 74,481	\$ 31,975	\$ 337,414	\$ 12,444	\$ (18,358)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	205,015	141,319	348,075	440	-	
(Increase) decrease in receivables	(93)	481	-	-	-	
(Increase) decrease in Prepaid items	-	(565)	-	-	(7,856)	
Increase (decrease) in accounts payable	(428,606)	(53,054)	47,434	506	-	
Increase (decrease) in accrued liabilities	(1,214)	684	(141)	524	-	
Increase (decrease) in due to other funds	-	(56,941)	-	-	-	
Increase (decrease) in unearned revenue	93	-	-	-	-	
Increase in compensated absences	-	-	-	-	-	
Increase in SBITA's	392,154	-	-	-	-	
Total adjustments	167,349	31,924	395,368	1,470	(7,856)	
Net cash provided (used) by operating activities	\$ 241,830	\$ 63,899	\$ 732,782	\$ 13,914	\$ (26,214)	

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

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 897,511	\$ 1,262,775	\$ 804,961	\$ 1,980,001	\$ 11,476,840
Payment for supplies and services	(695,816)	(7,018)	-	(1,843,247)	(4,252,281)
Payments to employees for salaries and benefits	-	-	(734,157)	(92,338)	(3,864,347)
Payments for interfund services	-	-	-	-	(761,329)
Net cash provided (used) by operating activities	201,695	1,255,757	70,804	44,416	2,598,883
Cash Flows from NonCapital Financing Activities					
Transfers (to)/from other funds	-	960,000	-	-	970,000
Transfers (to)/from other funds	-	-	-	(589)	(10,903)
Net cash provided (used) by noncapital financing activities	-	960,000	-	(589)	959,097
Cash Flows from Capital and Related Financing Activities					
Principal paid on capital debt	-	-	-	-	-
Purchases of capital assets	-	(593,426)	-	(477)	(1,458,101)
Net cash provided (used) by capital and related financing activities	-	(593,426)	-	(477)	(1,458,101)
Cash Flows from Investing Activities					
Interest earnings	7,658	(12,258)	7,823	2,594	97,010
Net cash provided (used) by investing activities	7,658	(12,258)	7,823	2,594	97,010
Net increase (decrease) in cash and equivalents	209,353	1,610,073	78,627	45,944	2,196,889
Cash and equivalents at July 1	1,942,694	6,061,218	503,440	1,488,649	15,295,435
Cash and equivalents at June 30	\$ 2,152,047	\$ 7,671,291	\$ 582,067	\$ 1,534,593	\$ 17,492,324
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 154,695	\$ 577,102	\$ (187,168)	\$ (193,048)	\$ 789,537
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	625,629	-	48	1,320,526
(Increase) decrease in receivables	-	76,482	-	-	76,870
(Increase) decrease in Prepaid items	-	-	-	65,822	57,401
Increase (decrease) in accounts payable	-	(23,456)	-	(54,164)	(511,340)
Increase (decrease) in accrued liabilities	47,000	-	-	225,758	272,611
Increase (decrease) in due to other funds	-	-	-	-	(56,941)
Increase (decrease) in unearned revenue	-	-	-	-	93
Increase in compensated absences	-	-	257,972	-	257,972
Increase in SBITA's	-	-	-	-	392,154
Total adjustments	47,000	678,655	257,972	237,464	1,809,346
Net cash provided (used) by operating activities	\$ 201,695	\$ 1,255,757	\$ 70,804	\$ 44,416	\$ 2,598,883



CITY OF MORGAN HILL

Custodial Funds



CITY OF MORGAN HILL

City of Morgan Hill
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023

	Custodial Funds				Total	
	Morgan Hill		Madrone			
	Business Ranch	A.D.	Business Park			
Assets:						
Pooled cash and investments	\$ 20,972		\$ 757,392	\$ 778,364		
Cash and investments with fiscal agents	422,585		613,205	1,035,790		
Accounts receivable	33		2,854	2,887		
Total Assets	443,590		1,373,451	1,817,041		
Liabilities						
Deposits held by City for external party	443,590		1,373,451	1,817,041		
Total Liabilities	443,590		1,373,451	1,817,041		
Net Position						
Other governments	-		-	-		
Total Net Positions	\$ -		\$ -	\$ -		

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

	Custodial Funds		
	Madrone		Total
	Morgan Hill	Business Park	
	Business Ranch	A.D.	
Additions:			
Other revenue	\$ 62,380	\$ 784,554	\$ 846,934
Total additions	62,380	784,554	846,934
Deductions:			
Distribution	62,380	784,554	846,934
Total deductions	62,380	784,554	846,934
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.	206
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	214
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City of Morgan Hill
Net Position by Component
Last Ten Fiscal Years

	2014	2015	2016	2017
Governmental activities				
Net investment in capital assets	\$ 243,272,964	\$ 212,704,540	\$ 247,387,770	\$ 255,440,265
Restricted	38,526,702	41,403,713	29,985,864	32,099,094
Unrestricted	102,514,658	67,076,890	83,047,293	80,663,122
Total governmental activities net position	\$ 384,314,324	\$ 321,185,143	\$ 360,420,927	\$ 368,202,481
Business-type activities				
Net investment in capital assets	\$ 53,811,487	\$ 59,973,693	\$ 66,841,902	\$ 74,296,295
Restricted	26,762,669	22,200,202	18,635,222	17,655,169
Unrestricted	14,656,166	10,015,654	10,092,674	6,561,396
Total business-type activities net position	\$ 95,230,322	\$ 92,189,549	\$ 95,569,798	\$ 98,512,860
Primary government				
Net investment in capital assets	\$ 297,084,451	\$ 272,678,233	\$ 314,229,672	\$ 329,736,560
Restricted	65,289,371	63,603,915	48,621,086	49,754,263
Unrestricted	117,170,824	77,092,544	93,139,967	87,224,518
Total primary government net position	\$ 479,544,646	\$ 413,374,692	\$ 455,990,725	\$ 466,715,341

Source: City of Morgan Hill Annual Financial Reports

2018	2019	2020	2021	2022	2023
\$ 261,192,662	\$ 270,716,404	\$ 274,397,215	\$ 283,099,830	\$ 293,306,194	\$ 300,675,120
35,645,795	35,888,935	31,219,706	25,555,920	22,896,579	24,399,382
69,792,792	73,843,142	74,649,954	83,724,556	94,684,555	100,191,914
\$ 366,631,249	\$ 380,448,481	\$ 380,266,875	\$ 392,380,306	\$ 410,887,328	\$ 425,266,416
<hr/>					
\$ 75,398,340	\$ 75,944,603	\$ 78,347,533	\$ 78,260,663	\$ 79,273,024	\$ 78,825,056
19,634,698	22,966,985	23,633,751	25,530,099	22,398,499	23,279,896
7,811,265	12,275,045	17,501,168	23,667,908	30,374,069	38,841,121
\$ 102,844,303	\$ 111,186,633	\$ 119,482,452	\$ 127,458,670	\$ 132,045,592	\$ 140,946,073
<hr/>					
\$ 336,591,002	\$ 346,661,007	\$ 352,744,748	\$ 361,360,493	\$ 372,579,218	\$ 379,500,176
55,280,493	58,855,920	54,853,457	51,086,019	45,295,078	47,679,278
77,604,057	86,118,187	92,151,122	107,392,464	125,058,624	139,033,035
\$ 469,475,552	\$ 491,635,114	\$ 499,749,327	\$ 519,838,976	\$ 542,932,920	\$ 566,212,489

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

	2014	2015	2016	2017
Expenses				
Governmental activities:				
General Government	\$ 2,904,732	\$ 2,843,336	\$ 4,092,113	\$ 5,243,127
Public Safety	17,670,163	19,950,164	17,737,431	20,618,190
Community development	5,717,704	4,790,542	6,300,312	6,687,917
Public Works development	6,516,103	3,166,946	6,544,763	8,727,478
Recreation and culture	9,871,553	9,993,458	10,819,408	11,607,305
Interest on long term debt	511,693	558,971	643,763	474,499
Total governmental activities expenses	<u>43,191,948</u>	<u>41,303,417</u>	<u>46,137,790</u>	<u>53,358,516</u>
Business-type activities:				
Sewer	9,642,194	9,887,909	10,098,803	10,597,987
Water	10,851,273	10,527,296	13,642,270	10,933,406
Total Business-type activities expenses	<u>20,493,467</u>	<u>20,415,205</u>	<u>23,741,073</u>	<u>21,531,393</u>
Total primary government expenses	<u><u>\$ 63,685,415</u></u>	<u><u>\$ 61,718,622</u></u>	<u><u>\$ 69,878,863</u></u>	<u><u>\$ 74,889,909</u></u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 1,927,610	\$ 1,771,476	\$ 1,688,575	\$ 1,744,657
Public Safety	738,424	760,141	801,342	812,692
Community development	6,719,080	5,801,869	4,301,337	4,909,182
Public Works development	181,583	41,703	48,513	45,947
Recreation and culture	5,834,679	6,477,163	6,747,293	8,546,080
Operating grants and contributions	4,601,340	3,355,013	3,317,893	2,076,767
Capital grants and contributions	10,942,471	7,272,503	11,837,394	13,726,076
Total governmental activities program revenues	<u>30,945,187</u>	<u>25,479,868</u>	<u>28,742,347</u>	<u>31,861,401</u>
Business-type activities:				
Charges for services:				
Sewer	13,927,768	10,561,028	10,506,697	10,755,875
Water	11,225,987	9,041,044	10,834,507	12,067,226
Operating grants and contributions				
Capital grants and contributions	946,507	3,734,586	6,408,502	2,275,118
Total business-type activities program revenues	<u>26,100,262</u>	<u>23,336,658</u>	<u>27,749,706</u>	<u>25,098,219</u>
Total primary government program revenues	<u><u>\$ 57,045,449</u></u>	<u><u>\$ 48,816,526</u></u>	<u><u>\$ 56,492,053</u></u>	<u><u>\$ 56,959,620</u></u>
Net(Expense)/Revenue				
Governmental activities	\$ (12,246,761)	\$ (15,823,549)	\$ (17,395,443)	\$ (21,497,115)
Business-type activities	5,606,795	2,921,453	4,008,633	3,566,826
Total primary government net expense	<u><u>\$ (6,639,966)</u></u>	<u><u>\$ (12,902,096)</u></u>	<u><u>\$ (13,386,810)</u></u>	<u><u>\$ (17,930,289)</u></u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 8,933,340	\$ 9,380,677	\$ 10,245,679	\$ 10,908,334
Sales taxes	8,640,396	8,790,769	9,437,549	9,734,686
Franchise taxes	3,786,751	4,232,789	4,585,883	5,198,405
Other general revenue taxes	881,549	1,146,383	784,422	1,247,902
Unrestricted investment earnings	2,494,499	713,844	1,035,927	1,211,374
Special item- assets transfer from Successor Agency			29,601,047	
Transfers	775,682	813,033	938,735	977,968
Total governmental activities	<u>25,512,217</u>	<u>25,077,495</u>	<u>56,629,242</u>	<u>29,278,669</u>
Business-type activities:				
Investment earnings	174,824	210,301	310,351	354,204
Transfers	(775,682)	(813,033)	(938,735)	(977,968)
Total business-type activities	<u>(600,858)</u>	<u>(602,732)</u>	<u>(628,384)</u>	<u>(623,764)</u>
Total primary government	<u><u>\$ 24,911,359</u></u>	<u><u>\$ 24,474,763</u></u>	<u><u>\$ 56,000,858</u></u>	<u><u>\$ 28,654,905</u></u>
Change in Net Position				
Governmental activities	\$ 13,265,456	\$ 9,253,946	\$ 39,233,799	\$ 7,781,554
Business-type activities	5,005,937	2,318,721	3,380,249	2,943,062
Total primary government	<u><u>\$ 18,271,393</u></u>	<u><u>\$ 11,572,667</u></u>	<u><u>\$ 42,614,048</u></u>	<u><u>\$ 10,724,616</u></u>

Source: City of Morgan Hill Annual Financial Reports

	2018		2019		2020		2021		2022		2023
\$	5,540,751	\$	5,368,602	\$	4,854,064	\$	4,510,779	\$	6,078,095	\$	7,458,513
	24,086,862		25,033,126		28,053,895		25,425,037		25,335,883		27,352,247
7,671,757		7,868,001		7,592,026		7,580,817		7,370,299		8,145,451	
10,903,897		10,223,756		10,522,637		11,098,488		9,041,213		11,111,249	
12,091,531		13,156,302		12,204,294		9,034,902		11,502,974		13,498,609	
549,201		531,464		395,089		411,226		394,620		348,102	
60,843,999		62,181,251		63,622,005		58,061,249		59,723,084		67,914,171	
10,942,326		11,054,950		11,490,716		12,081,934		11,563,983		13,862,810	
12,708,481		13,485,448		13,958,536		14,629,001		13,514,524		14,297,796	
23,650,807		24,540,398		25,449,252		26,710,935		25,078,507		28,160,606	
\$ 84,494,806		\$ 86,721,649		\$ 89,071,257		\$ 84,772,184		\$ 84,801,591		\$ 96,074,777	
\$	1,916,569	\$	2,357,831	\$	2,443,926	\$	2,389,963	\$	2,219,177	\$	3,376,129
649,945		647,481		684,999		465,684		547,823		459,680	
4,909,128		5,514,980		4,423,110		4,494,623		5,431,702		5,711,012	
39,436		45,629		50,298		278,011		1,708,921		2,013,288	
8,821,942		8,836,944		6,863,720		5,300,855		6,031,649		10,102,143	
2,546,575		3,459,753		3,334,629		7,123,917		14,497,174		12,822,355	
11,751,424		11,929,521		8,517,899		10,803,966		8,002,036		5,220,883	
30,635,019		32,792,139		26,318,581		30,857,019		38,438,482		39,705,490	
10,852,957		16,875,779		17,053,305		16,606,460		16,694,422		18,350,976	
13,031,315		16,112,250		16,790,872		18,652,758		16,549,716		19,038,726	
5,223,111		29,107,383		32,988,029		33,844,177		35,259,218		33,244,138	
\$ 59,742,402		\$ 65,780,168		\$ 60,162,758		\$ 66,116,237		\$ 71,682,620		\$ 77,095,192	
\$	(30,208,980)	\$	(29,389,112)	\$	(37,303,424)	\$	(27,204,230)	\$	(21,284,602)	\$	(28,208,681)
5,456,576		8,447,631		8,394,925		8,548,283		8,165,631		9,229,096	
\$ (24,752,404)		\$ (20,941,481)		\$ (28,908,499)		\$ (18,655,947)		\$ (13,118,971)		\$ (18,979,585)	
\$	11,582,252	\$	12,986,475	\$	14,688,450	\$	16,264,819	\$	16,870,232	\$	18,389,728
10,358,420		10,651,629		9,851,376		10,962,612		12,944,783		12,684,597	
5,478,690		5,764,566		5,129,479		4,417,893		5,925,914		5,708,085	
1,023,350		3,597,906		2,318,614		6,489,387		5,250,454		1,577,457	
1,253,089		5,441,878		4,156,151		765,817		(2,201,423)		3,139,978	
983,673		918,444		977,749		990,708		1,001,664		1,087,924	
30,679,474		39,360,898		37,121,819		39,891,236		39,791,624		42,587,769	
558,832		850,625		878,643		418,643		(2,577,045)		759,309	
(983,673)		(918,444)		(977,749)		(990,708)		(1,001,664)		(1,087,924)	
(424,841)		(67,819)		(99,106)		(572,065)		(3,578,709)		(328,615)	
\$ 30,254,633		\$ 39,293,079		\$ 37,022,713		\$ 39,319,171		\$ 36,212,915		\$ 42,259,154	
\$	470,494	\$	9,971,786	\$	(181,605)	\$	12,687,006	\$	18,507,022	\$	14,379,088
5,031,735		8,379,812		8,295,819		7,976,218		4,586,922		8,900,481	
\$ 5,502,229		\$ 18,351,598		\$ 8,114,214		\$ 20,663,224		\$ 23,093,944		\$ 23,279,569	

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

	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 689,445	\$ 1,681,066	\$ 1,651,263	\$ 2,451,243
Restricted	-	-	-	-
Unassigned	12,025,157	14,017,661	15,894,753	14,379,374
Total General Fund	\$ 12,714,602	\$ 15,698,727	\$ 17,546,016	\$ 16,830,617
All Other Governmental Funds				
Nonspendable	\$ 500	\$ -	\$ -	\$ -
Restricted	56,701,605	119,292,842	119,738,718	120,547,789
Unassigned	(716,642)	(805,653)	(688,296)	(778,193)
Total all other governmental funds	\$ 55,985,463	\$ 118,487,189	\$ 119,050,422	\$ 119,769,596
Total Governmental Funds	\$ 68,700,065	\$ 134,185,916	\$ 136,596,438	\$ 136,600,213

Source: City of Morgan Hill Annual Financial Reports

2018	2019	2020	2021	2022	2023
\$ 2,809,542	\$ 2,749,755	\$ 2,950,526	\$ 2,666,729	\$ 2,611,111	\$ 2,526,047
863,024	919,894	1,364,387	1,546,111	1,806,588	2,515,380
14,715,819	18,751,008	19,980,233	26,795,507	32,450,008	31,676,040
<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>	<u>\$ 36,717,467</u>
\$ -	\$ 16,667	\$ 139	\$ 45,833	\$ 45,833	\$ 70,418
119,480,110	117,366,252	113,405,611	110,787,947	108,071,806	110,495,305
(736,932)	(640,897)	(430,089)	-	(494,603)	(426,677)
<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>\$ 110,139,046</u>
\$ 137,131,563	\$ 139,162,679	\$ 137,270,807	\$ 141,842,127	\$ 144,490,743	\$ 146,856,513

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

	2014	2015	2016	2017
Revenues				
Property taxes	\$ 9,114,923	\$ 9,562,718	\$ 10,245,679	\$ 10,908,334
Sales taxes	8,640,396	8,790,769	9,437,549	9,734,686
Franchise, hotel and other taxes	3,786,751	4,232,789	4,585,883	5,198,405
Licenses and permits	182,302	190,796	198,342	194,186
Funding from other governmental agencies	4,480,359	2,710,916	1,677,125	1,479,375
Charges for current services	20,861,323	21,652,816	26,135,362	23,488,554
Investment income and rentals	1,746,402	1,666,549	1,891,025	933,215
Other revenues	1,217,491	867,721	568,333	1,539,966
Total Revenues	50,029,947	49,675,074	54,739,298	53,476,721
Expenditures				
General government	2,970,303	3,696,113	4,324,063	4,880,688
Public safety	17,239,104	17,949,585	18,921,528	20,360,934
Community development	5,254,396	8,560,835	6,033,214	6,386,603
Housing services	1,454,793	499,003	1,199,544	857,137
Streets and Highways	2,031,937	2,890,630	1,985,604	2,046,303
Parks and recreation	6,570,951	7,292,338	7,690,282	8,347,351
Other public services	519,578	737,953	651,551	1,138,415
Capital outlay	3,613,722	3,931,546	9,358,068	9,158,669
Debt service:				
Interest	486,148	649,264	739,333	531,126
Principal	300,000	310,000	450,323	402,582
Total Expenditures	40,440,932	46,517,267	51,353,510	54,109,808
Excess of revenues over (under) expenditures	9,589,015	3,157,807	3,385,788	(633,087)
Other Financing Sources (Uses)				
Proceeds from loans/bonds/sale		695,626	9,921,411	525,000
Transfers in	3,946,729	3,573,463	3,939,487	4,002,983
Transfers out	(3,277,032)	(3,068,817)	(4,322,934)	(3,891,121)
Payment to refunded escrow agent			(10,515,215)	
Subscription assets				
Total other financing sources (uses)	669,697	1,200,272	(977,251)	636,862
Net change in fund balances	\$ 10,258,712	\$ 4,358,079	\$ 2,408,537	\$ 3,775
Debt service as a percentage of non-capital expenditures	2.1%	2.5%	3.3%	2.1%

Source: City of Morgan Hill Annual Financial Reports

	2018	2019	2020	2021	2022	2023
\$	11,582,252	12,986,475	14,688,450	16,264,819	16,870,232	18,389,728
10,358,420	10,651,629	9,851,376	10,962,612	12,944,783	12,684,597	
5,478,690	5,764,566	5,129,479	4,417,893	5,925,914	5,708,085	
199,824	207,393	152,642	141,280	296,030	790,534	
1,694,780	2,964,464	5,759,822	10,045,540	18,872,494	11,738,917	
27,113,111	26,593,418	22,093,980	23,787,363	23,923,891	28,197,077	
1,101,533	5,211,051	3,914,019	540,573	(1,434,456)	3,153,048	
1,172,387	841,030	505,751	944,094	438,986	456,051	
	58,700,997	65,220,026	62,095,519	67,104,174	77,837,874	81,118,037
5,048,209	5,207,567	4,845,180	4,365,737	6,585,424	7,139,671	
20,799,919	21,963,078	24,363,254	24,330,213	25,313,737	28,067,517	
6,524,119	7,310,548	7,593,331	7,166,342	7,568,283	8,038,330	
932,317	1,007,840	1,005,828	1,012,035	1,029,860	2,157,688	
2,092,142	2,431,834	2,478,804	2,312,370	2,570,990	2,667,574	
8,586,861	9,331,980	8,528,223	5,300,646	7,896,006	9,624,113	
1,061,927	1,658,110	1,391,786	1,094,799	2,307,804	2,711,023	
13,339,395	14,101,650	14,513,000	15,955,677	22,020,790	20,321,645	
423,561	439,549	460,540	414,351	394,620	345,253	
497,022	477,670	454,670	476,554	496,060	415,000	
	59,305,472	63,929,826	65,634,616	62,428,724	76,183,574	81,487,814
	(604,475)	1,290,200	(3,539,097)	4,675,450	1,654,300	(369,777)
71,000	143,064	950,000	-	-	-	
3,981,873	6,470,357	8,304,850	6,919,370	12,479,604	6,871,907	
(3,647,503)	(5,872,505)	(7,607,625)	(6,449,926)	(11,485,288)	(6,743,080)	
	405,370	740,916	1,647,225	469,444	994,316	2,606,720
						2,735,547
\$	(199,105)	\$ 2,031,116	\$ (1,891,872)	\$ 5,144,894	\$ 2,648,616	\$ 2,365,770
	2.0%	1.9%	1.8%	2.0%	1.7%	1.3%

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
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
2023	9,803,590,364	1,039,094,226	574,756,493	137,333,343	409,254,389

Source: Santa Clara County Annual Assessor's Report

	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
\$	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%
	49,165,200	11,914,863,615	1.1377%

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	
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%
2023	1.00%	1.00%	0.0412%	0.0965%	1.1377%

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>	2023		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Value</u>
Bridge Group Investments LLC	Industrial	\$ 111,523,019	1	1.01%
Morgan Ranch Apartment Homes 182 LLC	Housing	68,286,521	2	0.62%
Morgan Hill Multifamily LLC	Housing	61,466,844	3	0.56%
83R JMH Owner LLC	R & D	45,900,000	4	0.41%
Sunsweet Morgan Hill Development LLC	Housing	38,565,342	5	0.35%
Woodland Residents Inc	Housing	31,606,726	6	0.29%
Willowbrook California Props LLC	Industrial	28,089,370	7	0.25%
Jtj Apartment Investors LLC (16945 Del Monte)	Housing	27,692,411	8	0.25%
Stag CA Holdings LP	Industrial	27,285,000	9	0.25%
18125 Sutter Owner LLC	Industrial	27,285,000	10	0.25%
		<u><u>\$ 356,177,214</u></u>		<u><u>3.22%</u></u>

Source: County of Santa Clara

2014

	Taxable Assessed Value	Rank	Percentage of Total Value
\$	27,627,421	2	0.47%
	n/a	n/a	n/a
	25,665,165	3	0.44%
	23,731,932	4	0.40%
	28,906,070	1	0.49%
	n/a	n/a	n/a
	n/a	n/a	n/a
\$	78,303,167		1.80%

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
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%			
2023	18,143,284	18,143,284	100%			

City of Morgan Hill participates in the Teeter Plan*

*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		<u>Governmental Activities</u>					Special Assessment Bonds	Water Facilities Loan
		Revenue Bonds	Lease Revenue Bonds	Loans Payable	Capital Lease Payable			
Ended	June 30,							
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		-	-
2023		-	7,064,924	4,865	2,103,718		-	-

Source: City of Morgan Hill Annual Financial Reports

		<u>Business-Type Activities</u>					
Water Certificates of Participation	Water Revenue Bonds	Sewer Capacity Rights	Wastewater Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita	
\$ -	\$ 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	
	- 14,265,000	-	- 26,650,445	- 50,088,952	0.26%	1,091	



CITY OF MORGAN HILL

City of Morgan Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2023

	2022-23 Assessed Valuation: \$	12,353,578,191	
	Total Debt 6/30/2023	% Applicable (1)	City's Share of Debt 6/30/2023
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Santa Clara County	\$ 1,041,125,000	1.996%	\$20,780,855
Gavilan Joint Community College District	195,600,000	28.865%	56,459,940
Morgan Hill Unified School District	209,570,000	67.852%	142,197,436
City of Morgan Hill 1915 Act Bonds	1,998,000	100%	1,998,000
Santa Clara Valley Water District Benefit Assessment District	389,000,000	1.996%	776,444
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$222,212,675

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Santa Clara County General Fund Obligations	1,210,404,570	1.996%	22,363,275
Santa Clara County Pension Obligation Bonds	329,741,844	1.996%	6,581,647
Santa Clara County Board of Education Certificates of Participation	935,000	1.996%	18,663
Gavilan Joint Community College District General Fund Obligations	6,135,000	28.865%	1,770,868
Morgan Hill Unified School District Certificates of Participation	13,505,000	67.852%	9,163,413
Santa Clara County Vector Control Certificates of Participation	1,230,000	1.996%	24,551
City of Morgan Hill Lease Revenue Bonds	7,064,924	100%	7,064,924
City of Morgan Hill Capital Lease Obligations	2,103,718	100%	2,103,718
City of Morgan Hill Loans Payable	4,865	100%	4,865
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$49,095,924
Less:Santa Clara County supported obligations			\$209,984
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$48,885,940

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$62,010,000	100%	\$62,010,000
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TOTAL DIRECT DEBT	\$9,173,507
TOTAL GROSS OVERLAPPING DEBT	\$324,145,092
TOTAL NET OVERLAPPING DEBT	\$323,935,108
 GROSS COMBINED TOTAL DEBT	 \$333,318,599
NET COMBINED TOTAL DEBT	(2) \$333,108,615

(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 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessemment Debt.....	1.80%
Total Direct Debt (\$8,618,583).....	0.07%
Gross Combined Total Debt.....	2.70%
Net Combined Total Debt.....	2.70%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$4,063,002,563):

Total Overlapping Tax Increment Debt.....	1.53%
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City of Morgan Hill
Legal Debt Margin Information
Last Ten Fiscal Years (In thousands)

	2014	2015	2016	2017	2018
Debt limit	\$ 942,974	\$ 1,032,954	\$ 1,103,614	\$ 1,187,287	\$ 1,270,730
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 942,974</u>	<u>\$ 1,032,954</u>	<u>\$ 1,103,614</u>	<u>\$ 1,187,287</u>	<u>\$ 1,270,730</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	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%

2019	2020	2021	2022	2023
\$ 1,360,477	\$ 1,473,255	\$ 1,569,585	\$ 1,660,467	\$ 1,787,230
-	-	-	-	-
\$ 1,360,477	\$ 1,473,255	\$ 1,569,585	\$ 1,660,467	\$ 1,787,230

0%	0%	0%	0%	0%
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**City of Morgan Hill
Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Sewer Bonds			Net Available Revenue
	Utility Services Charges	Less: Operating Costs		
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	
2023	18,350,976	9,450,794	8,900,182	

	Water Bonds			Net Available Revenue
	Utility Services Charges	Less: Operating Costs		
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	
2023	18,975,720	10,363,672	8,612,048	

Source: City of Morgan Hill Annual Financial Report

Sewer Bonds

Debt Service			
Principal		Interest	Coverage
\$ 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	
1,520,000	263,500	4.99	

Water Bonds

Debt Service			
Principal		Interest	Coverage
\$ 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	
1,150,000	417,747	5.49	

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
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
2023	45,892		139,161	3.050		45,627	3.7	38.5	8,667

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**

Employer	Fiscal Year 2023		
	Number of Employees	Rank	Percent of Total City Employment
Morgan Hill Unified School District	800	1	5.91%
Paramit Corporation	419	2	3.10%
Anritsu	412	3	3.04%
Specialized Bicycle Components	405	4	2.99%
Psynergy	333	5	2.46%
Lusamerica Foods, Inc.	321	6	2.37%
Sun Basket	279	7	2.06%
Shoe Palace Corporation	245	8	1.81%
Walmart #5766	207	9	1.53%
City of Morgan Hill	204	10	1.51%
Gryphon Financial Group	204	11	1.51%
Marki Microwave, Inc.	202	12	1.49%
Young's Market Company, LLC	187	13	1.38%
Wolfspeed, Inc (Formerly Cree, Inc)	186	14	1.37%
New Product Integratin Solutions, Inc.	154	15	1.14%
Safeway #1891 + Fuel Center	152	16	1.12%
Target Store #T2252	149	17	1.10%
Paragon Mechanical	144	18	1.06%
The Home Depot #8572	137	19	1.01%
Safeway Inc. #1455	134	20	0.99%
The Ford Store of Morgan Hill Inc.			
Lin Engineering			
NXEdge MH LLC			
Mission Bell Mfg, Inc.			
Pacific Hills Manor			
ANDPAK Inc			
Sakata Seed America			
Flextronics International			
Infineon Technologies, North America Corp			
Mission Bell Mfg., Inc.			
Extreme Learning			
Del Monaco Specialty Foods, Inc.			
Total	5,274		38.96%

*Source: HDL Business License Database

Fiscal Year 2022			Fiscal Year 2014		
Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
800	1	5.94%	796	1	4.65%
352	4	2.61%	320	5	1.87%
404	2	3.00%	544	2	3.18%
360	3	2.67%	522	3	3.05%
146	15	1.08%			
319	5	2.37%	190	7	1.11%
266	7	1.98%			
243	8	1.80%			
153	13	1.14%	160	9	0.94%
198	10	1.47%	169	11	0.99%
			140	14	0.82%
200	9	1.49%			
185	11	1.37%	151	12	0.88%
181	12	1.34%			
152	14	1.13%			
			108	18	0.63%
			138	15	0.81%
142	16	1.05%			
			147	13	0.86%
			108	19	0.63%
120	18	0.89%			
124	17	0.92%			
120	18	0.89%			
270	6	2.01%			
118	19	0.88%	138	16	0.81%
115	20	0.85%	106	20	0.62%
			341	4	1.99%
			210	6	1.23%
			185	8	1.08%
			173	10	1.01%
			126	17	0.74%
4,968		36.90%	4,772		27.91%

City of Morgan Hill

Full-time Equivalent City Government Employees by Department

Last Ten Fiscal Years

	2014	2015	2016	2017
City Council	5.00	5.00	5.00	5.00
City Manager	0.95	1.20	3.00	3.90
City Attorney	2.63	2.63	2.63	2.75
Administrative Services	18.25	18.40	19.15	24.23
Community Services*	24.65	21.79	23.33	29.62
Police	56.50	58.50	59.50	60.60
Fire	0.25	-	-	0.10
Development Services	20.08	22.67	19.87	25.90
Engineering and Utilities*	31.79	32.29	43.10	41.40
Internal Services*	13.90	19.52	11.92	-
Public Services				
Total City Government Employees	174.00	182.00	187.50	193.50

* 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

2018	2019	2020	2021	2022	2023
5.00	5.00	5.00	5.00	5.00	5.00
4.05	2.75	2.85	2.85	2.00	2.25
2.75	2.25	2.60	2.85	2.85	2.85
24.96	25.95	19.85	19.38	19.35	19.20
29.39	29.70	27.55	25.85	-	-
61.60	62.50	66.50	68.50	68.50	72.00
0.10	-	-	-	-	-
26.17	27.71	28.95	25.68	27.85	30.30
40.98	40.14	40.20	40.40	-	-
-	-	-	-	-	-
				72.70	72.15
195.00	196.00	193.50	190.50	198.25	203.75

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

<u>Function/Program</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Recreation and Community Services</u>				
Daily Visitors	327,313	349,844	402,342	314,149
Recreation Program Visits	96,879	77,451	84,519	95,602
RCS Facility Rental Reservation Hours	48,600	53,775	373,733	44,238
CRC/AC Memberships	4,697	4,737	4,703	4,903
% of expenditures for capital outlay	1.46%	0.31%	0%	3.22%
<u>Public Safety</u>				
Police				
Number of crimes reported	3,388	3,725	3,863	4,113
% of expenditures for capital outlay	0.32%	1.22%	0.76%	3.10%
Fire				
Fire and Life Safety Inspections	1,214	1,375	1,074	1,359
Public Education Attendees	2,223	2,536	3,370	3,417
% of expenditures for capital outlay	0.36%	3.78%	0.19%	3.82%
<u>Public Works</u>				
Sewer Operations				
Sewer lines flushed (ft)	372,834	587,687	445,843	363,622
Sanitary Sewer Overflows (SSO)	10	10	5	14
% of expenditures for capital outlay	0.00%	0.54%	0.66%	1.24%
Water Operations				
Water production (thous gal)	2,808,225	2,217,117	1,884,822	2,123,958
Water meters installed	258	271	348	195
Water meters repaired or replaced	1,087	1,409	780	286
Water customer accounts	12,857	13,274	13,647	13,841
% of expenditures for capital outlay	8.72%	7.75%	5.75%	9.04%
Streets Maintenance				
New signs installed	19	19	10	23
Signs repaired/replaced	130	164	63	100
% of expenditures for capital outlay	0.00%	0.00%	0.00%	0.00%
<u>Community Development</u>				
Planning applications	216	210	171	185
Building permits issued	1,966	2,105	2,204	2,197
% of expenditures for capital outlay	22.92%	0.25%	4.71%	2.79%
<u>Housing Agency</u>				
Rehab loans	0	0	0	9
Below Market Rate home sales	21	10	24	7
% of expenditures for capital outlay	0.00%	0.00%	0.00%	0.00%
<u>Total City Government Employees</u>	174.0	182.0	187.5	193.5

Source: Departments of the City of Morgan Hill

2018	2019	2020	2021	2022	2023
321,079	807,746	275,522	142,731	231,993	300,517
86,392	87,807	64,132	13,018	33,758	43,103
47,439	44,913	31,963	10,011	13,759	35,507
4,944	4,895	4,771	3,876	3,279	3,694
3.22%	6.06%	6.94%	8.56%	9.88%	6.16%
4,137	3,811	3,879	3,618	3,427	3,365
3.22%	8.49%	2.95%	3.46%	2.51%	2.28%
1,133	1,062	1,044	1,038	1,038	952
3,242	3,391	1,413	1,211	1,211	1,486
1.61%	4.99%	1.56%	1.46%	1.27%	2.63%
649,668	452,703	594,420	622,180	465,355	249,187
5	10	8	4	1	3
1.78%	4.61%	1.81%	3.50%	2.06%	1.40%
2,372,393	2,344,062	2,468,274	2,573,773	2,292,174	2,079,975
469	186	343	84	89	90
585	780	298	255	325	396
13,953	14,368	14,711	14,748	14,795	15,008
5.51%	3.07%	3.70%	3.79%	3.53%	1.76%
107	154	32	70	24	110
132	77	117	130	42	85
5.49%	5.94%	3.29%	4.98%	6.21%	5.98%
160	181	144	178	156	128
2,191	1,828	1,531	1,580	1,819	1,972
0.60%	0.17%	0.28%	0.20%	0.57%	0.99%
35	0	0	0	0	0
20	10	10	13	1	6
0.00%	65.37%	0.13%	0.11%	0.83%	0.24%
195	196	193.5	190.5	198.25	203.75

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

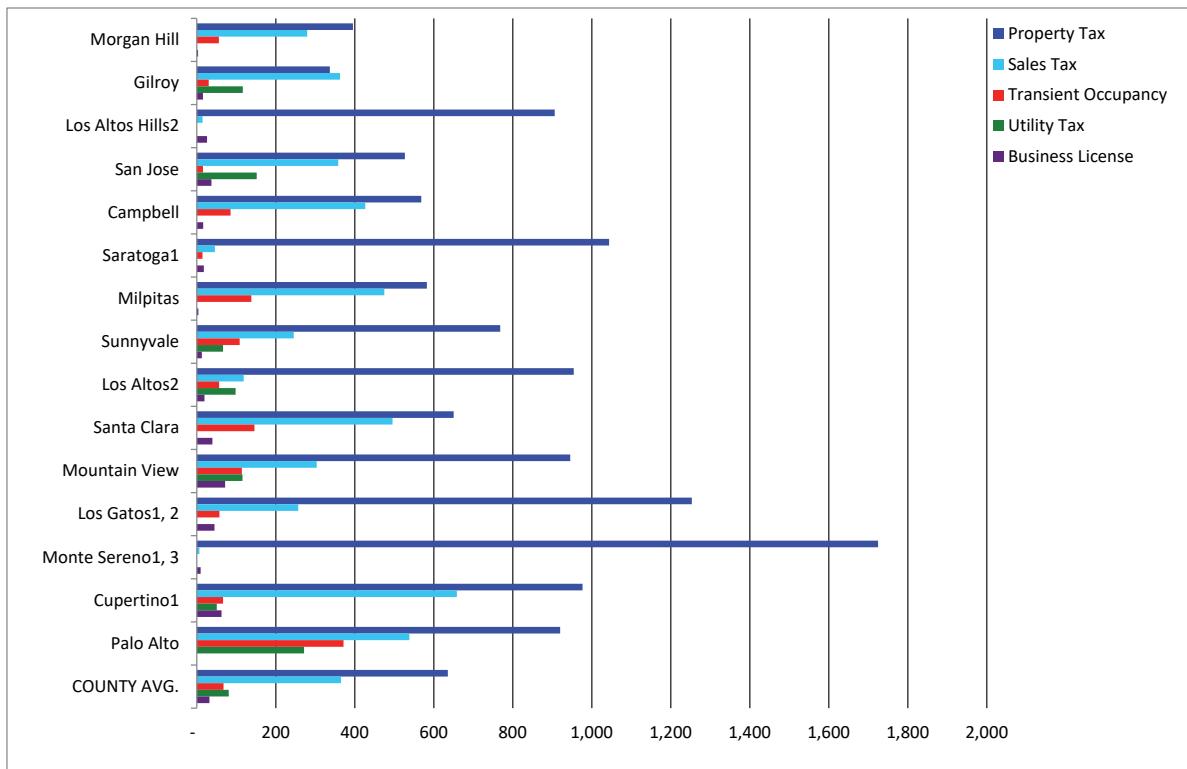
Function/Program	2014	2015	2016	2017
Community Services				
Parks & Open Space Acreage*	470	492	492	492
Parks*	22	23	22	22
Swimming Pools	4	4	4	4
Community and Recreation Centers	4	4	4	4
Streets				
Streets (miles)	149	149	n/a	127
Streetlights	3,689	4,161	n/a	n/a
Public Safety				
Police Stations	1	1	1	1
Patrol Units	22	22	22	24
Motorcycle Patrol Units	2	2	4	4
Fire Houses (new 2013)	2	2	2	2
Fire Apparatus (new 2013)	3	3	4	4
Fire Personnel Vehicles (new 2013)	3	3	3	3
Sewer				
Sewer lines (miles)	167	165	161	162
Storm drains (miles)	110	111	114	114
Maximum daily capacity (thousand gallons)	5,900	5,900	n/a	6,600
Water				
Water mains (miles)	185	185	189	186
Water wells	17	17	17	17
Maximum daily capacity (thousand gallons)	15,200	15,500	n/a	13,500

Source: Departments of the City of Morgan Hill

2018	2019	2020	2021	2022	2023
498	495	495	495	495	495
22	25	25	25	26	26
4	4	4	4	4	4
4	4	4	4	4	4
127	128	128	129	129	129
n/a	n/a	n/a	n/a	n/a	n/a
1	1	1	1	1	1
28	28	28	29	30	32
4	4	5	5	5	5
2	2	2	2	2	2
4	4	4	4	4	5
3	3	4	4	4	4
166	169.59	161	163	163	163
116	116	116	116	116	116
7,200	7,200	7,200	7,200	7,200	7,200
192	192.45	192	192	195	197
17	15	16	16	16	16
14,820	16,612	15,179	18,099	17,297	17,505

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 - 2022-23



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	45,892	\$ 18,143,284	395	\$ 12,827,678	280	\$ 2,562,041	56	\$ -	-	\$ 147,660	3
Gilroy	58,000	19,538,705	337	21,029,959	363	1,754,615	30	6,757,054	117	908,165	16
Los Altos Hills ²	8,400	7,611,087	906	122,819	15	-	-	-	-	218,387	26
San Jose	959,256	505,293,995	527	343,472,084	358	14,936,816	16	145,360,655	152	35,468,894	37
Campbell	42,713	24,269,000	568	18,221,459	427	3,650,000	85	-	-	695,300	16
Saratoga ¹	30,163	31,487,793	1,044	1,381,033	46	431,270	14	-	-	540,643	18
Milpitas	81,067	47,210,420	582	38,475,708	475	11,189,211	138	-	-	333,988	4
Sunnyvale	156,317	120,086,118	768	38,358,415	245	16,962,728	109	10,387,856	66	1,985,280	13
Los Altos ²	31,526	30,086,157	954	3,738,113	119	1,778,966	56	3,093,784	98	612,218	19
Santa Clara	130,127	84,599,469	650	64,497,774	496	18,989,011	146	-	-	5,142,133	40
Mountain View	83,601	79,030,456	945	25,394,032	304	9,521,577	114	9,671,830	116	5,995,843	72
Los Gatos ^{1,2}	33,062	41,436,867	1,253	8,483,673	257	1,895,064	57	-	-	1,481,267	45
Monte Sereno ^{1,3}	3,500	6,036,696	1,725	22,366	6	-	-	-	-	34,034	10
Cupertino ¹	66,274	64,722,779	977	43,646,813	659	4,404,958	66	3,356,389	51	4,141,902	62
Palo Alto	68,624	63,128,828	920	36,926,100	538	25,485,060	371	18,631,933	272	-	-
COUNTY AVG.	119,901	76,178,777	635	43,773,202	365	8,111,523	68	9,676,543	81	3,847,048	32

Source: ACFR /City websites

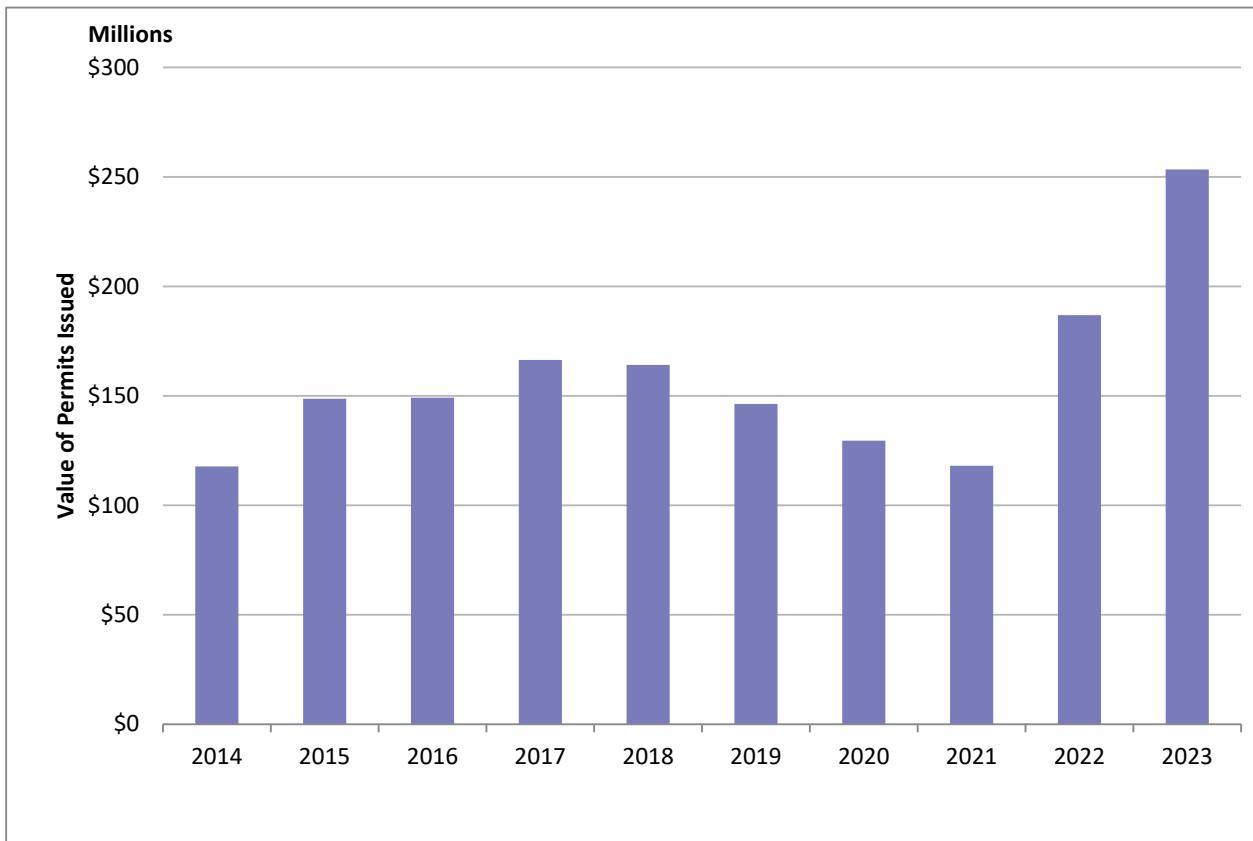
¹ Property tax amount includes Santa Clara County Central Fire District FY21-22

² FY 21-22 Actuals

³ FY 20-21 Actuals

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
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
2023	11,914,863,615	2,086	76,001,467	177,400,690	253,402,157

Source: City of Morgan Hill Building Department

City of Morgan Hill, California

Miscellaneous Statistics - June 30, 2023

General Information

Date of Incorporation	October 1906
Form of Government	Council/Manager
Area	12.9 square miles
Number of Registered voters	28,494
Median household income for Morgan Hill	\$ 139,161
Elevation in feet	320
Building Permits Issued during year	1,972

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	8,667

Demographics:

Median Age	38.5
Median Persons per household	3.05
Population (consisting of)	45,892
White	44.1%
Hispanic	34.7%
Asian	15.8%
Black	1.5%
Native American	0.1%
Other, mixed	3.8%

Health Facilities:

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

Fire Protection:

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

Culture and Recreation:

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

Police Protection:

Number of stations	1
Number of police cars/motorcycles	35

Employees:

City Council	5.00
City Manager	2.25
City Attorney	2.85
Administrative Services	19.20
Police	72.00
Development Services	30.30
Public Sevices	72.15

Municipal Water Services:

Number of Active Accounts	15,008
Average Daily Consumption (gallons)	5,698,562
Miles of Water Mains	197
Pumping Capacity (thousand gallons/day)	17,505

Total Employees

203.75

Sewer Services

Peak Flow (thousand gallons/day)	7,470
Miles of sewer lines	163

Sources: Various