



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2024

CITY OF MORGAN HILL
CALIFORNIA





CITY OF MORGAN HILL

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2024

**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, 2024

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INTRODUCTORY SECTION



CITY OF MORGAN HILL

November 21, 2024

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, 2024, 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 (GAAP). Since 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, 2024.

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 continues to display resilience amidst ongoing challenges. The unemployment rate in September 2024 fell to 4.1%, marking sustained strength in the labor market, with 254,000 jobs added, particularly in sectors such as health services, hospitality, and construction. Wage growth also rose by 4.0% over the past year, bolstering household incomes across the country. Inflation, while showing signs of moderation, remains a key economic concern. The Consumer Price Index (CPI) for September 2024 registered a 2.4% increase compared to the previous year, with core inflation, which excludes the more volatile food and energy categories, rising by 3.3%.

The State of California, like much of the U.S., continues to navigate the challenges posed by high inflation and interest rates. California's economy remains resilient with an unemployment rate of 5.3% as of September 2024. However, higher borrowing costs have tempered real estate development, particularly in the commercial sector. Despite these pressures, the Bay Area's robust technology and manufacturing sectors help to sustain the local economy.

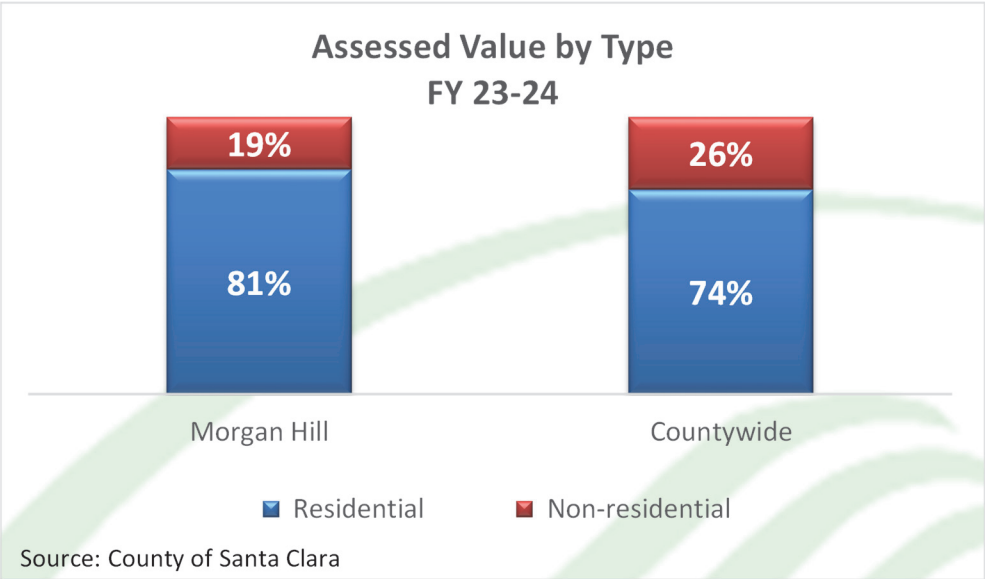
Morgan Hill continues to demonstrate economic strength, with unemployment holding at 4.6% as of September 2024, above the County's rate of 4.1%. General Fund revenues have remained steady, supported by a strong property tax base due to rising home values and continued development. Property tax revenues are expected to grow by 6% in the coming year, reflecting the stable demand for housing in the region. Sales tax receipts are expected to decline slightly, partially attributable to lower tax receipts from vehicles sales.

Looking ahead, Morgan Hill's economic outlook remains cautiously optimistic. The City is benefiting from steady property tax growth and expects Transient Occupancy Tax (TOT) revenue to recover to pre-pandemic levels by FY 25-26, particularly with the opening of new hotels. However, inflationary pressures and higher operating costs, including rising electricity rates and personnel costs, present ongoing challenges for maintaining service levels. The City will continue to exercise fiscal prudence, ensuring that service delivery aligns with economic realities while maintaining a commitment to long-term sustainability.

The recently adopted Biennial Budget includes additional staffing that are intended to address the Council’s priorities, such as investment in public safety. While it is purposeful in the short term, it won’t be sustainable without a commensurate growth in revenue over the long term. General Fund expenditures, excluding the prior year General Fund budget savings transfers, for the current fiscal year are projected to increase 9% compared with a 3% increase in General Fund revenue.

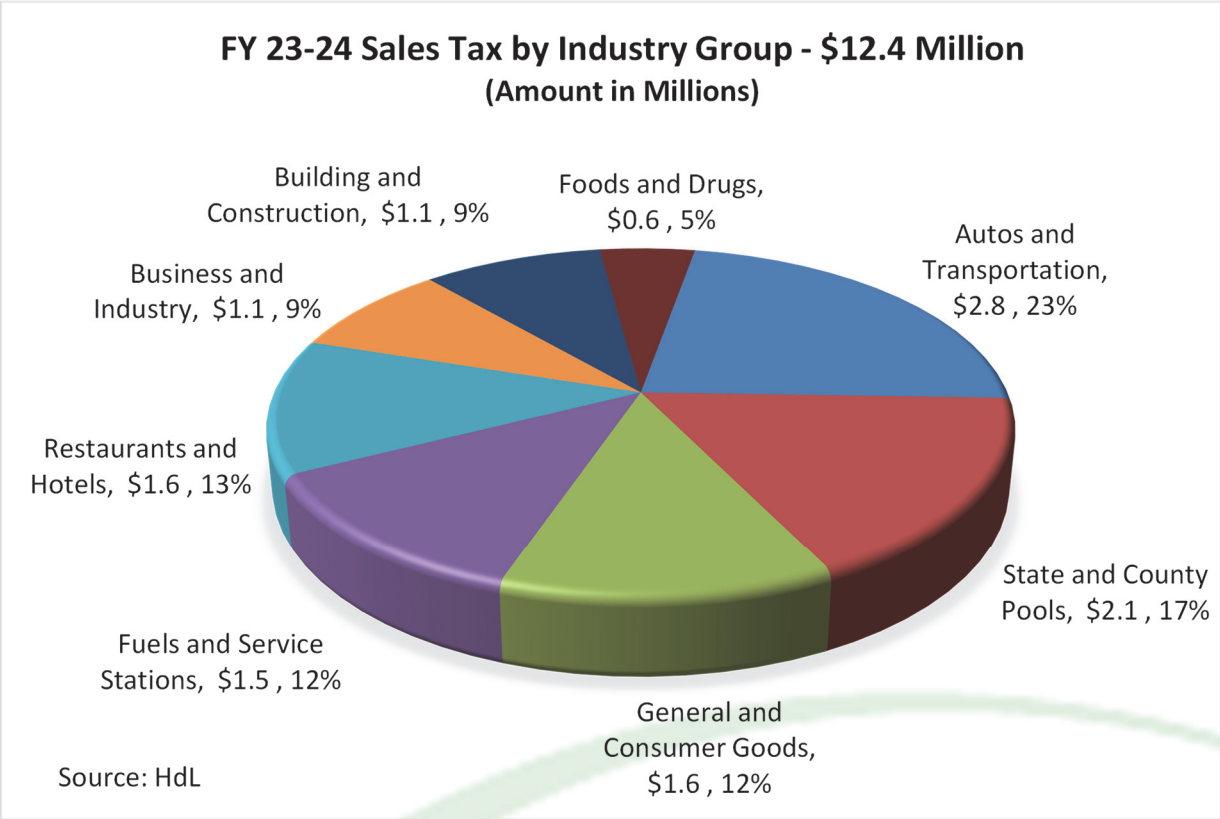
With that said, continued gradual recovery in Recreation Services and steady growth of the City’s property tax have propelled the City’s FY 23-24 General Fund revenues to exceed the prior fiscal year amount by \$3.6 million. On July 8, 2024, the County of Santa Clara Assessor’s Office released the assessment roll close for FY 24-25. The assessment roll for the County grew 5.39% for FY 24-25. The City of Morgan Hill’s assessment roll for FY 24-25 grew 5.43%, a growth rate of similar pace to the countywide rate, but slightly below the forecasted 6.0% and lower than last’s year growth rate of 6.34%. However, there are certain residential and commercial projects that have just been completed, or will be completed during the year, that will be added to the City’s assessed value. These mid-year additions should provide additional supplemental property tax revenue for the City, potentially allowing the City’s overall property tax revenue to meet or exceed the forecasted growth of 6.0% for FY 24-25. The City’s total net assessed value for FY 24-25 is about \$13.8 billion, an increase of about \$0.7 billion from the prior year’s total net assessed value of about \$13.1 billion. The County Assessor described the countywide growth of 5.39% as “unexpected” due to the high interest rate environment and continued depressed commercial sector with high profile projects either being delayed or halted altogether. Change in property ownership was the leading contribution for this year’s roll growth, accounting for 42% of the total growth. Continued high mortgage rates reduced the total number of residential change of ownership transactions, but higher property values more than offset that negative impact.

The chart below compares the City’s total net assessed value of residential and non-residential properties to the countywide for FY 23-24. 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 \$56.3 million General Fund revenue projected for the current FY 24-25. 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 24-25 is forecasted at \$12.2 million, slightly lower than the FY 23-24 actual of \$12.4 million. The FY 24-25 number was based on projections made with the support of our sales tax consultant, HdL, in October 2024.

The chart below illustrates the City’s sales tax revenue by major industry group for FY 23-24. Total amount of sales tax revenue in FY 23-24 was about \$12.4 million, before sales tax rebates, unchanged from prior year. Sales tax revenue declined from every major industry group compared to the previous year, except for Fuels and Service Stations and Restaurants and Hotels.



On October 23, 2024, the City Council adopted an updated fee schedule for land development permits issued by Planning, Building, and Land Development Engineering. These permits are administered through the City’s Development Services program.

Development Services revenue for the current FY 24-25 is projected to be \$6.0 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 and other subsidized services. These activities need to be supplemented by other funding sources, mainly the General Fund. According to the fee study, the subsidized services amounted to about \$0.4 million. This amount will be funded by a reduced General Fund administrative chargeback to the Development Services Fund.

In addition to the updated fee schedule for the Development Services program, the City Council also approved a new five-year wastewater rates adjustment plan on August 28, 2024.

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, 2023. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

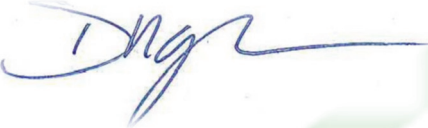
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report, the contents of which conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable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

The GFOA certificate is valid for a period of one year only. The City has received this certificate for the last 29 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', is positioned above the printed name of the Finance Director.

Dat Nguyen, CPA, CGFM
Finance Director

CITY OF MORGAN HILL, CALIFORNIA

ELECTED OFFICIALS AND CITY STAFF

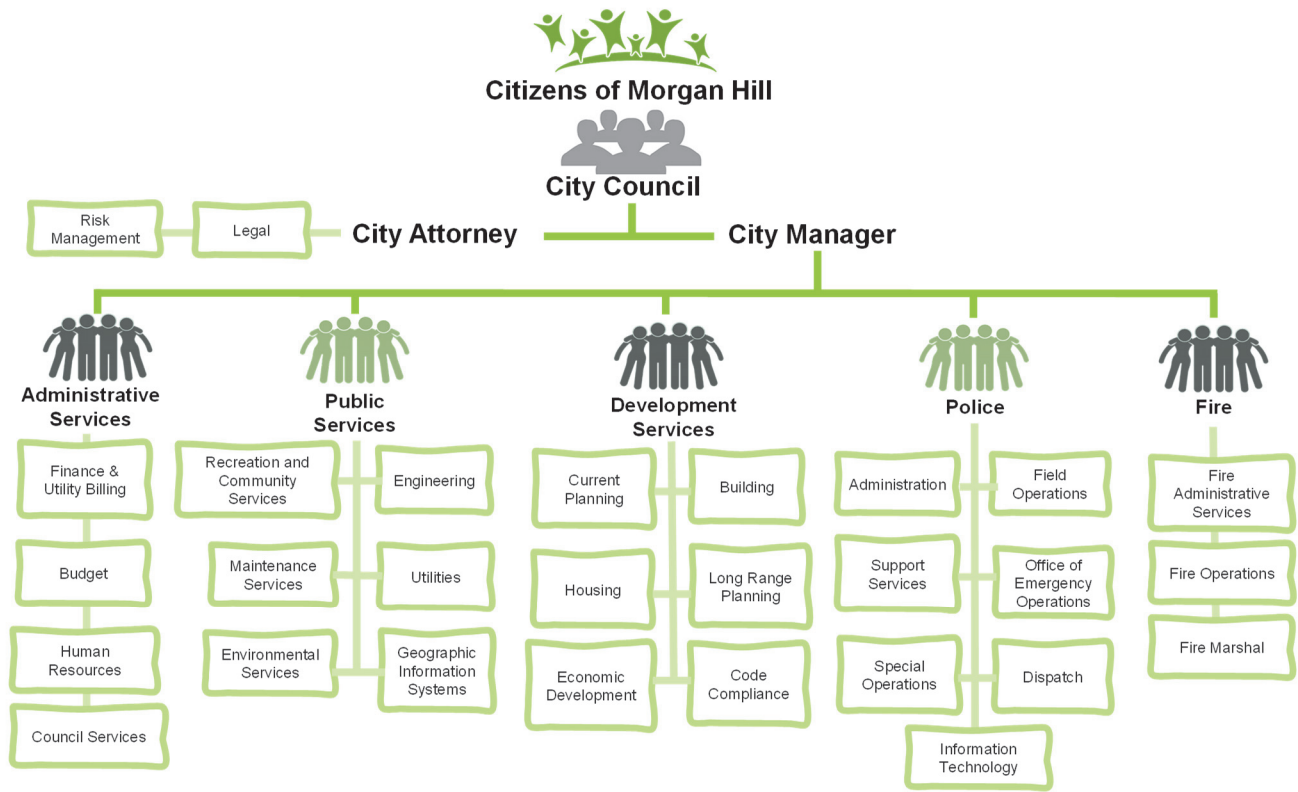
ELECTED OFFICIALS

Mark Turner	Mayor
Marilyn Librers	Mayor Pro Tem, District D Council Member
Gino Borgioli	District A Council Member
Yvonne Martinez Beltran	District B Council Member
Rene Spring	District C Council Member
Caitlin Robinett Jachimowicz	City Treasurer

CITY STAFF

Christina Turner	City Manager
Donald Larkin	City Attorney
Chris Ghione	Assistant City Manager/Public Services Director
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







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, 2023

Christopher P. Morill

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, 2024, 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, 2024, 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.

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 21, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maze & Associates". The script is cursive and fluid, with a horizontal line extending from the end of the word "Associates".

Pleasant Hill, California
November 21, 2024

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2024

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, 2024. 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 are provided.

FINANCIAL HIGHLIGHTS

- During FY 23-24, 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 \$26.4 million to \$592.6 million. This is not, however, the same as an operating budget surplus. Of the total net position, \$142.2 million, about 24%, in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors, and the majority of the remaining, about 76%, 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 \$135.0 million—\$15.6 million more than the prior year, mainly due to an increase in charges for service, investment earnings, and property taxes, partially offset by a reduction in grants and contributions and other revenues. Business-type activities saw a net increase of \$10.1 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, 2024, the City had \$47.4 million, including unamortized bond premiums, in long-term debt, comprised of \$13.1 million secured by water revenues, \$26.0 million secured by sewer revenues, \$6.6 million in lease revenue refunding bonds subject to a City appropriations covenant, and \$1.7 million for Fire stations and apparatus. The \$47.4 million in long-term debt outstanding reflects a net decrease of \$2.7 million from the prior year.
- At June 30, 2024, the City's governmental funds reported ending fund balances of \$146.1 million, a decrease of less than 1% or \$0.8 million from the prior fiscal year.
- The fund balance in the City's General Fund decreased slightly by \$0.1 million to \$36.6 million, mainly from overall cost increases, partially offset by an increase in property taxes, charges for current services, and investment earnings. The unassigned fund balance in the Development Services Fund decreased by about \$0.7 million, with an ending negative fund balance of about \$1.1 million.
- During FY 23-24, the General Fund had a deficit of revenues over expenditures of \$0.7 million, excluding transfers. Transfers in exceeded transfers out by \$0.6 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 \$2.3 million more than the final budget, mainly attributed to the increase in property taxes, and investment earnings.

- Actual expenditures, excluding transfers out, in the General Fund were about \$2.4 million less than the final budget, with public safety and general government services contributing the majority of the savings related to their budgets.
- During FY 23-24 Deferred outflows related to Pension for Governmental Activities increased by \$0.8 million and Deferred inflows for the same purpose decreased by \$0.7 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 of this report.

A. Government-Wide Financial Statements

These statements include all assets and liabilities, and deferred inflows and outflows 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, and deferred inflows and outflows, is one way to measure the City's financial position. Over time, increases or decreases in net position are 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, Development Services and Housing Funds, and for the other governmental funds. They are 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 custodial fund to collect and disburse the amounts collected on the Santa Clara County property tax roll for the Downtown Morgan Hill Property Based Improvement District (PBID). These fiduciary activities are excluded from the City's fund financial statements because these assets cannot be used to finance operations. The activity for these funds, however, is provided for in a separate combining statement of changes in fiduciary net position contained elsewhere in this report.

Included in fiduciary funds is the Successor Agency Private Purpose Trust Fund created upon dissolution of the former Redevelopment Agency. The Trust Fund was created to hold the non-housing assets of the former Redevelopment Agency until they are 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 109.

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, 2024, was \$592.6 million. A significant portion of the City's net position (\$405.7 million or 68%) 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 (\$44.7 million or 8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$142.2 million or 24%) may be used to meet the City's ongoing obligations to citizens and creditors. The \$142.2 million in unrestricted net position is comprised of \$98.7 million in governmental unrestricted net position and \$43.5 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 comprises 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	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Assets						
Current and other assets	\$ 179,603,728	\$ 178,002,056	\$ 76,854,828	\$ 73,308,622	\$ 256,458,556	\$ 251,310,678
Capital assets	323,063,617	312,558,253	132,563,685	119,827,593	455,627,302	432,385,846
Total Assets	502,667,345	490,560,309	209,418,513	193,136,215	712,085,858	683,696,524
Deferred outflows						
Related to OPEB (Note 9)	1,785,004	2,119,626	414,274	491,221	2,199,278	2,610,847
Related to pension (Note 8)	20,118,282	19,324,267	3,403,147	3,294,865	23,521,429	22,619,132
Total Deferred Outflows	21,903,286	21,443,893	3,817,421	3,786,086	25,720,707	25,229,979
Liabilities						
Current and other liabilities	14,910,728	12,584,335	5,671,778	5,497,705	20,582,506	18,082,040
Long-term liabilities	68,383,570	65,972,949	48,618,194	49,787,825	117,001,764	115,760,774
Total Liabilities	83,294,298	78,557,284	54,289,972	55,285,530	137,584,270	133,842,814
Deferred inflows						
Leases related (Note 10)	4,444,527	5,363,320	213,265	266,582	4,657,792	5,629,902
Related to OPEB (Note 9)	1,650,848	1,269,311	383,139	294,162	2,033,987	1,563,473
Related to pension (Note 8)	884,004	1,547,871	52,996	129,954	937,000	1,677,825
Total Deferred Inflows	6,979,379	8,180,502	649,400	690,698	7,628,779	8,871,200
Net position						
Net investment in capital assets	312,332,684	300,675,120	93,413,002	78,825,056	405,745,686	379,500,176
Restricted	23,229,578	24,399,382	21,445,979	23,279,896	44,675,557	47,679,278
Unrestricted	98,734,692	100,191,914	43,437,581	38,841,121	142,172,273	139,033,035
Total Net Position	\$ 434,296,954	\$ 425,266,416	\$ 158,296,562	\$ 140,946,073	\$ 592,593,516	\$ 566,212,489

Governmental activities: The table above shows that total assets increased compared to the prior year, by \$12.1 million, primarily in the capital assets. Total deferred outflows related to OPEB and pension increased by \$0.5 million. Total liabilities increased by \$4.7 million and total deferred inflows decreased by \$1.2 million, mostly attributable to the decrease in pension and lease related activities, partially offset by an increase in OPEB.

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 23-24, property tax revenue increased about 5% compared to FY 22-23, mainly attributable to new housing units and completed commercial properties 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 4% compared to prior year which can be attributable to deceleration of the strong growth experienced in previous years. Operating grants and contributions decreased by 30% compared to the previous year, mainly attributed to the completion of the Hale Avenue extension project which was funded primarily through contributions from VTA Measure B funds.

Total governmental expenses increased by \$11.1 million or 16% to \$79.0 million compared to the prior fiscal year, led by Public Safety with \$6.6 million of increased expenses and Public Works and Services with approximately \$2.5 million of increased expenditures.

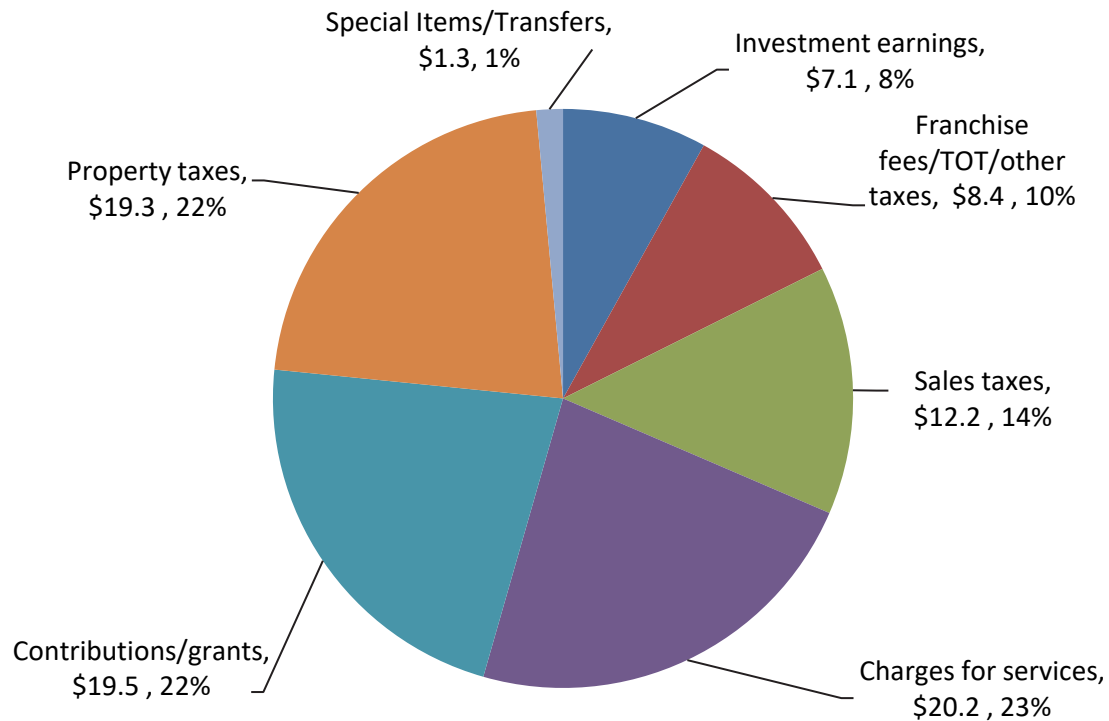
Overall, the City's Governmental Activities net position increased by about \$9.0 million.

The table below summarizes the major program revenues and expenses:

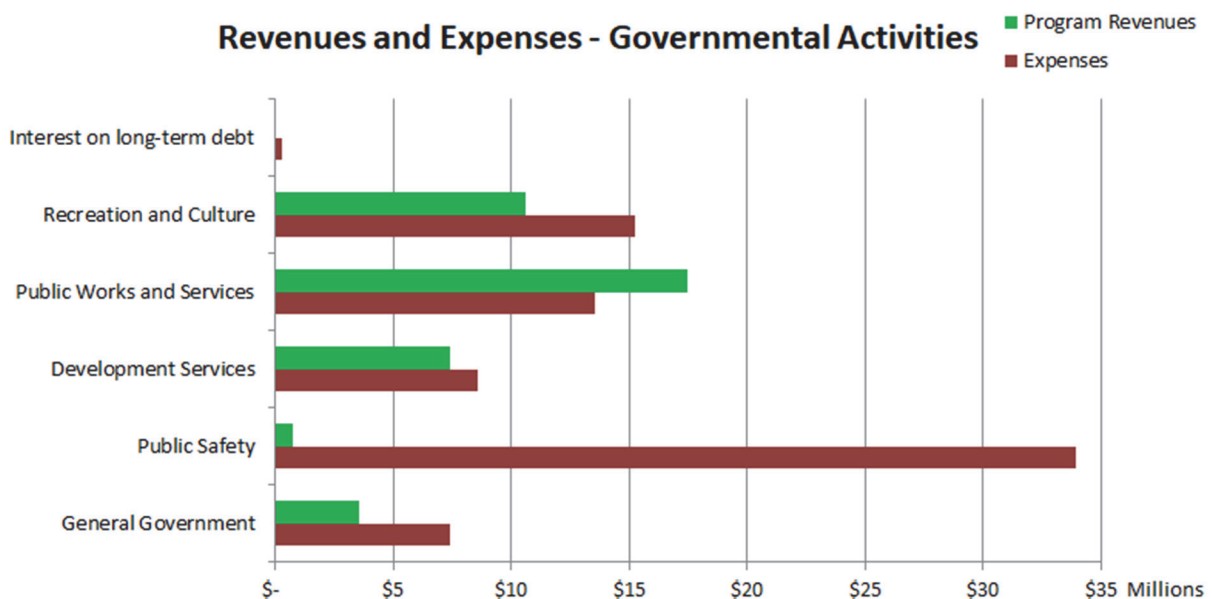
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
Revenues:	<u>2023-24</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2022-23</u>
<u>Program Revenues:</u>						
Charges for Services	\$ 20,180,696	\$ 21,662,252	\$ 44,958,717	\$ 37,389,702	\$ 65,139,413	\$ 59,051,954
Operating Grants & Contributions	8,951,080	12,822,355	-	-	8,951,080	12,822,355
Capital Grants & Contributions	10,569,587	5,220,883	-	-	10,569,587	5,220,883
<u>General Revenues:</u>						
Property Taxes	19,326,854	18,389,728	-	-	19,326,854	18,389,728
Sales Taxes	12,235,911	12,684,597	-	-	12,235,911	12,684,597
Franchise, hotel & other taxes	6,005,007	5,708,085	-	-	6,005,007	5,708,085
Other general taxes/revenues	2,335,149	1,577,457	-	-	2,335,149	1,577,457
Unrestricted investment earnings	7,105,967	3,139,978	3,298,495	759,309	10,404,462	3,899,287
Total Revenues	86,710,251	81,205,335	48,257,212	38,149,011	134,967,463	119,354,346
Expenses:						
General Government	7,384,707	7,458,513	-	-	7,384,707	7,458,513
Public Safety	33,948,617	27,352,247	-	-	33,948,617	27,352,247
Development Services	8,572,221	8,145,451	-	-	8,572,221	8,145,451
Public Works and Services	13,565,231	11,111,249	-	-	13,565,231	11,111,249
Recreation and Culture	15,222,450	13,498,609	-	-	15,222,450	13,498,609
Interest on long-term debt	286,728	348,102	-	-	286,728	348,102
Sewer	-	-	12,621,557	13,862,810	12,621,557	13,862,810
Water	-	-	16,984,925	14,297,796	16,984,925	14,297,796
Total Expenses	78,979,954	67,914,171	29,606,482	28,160,606	108,586,436	96,074,777
Increase/(decrease) in net position before transfers	7,730,297	13,291,164	18,650,730	9,988,405	26,381,027	23,279,569
Transfers and special items	1,300,241	1,087,924	(1,300,241)	(1,087,924)	-	-
Increase/(decrease) in net position	9,030,538	14,379,088	17,350,489	8,900,481	26,381,027	23,279,569
Net position - beginning	425,266,416	410,887,328	140,946,073	132,045,592	566,212,489	542,932,920
Net position - year end	\$ 434,296,954	\$ 425,266,416	\$ 158,296,562	\$ 140,946,073	\$ 592,593,516	\$ 566,212,489

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 - \$88.0 Million (Amount in Millions)



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



Business-type activities: Business-type activities (water and sewer) saw an increase of \$17.4 million in net position. Revenue from charges for services, combined with investment earnings, in both the Water and Sewer Funds increased by 26% or \$10.1 million compared to the prior year, primarily due to increased water consumption, higher rates, and higher investment earnings. Expenses increased by 5% or \$1.4 million compared to the prior year, mostly due to an increase in water production costs resulting 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, the 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 previously completed six years ago. The City Council approved a new five -year water rates adjustment plan on June 1, 2022.

On May 15, 2024, the City Council approved a Wastewater System Master Plan for future repairs and improvements to the City's wastewater system. The Master Plan identified \$57.9 million in expansion and capacity-related improvement projects (impact fee funded) and \$80.2 million in improvements necessary to repair the City's existing system (ratepayer-funded). City staff have determined the impact fee funded projects can likely be funded through the projected impact fees and/or financed through bonding against future impact fees and user fees. However, staff identified a significant shortage in funding to make the legally required repairs and improvements to the existing system. This shortage, along with the ratepayers' share of the new trunk line, the end of the 5-year rate adjustment schedule approved in 2019, and the potential for new debt service payments related to possible debt issuance, were the primary driving factors in moving forward with a rate study.

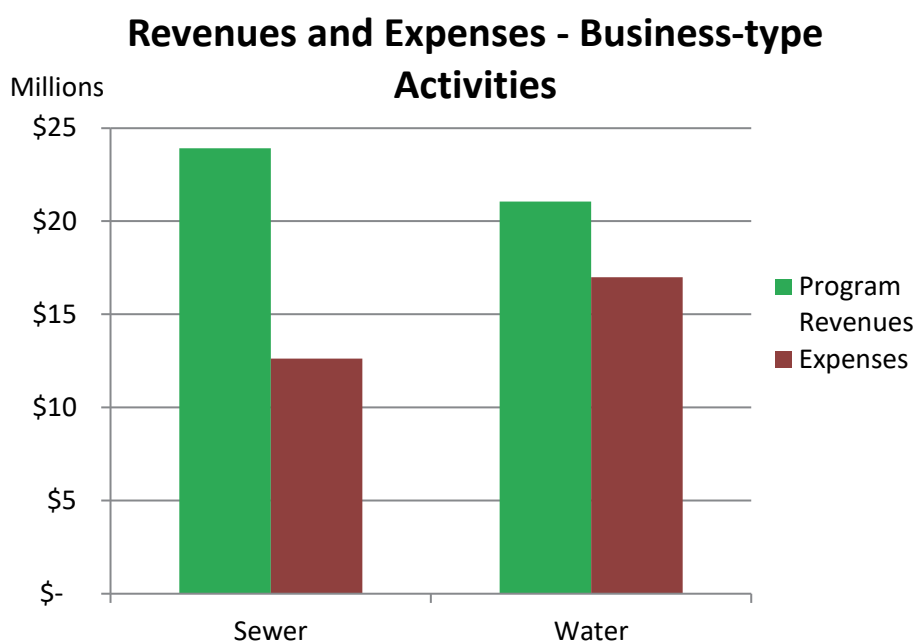
In 2023, the City engaged a consultant to conduct the sewer rate study. The sewer rate study was introduced to the City Council and the City Council directed staff to proceed with updating the City's sewer rates. Subsequently, on August 28, 2024, the City Council adopted a resolution approving the sewer rate adjustments which would commence with the service period containing October 1, 2024.

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					
	7/1/20	7/1/21	7/1/22	7/1/23	7/1/24	10/1/24
Water	\$67.14	\$67.14	\$73.56	\$80.18	\$85.78	\$85.78
Sewer	\$63.00	\$66.14	\$69.45	\$72.97	\$72.97	\$80.34
Total	\$130.14	\$133.28	\$143.01	\$153.15	\$158.75	\$166.12
Total Percent Increase	4.8%	2.4%	7.3%	7.1%	3.7%	4.6%

The chart below summarizes the financial activities of the Sewer and Water Funds for FY 23-24.



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, 2024, the City's governmental funds reported combined ending fund balances of \$146.1 million, which decreased slightly by \$0.8 million or less than 1% from the prior year. Overall revenues in governmental funds were slightly less than the prior year by \$0.3 million, mostly attributable to decreases in grants and contributions as noted earlier, partially offset by continued strength in the property tax, charges for services, and higher interest earnings from investment holdings.

General Fund

The General Fund is the primary operating fund of the City. At the end of FY 23-24, total fund balance for the General Fund amounted to \$36.6 million, including \$30.1 million in unassigned fund balance, a slight decrease of \$0.1 million compared to prior year mostly attributable to continued 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:

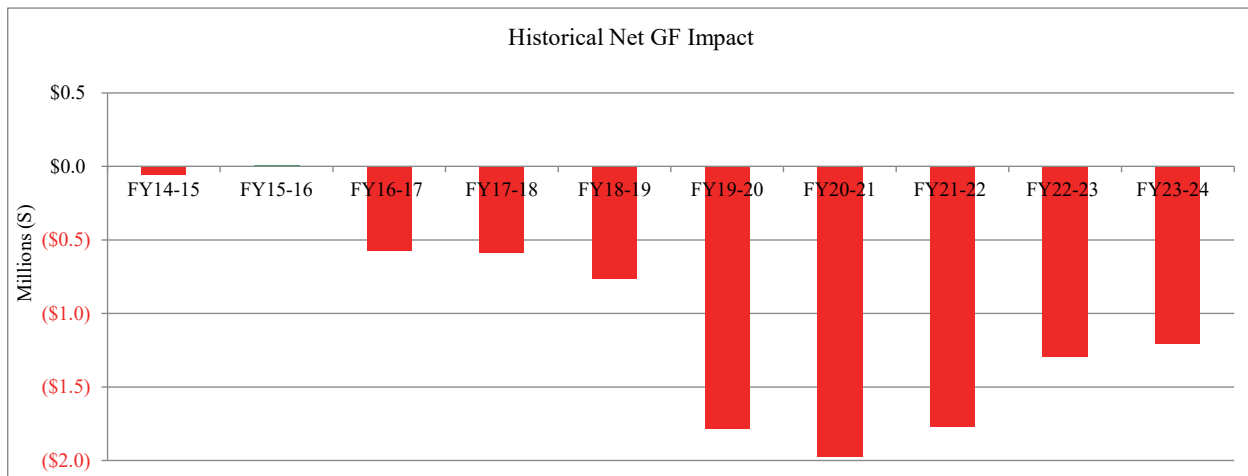
a. Revenue Highlights

Property tax revenue in the General Fund was \$0.9 million or 5% 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 \$2.5 million from excess Educational Revenue Augmentation Fund (ERAF) distribution during the year, approximately \$0.4 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 23-24 was \$12.2 million, a decrease of \$0.4 million or 4% compared to the prior year. The decrease in sales tax is partially attributable to lower tax receipts from vehicles sales.

The franchise, hotel and other taxes revenue was \$6.0 million, an increase of \$0.3 million or 5% compared to the prior year, mainly due to higher franchise fees from Recology for refuse and solid waste services and from PG&E for electricity and gas services, partially offset by a reduction in transient occupancy tax or hotel tax. The amount received for hotel tax for FY 23-24 was approximately \$2.5 million, slightly lower than the previous year of \$2.6 million and still short of the pre-pandemic level of about \$3.0 million.

Recreation operations ended FY 23-24 with a negative impact to the General Fund of approximately \$1.2 million. The pandemic has semi-permanently changed the fitness industry and recreation centers across the nation which continue to struggle with membership enrollments. 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 monitoring expenses and looking for opportunities to 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 3% or \$1.8 million compared to the prior year to a total of \$57.0 million. The increase in expenditures was mainly due to costs associated with new programs, such as Innovative Transit and County Solid Waste Program, the gradual recovery in Recreation Services, additional staffing programmed in the current year, along with enhanced 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 and expenses
- Other revenue (usually grant revenues) and expenditure adjustments approved after the original budget was adopted

After taking into account these adjustments, actual General Fund expenditures, including transfers out, were \$3.7 million less than the final budget amounts, primarily due to 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 23-24, the fund had a negative balance of about \$1.1 million, a decrease of about \$0.7 million from the prior year. Budget revenues were higher than the actual amount received for the year by about \$1.2 million. However, larger budget savings, mainly from conservative spending partially offset a shortfall in revenue. Nonetheless, the fund has incurred multiple years of operating deficits which necessitated the comprehensive review of the fee structure to ensure the fund's fiscal sustainability. On October 23, 2024, the City Council adopted an updated fee schedule for land development permits issued by Planning, Building, and Land Development Engineering. These permits are administered through the City's Development Services program.

Even with updated fees, it is anticipated that the fund will have an on-going annual deficit, primarily because certain activities are not meant to be full cost-recovery, such as public counter/general information services and other subsidized services. These activities need to be supplemented by other funding sources, mainly the General Fund. According to the fee study, the subsidized services amounted to about \$0.4 million. This amount will be funded by a reduced General Fund Administrative chargeback to the Development Services Fund.

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 23-24, the fund balance amounted to \$70.1 million, all of which is restricted, an increase of \$1.9 million or about 3% 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, 2024, amounted to \$21.1 million for Sewer Operations and \$22.4 million for Water Operations. Water Operations' unrestricted net position increased by \$2.4 million compared to prior year. The operating revenues increased by about \$1.2 million compared to the prior year, primarily due to increased consumption and rate adjustments. Sewer Operations' unrestricted net position increased by \$2.2 million from the prior fiscal year, with operating revenues increasing by \$0.2 million, primarily due to rate adjustments. The Sewer Impact Fund had \$17.6 million in net position restricted for capital improvements and expansion, a decrease of \$2.7 million from prior year, mainly due to investment in capacity expansion, while the Water Impact Fund had \$3.9 million for the same purpose, an increase of \$0.9 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 years, with the main transaction during FY 23-24 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, 2024, amounted to \$323.1 million (net of accumulated depreciation), as summarized below.

Governmental Funds Capital Assets:	2024	2023
Land	\$ 58,445,111	\$ 58,445,111
Buildings & Improvements	71,127,343	76,019,459
Machinery, Equipment, and Vehicles	5,030,125	4,758,318
Infrastructure	146,032,220	133,234,830
Subscription assets	3,069,085	2,737,137
Construction in Progress	39,359,733	37,363,398
Total Governmental Funds Capital Assets:	\$ 323,063,617	\$ 312,558,253

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

LONG-TERM DEBT

At the end of FY 23-24, the City has long-term debt outstanding of \$47.4 million. Of the total, Governmental Activities long-term debt portion is \$8.3 million. Of this amount, \$6.6 million in lease revenue refunding bonds is subject to a City appropriations covenant, and \$1.7 million for Fire stations and apparatus.

The remaining \$39.1 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, 2024

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets			
Pooled cash and investments (Note 4)	\$ 106,167,330	\$ 71,070,719	\$ 177,238,049
Restricted pooled cash and investments (Note 4)	30,000	-	30,000
Cash and investments with fiscal agents (Note 4)	3,073,977	-	3,073,977
Receivables:			
Other accounts receivable	5,027,785	5,501,570	10,529,355
Loans receivable (Note 6)	60,554,730	48,116	60,602,846
Prepays	52,015	-	52,015
Leases receivable (Note 10)	4,697,891	234,423	4,932,314
Capital assets, Net (Note 5)			
Non-Depreciable	97,804,844	51,741,995	149,546,839
Depreciable and sewer capacity rights	225,258,773	80,821,690	306,080,463
Total Assets	502,667,345	209,418,513	712,085,858
Deferred Outflows			
Related to pension (Note 8)	20,118,282	3,403,147	23,521,429
Related to OPEB (Note 9)	1,785,004	414,274	2,199,278
Total Deferred Outflows	21,903,286	3,817,421	25,720,707
Liabilities			
Accounts payable	4,508,124	3,215,020	7,723,144
Accrued liabilities	4,323,088	182,185	4,505,273
Interest payable	49,242	202,547	251,789
Customer and other deposits	2,113,138	327,034	2,440,172
Unearned revenue	1,747,198	930	1,748,128
Compensated absences (Note 2l)			
Due within one year	715,024	-	715,024
Due in more than one year	2,472,607	-	2,472,607
SBITA's (Note 11)			
Due within one year	593,325	44,062	637,387
Due in more than one year	1,840,008	-	1,840,008
Net OPEB liabilities			
Due in more than one year (Note 9)	1,009,903	234,384	1,244,287
Net pension liabilities			
Due in more than one year (Note 8)	55,625,041	10,977,189	66,602,230
Long-term debt (Note 7)			
Due within one year	861,589	1,700,000	2,561,589
Due in more than one year	7,436,011	37,406,621	44,842,632
Total Liabilities	83,294,298	54,289,972	137,584,270
Deferred Inflows			
Leases related (Note 10)	4,444,527	213,265	4,657,792
Related to pension (Note 8)	884,004	52,996	937,000
Related to OPEB (Note 9)	1,650,848	383,139	2,033,987
Total Deferred Inflows	6,979,379	649,400	7,628,779
Net Position (Note 2n)			
Net investment in capital assets	312,332,684	93,413,002	405,745,686
Restricted for:			
Capital expansion projects	19,808,667	21,445,979	41,254,646
Debt service	346,934	-	346,934
Pension contributions	3,073,977	-	3,073,977
Unrestricted	98,734,692	43,437,581	142,172,273
Total Net Position	\$ 434,296,954	\$ 158,296,562	\$ 592,593,516

See accompanying notes to basic financial statements

City of Morgan Hill
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 7,384,707	\$ 2,413,892	\$ 630,231	\$ -
Public safety	33,948,618	1,032,421	298,866	15,338
Development services	8,572,221	4,737,298	3,853,229	-
Public works and services	13,565,231	2,528,010	4,089,206	6,988,132
Recreation & culture	15,222,450	9,469,075	79,548	3,566,117
Interest on long-term debt	286,728	-	-	-
Total government activities	78,979,954	20,180,696	8,951,080	10,569,587
Business-type activities:				
Sewer	12,621,557	23,908,406	-	-
Water	16,984,925	21,050,311	-	-
Total business-type activities	29,606,482	44,958,717	-	-
Total primary government	\$ 108,586,436	\$ 65,139,413	\$ 8,951,080	\$ 10,569,587

General revenues:

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

Transfers

Total general revenues, capital asset donation 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
\$ (4,340,584)	\$ -	\$ (4,340,584)
(32,601,993)	-	(32,601,993)
18,306	-	18,306
40,117	-	40,117
(2,107,710)	-	(2,107,710)
(286,728)	-	(286,728)
(39,278,591)	-	(39,278,591)
-	11,286,849	11,286,849
-	4,065,386	4,065,386
-	15,352,235	15,352,235
(39,278,591)	15,352,235	(23,926,356)
19,326,854	-	19,326,854
12,235,911	-	12,235,911
3,064,913	-	3,064,913
2,940,093	-	2,940,093
2,335,150	-	2,335,150
7,105,967	3,298,495	10,404,462
1,300,241	(1,300,241)	-
48,309,129	1,998,254	50,307,383
9,030,538	17,350,489	26,381,027
425,266,416	140,946,073	566,212,489
\$ 434,296,954	\$ 158,296,562	\$ 592,593,516



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 2024. 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, 2024

	Major Special Revenue Funds			Other	Total
	General	Development Services	Housing	Governmental Funds	Governmental Funds
Assets					
Pooled cash and investments (Note 4)	\$ 29,727,519	\$ 1,877,156	\$ 12,007,351	\$ 43,115,342	\$ 86,727,368
Cash and investments with fiscal agents (Note 4)	3,073,682	-	-	295	3,073,977
Receivables:					
Other accounts receivable	4,324,674	12,313	463,522	227,276	5,027,785
Loans receivable (Note 6)	1,938,101	-	57,629,802	986,827	60,554,730
Prepays	44,159	-	-	-	44,159
Advances receivable (Note 2o)	1,418,362	-	-	300,000	1,718,362
Leases receivable (Note 10)	4,697,891	-	-	-	4,697,891
Total Assets	\$ 45,224,388	\$ 1,889,469	\$ 70,100,675	\$ 44,629,740	\$ 161,844,272
Liabilities					
Accounts payable	\$ 2,540,296	\$ 64,185	\$ 5,947	\$ 1,397,879	\$ 4,008,307
Accrued liabilities	206,216	762,434	4,832	749,224	1,722,706
Advances payable (Note 2o)	-	1,000,000	-	718,362	1,718,362
Unearned revenue	734,090	-	1,652	1,011,456	1,747,198
Customer and other deposits	680,946	1,207,286	2,000	222,906	2,113,138
Total Liabilities	4,161,548	3,033,905	14,431	4,099,827	11,309,711
Deferred Inflow of Resources					
Leases related (Note 10)	4,444,527	-	-	-	4,444,527
Total Deferred Inflow of Resources	4,444,527	-	-	-	4,444,527
Fund Balances (Note 2n):					
Nonspendable:					
Loans receivable	1,938,101	-	-	-	1,938,101
Prepaid expenditures	44,159	-	-	-	44,159
Advances receivable	1,418,362	-	-	-	1,418,362
Restricted:					
PARS pension trust	3,073,682	-	-	-	3,073,682
Community services	-	-	19,079,108	2,232,218	21,311,326
Parks and recreation	-	-	-	10,729,193	10,729,193
Streets and highways	-	-	-	8,384,186	8,384,186
Debt service	-	-	-	346,934	346,934
Public safety	-	-	-	519,669	519,669
Development services	-	-	51,007,136	-	51,007,136
Capital expansion projects	-	-	-	19,808,667	19,808,667
Other purposes	-	-	-	62,481	62,481
Unassigned	30,144,009	(1,144,436)	-	(1,553,435)	27,446,138
Total Fund Balances	36,618,313	(1,144,436)	70,086,244	40,529,913	146,090,034
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 45,224,388	\$ 1,889,469	\$ 70,100,675	\$ 44,629,740	\$ 161,844,272

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, 2024

Total fund balances - governmental funds	\$ 146,090,034
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Government Funds.	318,144,130
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Internal service funds are used by management to charge the costs of building maintenance, management information systems, fleet management, general liability, workers' compensation, and CIP administration to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	17,844,951
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In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statements, it is recognized in the period that it is incurred.	(49,242)
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Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Deferred outflows of resources related to pensions	20,118,282
Deferred outflows of resources related to OPEB	1,785,004
Long-term debt	(8,297,600)
SBITA liability	(2,168,809)
Net OPEB liability	(1,009,903)
Net pension liability	(55,625,041)
Deferred inflows of resources related to pensions	(884,004)
Deferred inflows of resources related to OPEB	(1,650,848)

Total net position - governmental activities	\$ 434,296,954
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See accompanying notes to basic financial statements

City of Morgan Hill
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

		Major Special Revenue Funds		Other	Total
	General	Development Services	Housing	Governmental Funds	Governmental Funds
Revenues					
Property taxes and special assessments	\$ 19,075,049	\$ -	\$ -	\$ 251,805	\$ 19,326,854
Sales taxes	12,235,911	-	-	-	12,235,911
Franchise, hotel and other taxes	6,005,006	-	-	-	6,005,006
Licenses and permits	439,828	-	-	-	439,828
Funding from other governmental agencies	1,094,605	-	-	3,755,690	4,850,295
Charges for current services	9,233,525	4,994,659	3,221,731	13,273,454	30,723,369
Investment income and rentals	3,609,378	55,895	682,157	2,002,583	6,350,013
Other revenues	801,706	-	-	62,189	863,895
Total Revenues	52,495,008	5,050,554	3,903,888	19,345,721	80,795,171
Expenditures					
Current					
General government	7,177,181	-	-	1,579	7,178,760
Public safety	30,287,090	-	-	8,464	30,295,554
Community development	721,968	5,767,771	800,474	849,919	8,140,132
Housing services	-	-	1,165,537	-	1,165,537
Streets and highways	2,890,291	-	-	475,641	3,365,932
Parks and recreation	10,722,904	-	-	48,723	10,771,627
Other public services	1,219,637	-	-	2,246,264	3,465,901
Capital outlay					
Construction projects	94,545	-	-	17,091,808	17,186,353
Subscription assets	944,415	-	-	-	944,415
Debt service					
Principal	-	-	-	435,000	435,000
Interest and fiscal charges	44,315	-	-	243,643	287,958
Total Expenditures	54,102,346	5,767,771	1,966,011	21,401,041	83,237,169
Excess (deficiency) of revenues over (under) expenditures	(1,607,338)	(717,217)	1,937,877	(2,055,320)	(2,441,998)
Other Financing Sources (Uses)					
Subscription assets	944,415	-	-	-	944,415
Transfers in (Note 2o)	3,501,831	-	-	3,282,930	6,784,761
Transfers (Out) (Note 2o)	(2,938,062)	(23,465)	(42,175)	(3,049,955)	(6,053,657)
Total Other Financing Sources and Uses	1,508,184	(23,465)	(42,175)	232,975	1,675,519
Net Change in Fund Balances	(99,154)	(740,682)	1,895,702	(1,822,345)	(766,479)
Fund Balances (Deficits) - Beginning	36,717,467	(403,754)	68,190,542	42,352,258	146,856,513
Fund Balances (Deficits) - Ending	\$ 36,618,313	\$ (1,144,436)	\$ 70,086,244	\$ 40,529,913	\$ 146,090,034

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, 2024

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

Net change in fund balances-total governmental funds	\$ (766,479)
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.	23,716,728
Depreciation expense is reported in connection with all of a government's depreciable assets.	(13,406,256)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	1,230
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.	1,024,570
Net change in net OPEB liability and related deferred outflows/inflows of resources.	548,701
Net change in net pension liability and related deferred outflows/inflows of resources.	(3,483,222)
Net profit (loss) from Internal Service Funds need to be combined to the government wide statement of activities.	<u>1,395,266</u>
Change in Net Position of Governmental Activities	<u><u>\$ 9,030,538</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, 2024

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Assets			
Current assets:			
Pooled cash and investments (Note 4)	\$ 23,291,635	\$ 18,468,764	\$ 25,401,633
Restricted pooled cash and investments (Note 4)	-	-	-
Receivables:			
Accrued interest	-	-	-
Other accounts receivable	2,364,252	1,099	3,136,219
Notes receivable - current	-	48,116	-
Prepaid items	-	-	-
Total current assets	25,655,887	18,517,979	28,537,852
Noncurrent assets:			
Leases receivable	-	-	234,423
Capital assets, net (Note 5)			
Non-Depreciable	10,085,286	37,368,306	4,009,103
Depreciable and sewer capacity rights	20,794,202	23,546,937	28,778,295
Total noncurrent assets	30,879,488	60,915,243	33,021,821
Total Assets	56,535,375	79,433,222	61,559,673
Deferred Outflows of Resources			
Related to pension (Note 8)	1,448,310	-	1,954,837
Related to OPEB (Note 9)	143,956	-	270,318
Total Deferred Outflows	1,592,266	-	2,225,155
Liabilities			
Current liabilities:			
Accounts payable	987,334	868,704	1,358,746
Accrued liabilities	31,228	6,136	100,676
Customer deposits	99,044	10,958	217,032
Unearned revenue	-	930	-
Interest payable	152,969	49,578	-
Current obligations for:			
Bonds payable (Note 7)	485,000	-	745,550
SBITAs (Note 11)	-	-	44,062
Compensated absences (Note 2l)	-	-	-
Total current liabilities	1,755,575	936,306	2,466,066
Noncurrent liabilities:			
Long term obligations for:			
Bonds payable (Note 7)	25,537,621	-	7,010,910
SBITAs (Note 11)	-	-	-
Net pension liability (Note 8)	4,671,668	-	6,305,521
Net OPEB liability (Note 9)	81,446	-	152,938
Compensated absences (Note 2l)	-	-	-
Total noncurrent liabilities	30,290,735	-	13,469,369
Total Liabilities	32,046,310	936,306	15,935,435
Deferred Inflows of Resources			
Related to leases (Note 10)	-	-	213,265
Related to pension (Note 8)	22,554	-	30,442
Related to OPEB (Note 9)	133,137	-	250,002
Total Deferred Inflows	155,691	-	493,709
Net Position: (Note 2n)			
Net investment in capital assets	4,856,867	60,915,243	24,986,876
Restricted for capital expansion	-	17,581,673	-
Unrestricted	21,068,773	-	22,368,808
Total Net Position	\$ 25,925,640	\$ 78,496,916	\$ 47,355,684

See accompanying notes to basic financial statements

Business-type Activities Enterprise Funds (continued)		Governmental Activities Internal Service Funds
Water Impact	Totals	
\$ 3,908,687	\$ 71,070,719	\$ 19,439,962
-	-	30,000
-	-	-
-	5,501,570	-
-	48,116	-
-	-	7,856
3,908,687	76,620,405	19,477,818
-	234,423	-
279,300	51,741,995	-
7,702,256	80,821,690	4,919,487
7,981,556	132,798,108	4,919,487
11,890,243	209,418,513	24,397,305
-	3,403,147	-
-	414,274	-
-	3,817,421	-
236	3,215,020	499,817
44,145	182,185	2,600,382
-	327,034	-
-	930	-
-	202,547	-
469,450	1,700,000	-
-	44,062	130,694
-	-	715,024
513,831	5,671,778	3,945,917
4,858,090	37,406,621	-
-	-	133,830
-	10,977,189	-
-	234,384	-
-	-	2,472,607
4,858,090	48,618,194	2,606,437
5,371,921	54,289,972	6,552,354
-	213,265	-
-	52,996	-
-	383,139	-
-	649,400	-
2,654,016	93,413,002	4,654,963
3,864,306	21,445,979	-
-	43,437,581	13,189,988
\$ 6,518,322	\$ 158,296,562	\$ 17,844,951

City of Morgan Hill
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2024

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Operating Revenues:			
Charges for current services	\$ 15,640,041	\$ -	\$ 19,403,242
Other operating income	-	8,268,365	-
Total Operating Revenues	15,640,041	8,268,365	19,403,242
Operating expenses:			
Salaries and benefits	2,781,943	-	4,680,001
Utilities and taxes	77,601	-	5,494,120
Operations and maintenance	5,132,960	10,250	2,760,433
Depreciation	1,281,112	1,379,080	2,690,815
Amortization of sewer capacity rights	944,917	-	-
Administrative charges	311,777	51,216	445,475
Total Operating Expenses	10,530,310	1,440,546	16,070,844
Operating Income (Loss)	5,109,731	6,827,819	3,332,398
Nonoperating revenues (expenses):			
Investment earnings	920,888	1,178,020	1,073,650
Interest and rentals	-	-	49,271
Interest (expense)	(654,679)	3,978	(388,672)
Total nonoperating revenues (expenses)	266,209	1,181,998	734,249
Income (loss) before operating transfers and contributions	5,375,940	8,009,817	4,066,647
Transfers In (Note 2o)	682,453	-	729,817
Transfers (Out) (Note 2o)	(1,182,675)	(715,153)	(623,484)
Change in Net Position	4,875,718	7,294,664	4,172,980
Total Net Position - Beginning	21,049,922	71,202,252	43,182,704
Total Net Position-Ending	\$ 25,925,640	\$ 78,496,916	\$ 47,355,684

See accompanying notes to basic financial statements

Business-type Activities		Governmental Activities Internal Service Funds
Enterprise Funds (continued)		
Water Impact	Totals	
\$ -	\$ 35,043,283	\$ 11,993,429
1,597,798	9,866,163	-
1,597,798	44,909,446	11,993,429
-	7,461,944	4,306,124
-	5,571,721	3,823,156
-	7,903,643	1,839,848
507,445	5,858,452	1,203,913
-	944,917	-
17,964	826,432	740,801
525,409	28,567,109	11,913,842
1,072,389	16,342,337	79,587
125,937	3,298,495	755,954
-	49,271	-
-	(1,039,373)	(9,412)
125,937	2,308,393	746,542
1,198,326	18,650,730	826,129
-	1,412,270	580,000
(191,199)	(2,712,511)	(10,863)
1,007,127	17,350,489	1,395,266
5,511,195	140,946,073	16,449,685
\$ 6,518,322	\$ 158,296,562	\$ 17,844,951

City of Morgan Hill
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 15,518,053	\$ 6,299,318	\$ 19,376,433
Payments for supplies and services	(4,913,529)	789,087	(8,145,824)
Payments to employees for salaries and benefits	(2,621,335)	-	(4,122,670)
Payments for interfund services	-	-	-
Net cash provided (used) by operating activities	<u>7,983,189</u>	<u>7,088,405</u>	<u>7,107,939</u>
Cash Flows From Noncapital Financing Activities			
Transfers in	682,453	-	729,817
Transfers (out)	(1,182,675)	(715,153)	(623,484)
Net cash provided (used) by noncapital and financing activities	<u>(500,222)</u>	<u>(715,153)</u>	<u>106,333</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(4,283,115)	(11,390,019)	(3,718,323)
Principal paid on debt	(627,824)	-	(696,790)
Interest paid on debt	(654,888)	-	(388,672)
Net cash provided (used) by capital and related financing activities	<u>(5,565,827)</u>	<u>(11,390,019)</u>	<u>(4,803,785)</u>
Cash Flows From Investing Activities			
Interest earnings	927,752	1,183,152	1,078,741
Net cash provided (used) by investing activities	<u>927,752</u>	<u>1,183,152</u>	<u>1,078,741</u>
Net change in cash and cash equivalents	2,844,892	(3,833,615)	3,489,228
Cash and cash equivalents, beginning	20,446,743	22,302,379	21,912,405
Cash and Cash equivalents, ending	<u>\$ 23,291,635</u>	<u>\$ 18,468,764</u>	<u>\$ 25,401,633</u>
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating income (loss)	\$ 5,109,731	\$ 6,827,819	\$ 3,332,398
Adjustments to reconcile:			
Interest and rentals	-	-	49,271
Depreciation expense	1,281,112	1,379,080	2,690,815
Amortization of sewer capacity rights	944,917	-	-
(Increase) decrease in accounts receivable	(72,774)	(339)	(116,303)
(Increase) decrease in prepaid expenses	1,662	-	1,662
(Increase) decrease in notes receivables	-	588	-
(Increase) decrease in lease receivables	-	-	(4,046)
Increase (decrease) in customer deposits	(49,214)	-	44,269
Increase (decrease) in accounts payable	583,123	850,553	507,816
Increase (decrease) in accrued liabilities	24,024	(1,969,296)	87,756
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in compensated absences	-	-	-
Increase (decrease) in SBITA's	-	-	(43,030)
Increase (decrease) in net pension liability	231,586	-	613,219
Increase (decrease) in net OPEB liability	(70,978)	-	(55,888)
Total adjustments	<u>2,873,458</u>	<u>260,586</u>	<u>3,775,541</u>
Net cash provided (used) by operating activities	<u>\$ 7,983,189</u>	<u>\$ 7,088,405</u>	<u>\$ 7,107,939</u>
Schedule of non-cash capital and related financing activities:			
Recorded SBITA	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,062</u>

See accompanying notes to basic financial statements

Business-Type Activities		Governmental	
Enterprise Funds (continued)		Activities	
Water		Internal Service	
Impact	Total	Funds	
\$ 1,597,798	\$ 42,791,602	\$ 12,269,757	
26,233	(12,244,033)	(5,286,087)	
-	(6,744,005)	(4,185,848)	
-	-	(740,801)	
1,624,031	23,803,564	2,057,021	
-	1,412,270	580,000	
(191,199)	(2,712,511)	(10,863)	
(191,199)	(1,300,241)	569,137	
(148,004)	(19,539,461)	(1,398,805)	
(484,210)	(1,808,824)	-	
-	(1,043,560)	-	
(632,214)	(22,391,845)	(1,398,805)	
126,635	3,316,280	750,285	
126,635	3,316,280	750,285	
927,253	3,427,758	1,977,638	
2,981,434	67,642,961	17,492,324	
\$ 3,908,687	\$ 71,070,719	\$ 19,469,962	
\$ 1,072,389	\$ 16,342,337	\$ 79,587	
-	49,271	-	
507,445	5,858,452	1,203,913	
-	944,917	-	
-	(189,416)	1,623	
-	3,324	565	
-	588	-	
-	(4,046)	-	
-	(4,945)	-	
52	1,941,544	343,679	
44,145	(1,813,371)	442,919	
-	-	(1,623)	
-	-	113,988	
-	(43,030)	(127,630)	
-	844,805	-	
-	(126,866)	-	
551,642	7,461,227	1,977,434	
\$ 1,624,031	\$ 23,803,564	\$ 2,057,021	
\$ -	\$ 44,062	\$ -	



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, 2024

	Private- Purpose Trust Fund	
	Successor Agency	Custodial Funds
<u>Assets:</u>		
Pooled cash and investments (Note 4)	\$ 26,000	\$ 537,915
Cash and investments with fiscal agents (Note 4)	6,013,348	622,248
Accounts receivable	-	1,367
Loans receivable, net (Note 12a)	2,621,888	-
Total Assets	8,661,236	1,161,530
<u>Deferred Outflows of Resources:</u>		
Deferred amount on refunding	2,726,091	-
Total Deferred Outflows of Resources	2,726,091	-
<u>Liabilities</u>		
Accounts payable	498,500	-
Due to bondholders	-	1,161,530
Interest payable	297,194	-
Long-term debt (Note 12b):		
Due within one year	5,350,000	-
Due in more than one year	51,350,000	-
Total Liabilities	57,495,694	1,161,530
<u>Net Position</u>		
Private purpose trust (RDA)	(46,108,367)	-
Other governments	-	-
Total Net Positions	\$ (46,108,367)	\$ -

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, 2024

	Private- Purpose Trust Fund	
	Successor Agency	Custodial Funds
Additions:		
Property tax	\$ 6,274,823	\$ -
Fees and assessments	160,551	-
Other revenue	-	834,059
Total Additions	6,435,374	834,059
Deductions:		
Development services	23,743	-
Distribution	1,200,683	834,059
Total Deductions	1,224,426	834,059
Change in Net Position	5,210,948	-
Total Net Position-Beginning	(51,319,315)	-
Total Net Position-Ending	\$ (46,108,367)	\$ -

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 as an agent or in a trust capacity 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 City has three Custodial Funds used to account for assets held by the City as a custodian for assessment districts for the receipt of property tax levies to pay the debt service and administrative fees of the districts.

The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

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 13(c).

(d) Cash and Investments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(e) Fair Value Measurements

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

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

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

(f) Prepaid Items

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

(g) Property Held for Resale

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Capital Assets

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

Donated capital assets, donated works of art and similar items received in a service concession arrangement are 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	\$ 3,073,643
Additions	734,156
Payments	(620,168)
Ending Balance	<u>\$ 3,187,631</u>
Current Portion	\$ 715,024
Non-current Portion	\$ 2,472,607

(m) Restricted Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Fund Balances and Net Position

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deficit Fund Balance – As of June 30, 2024, the Development Services Special Revenue had a deficit fund balance of \$1,144,436, Public Safety Facilities Impact Capital Project had a deficit fund balance of \$1,553,435, Employee Benefits Internal Service Fund had deficit net position of \$2,446,359 and the Successor Agency Private Purpose Trust Fund had deficit net position of \$46,108,367.

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, 2024:

	Governmental Activities	Business-Type Activities	Total
Capital assets, net of Accumulated Depreciation:	\$ 323,063,617	\$ 132,563,685	\$ 455,627,302
Less Capital Debt	(10,730,933)	(39,150,683)	(49,881,616)
Net investment in capital assets	\$ 312,332,684	\$ 93,413,002	\$ 405,745,686

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	Water Operations	Building Replacement	Equipment Replacement	
Major Governmental Funds:							
General Fund	\$ -	\$ 2,358,062	\$ -	\$ -	\$ 10,000	\$ 570,000	\$ 2,938,062 B
Development Services							
Special Revenue	-	23,465	-	-	-	-	23,465 C
Housing Special Revenue	29,601	12,574	-	-	-	-	42,175 A,C
Nonmajor Governmental Funds	2,476,335	573,620	-	-	-	-	3,049,955 A,C
Enterprises Funds:							
Sewer Operations	469,732	141,625	-	571,318	-	-	1,182,675 A,D
Sewer Impact	25,000	7,700	682,453	-	-	-	715,153 A,E
Water Operations	476,163	147,321	-	-	-	-	623,484 A,F
Water Impact	25,000	7,700	-	158,499	-	-	191,199 A,G
Internal Services Funds:							
Information Systems	-	2,701	-	-	-	-	2,701 C
CIP Project Implementation	-	7,575	-	-	-	-	7,575 C
General Liability	-	587	-	-	-	-	587 C
Total Transfers in	\$ 3,501,831	\$ 3,282,930	\$ 682,453	\$ 729,817	\$ 10,000	\$ 570,000	\$ 8,777,031

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 to:
 - Nonmajor Governmental Funds were to fund environmental services program operations and administrative services for which Sewer Operations received services.
 - 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)

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 and Drainage Impact Capital Projects Fund to the Development Services Special Revenue Fund and Public Safety Facilities Impact Capital Projects Fund in the amount of \$1,718,362 were outstanding on June 30, 2024. The total outstanding interfund advances are reflected in the fund financial statements.

(p) New and Closed Funds

During fiscal year ended June 30, 2024, the City opened the Morgan Hill Property and Business Improvement District (MHPBID) Custodial Fund, and closed the Morgan Hill Business Ranch 1998 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 CalPERS CERBT. 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, 2024, the Community Facilities District Special Revenue Fund had an excess of expenditures over appropriations of \$1,898. Sufficient resources were available in each fund to fund these excesses.

4. CASH AND INVESTMENTS

Cash and investments as of June 30, 2024, were classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Pooled cash and investments	\$ 177,238,049
Restricted pooled cash and investments	30,000
Cash and investments with fiscal agents	3,073,977
Fiduciary Funds	
Pooled cash and investments	563,915
Cash and investments with fiscal agents	6,635,596
	<u>\$ 187,541,537</u>

Cash and investments as of June 30, 2024, consisted of the following:

Cash on hand	\$ 15,850
Deposits with financial institutions	112,219
Investments	187,413,468
Total cash and investments	<u>\$ 187,541,537</u>

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
California Cooperative Liquid Assets				
Security System	N/A	N/A	20%	No Limit
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, 2024:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value:			
Federal Agency	\$ -	\$ 145,181,443	\$ 145,181,443
Certificates of Deposit	-	1,269,117	1,269,117
U.S. Treasury Notes	3,722,740	-	3,722,740
Total Investments at Fair Value	<u>\$ 3,722,740</u>	<u>\$ 146,450,560</u>	150,173,300
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			30,544,097
Held by Bond Trustee:			
Money Market Mutual Funds			6,635,883
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			60,188
Total Investments			<u>\$ 187,413,468</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 \$60k and money market mutual funds at \$37.1 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	\$ 9,877,060	\$ 43,261,760	\$ 92,042,623	\$ 145,181,443
US Treasury Notes	-	-	3,722,740	3,722,740
Certificate of Deposits	249,978	-	1,019,139	1,269,117
Money Market Mutual Funds	30,544,097	-	-	30,544,097
Local Agency Investment Fund	60,188	-	-	60,188
Held by bond trustee:				
Money Market Mutual Funds	6,635,883	-	-	6,635,883
Total Investments	<u>\$ 47,367,206</u>	<u>\$ 43,261,760</u>	<u>\$ 96,784,502</u>	187,413,468
Cash in Banks and on hand				<u>128,069</u>
Total City Cash and Investments				<u>\$ 187,541,537</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, 2024		
			AA+	AAAm	Not Rated/Exempt
Federal Agency	\$ 145,181,443	N/A	\$ 145,181,443	\$ -	\$ -
US Treasury Notes	3,722,740	N/A	-	-	3,722,740
Certificate of Deposits	1,269,117	N/A	1,269,117	-	-
Money Market Mutual Funds	30,544,097	N/A	-	58,742	30,485,355
Local Agency Investment Fund	60,188	N/A	-	-	60,188
Held by Bond Trustee:					
Money Market Mutual Funds	6,635,883	N/A	-	6,635,883	-
Total	187,413,468		<u>\$ 146,450,560</u>	<u>\$ 6,694,625</u>	<u>\$ 34,268,283</u>
Cash in banks and on hand	128,069				
	<u>\$ 187,541,537</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	Investment Type	Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 53,389,890
Federal Home Loan Bank	Federal Agency Securities	77,581,073

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, 2024, 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, 2024, 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, 2024:

	Balance Beginning of year	Increases	Decreases	Transfers/ Adjustments	Balance End of Year
Capital assets not being depreciated:					
Land	\$ 58,445,111	\$ -	\$ -	\$ -	\$ 58,445,111
Construction in progress	37,363,398	17,091,809	-	(15,095,474)	39,359,733
Total capital assets not being depreciated	95,808,509	17,091,809	-	(15,095,474)	97,804,844
Capital assets being depreciated:					
Infrastructure	249,529,735	5,127,386	-	15,095,474	269,752,595
Buildings and other improvements	151,166,955	363,515	-	-	151,530,470
Machinery/Equipment/Vehicles	19,160,282	1,588,408	(68,316)	-	20,680,374
Subscription assets	3,139,221	944,415	-	-	4,083,636
Total capital assets being depreciated	422,996,193	8,023,724	(68,316)	15,095,474	446,047,075
Less accumulated depreciation for:					
Infrastructure	(116,294,905)	(7,425,470)	-	-	(123,720,375)
Buildings and other improvements	(75,147,496)	(5,255,631)	-	-	(80,403,127)
Machinery/Equipment/Vehicles	(14,401,964)	(1,316,601)	68,316	-	(15,650,249)
Subscription assets	(402,084)	(612,467)	-	-	(1,014,551)
Total accumulated depreciation	(206,246,449)	(14,610,169)	68,316	-	(220,788,302)
Total Capital Assets Being Depreciated, Net	216,749,744	(6,586,445)	-	15,095,474	225,258,773
Governmental activities, net capital assets	\$ 312,558,253	\$ 10,505,364	\$ -	\$ -	\$ 323,063,617

5. CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Expense
Administration	\$ 241,354
Community Development	190,414
Public Works	7,703,628
Public Safety	1,212,119
Parks and Recreation	4,058,077
Housing Successor Agency	664
Internal Service Funds	1,203,913
Total General Capital Assets	<u>\$ 14,610,169</u>

As of June 30, 2024, 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	33,899,538	17,150,262	-	(1,133,137)	49,916,663
Total capital assets not being depreciated	<u>35,724,870</u>	<u>17,150,262</u>	<u>-</u>	<u>(1,133,137)</u>	<u>51,741,995</u>
Capital assets being depreciated:					
Infrastructure	146,448,987	1,961,898	-	1,133,137	149,544,022
Buildings and other improvements	63,134,473	-	-	-	63,134,473
Machinery/Equipment/Vehicles	14,522,332	427,301	-	-	14,949,633
Subscription assets	132,212	-	-	-	132,212
Sewer capacity rights	28,347,522	-	-	-	28,347,522
Total capital assets, being depreciated, net	<u>252,585,526</u>	<u>2,389,199</u>	<u>-</u>	<u>1,133,137</u>	<u>256,107,862</u>
Less accumulated depreciation for:					
Infrastructure	(91,619,322)	(3,296,871)	-	-	(94,916,193)
Buildings and other improvements	(37,939,543)	(1,892,655)	-	-	(39,832,198)
Machinery/Equipment/Vehicles	(12,034,946)	(624,855)	-	-	(12,659,801)
Subscription assets	(44,071)	(44,071)	-	-	(88,142)
Sewer Capacity Rights	(26,844,921)	(944,917)	-	-	(27,789,838)
Total accumulated depreciation	<u>(168,482,803)</u>	<u>(6,803,369)</u>	<u>-</u>	<u>-</u>	<u>(175,286,172)</u>
Total Capital Assets Being Depreciated, Net	<u>84,102,723</u>	<u>(4,414,170)</u>	<u>-</u>	<u>1,133,137</u>	<u>80,821,690</u>
Enterprise Funds, Net Capital Assets	<u>\$ 119,827,593</u>	<u>\$ 12,736,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,563,685</u>

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

Funds	Amount
Sewer Funds	\$ 3,605,109
Water Funds	3,198,260
Total Business Type Activities	<u>\$ 6,803,369</u>

6. GOVERNMENTAL LOANS RECEIVABLE

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

The governmental activities loans receivable on the statement of net position as of June 30, 2024 total \$60,554,730 and consisted of the following types:

Description	Amount
CDBG Loans/Housing Rehabilitation Loans	\$ 487,287
Sunrise Meadows	216,421
San Pedro Gardens	530,276
Morgan Hill Ranch Family Housing	2,120,662
Village Avante Apartments	1,859,786
Village Avante Apartments 2	1,278,944
Villa Ciolino	4,607,563
Jasmine Square	5,451,076
Murphy Ranch	9,459,870
Royal Court Apartments	4,176,485
Bella Terra	3,820,113
Millennium Housing	1,905,699
Habitat for Humanity	760,000
Crest Avenue Housing and Crest Avenue LLP	8,259,854
UHC-The Crossings	4,243,422
UHC Crossings at Monterey	891,222
BEGIN	4,209,026
Horizon Senior Housing	6,614,284
Down Payment Assistance-Citywide	193,552
Cal Homes	322,966
Sycamore Glen	388,489
Executive Management Loan	1,938,101
EAH, Inc.	5,490,918
Royal Village Oaks	424,921
Other Loans	4,075,215
Allowance for Doubtful Accounts	(13,171,422)
Total:	<u>\$ 60,554,730</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, 2024, the City has a total balance of \$487,287 of former Redevelopment Agency Housing Rehab loans, which includes accrued interest of \$143,633.

(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, 2024, there was a balance of \$216,421 outstanding, of which \$126,058 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, 2024, the balance of these loans is \$530,276, which includes accrued compound interest of \$105,276. 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, 2024, the loan had accrued interest of \$21,878 bringing the loan balance to \$2,120,662. 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, 2024 is \$1,859,786, which includes accrued interest of \$323,287.

(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, 2024 is \$1,278,944 which includes accrued interest of \$222,319.

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, 2024 is \$4,607,563, which includes accrued interest of \$2,232,563.

(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, 2024, is \$5,451,076, which includes accrued interest of \$2,146,365.

(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, 2024, there is a balance of \$9,459,870, which includes accrued interest of \$3,787,045.

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, 2024, the balance due is \$4,176,485, which includes accrued interest of \$1,526,486.

(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, 2024, the balance due is \$3,820,113, which includes accrued interest of \$637,313.

(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, 2024, the balance due is \$1,905,699, which includes accrued interest of \$705,699. 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, 2024 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, 2024, is \$8,259,854, which includes accrued interest of \$ 1,886,820.

(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, 2024 is \$4,243,422, which includes accrued interest of \$1,337,422.

(p) UHC – Crossings on Monterey

On August 1, 2018, the City 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, 2024, the balance due is \$891,222, which includes accrued interest of \$141,221.

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-seven (87) home buyers have received down payment assistance. On June 30, 2024 the balance due is \$4,209,026, which includes accrued interest of \$958,366.

(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, 2024 is \$6,614,284, which includes accrued interest of \$1,939,732.

(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, 2024, there were 6 city wide loans with a total outstanding balance of \$193,552, which includes accrued interest of \$0.

(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 \$322,966 as of June 30, 2024 which includes accrued interest of \$ 93,742.

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, 2024 is \$388,489, which includes accrued interest of \$37,398.

(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, 2024, the outstanding balance of the loans was \$ 1,938,101.

(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, 2024, is \$5,490,918, which includes accrued interest of \$990,918.

(x) Royal Village Oaks

On June 1, 2022, the City 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, 2024 is \$424,921, which includes accrued interest of \$24,921.

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)	\$ 226,013
Down payment Assistance	32,886
Down payment Assistance-Madrone	2,829,489
Employee computer loans	3,143
Economic Development loans	223,684
Vacant Land Sale	760,000
Subtotal	<u>\$ 4,075,215</u>

(z) Allowance for Doubtful Accounts

The City's Allowance for Doubtful Accounts is used to estimate the uncollectible. Most of the \$13.2 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:

	Balance July 1, 2023	Reductions	Balance June 30, 2024	Current Portion
Governmental Activities				
Bond Payable (Direct Borrowing)				
2015 Lease Revenue Refunding Bonds	\$ 6,510,000	\$ (435,000)	\$ 6,075,000	\$ 455,000
Premium	554,924	(42,686)	512,238	-
Financed Purchases (Direct Placement)				
Fire Houses	1,171,593	(217,153)	954,440	225,417
Fire Apparatus	932,125	(176,203)	755,922	181,172
Loans Payable (Direct Placement)				
Energy Efficiency Loan	4,865	(4,865)	-	-
Total Governmental Activities	9,173,507	(875,907)	8,297,600	861,589
Business Type Activities				
Bonds Payable (Direct Borrowing)				
2022 Water Revenue Refunding Bonds	14,265,000	(1,181,000)	13,084,000	1,215,000
2015 Sewer Revenue Bonds	5,655,000	(335,000)	5,320,000	350,000
Premium	1,008,245	(77,557)	930,688	-
2020 Sewer Revenue Bonds	17,685,000	(130,000)	17,555,000	135,000
Premium	2,302,200	(85,267)	2,216,933	-
Total Business-Type Activities	40,915,445	(1,808,824)	39,106,621	1,700,000
Total Long Term Debt	\$ 50,088,952	\$ (2,684,731)	\$ 47,404,221	\$ 2,561,589

(a) Fire Houses Financed Purchase-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 Financed Purchase-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 FY 14-15, 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. The loan was paid off in January 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, 2024.

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

For the Year Ending June 30	Governmental Activities						Totals
	Bonds Payable		Financed Purchases		Total		
	Direct Borrowing		Direct Placement				
	Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$ 455,000	\$ 212,113	\$ 406,589	\$ 51,015	\$ 861,589	\$ 263,128	\$ 1,124,717
2026	485,000	188,613	420,275	37,329	905,275	225,942	1,131,217
2027	500,000	163,988	434,434	23,169	934,434	187,157	1,121,591
2028	530,000	138,238	449,064	8,524	979,064	146,762	1,125,826
2029	550,000	116,738	-	-	550,000	116,738	666,738
2030-2034	3,005,000	322,068	-	-	3,005,000	322,068	3,327,068
2035-2036	550,000	18,034	-	-	550,000	18,034	568,034
Sub-Total	6,075,000	1,159,792	1,710,362	120,037	7,785,362	1,279,829	9,065,191
Add unamortized premium	512,238	-	-	-	512,238	-	512,238
Totals	\$ 6,587,238	\$ 1,159,792	\$ 1,710,362	\$ 120,037	\$ 8,297,600	\$ 1,279,829	\$ 9,577,429

7. LONG TERM DEBT (continued)

(f) 2015 Sewer Revenue Bonds

On June 1, 2015, the Financing Authority issued \$15,690,000 in Sewer Revenue Bonds for capital improvement projects and to 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, 2024.

(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, 2024.

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 year 2051. For fiscal year 2024, Sewer Operations net revenue (excluding depreciation and amortization) amounted to \$15,387,152, which represented coverage of 21.11 over the \$728,838 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 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, 2024.

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

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

For the Year Ending June 30	Business-Type Activities		Totals
	Totals		
	Principal	Interest	
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	1,933,000	916,552	2,849,552
2030-2034	9,932,000	3,672,252	13,604,252
2035-2039	3,925,000	2,480,087	6,405,087
2040-2044	4,785,000	1,615,083	6,400,083
2045-2049	5,750,000	651,411	6,401,411
2050-2051	2,505,000	56,643	2,561,643
Sub-Totals	35,959,000	13,651,267	49,610,267
Add unamortized premiums	3,147,621	-	3,147,621
	\$ 39,106,621	\$ 13,651,267	\$ 52,757,888

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, 2024, the total balance of these districts' outstanding debt was \$1,100,000 for Madrone Business Park 2015 A&B.

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, 2024, the balance in the PARS trust was \$3,073,682. 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, 2024, 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%	7.50%
Required employer contribution rates*	31.07%	31.07%

* The required employer contributions rate does not include the unfunded accrued liability (UAL) as percentage, which is 18.76% in FY23-24.

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, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 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, 2022 (Measurement Date)	<u>\$ 138,894,149</u>	<u>\$ 102,052,877</u>	<u>\$ 36,841,272</u>
Changes in the year:			
Service cost	3,344,392	-	3,344,392
Interest on the total pension liability	9,755,418	-	9,755,418
Changes in benefit terms	143,416	-	143,416
Changes in assumptions	-	-	-
Differences between actual and expected experience	3,704,427	-	3,704,427
Plan to plan resource movement	-	-	-
Contribution - employer	-	3,970,508	(3,970,508)
Contribution - employee	-	2,475,659	(2,475,659)
Net investment income	-	6,366,237	(6,366,237)
Benefit payments, including refunds of employee contributions	(6,062,636)	(6,062,636)	-
Administrative Expense	-	(75,045)	75,045
Other Miscellaneous (Income)/Expense	-	-	-
Net changes	<u>10,885,017</u>	<u>6,674,723</u>	<u>4,210,294</u>
Balance at June 30, 2023 (Measurement Date)	<u><u>\$ 149,779,166</u></u>	<u><u>\$ 108,727,600</u></u>	<u><u>\$ 41,051,566</u></u>

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 5.90%	Current 6.90%	1% Increase 7.90%
Miscellaneous Net Pension Liability	<u>\$ 61,669,948</u>	<u>\$ 41,051,566</u>	<u>\$ 24,067,835</u>

8. PENSION PLANS (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2024, the City recognized pension expense of \$7,680,580 for the Miscellaneous plan and \$4,197,420 for the Safety plan, for total pension expense of \$11,878,000. On June 30, 2024, 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	\$ 4,277,010	\$ -	\$ 3,272,963	\$ -	\$ 7,549,973	\$ -
Differences between actual and expected experience	2,427,038	(198,187)	1,875,890	(160,596)	4,302,928	(358,783)
Changes in assumptions	1,159,129	-	1,491,171	-	2,650,300	-
Net differences between projected and actual earnings on plan investments	4,863,627	-	3,496,601	-	8,360,228	-
Change in proportion	-	-	135,606	(50,118)	135,606	(50,118)
Differences between actual contributions and proportionate share of contributions	-	-	522,394	(528,099)	522,394	(528,099)
Total	\$ 12,726,804	\$ (198,187)	\$ 10,794,625	\$ (738,813)	\$ 23,521,429	\$ (937,000)

A total of \$7,549,973 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, 2025. 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 Annual Amortization	Safety Annual Amortization
2025	\$ 3,122,067	\$ 2,171,754
2026	1,672,395	1,564,441
2027	3,321,081	2,949,057
2028	136,064	97,597
Total	\$ 8,251,607	\$ 6,782,849

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, 2024, 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%	13.75%
Required employer contribution rates	27.11%	13.54%

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, 2024 was \$5,124,923 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, 2024, contributions to the Miscellaneous and Safety Plans were as follows:

	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
Contributions - employer	\$ 3,724,309	\$ 552,701	\$ 2,788,253	\$ 484,710

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, 2024, 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	\$ 25,550,664

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, 2023, 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, 2022 rolled forward to June 30, 2023 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, 2022 and 2023 was as follows:

	Safety
Proportion - June 30, 2022	0.34621%
Proportion - June 30, 2023	0.34182%
Change-Increase (Decrease)	-0.00439%

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 5.90%	Current 6.90%	1% Increase 7.90%
Safety Net Pension Liability	\$ 37,020,690	\$ 25,550,664	\$ 16,173,101

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

8. PENSION PLANS (continued)

Actuarial Assumptions – For the measurement period ended June 30, 2023, the total pension liabilities were determined by rolling forward the June 30, 2022 total pension liability. The June 30, 2023 total pension liabilities were based on the following actuarial methods and assumptions:

	All Plans
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
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 and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2022 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, 2024, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	224	72
Inactive employees entitled to but not yet receiving benefits	205	28
Active employees	157	38
Total	586	138

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	100.0%	

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

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

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.

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 CalPERS CERBT. The City established an irrevocable trust with CalPERS CERBT, 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 CalPERS CERBT may be obtained from CalPERS CERBT at P.O. Box 1494, Sacramento, CA 95812-1494. On June 30, 2024, the balance in the trust was \$5,859,629.

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.

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

(c) Employees covered by benefit terms

On June 30, 2023 (the census date), the benefit terms covered the following employees:

Active employees	211
Inactive employees, spouses, or beneficiaries	
currently receiving benefit payments	63
Inactive employees entitled to	
but not yet receiving benefit payments	82
Total	<u>356</u>

(d) Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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, 2023 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	June 30, 2023
Funding Method	Entry Age Normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Investment rate of return	5.50% as of June 30, 2022 and 4.20% for 1-5 years and 5.90% for 6+ years as of June 30,
Discount Rates	5.50% as of June 30, 2022 and 5.50% as of June 30, 2023
Salary increases	2.80%. Additional merit-based increases based on CalPERS merit salary increase tables
Inflation	2.30% per year
Healthcare cost trend rates	Pre-Medicare: 7.40%, trending down to 4.14% over 52 years. Medicare: n/a
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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2023:			
(Measurement Date 6/30/22)	\$ 6,514,389	\$ 3,712,452	\$ 2,801,937
Changes Recognized for the Measurement Period:			
Service Cost	354,492	-	354,492
Interest	370,175	-	370,175
Expected investment income	-	-	-
Differences Between Expected and Actual Experience	(383,152)	-	(383,152)
Contributions:			
Employer - City's contribution	-	1,111,451	(1,111,451)
Employer - Implicit subsidy	-	165,395	(165,395)
Net investment income	-	178,646	(178,646)
Benefit payments	(111,451)	(111,451)	-
Implicit rate subsidy fulfilled	(165,395)	(165,395)	-
Changes of assumptions	(444,941)	-	(444,941)
Administrative expenses*	-	(1,268)	1,268
Net Changes during Fiscal Year 2023	(380,272)	1,177,378	(1,557,650)
Balance at Fiscal Year Ending 6/30/2024:			
(Measurement Date 6/30/23)	\$ 6,134,117	\$ 4,889,830	\$ 1,244,287

*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%)
\$ 1,957,785	\$ 1,244,287	\$ 634,554

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 (6.40%) or one percentage point higher (8.40%) than current healthcare cost trend rates, as follows:

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost	1% Increase
(6.40%)	Trend Rates	(8.40%)
(7.40%)		
\$ 904,081	\$ 1,244,287	\$ 1,643,334

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

For the fiscal year ended June 30, 2024, the City recognized OPEB expense of \$393,134. On June 30, 2024, 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	\$ 1,068,701	\$ -
Differences between actual and expected experience	8,217	(1,125,962)
Net difference between projected and actual earnings on OPEB plan investments	400,797	-
Changes of assumptions	721,563	(908,025)
Total	<u>\$ 2,199,278</u>	<u>\$ (2,033,987)</u>

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

A total of \$1,068,701 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, 2025. 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
2025	\$ (97,705)
2026	(105,560)
2027	(34,145)
2028	(208,101)
2029	(91,352)
Thereafter	(366,547)
Total	<u>\$ (903,410)</u>

(j) OPEB Trust Fund**(i) Plan Administration**

The City is the OPEB plan administrator. The CalPERS CERBT 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, 2024
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 CalPERS CERBT to set aside funds for OPEB liability. On June 30, 2024, the balance of the trust was \$5,859,629. 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

CalPERS CERBT 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, 2024:

Asset Classes	Strategy I Allocation	Strategy II Allocation	Strategy III Allocation	1–20 Year Projected Compound Return
Global Equity	49.00%	34.00%	23.00%	6.80%
Fixed Income	23.00%	41.00%	51.00%	3.70%
Global Real Estate (REITs)	20.00%	17.00%	14.00%	6.00%
Treasury Inflation-Protected Securities (TIPS)	5.00%	5.00%	9.00%	2.80%
Commodities	3.00%	3.00%	3.00%	3.40%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	

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, 2024, the City's Trust did not have investments in any one organization exceeding 5% of the City's Trust investments.

CalPERS CERBT issues a financial report that includes financial statements and required supplementary information. That report may be obtained from CalPERS CERBT, P.O. Box 1494, Sacramento, CA 95812-1494.

10. LEASES

(a) Policies

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

Lessor

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

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

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

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

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

10. LEASES (Continued)

Lessee

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

At the commencement of a lease, the 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 the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments 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, the City generally uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the 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, 2024:

Governmental Activities							
Lessee	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options	Monthly revenue as of June 30, 2024	Lease Receivable balance at June 30, 2024	Deferred Inflow of Resources at June 30, 2024
AT&T El Toro Telecommunications Facility	7/1/2021	1.0	6.00	6/30/2028	\$ 6,220	\$ 295,313	\$ 298,584
AT&T OSC Telecommunications Facility	10/1/2021	4.08	10.00	10/1/2035	2,142	323,229	298,059
Crown Castle Telecommunications Facility	7/1/2021	4.00	10.00	7/1/2034	4,138	604,621	546,210
Morgan Hill Unified School District	7/1/2021	3.00	2.00	4/1/2026	7,124	178,340	170,970
Santa Clara County Library	7/1/2021	12.00	-	5/1/2033	11,647	1,292,414	1,257,884
Uplift Family Services	2/1/2022	6.00	5.00	1/1/2033	14,867	1,646,579	1,531,331
Spectrum Pacific West	12/29/2022	5.00	5.00	12/31/1932	3,348	357,395	341,489
Governmental Activities subtotal					\$ 49,486	\$ 4,697,891	\$ 4,444,527
Business Activities							
Lessee	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options	Monthly revenue as of June 30, 2024	Lease Receivable balance at June 30, 2024	Deferred Inflow of Resources at June 30, 2024
AT&T Woodland Tank Telecommunications Facility	7/1/2021	7.0	-	7/1/2027	\$ 4,443	\$ 234,423	\$ 213,265
Business Activities subtotal					\$ 4,443	\$ 234,423	\$ 213,265
Total					\$ 53,929	\$ 4,932,314	\$ 4,657,792

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
2025	\$ 519,877	\$ 137,538	\$ 657,415	\$ 52,820	\$ 5,578	\$ 58,398	\$ 572,697	\$ 143,116	\$ 715,813
2026	549,244	121,324	670,568	56,550	3,892	60,442	605,794	125,216	731,010
2027	486,636	105,724	592,360	60,469	2,089	62,558	547,105	107,813	654,918
2028	515,860	90,521	606,381	64,584	164	64,748	580,444	90,685	671,129
2029	460,690	74,411	-	-	-	-	460,690	74,411	-
2030-2034	2,013,313	150,985	2,164,298	-	-	-	2,013,313	150,985	2,164,298
2035-2037	152,271	2,116	154,387	-	-	-	152,271	2,116	154,387
Totals	\$ 4,697,891	\$ 682,619	\$ 4,845,409	\$ 234,423	\$ 11,723	\$ 246,146	\$ 4,932,314	\$ 694,342	\$ 5,091,555

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, 2024, the lease has 4 years remaining. The City recognized \$62,933 in lease revenue and \$11,044 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, 2024, the lease has 11 years remaining. The City recognized \$31,569 in lease revenue and \$19,850 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, 2024, the lease has 10 years remaining. The City recognized \$32,460 in lease revenue and \$18,209 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, 2024, the lease has 2 years remaining. The City recognized \$85,190 in lease revenue and \$6,599 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, 2024, the lease has 9 years remaining. The City recognized \$130,712 in lease revenue and \$43,430 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

Uplift Family Services

As shown in the summary table, the City leases 17060 Monterey Road, Morgan Hill to Uplift Family Services, a California non-profit corporation. The original lease terms were 6 years with option to extend additional 5 years. As of June 30, 2024, the lease has 9 years remaining. The City recognized \$135,372 in lease revenue and \$52,318 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, 2024, the lease has 8 years remaining. The City recognized \$29,344 in lease revenue and \$11,356 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, 2024, the lease has 3 years remaining. The City recognized \$49,271 in lease revenue and \$7,153 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 noncancellable 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.

During the fiscal year, the City entered into two additional SBITAs that qualify to be recorded under GASB 96, for a total of seven arrangements. In addition, the City cancelled one arrangement during the fiscal year.

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

A summary of the City's SBITA transactions for the fiscal year ended June 30, 2024, are as follows:

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
Governmental Activities					
Tyler Munis ERP	\$ 275,793	\$ -	\$ 136,261	\$ 139,532	\$ 139,532
CAD/RMS	679,033	-	679,033	-	-
Axon Bundles	1,147,650	-	113,660	1,033,990	116,899
Dash Cam Systems	214,996	-	24,693	190,303	18,565
Microsoft Enterprise Agreement (MEA)	392,154	-	127,630	264,524	130,694
Flock Camera Systems	-	589,459	110,253	479,206	113,947
CivicPlus Rec	-	354,956	29,178	325,778	73,688
<i>Subtotal - Governmental</i>	<i>2,709,626</i>	<i>944,415</i>	<i>1,220,708</i>	<i>2,433,333</i>	<i>593,325</i>
Business-Type Activities					
Water Operations Enterprise:					
Tyler Munis ERP	87,092	-	43,030	44,062	44,062
Total SBITA Liabilities	\$ 2,796,718	\$ 944,415	\$ 1,263,738	\$ 2,477,395	\$ 637,387

The future principal and interest subscription liability payments as of June 30, 2024 are as follows:

For the Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 593,325	\$ 72,262	\$ 665,587	\$ 44,062	\$ 1,057	\$ 45,119
2026	469,683	74,629	544,312	-	-	-
2027	349,092	62,281	411,373	-	-	-
2028	362,834	45,962	408,796	-	-	-
2029	151,880	32,487	184,367	-	-	-
2030-2034	506,519	70,054	576,573	-	-	-
Totals	<u>\$ 2,433,333</u>	<u>\$ 357,675</u>	<u>\$ 2,791,008</u>	<u>\$ 44,062</u>	<u>\$ 1,057</u>	<u>\$ 45,119</u>

12. SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY

(a) Loans receivable of the Successor Agency as of June 30, 2024, consisted of the following:

<u>Project Name</u>	<u>Loan Balance Outstanding</u>	<u>Special Provisions of Loan</u>
Morgan Hill Grange	\$ 2,723,284	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	420,836	If loan conditions are met, loan will be treated as a reimbursement grant
Allowance for Doubtful Accounts	(1,047,849)	
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:

	<u>Balance July 1, 2023</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>	<u>Current Portion</u>
2020 Refunding Revenue Bond	\$ 62,010,000	\$ (5,310,000)	\$ 56,700,000	\$ 5,350,000
Total	<u>\$ 62,010,000</u>	<u>\$ (5,310,000)</u>	<u>\$ 56,700,000</u>	<u>\$ 5,350,000</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
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	5,585,000	610,504	6,195,504
2030-2034	29,420,000	1,497,011	30,917,011
Totals	<u>\$ 56,700,000</u>	<u>\$ 5,256,453</u>	<u>\$ 61,956,453</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.

23-24 Starting VRF Balance as of July 1, 2023:	\$ -
23-24 VRF Revenue:	340,059
23-24 VRF Interest:	-
23-24 VRF Expended:	<u>340,059</u>
23-24 Ending VRF Balance as of June 30, 2024:	<u>\$ -</u>

13. COMMITMENTS/CONTINGENCIES (continued)

(b) GANN Spending Limitation Initiative

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

For the fiscal year ended June 30, 2024, 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, 2024 for all funds.

<u>Project Name</u>	<u>Total Amount</u>
Community Pickleball Court	\$ 118,920
Pavement Rehabilitation Project	333,198
I & I Sewer Repair Project	357,006
Madrone Channel Trail Improvements Phase II	497,427
Condit Rd Sewer Capacity Upgrade Project	1,824,097
Butterfield Fire Station	3,889,316
Joint Venture Silicon Valley (JVSV) Food Recovery Program	103,201
Transportation Master Plan	177,597
Police Dispatch and Records Management System Upgrade	778,400
Sewer Trunk Line Project	495,225
Tyler Munis ERP Implementation	452,201
CRC Battery Storage System	523,062
Upper Llagas Creek Flood Protection Project	3,500,000

Listed below are the total outstanding encumbrances by each major fund and nonmajor funds in the aggregate as of June 30, 2024.

13. COMMITMENTS/CONTINGENCIES (continued)

Fund	Amount
General Fund	\$ 2,407,168
Development Services	38,375
Nonmajor Funds	12,654,978
Sewer Enterprise Fund	3,596,340
Water Enterprise Fund	638,454

(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, 2028 and has a maximum amount of \$54,933,517. During fiscal year 2024, payments to CALFIRE related to this contract totaled \$7,189,129.

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, 2024, 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 disburseable equity to members. PLAN JPA is responsible for administering the insurance program. PLAN JPA provides claims administration and risk management services to the members.

PLAN JPA also provides property & auto insurance for the City, including a \$5,000 deductible for all property and auto. Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the fiscal year ended June 30, 2024.

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 06/30/21	\$ 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
Claims and changes in estimates during the fiscal year ended 06/30/24	340,716	1,063,026	1,403,742
Claims payments during the fiscal year ended 06/30/24	(224,716)	(742,395)	(967,111)
Liability as of 06/30/24	\$ 1,680,000	\$ 904,119	\$ 2,584,119

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, 2024. 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, 2024, under this program the City has abatements of sales tax totaling \$234,378.

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.



CITY OF MORGAN HILL

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, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Property taxes and special assessments	\$ 17,972,000	\$ 18,472,000	\$ 19,075,049	\$ 603,049
Sales taxes	12,673,967	12,673,967	12,235,911	(438,056)
Franchise, hotel and other taxes	6,183,800	6,315,800	6,005,006	(310,794)
Licenses and permits	223,975	263,975	439,828	175,853
Funding from other govt agencies	1,011,889	1,112,033	1,094,605	(17,428)
Charges for current services	8,942,812	9,322,812	9,233,525	(89,287)
Investment income and rentals	1,637,817	1,687,817	3,609,378	1,921,561
Other revenues	315,392	315,392	801,706	486,314
Total Revenues	48,961,652	50,163,796	52,495,008	2,331,212
Expenditures:				
General government				
Council	434,478	434,478	436,051	(1,573)
City Attorney	956,232	1,078,481	904,543	173,938
City Manager	883,398	883,398	698,732	184,666
Human Resources	894,680	894,680	881,475	13,205
City Clerk	661,723	661,723	579,349	82,374
Finance	1,871,468	2,793,853	2,520,128	273,725
Economic Development	911,245	1,265,326	1,156,903	108,423
Total General Government	6,613,224	8,011,939	7,177,181	834,758
Public Safety				
Police	22,205,162	22,863,942	21,782,348	1,081,594
Fire	8,831,352	9,104,905	8,504,742	600,163
Total Public Safety	31,036,514	31,968,847	30,287,090	1,681,757
Development services				
Congestion Management	751,797	752,828	721,968	30,860
Total Development Services	751,797	752,828	721,968	30,860
Streets and Highways				
Street Maintenance	2,789,155	3,025,196	2,890,291	134,905
Total Streets and Highways	2,789,155	3,025,196	2,890,291	134,905
Culture and recreation				
Recreation	9,170,214	9,364,156	9,335,429	28,727
Cable TV/Comm.& Marketing	64,881	64,881	77,703	(12,822)
Park maintenance	1,560,593	1,566,814	1,309,772	257,042
Downtown maintenance	334,794	345,237	299,233	46,004
Total Culture and recreation	11,130,482	11,341,088	11,022,137	318,951
Other Public Services				
Solid Waste Management	692,196	1,377,018	920,404	456,614
Total Other Public Services	692,196	1,377,018	920,404	456,614
Capital outlay				
Construction projects	35,000	35,000	94,545	(59,545)
Subscription assets	-	-	944,415	(944,415)
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	44,315	(44,315)
Total Expenditures	53,048,368	56,511,916	54,102,346	2,409,570
Excess (deficiency) of revenues over (under) expenditures	(4,086,716)	(6,348,120)	(1,607,338)	4,740,782
Other Financing sources (uses):				
Subscription assets	-	-	944,415	944,415
Transfers in	3,246,860	3,342,540	3,501,831	159,291
Transfers (out)	(1,538,062)	(4,218,062)	(2,938,062)	1,280,000
Total other financing sources (uses)	1,708,798	(875,522)	1,508,184	2,383,706
Net change in fund balance	\$ (2,377,918)	\$ (7,223,642)	(99,154)	\$ 7,124,488
Fund Balance-Beginning			36,717,467	
Fund Balance-Ending			\$ 36,618,313	

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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Charges for services	\$ 6,290,542	\$ 6,290,542	\$ 4,994,659	\$ (1,295,883)
Investment income	1,354	1,354	55,895	54,541
Total Revenues	6,291,896	6,291,896	5,050,554	(1,241,342)
Expenditures:				
Current:				
Development services	6,246,977	6,362,200	5,767,771	594,429
Total Expenditures	6,246,977	6,362,200	5,767,771	594,429
Excess (deficiency) of revenues over (under) expenditures	44,919	(70,304)	(717,217)	(646,913)
Other Financing Sources (Uses):				
Transfers (out)	(23,465)	(23,465)	(23,465)	-
Total other financing sources (uses)	(23,465)	(23,465)	(23,465)	-
Net change in fund balance	\$ 21,454	\$ (93,769)	(740,682)	\$ (646,913)
Fund Balance (Deficit) - Beginning			(403,754)	
Fund Balance (Deficit) - Ending			\$ (1,144,436)	

City of Morgan Hill
Housing Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Charges for services	\$ 4,589,395	\$ 4,589,395	\$ 3,221,731	\$ (1,367,664)
Investment income	106,731	106,731	682,157	575,426
Total Revenues	4,696,126	4,696,126	3,903,888	(792,238)
Expenditures:				
Current:				
Housing services	1,170,025	1,170,025	1,165,537	4,488
Community Development	929,820	1,531,083	800,474	730,609
Total Expenditures	2,099,845	2,701,108	1,966,011	735,097
Other Financing Sources Uses):				
Transfers (Out)	(12,574)	(12,574)	(42,175)	(29,601)
Total other financing sources and uses	(12,574)	(12,574)	(42,175)	(29,601)
Net change in fund balance	\$ 2,583,707	\$ 1,982,444	1,895,702	\$ (86,742)
Fund Balance-Beginning			68,190,542	
Fund Balance-Ending			\$ 70,086,244	

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 experience	-	(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	5,200,820	3,241,498	5,867,611	10,750,126	7,103,004
Total pension liability - beginning	74,338,507	79,539,327	82,780,825	88,648,436	99,398,292
Total pension liability - ending (a)	\$ 79,539,327	\$ 82,780,825	\$ 88,648,436	\$ 99,398,562	\$ 106,501,296
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	9,564,851	1,829,346	959,326	7,826,553	6,297,960
Plan fiduciary net position - beginning	52,686,457	62,251,308	64,080,654	65,000,926	72,827,479
Plan fiduciary net position - ending (b)	\$ 62,251,308	\$ 64,080,654	\$ 65,039,980	\$ 72,827,479	\$ 79,125,439
Net pension liability - ending (a)-(b)	\$ 17,288,019	\$ 18,700,171	\$ 23,608,456	\$ 26,571,083	\$ 27,375,857
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 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.

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	2022-2023
Total Pension Liability					
Service Cost	\$ 2,892,885	\$ 2,951,576	\$ 2,830,305	\$ 3,054,722	\$ 3,344,392
Interest	7,717,398	8,104,716	8,637,361	9,040,250	9,755,418
Differences between expected and actual experience	2,037,515	(967,501)	1,038,351	(764,435)	3,704,427
Changes in assumptions	-	-	-	4,470,923	-
Changes in benefits	-	-	-	-	143,416
Benefit payments, including refunds of employee contributions	(4,099,244)	(4,410,945)	(4,757,884)	(5,383,140)	(6,062,636)
Net change in total pension liability	8,548,554	5,677,846	7,748,133	10,418,320	10,885,017
Total pension liability - beginning	106,501,296	115,049,850	120,727,696	128,475,829	138,894,149
Total pension liability - ending (a)	\$ 115,049,850	\$ 120,727,696	\$ 128,475,829	\$ 138,894,149	\$ 149,779,166
Plan fiduciary net position					
Contributions - employer	\$ 3,275,042	\$ 3,646,492	\$ 3,729,194	\$ 3,679,364	\$ 3,970,508
Contributions - employee	1,207,537	1,274,304	1,517,946	2,049,486	2,475,659
Net investment income	5,243,810	4,253,255	20,384,416	(8,325,147)	6,366,237
Administrative Expense	(56,466)	(119,401)	(89,245)	(68,601)	(75,045)
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)	(6,062,636)
Net change in plan fiduciary net position	5,570,862	4,643,705	20,784,427	(8,071,556)	6,674,723
Plan fiduciary net position - beginning	79,125,439	84,696,301	89,340,006	110,124,433	102,052,877
Plan fiduciary net position - ending (b)	\$ 84,696,301	\$ 89,340,006	\$ 110,124,433	\$ 102,052,877	\$ 108,727,600
Net pension liability - ending (a)-(b)	\$ 30,353,549	\$ 31,387,690	\$ 18,351,396	\$ 36,841,272	\$ 41,051,566
Plan fiduciary net position as a percentage of the total pension liability	73.62%	74.00%	85.72%	73.48%	72.59%
Covered payroll	\$ 14,796,541	\$ 15,580,036	\$ 15,519,529	\$ 16,806,929	\$ 14,385,788
Net pension liability as percentage of covered payroll	205.14%	201.46%	118.25%	219.20%	285.36%

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.

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

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,206,077	\$ 13,545,383	\$ 14,943,991	\$ 15,095,617	\$ 14,796,541
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.

City of Morgan Hill
Miscellaneous Plan, an Agent Multiple-Employer Defined Pension Plan
Last 10 Years
SCHEDULE OF CONTRIBUTIONS (Continued)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Actuarially determined contributions	\$ 3,642,162	\$ 3,729,194	\$ 3,679,402	\$ 3,969,316	\$ 4,277,010
Contributions in relation to the actuarially determined contributions	3,642,162	3,729,194	3,679,402	3,969,316	4,277,010
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 15,580,036	\$ 15,519,529	\$ 16,806,929	\$ 14,385,788	\$ 24,474,713
Contributions as a percentage of covered payroll	23%	24%	22%	28%	17%

Notes to Schedule

Valuation date:	6/30/2017	6/30/2018	6/30/2019	6/30/2021	6/30/2022
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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, 2.30% for 2023, and 2.50% for 2024
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, 6.80% for 2023, 7.00% for 2024 net of pension plan investment expense, including inflation.
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study for the period from 1997 to 2015.
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.

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:	6/30/2019¹	6/30/2020¹	6/30/2021¹	6/30/2022¹	6/30/2023¹
Plan's proportion of the Net Pension Liability (Asset)	0.31549%	0.31765%	0.39276%	0.34621%	0.34182%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 19,694,738	\$ 21,163,013	\$13,783,927	\$ 23,789,809	\$ 25,550,664
Plan's Covered Payroll ²	\$ 5,676,163	\$ 5,676,163	\$5,797,380	\$ 6,158,051	\$ 7,464,268
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%	342.31%
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%	76.21%

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	1,580,437	1,778,790	1,902,125	2,110,520	2,232,536
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, 2.30% for 2023, and 2.50% for 2024.
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, 6.80% for 2023, and 7.00% for 2024 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 and 2024, pre-retirement and post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

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	2023-2024
Actuarially determined contribution	\$ 2,480,901	\$ 2,519,728	\$ 2,718,406	\$ 3,022,686	\$ 3,272,963
Contributions in relation to the actuarially determined contribution	2,480,901	2,519,728	2,718,406	3,022,686	3,272,963
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,676,163	\$ 5,797,380	\$ 6,158,051	\$ 7,464,268	\$ 8,937,865
Contributions as a percentage of covered payroll	43.71%	43.46%	44.14%	40.50%	36.62%

Notes to Schedule

Valuation date: 6/30/2017 6/30/2018 6/30/2019 6/30/2021 6/30/2022

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, 2.30% for 2023, and 2.50% for 2024.
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, 6.80% for 2023, and 7.00% for 2024 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 and 2024, pre-retirement and post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

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	<u>416,327</u>	<u>677,593</u>	<u>(857,032)</u>	<u>1,229,724</u>
Total OPEB liability - beginning	<u>4,821,696</u>	<u>5,238,023</u>	<u>5,915,616</u>	<u>5,058,584</u>
Total OPEB liability - ending (a)	<u><u>\$ 5,238,023</u></u>	<u><u>\$ 5,915,616</u></u>	<u><u>\$ 5,058,584</u></u>	<u><u>\$ 6,288,308</u></u>
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	<u>370,468</u>	<u>365,740</u>	<u>499,458</u>	<u>861,224</u>
Plan fiduciary net position - beginning	<u>402,373</u>	<u>772,841</u>	<u>1,138,581</u>	<u>1,638,039</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 772,841</u></u>	<u><u>\$ 1,138,581</u></u>	<u><u>\$ 1,638,039</u></u>	<u><u>\$ 2,499,263</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>\$ 4,465,182</u></u>	<u><u>\$ 4,777,035</u></u>	<u><u>\$ 3,420,545</u></u>	<u><u>\$ 3,789,045</u></u>
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	6/30/23
Total OPEB Liability (1)			
Service Cost	\$ 429,322	\$ 310,942	\$ 354,492
Interest	355,256	356,169	370,175
Differences between expected and actual experience	(526,832)	10,957	(383,152)
Benefit payments	(94,919)	(104,715)	(111,451)
Implicit rate subsidy fulfilled	(161,666)	(164,963)	(165,395)
Changes of assumptions	(531,384)	347,914	(444,941)
Net change in total OPEB liability	(530,223)	756,304	(380,272)
Total OPEB liability - beginning	6,288,308	5,758,085	6,514,389
Total OPEB liability - ending (a)	\$ 5,758,085	\$ 6,514,389	\$ 6,134,117
OPEB fiduciary net position			
Net investment income	\$ 558,619	\$ (626,994)	\$ 178,646
Contributions:	-		
Employer - City's contribution	494,919	1,169,678	1,111,451
Employer - Implicit subsidy	161,666		165,395
Administrative expense	(16,216)	(2,220)	(1,268)
Implicit rate subsidy fulfilled	(161,666)	(164,963)	(165,395)
Benefit payments	(94,919)	(104,715)	(111,451)
Net change in plan fiduciary net position	942,403	270,786	1,177,378
Plan fiduciary net position - beginning	2,499,263	3,441,666	3,712,452
Plan fiduciary net position - ending (b)	\$ 3,441,666	\$ 3,712,452	\$ 4,889,830
Net OPEB liability - ending (a)-(b)	\$ 2,316,419	\$ 2,801,937	\$ 1,244,287
Plan fiduciary net position as a percentage of the total OPEB liability	59.77%	56.99%	79.72%
Covered-employee payroll	\$ 20,485,077	\$ 22,027,504	\$ 24,392,520
Total OPEB liability as a percentage of covered-employee payroll	11.31%	12.72%	5.10%

* 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)	<u>\$ 102,271</u>	<u>\$ 107,398</u>	<u>\$ (305,985)</u>	<u>\$ 65,093</u>
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	13 years
Inflation	2.30%
Assumed Payroll Growth	2.80%
Healthcare Trend Rates	Pre-Medicare: 7.40%, trending down to 4.14% over 52 years. Medicare: n/a
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	2024
Actuarially Determined Contribution (ADC)	\$ 530,702	\$ 470,389	\$ 582,445
Less: Contributions in Relation to the ADC	(961,533)	(1,276,846)	(723,933)
Contribution deficiency (excess)	<u>\$ (430,831)</u>	<u>\$ (806,457)</u>	<u>\$ (141,488)</u>
Covered-employee payroll	\$ 22,027,504	\$ 24,392,520	\$ 25,075,511
Contributions as a percentage of			
Covered-employee payroll	4.37%	5.23%	2.89%

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	13 years
Inflation	2.30%
Assumed Payroll Growth	2.80%
Healthcare Trend Rates	Pre-Medicare: 7.40%, trending down to 4.14% over 52 years. Medicare: n/a
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 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, 2024

	Special Revenue Funds			
	Street Maintenance	Supplemental Law Enforcement	General Plan Update	Community Dev Block Grant
Assets				
Pooled cash and investments	\$ -	\$ 415,174	\$ 2,306,474	\$ 32,500
Cash with fiscal agents	-	-	-	-
Receivables:				
Other accounts receivable	72,734	-	-	-
Loans receivable	-	-	-	-
Advances receivable	-	-	-	-
Total Assets	\$ 72,734	\$ 415,174	\$ 2,306,474	\$ 32,500
Liabilities				
Accounts payable	\$ -	\$ -	\$ 38	\$ -
Accrued liabilities	-	-	221	-
Customer deposits/other liabilities	-	-	-	-
Advances payable	-	-	-	-
Unearned revenue	-	-	1,000,000	-
Total Liabilities	-	-	1,000,259	-
Fund Balances				
Restricted				
Community services	-	-	1,306,215	32,500
Parks and recreation	-	-	-	-
Streets and highways	72,734	-	-	-
Debt service	-	-	-	-
Public safety	-	415,174	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	72,734	415,174	1,306,215	32,500
Total Liabilities and Fund Balances	\$ 72,734	\$ 415,174	\$ 2,306,474	\$ 32,500

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds (continued)			
	Asset Seizure	Landscape and Lighting	Community Facilities District	Environmental Programs
Assets				
Pooled cash and investments	\$ 104,495	\$ 233,757	\$ 162,741	\$ 1,147,780
Cash with fiscal agents	-	-	-	-
Receivables:				
Other accounts receivable	-	-	214	-
Loans receivable	-	-	-	-
Advances receivable	-	-	-	-
Total Assets	\$ 104,495	\$ 233,757	\$ 162,955	\$ 1,147,780
Liabilities				
Accounts payable	\$ -	\$ 5,865	\$ -	\$ 297,649
Accrued liabilities	-	11,886	436	38,103
Customer deposits/other liabilities	-	-	-	-
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	17,751	436	335,752
Fund Balances				
Restricted				
Community services	-	-	-	812,028
Parks and recreation	-	-	162,519	-
Streets and highways	-	216,006	-	-
Debt service	-	-	-	-
Public safety	104,495	-	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	104,495	216,006	162,519	812,028
Total Liabilities and Fund Balances	\$ 104,495	\$ 233,757	\$ 162,955	\$ 1,147,780

(Continued)

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	<u>Special Revenue Funds (continued)</u>		<u>Capital Projects Funds</u>	
	<u>Mobile Home Park Rent Stabilization</u>	<u>Employee Assistance</u>	<u>Park Impact</u>	<u>Park Maintenance</u>
Assets				
Pooled cash and investments	\$ 81,475	\$ 59,338	\$ 2,106,226	\$ 6,366,839
Cash with fiscal agents	-	-	-	-
Receivables:				
Other accounts receivable	-	-	-	1,114
Loans receivable	-	3,143	-	-
Advances receivable	-	-	-	-
Total Assets	\$ 81,475	\$ 62,481	\$ 2,106,226	\$ 6,367,953
Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,062	\$ 101,901
Accrued liabilities	-	-	91,016	297
Customer deposits/other liabilities	-	-	-	4,763
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	98,078	106,961
Fund Balances				
Restricted				
Community services	81,475	-	-	-
Parks and recreation	-	-	2,008,148	6,260,992
Streets and highways	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	62,481	-	-
Unassigned	-	-	-	-
Total Fund Balances	81,475	62,481	2,008,148	6,260,992
Total Liabilities and Fund Balances	\$ 81,475	\$ 62,481	\$ 2,106,226	\$ 6,367,953

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Capital Projects Funds (continued)			
	Drainage Impact	Open Space	Street CIP	Traffic Impact
Assets				
Pooled cash and investments	\$ 10,555,207	\$ 670,023	\$ 4,179,345	\$ 4,387,806
Cash with fiscal agents	-	-	-	-
Receivables:				
Other accounts receivable	-	7,588	130,539	15,087
Loans receivable	-	760,000	-	223,684
Advances receivable	300,000	-	-	-
Total Assets	\$ 10,855,207	\$ 1,437,611	\$ 4,309,884	\$ 4,626,577
Liabilities				
Accounts payable	\$ 13,936	\$ -	\$ 1,702	\$ 229,598
Accrued liabilities	909	-	16,284	582,358
Customer deposits/other liabilities	-	-	4,650	-
Advances payable	-	-	-	-
Unearned revenue	-	5,033	-	6,423
Total liabilities	14,845	5,033	22,636	818,379
Fund Balances				
Restricted				
Community services	-	-	-	-
Parks and recreation	-	-	-	-
Streets and highways	-	-	4,287,248	3,808,198
Debt service	-	-	-	-
Public safety	-	-	-	-
Capital expansion projects	10,840,362	1,432,578	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	10,840,362	1,432,578	4,287,248	3,808,198
Total Liabilities and Fund Balances	\$ 10,855,207	\$ 1,437,611	\$ 4,309,884	\$ 4,626,577

(Continued)

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Capital Projects Funds (continued)			
	Public Facilities	Library Impact	Undergrounding	School Pedestrian & Traffic Safety
Assets				
Pooled cash and investments	\$ 3,567,064	\$ 2,254,117	\$ 1,768,551	\$ -
Cash with fiscal agents	-	-	-	-
Receivables:				
Other accounts receivable	-	-	-	-
Loans receivable	-	-	-	-
Advances receivable	-	-	-	-
Total Assets	\$ 3,567,064	\$ 2,254,117	\$ 1,768,551	\$ -
Liabilities				
Accounts payable	\$ 54,005	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Customer deposits/other liabilities	-	-	-	-
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	54,005	-	-	-
Fund Balances				
Restricted				
Community services	-	-	-	-
Parks and recreation	-	-	-	-
Streets and highways	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Capital expansion projects	3,513,059	2,254,117	1,768,551	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	3,513,059	2,254,117	1,768,551	-
Total Liabilities and Fund Balances	\$ 3,567,064	\$ 2,254,117	\$ 1,768,551	\$ -

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	<u>Capital Projects Funds (continued)</u>		<u>Debt Service Funds</u>		
	<u>Community/ Rec Center Impact Fund</u>	<u>Public Safety Facilities Impact Fund</u>	<u>Civic Center (Library)</u>	<u>Police Facility</u>	<u>Total Nonmajor Govt Funds</u>
Assets					
Pooled cash and investments	\$ 2,324,433	\$ 45,358	\$ 182,889	\$ 163,750	\$ 43,115,342
Cash with fiscal agents	-	-	149	146	295
Receivables:					
Other accounts receivable	-	-	-	-	227,276
Loans receivable	-	-	-	-	986,827
Advances receivable	-	-	-	-	300,000
Total Assets	\$ 2,324,433	\$ 45,358	\$ 183,038	\$ 163,896	\$ 44,629,740
Liabilities					
Accounts payable	\$ -	\$ 686,123	\$ -	\$ -	\$ 1,397,879
Accrued liabilities	-	7,714	-	-	749,224
Customer deposits/other liabilities	26,899	186,594	-	-	222,906
Advances payable	-	718,362	-	-	718,362
Unearned revenue	-	-	-	-	1,011,456
Total liabilities	26,899	1,598,793	-	-	4,099,827
Fund Balances					
Restricted					
Community services	-	-	-	-	2,232,218
Parks and recreation	2,297,534	-	-	-	10,729,193
Streets and highways	-	-	-	-	8,384,186
Debt service	-	-	183,038	163,896	346,934
Public safety	-	-	-	-	519,669
Capital expansion projects	-	-	-	-	19,808,667
Other purposes	-	-	-	-	62,481
Unassigned	-	(1,553,435)	-	-	(1,553,435)
Total Fund Balances	2,297,534	(1,553,435)	183,038	163,896	40,529,913
Total Liabilities and Fund Balances	\$ 2,324,433	\$ 45,358	\$ 183,038	\$ 163,896	\$ 44,629,740

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	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	829,906	186,159	-	-
Charges for current services	-	-	736,218	-
Investment income	6,770	10,437	21,150	1,817
Other revenues	-	-	11,868	-
Total Revenues	836,676	196,596	769,236	1,817
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	1,289	-	-
Development services	-	-	849,374	84
Streets and highways	5,193	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	5,193	1,289	849,374	84
Excess (deficiency) of revenues over (under) expenditures	831,483	195,307	(80,138)	1,733
Other Financing Sources (Uses)				
Transfers in	-	-	110,000	-
Transfers (out)	(827,676)	(100,000)	(2,079)	-
Total other financing sources (uses)	(827,676)	(100,000)	107,921	-
Net change in fund balances	3,807	95,307	27,783	1,733
Fund Balances-Beginning	68,927	319,867	1,278,432	30,767
Fund Balances (Deficits)-Ending	\$ 72,734	\$ 415,174	\$ 1,306,215	\$ 32,500

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds (continued)			
	Asset Seizure	Landscape and Lighting	Community Facilities District	Environmental Programs
Revenues:				
Property taxes and special assessment	\$ -	\$ 200,671	\$ 51,134	\$ -
Funding from other governmental agencies	-	-	-	-
Charges for current services	-	-	-	2,140,839
Investment income	2,781	4,369	3,881	14,974
Other revenues	-	-	-	-
Total Revenues	2,781	205,040	55,015	2,155,813
Expenditures:				
Current:				
General government	-	-	-	633
Public safety	782	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	180,924	43,147	1,997,508
Capital outlay:				
Construction projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	782	180,924	43,147	1,998,141
Excess (deficiency) of revenues over (under) expenditures	1,999	24,116	11,868	157,672
Other Financing Sources (Uses)				
Transfers in	-	-	-	561,333
Transfers (out)	-	(59)	-	(615,231)
Total other financing sources (uses)	-	(59)	-	(53,898)
Net change in fund balances	1,999	24,057	11,868	103,774
Fund Balances-Beginning	102,496	191,949	150,651	708,254
Fund Balances (Deficits)-Ending	\$ 104,495	\$ 216,006	\$ 162,519	\$ 812,028

(Continued)

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	<u>Special Revenue Funds (continued)</u>		<u>Capital Projects Funds</u>	
	<u>Mobile Home Park Rent Stabilization</u>	<u>Employee Assistance</u>	<u>Park Impact</u>	<u>Park Maintenance</u>
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	-	-
Charges for current services	-	-	1,159,302	2,820,139
Investment income	5,639	1,534	73,509	165,617
Other revenues	-	-	5,000	39,984
Total Revenues	5,639	1,534	1,237,811	3,025,740
Expenditures:				
Current:				
General government	-	946	-	-
Public safety	-	-	-	-
Development services	461	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	48,506	217
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	525,447	505,620
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	461	946	573,953	505,837
Excess (deficiency) of revenues over (under) expenditures	5,178	588	663,858	2,519,903
Other Financing Sources (Uses)				
Transfers in	-	-	-	280,000
Transfers (out)	-	-	(82,700)	(650,000)
Total other financing sources (uses)	-	-	(82,700)	(370,000)
Net change in fund balances	5,178	588	581,158	2,149,903
Fund Balances-Beginning	76,297	61,893	1,426,990	4,111,089
Fund Balances (Deficits)-Ending	\$ 81,475	\$ 62,481	\$ 2,008,148	\$ 6,260,992

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Capital Projects Funds (Continued)			
	Drainage Impact	Open Space	Street CIP	Traffic Impact
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	2,739,625	-
Charges for current services	280,243	181,501	565,421	1,288,526
Investment income	709,768	47,181	153,412	124,491
Other revenues	-	-	-	5,337
Total Revenues	990,011	228,682	3,458,458	1,418,354
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	12,685	-	106,005	329,078
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	3,275,865	-	4,703,407	901,758
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	3,288,550	-	4,809,412	1,230,836
Excess (deficiency) of revenues over (under) expenditures	(2,298,539)	228,682	(1,350,954)	187,518
Other Financing Sources (Uses)				
Transfers in	-	-	1,560,000	-
Transfers (out)	(22,700)	(97,600)	-	(106,900)
Total other financing sources (uses)	(22,700)	(97,600)	1,560,000	(106,900)
Net change in fund balances	(2,321,239)	131,082	209,046	80,618
Fund Balances-Beginning	13,161,601	1,301,496	4,078,202	3,727,580
Fund Balances (Deficits)-Ending	\$ 10,840,362	\$ 1,432,578	\$ 4,287,248	\$ 3,808,198

(Continued)

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	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	444,168	1,018,645	215,409	29,700
Investment income	226,432	49,584	79,447	2,603
Other revenues	-	-	-	-
Total Revenues	670,600	1,068,229	294,856	32,303
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	1,175	5,529
Parks and recreation	-	-	-	-
Other public services	8,860	15,825	-	-
Capital outlay:				
Construction projects	1,260,242	-	151,431	10,896
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,269,102	15,825	152,606	16,425
Excess (deficiency) of revenues over (under) expenditures	(598,502)	1,052,404	142,250	15,878
Other Financing Sources (Uses)				
Transfers in	92,955	-	-	-
Transfers (out)	(25,000)	(206,525)	-	(107,955)
Total other financing sources (uses)	67,955	(206,525)	-	(107,955)
Net change in fund balances	(530,547)	845,879	142,250	(92,077)
Fund Balances-Beginning	4,043,606	1,408,238	1,626,301	92,077
Fund Balances (Deficits)-Ending	\$ 3,513,059	\$ 2,254,117	\$ 1,768,551	\$ -

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	<u>Capital Projects Funds (Continued)</u>		<u>Debt Service Funds</u>		
	<u>Community/ Rec Center Impact</u>	<u>Public Safety Facilities Impact Fund</u>	<u>Civic Center (Library)</u>	<u>Police Facility</u>	<u>Total NonMajor Govt Funds</u>
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -	\$ 251,805
Funding from other governmental agencies	-	-	-	-	3,755,690
Charges for current services	1,524,173	869,170	-	-	13,273,454
Investment income	22,415	270,426	4,346	-	2,002,583
Other revenues	-	-	-	-	62,189
Total Revenues	1,546,588	1,139,596	4,346	-	19,345,721
Expenditures:					
Current:					
General government	-	-	-	-	1,579
Public safety	-	6,393	-	-	8,464
Development services	-	-	-	-	849,919
Streets and highways	15,976	-	-	-	475,641
Parks and recreation	-	-	-	-	48,723
Other public services	-	-	-	-	2,246,264
Capital outlay:					
Construction projects	225,306	5,531,836	-	-	17,091,808
Debt service:					
Principal	-	-	184,570	250,430	435,000
Interest and fiscal charges	-	-	103,452	140,191	243,643
Total Expenditures	241,282	5,538,229	288,022	390,621	21,401,041
Excess (deficiency) of revenues over (under) expenditures	1,305,306	(4,398,633)	(283,676)	(390,621)	(2,055,320)
Other Financing Sources (Uses)					
Transfers in	-	-	290,850	387,792	3,282,930
Transfers (out)	-	(205,530)	-	-	(3,049,955)
Total other financing sources (uses)	-	(205,530)	290,850	387,792	232,975
Net change in fund balances	1,305,306	(4,604,163)	7,174	(2,829)	(1,822,345)
Fund Balances-Beginning	992,228	3,050,728	175,864	166,725	42,352,258
Fund Balances (Deficits)-Ending	\$ 2,297,534	\$ (1,553,435)	\$ 183,038	\$ 163,896	\$ 40,529,913

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, 2024

	Special Revenue Funds			
	Street Maintenance			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	954,952	954,952	829,906	(125,046)
Charges for current services	-	-	-	-
Investment income	78	78	6,770	6,692
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	955,030	955,030	836,676	(118,354)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	5,193	5,193	5,193	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	5,193	5,193	5,193	-
Excess (deficiency) of revenues over (under) expenditures	949,837	949,837	831,483	(118,354)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(949,760)	(949,760)	(827,676)	122,084
Total other financing sources (uses)	(949,760)	(949,760)	(827,676)	122,084
Net change in fund balances	\$ 77	\$ 77	3,807	\$ 3,730
Fund Balances-Beginning			68,927	
Fund Balances-Ending			\$ 72,734	

City of Morgan Hill
Nonmajor Governmental Funds
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	Special Revenue Funds (continued)			
	Supplemental Law Enforcement			Variance with
	Budgeted Amounts		Actual	Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	100,000	100,000	186,159	86,159
Investment income	1,905	1,905	10,437	8,532
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	101,905	101,905	196,596	94,691
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	1,289	1,289	1,289	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	1,289	1,289	1,289	-
Excess (deficiency) of revenues over (under) expenditures	100,616	100,616	195,307	94,691
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(827,676)	(100,000)	(100,000)	-
Total other financing sources (uses)	(827,676)	(100,000)	(100,000)	-
Net change in fund balances	\$ (727,060)	\$ 616	95,307	\$ 94,691
Fund Balances-Beginning			319,867	
Fund Balances-Ending			\$ 415,174	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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	Special Revenue Funds (continued)			
	General Plan Update			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	891,510	891,510	736,218	(155,292)
Investment income	11,882	11,882	21,150	9,268
Fines, forfeitures, and other revenues	-	-	11,868	11,868
Total Revenues	903,392	903,392	769,236	(134,156)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	1,562,914	1,579,054	849,374	729,680
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	1,562,914	1,579,054	849,374	729,680
Excess (deficiency) of revenues over (under) expenditures	(659,522)	(675,662)	(80,138)	595,524
Other Financing Sources (Uses):				
Transfers in	110,000	110,000	110,000	-
Transfers (out)	(2,079)	(2,079)	(2,079)	-
Total other financing sources (uses)	107,921	107,921	107,921	-
Net change in fund balances	\$ (551,601)	\$ (567,741)	27,783	\$ 595,524
Fund Balances-Beginning			1,278,432	
Fund Balances-Ending			\$ 1,306,215	

City of Morgan Hill
Nonmajor Governmental Funds
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Special Revenue Funds (continued)				
Community Development Block Grant				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	325	325	1,817	1,492
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	325	325	1,817	1,492
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	84	84	84	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	84	84	84	-
Excess (deficiency) of revenues over (under) expenditures	241	241	1,733	1,492
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 241	\$ 241	1,733	\$ 1,492
Fund Balances-Beginning			30,767	
Fund Balances-Ending			\$ 32,500	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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	Special Revenue Funds (continued)			
	Asset Seizure			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	1,298	1,298	2,781	1,483
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	1,298	1,298	2,781	1,483
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	782	782	782	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	782	782	782	-
Excess (deficiency) of revenues over (under) expenditures	516	516	1,999	1,483
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(59)	(59)	-	59
Total other financing sources (uses)	(59)	(59)	-	59
Net change in fund balances	\$ 457	\$ 457	1,999	\$ 1,542
Fund Balances-Beginning			102,496	
Fund Balances-Ending			\$ 104,495	

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Nonmajor Governmental Funds
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Special Revenue Funds (continued)				
Landscape and Lighting				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and special assessment	\$ 198,650	\$ 198,650	\$ 200,671	\$ 2,021
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	1,378	1,378	4,369	2,991
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	200,028	200,028	205,040	5,012
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	168,130	234,495	180,924	53,571
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	168,130	234,495	180,924	53,571
Excess (deficiency) of revenues over (under) expenditures	31,898	(34,467)	24,116	58,583
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(59)	(59)	(59)	-
Total other financing sources (uses)	(59)	(59)	(59)	-
Net change in fund balances	\$ 31,839	\$ (34,526)	24,057	\$ 58,583
Fund Balances-Beginning			191,949	
Fund Balances-Ending			\$ 216,006	

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Nonmajor Governmental Funds
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Special Revenue Funds (continued)				
Community Facilities District				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ 36,500	\$ 36,500	\$ 51,134	\$ 14,634
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	1,414	1,414	3,881	2,467
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	37,914	37,914	55,015	17,101
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	41,249	41,249	43,147	(1,898)
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	41,249	41,249	43,147	(1,898)
Excess (deficiency) of revenues over (under) expenditures	(3,335)	(3,335)	11,868	15,203
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (3,335)	\$ (3,335)	11,868	\$ 15,203
Fund Balances-Beginning			150,651	
Fund Balances-Ending			\$ 162,519	

City of Morgan Hill
Nonmajor Governmental Funds
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Special Revenue Funds (continued)				
Environmental Programs				Variance with Final Budget
	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	1,481,421	1,974,074	2,140,839	166,765
Investment income	4,574	4,574	14,974	10,400
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	1,485,995	1,978,648	2,155,813	177,165
Expenditures:				
Current:				
General government	633	633	633	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	1,604,144	2,172,876	1,997,508	175,368
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	1,604,777	2,173,509	1,998,141	175,368
Excess (deficiency) of revenues over (under) expenditures	(118,782)	(194,861)	157,672	352,533
Other Financing Sources (Uses):				
Transfers in	561,333	561,333	561,333	-
Transfers (out)	(375,672)	(471,352)	(615,231)	(143,879)
Total other financing sources (uses)	185,661	89,981	(53,898)	(143,879)
Net change in fund balances	\$ 66,879	\$ (104,880)	103,774	\$ 208,654
Fund Balances-Beginning			708,254	
Fund Balances-Ending			\$ 812,028	

City of Morgan Hill
Nonmajor Governmental Funds
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Special Revenue Funds (continued)				
Mobile Home Park Rent Stabilization				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	584	584	5,639	5,055
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	584	584	5,639	5,055
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	461	461	461	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	461	461	461	-
Excess (deficiency) of revenues over (under) expenditures	123	123	5,178	5,055
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 123	\$ 123	5,178	\$ 5,055
Fund Balances-Beginning			76,297	
Fund Balances-Ending			\$ 81,475	

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Nonmajor Governmental Funds
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Special Revenue Funds (continued)				
Employee Assistance				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	20,000	20,000	-	(20,000)
Investment income	889	889	1,534	645
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	20,889	20,889	1,534	(19,355)
Expenditures:				
Current:				
General government	20,946	20,946	946	20,000
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	20,946	20,946	946	20,000
Excess (deficiency) of revenues over (under) expenditures	(57)	(57)	588	645
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (57)	\$ (57)	588	\$ 645
Fund Balances-Beginning			61,893	
Fund Balances-Ending			\$ 62,481	

City of Morgan Hill
Nonmajor Governmental Funds
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	Capital Project Funds			
	Park Impact			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,658,925	1,993,925	1,159,302	(834,623)
Investment income	14,580	14,580	73,509	58,929
Other revenues	-	-	5,000	5,000
Total Revenues	1,673,505	2,008,505	1,237,811	(770,694)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	31,474	31,474	48,506	(17,032)
Other public services	-	-	-	-
Capital outlay:				
Construction projects	200,000	2,361,124	525,447	1,835,677
Total Expenditures	231,474	2,392,598	573,953	1,818,645
Excess (deficiency) of revenues over (under) expenditures	1,442,031	(384,093)	663,858	1,047,951
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)	-
Net change in fund balances	\$ 1,359,331	\$ (466,793)	581,158	\$ 1,047,951
Fund Balances-Beginning			1,426,990	
Fund Balances-Ending			\$ 2,008,148	

City of Morgan Hill
Nonmajor Governmental Funds
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	Capital Project Funds (continued)			
	Park Maintenance			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	674,075	674,075	2,820,139	2,146,064
Investment income	19,823	19,823	165,617	145,794
Other revenues	-	-	39,984	39,984
Total Revenues	693,898	693,898	3,025,740	2,331,842
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	217	(217)
Other public services	-	-	-	-
Capital outlay:				
Construction projects	529,000	1,414,455	505,620	908,835
Total Expenditures	529,000	1,414,455	505,837	908,618
Excess (deficiency) of revenues over (under) expenditures	164,898	(720,557)	2,519,903	3,240,460
Other Financing Sources (Uses):				
Transfers in	-	280,000	280,000	-
Transfers (out)	(650,000)	(650,000)	(650,000)	-
Total other financing sources (uses)	(650,000)	(370,000)	(370,000)	-
Net change in fund balances	\$ (485,102)	\$ (1,090,557)	2,149,903	\$ 3,240,460
Fund Balances-Beginning			4,111,089	
Fund Balances-Ending			\$ 6,260,992	

City of Morgan Hill
Nonmajor Governmental Funds
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	Capital Project Funds (continued)			
	Drainage Impact			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	456,410	456,410	280,243	(176,167)
Investment income	22,388	22,388	709,768	687,380
Other revenues	-	-	-	-
Total Revenues	478,798	478,798	990,011	511,213
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	12,657	12,657	12,685	(28)
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	1,745,700	6,494,010	3,275,865	3,218,145
Total Expenditures	1,758,357	6,506,667	3,288,550	3,218,117
Excess (deficiency) of revenues over (under) expenditures	(1,279,559)	(6,027,869)	(2,298,539)	3,729,330
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(22,700)	(1,022,700)	(22,700)	1,000,000
Total other financing sources (uses)	(22,700)	(1,022,700)	(22,700)	1,000,000
Net change in fund balances	\$ (1,302,259)	\$ (7,050,569)	(2,321,239)	\$ 4,729,330
Fund Balances-Beginning			13,161,601	
Fund Balances-Ending			\$ 10,840,362	

City of Morgan Hill
Nonmajor Governmental Funds
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	Capital Project Funds (continued)			
	Open Space			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	-	-	181,501	181,501
Investment income	4,036	4,036	47,181	43,145
Other revenues	-	-	-	-
Total Revenues	4,036	4,036	228,682	224,646
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	150,000	-	150,000
Total Expenditures	-	150,000	-	150,000
Excess (deficiency) of revenues over (under) expenditures	4,036	(145,964)	228,682	374,646
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(97,600)	(97,600)	(97,600)	-
Total other financing sources (uses)	(97,600)	(97,600)	(97,600)	-
Net change in fund balances	\$ (93,564)	\$ (243,564)	131,082	\$ 374,646
Fund Balances-Beginning			1,301,496	
Fund Balances-Ending			\$ 1,432,578	

City of Morgan Hill
Nonmajor Governmental Funds
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	Capital Project Funds (continued)			
	Streets CIP			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Funding from other govt agencies	\$ 2,623,783	\$ 2,623,783	\$ 2,739,625	\$ 115,842
Charges for current services	290,000	290,000	565,421	275,421
Investment income	12,873	12,873	153,412	140,539
Other revenues	-	-	-	-
Total Revenues	2,926,656	2,926,656	3,458,458	531,802
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	106,005	106,005	106,005	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	4,232,000	5,393,000	4,703,407	689,593
Total Expenditures	4,338,005	5,499,005	4,809,412	689,593
Excess (deficiency) of revenues over (under) expenditures	(1,411,349)	(2,572,349)	(1,350,954)	1,221,395
Other Financing Sources (Uses):				
Transfers in	1,000,000	1,560,000	1,560,000	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	1,000,000	1,560,000	1,560,000	-
Net change in fund balances	\$ (411,349)	\$ (1,012,349)	209,046	\$ 1,221,395
Fund Balances-Beginning			4,078,202	
Fund Balances-Ending			\$ 4,287,248	

City of Morgan Hill
Nonmajor Governmental Funds
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	Capital Project Funds (continued)			
	Traffic Impact			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,247,205	1,247,205	1,288,526	41,321
Investment income	29,720	29,720	124,491	94,771
Other revenues	-	-	5,337	5,337
Total Revenues	1,276,925	1,276,925	1,418,354	141,429
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	23,331	329,078	329,078	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	2,116,000	5,697,070	901,758	4,795,312
Total Expenditures	2,139,331	6,026,148	1,230,836	4,795,312
Excess (deficiency) of revenues over (under) expenditures	(862,406)	(4,749,223)	187,518	4,936,741
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(106,900)	(106,900)	(106,900)	-
Total other financing sources (uses)	(106,900)	(106,900)	(106,900)	-
Net change in fund balances	\$ (969,306)	\$ (4,856,123)	80,618	\$ 4,936,741
Fund Balances-Beginning			3,727,580	
Fund Balances-Ending			\$ 3,808,198	

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, 2024

	Capital Project Funds (continued)			
	Public Facilities			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	982,016	1,126,581	444,168	(682,413)
Investment income	16,688	16,688	226,432	209,744
Other revenues	-	-	-	-
Total Revenues	998,704	1,143,269	670,600	(472,669)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	8,860	165,810	8,860	156,950
Capital outlay:				
Construction projects	1,005,100	3,496,624	1,260,242	2,236,382
Total Expenditures	1,013,960	3,662,434	1,269,102	2,393,332
Excess (deficiency) of revenues over (under) expenditures	(15,256)	(2,519,165)	(598,502)	1,920,663
Other Financing Sources (Uses):				
Transfers in	-	-	92,955	92,955
Transfers (out)	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	(25,000)	(25,000)	67,955	92,955
Net change in fund balances	\$ (40,256)	\$ (2,544,165)	(530,547)	\$ 2,013,618
Fund Balances-Beginning			4,043,606	
Fund Balances-Ending			\$ 3,513,059	

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, 2024

	Capital Project Funds (continued)			
	Library Impact			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	640,619	640,619	1,018,645	378,026
Investment income	16,838	16,838	49,584	32,746
Other revenues	-	-	-	-
Total Revenues	657,457	657,457	1,068,229	410,772
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	15,825	15,825	15,825	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	15,825	15,825	15,825	-
Excess (deficiency) of revenues over (under) expenditures	641,632	641,632	1,052,404	410,772
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(206,525)	(206,525)	(206,525)	-
Total other financing sources (uses)	(206,525)	(206,525)	(206,525)	-
Net change in fund balances	\$ 435,107	\$ 435,107	845,879	\$ 410,772
Fund Balances-Beginning			1,408,238	
Fund Balances-Ending			\$ 2,254,117	

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, 2024

	Capital Project Funds (continued)			
	Undergrounding			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	20,000	20,000	215,409	195,409
Investment income	2,520	2,520	79,447	76,927
Other revenues	-	-	-	-
Total Revenues	22,520	22,520	294,856	272,336
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	1,175	1,175	1,175	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	1,193,563	151,431	1,042,132
Total Expenditures	1,175	1,194,738	152,606	-
Excess (deficiency) of revenues over (under) expenditures	21,345	(1,172,218)	142,250	1,314,468
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 21,345	\$ (1,172,218)	142,250	\$ 1,314,468
Fund Balances-Beginning			1,626,301	
Fund Balances-Ending			\$ 1,768,551	

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, 2024

	Capital Project Funds (continued)			
	School Pedestrian & Traffic Safety			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	491,909	491,909	29,700	(462,209)
Investment income	808	808	2,603	1,795
Other revenues	-	-	-	-
Total Revenues	492,717	492,717	32,303	(460,414)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	5,529	5,529	5,529	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	529,000	896,033	10,896	885,137
Total Expenditures	534,529	901,562	16,425	885,137
Excess (deficiency) of revenues over (under) expenditures	(41,812)	(408,845)	15,878	424,723
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(15,000)	(15,000)	(107,955)	92,955
Total other financing sources (uses)	(15,000)	(15,000)	(107,955)	92,955
Net change in fund balances	\$ (56,812)	\$ (423,845)	(92,077)	\$ 517,678
Fund Balances-Beginning			92,077	
Fund Balances-Ending			\$ -	

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, 2024

	Capital Project Funds (continued)			
	Community/Rec Center Impact			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,136,038	1,136,038	1,524,173	388,135
Investment income	6,659	6,659	22,415	15,756
Other revenues	-	-	-	-
Total Revenues	1,142,697	1,142,697	1,546,588	403,891
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	15,976	15,976	15,976	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	1,269,600	2,778,273	225,306	2,552,967
Total Expenditures	1,285,576	2,794,249	241,282	2,552,967
Excess (deficiency) of revenues over (under) expenditures	(142,879)	(1,651,552)	1,305,306	2,956,858
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (142,879)	\$ (1,651,552)	1,305,306	\$ 2,956,858
Fund Balances-Beginning			992,228	
Fund Balances-Ending			\$ 2,297,534	

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, 2024

Capital Project Funds (continued)				
Public Safety Facilities Impact Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	801,347	801,347	869,170	67,823
Investment income	356	356	270,426	270,070
Other revenues	-	-	-	-
Total Revenues	801,703	801,703	1,139,596	337,893
Expenditures:				
Current:				
Public safety	6,393	324,932	6,393	318,539
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	11,162,142	5,531,836	5,630,306
Total Expenditures	6,393	11,487,074	5,538,229	5,948,845
Excess (deficiency) of revenues over (under) expenditures	795,310	(10,685,371)	(4,398,633)	6,286,738
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(255,530)	(255,530)	(205,530)	50,000
Total other financing sources (uses)	(255,530)	(255,530)	(205,530)	50,000
Net change in fund balances	\$ 539,780	\$ (10,940,901)	(4,604,163)	\$ 6,336,738
Fund Balances-Beginning			3,050,728	
Fund Balances (Deficits)-Ending			\$ (1,553,435)	

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, 2024

	Debt Service Funds			
	Civic Center (Library)			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Charges for current services	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	4,346	4,346
Total Revenues	-	-	4,346	4,346
Expenditures:				
Debt service:				
Principal	186,410	186,410	184,570	1,840
Interest and fiscal charges	104,442	103,452	103,452	-
Total Expenditures	290,852	289,862	288,022	1,840
Excess (deficiency) of revenues over (under) expenditures	(290,852)	(289,862)	(283,676)	6,186
Other Financing Sources (Uses):				
Transfers in	290,850	290,850	290,850	-
Total other financing sources (uses)	290,850	290,850	290,850	-
Net change in fund balances	\$ (2)	\$ 988	7,174	\$ 6,186
Fund Balances-Beginning			175,864	
Fund Balances-Ending			\$ 183,038	

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, 2024

	Debt Service Funds, (continued)			
	Police Facility Bond			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Charges for current services	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	-	-
Total Revenues	-	-	-	-
Expenditures:				
Debt service:				
Principal	248,590	250,430	250,430	-
Interest and fiscal charges	139,202	140,191	140,191	-
Total Expenditures	387,792	390,621	390,621	-
Excess (deficiency) of revenues over (under) expenditures	(387,792)	(390,621)	(390,621)	-
Other Financing Sources (Uses):				
Transfers in	387,792	387,792	387,792	-
Total other financing sources (uses)	387,792	387,792	387,792	-
Net change in fund balances	\$ -	\$ (2,829)	(2,829)	\$ -
Fund Balances-Beginning			166,725	
Fund Balances-Ending			\$ 163,896	



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, 2024

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
<u>Assets:</u>					
Current assets					
Pooled cash and investment	\$ 786,674	\$ 156,301	\$ 5,086,709	\$ 12,565	\$ 276,373
Restricted pooled cash and investments	-	-	-	-	-
Prepaid items	-	-	-	-	7,856
Total current assets	<u>786,674</u>	<u>156,301</u>	<u>5,086,709</u>	<u>12,565</u>	<u>284,229</u>
Noncurrent assets					
Depreciable capital assets, net	<u>715,586</u>	<u>80,234</u>	<u>1,262,511</u>	<u>3,080</u>	<u>-</u>
Total noncurrent assets	<u>715,586</u>	<u>80,234</u>	<u>1,262,511</u>	<u>3,080</u>	<u>-</u>
Total Assets	<u>1,502,260</u>	<u>236,535</u>	<u>6,349,220</u>	<u>15,645</u>	<u>284,229</u>
<u>Liabilities:</u>					
Current liabilities					
Accounts payable	127,193	50,728	2,178	2,491	-
Accrued liabilities	2,915	10,953	1,528	867	-
Current obligations for:					
SBITAs	130,694	-	-	-	-
Compensated absences	-	-	-	-	-
Total current liabilities	<u>260,802</u>	<u>61,681</u>	<u>3,706</u>	<u>3,358</u>	<u>-</u>
Noncurrent liabilities					
Long term obligations for:					
SBITAs	133,830	-	-	-	-
Compensated absences	-	-	-	-	-
Total noncurrent liabilities	<u>133,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>394,632</u>	<u>61,681</u>	<u>3,706</u>	<u>3,358</u>	<u>-</u>
<u>Net Position:</u>					
Net investment in capital assets	451,062	80,234	1,262,511	3,080	-
Unrestricted	<u>656,566</u>	<u>94,620</u>	<u>5,083,003</u>	<u>9,207</u>	<u>284,229</u>
Total Net Position	<u>\$ 1,107,628</u>	<u>\$ 174,854</u>	<u>\$ 6,345,514</u>	<u>\$ 12,287</u>	<u>\$ 284,229</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Net Position
June 30, 2024

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Assets:					
Current assets					
Pooled cash and investment	\$ 2,351,319	\$ 9,008,705	\$ 741,272	\$ 1,020,044	\$ 19,439,962
Restricted pooled cash and investments	30,000	-	-	-	30,000
Prepaid items	-	-	-	-	7,856
Total current assets	<u>2,381,319</u>	<u>9,008,705</u>	<u>741,272</u>	<u>1,020,044</u>	<u>19,477,818</u>
Noncurrent assets					
Depreciable capital assets, net	-	2,857,742	-	334	4,919,487
Total noncurrent assets	<u>-</u>	<u>2,857,742</u>	<u>-</u>	<u>334</u>	<u>4,919,487</u>
Total Assets	<u>2,381,319</u>	<u>11,866,447</u>	<u>741,272</u>	<u>1,020,378</u>	<u>24,397,305</u>
Liabilities:					
Current liabilities					
Accounts payable	-	281,156	-	36,071	499,817
Accrued liabilities	1,680,000	-	-	904,119	2,600,382
Current obligations for:					
SBITAs	-	-	-	-	130,694
Compensated absences	-	-	715,024	-	715,024
Total current liabilities	<u>1,680,000</u>	<u>281,156</u>	<u>715,024</u>	<u>940,190</u>	<u>3,945,917</u>
Noncurrent liabilities					
Long term obligations for:					
SBITAs	-	-	-	-	133,830
Compensated absences	-	-	2,472,607	-	2,472,607
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>2,472,607</u>	<u>-</u>	<u>2,606,437</u>
Total Liabilities	<u>1,680,000</u>	<u>281,156</u>	<u>3,187,631</u>	<u>940,190</u>	<u>6,552,354</u>
Net Position:					
Net investment in capital assets	-	2,857,742	-	334	4,654,963
Unrestricted	701,319	8,727,549	(2,446,359)	79,854	13,189,988
Total Net Position	<u>\$ 701,319</u>	<u>\$ 11,585,291</u>	<u>\$ (2,446,359)</u>	<u>\$ 80,188</u>	<u>\$ 17,844,951</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
Operating Revenues:					
Charges for current services	\$ 2,477,636	\$ 1,674,950	\$ 814,778	\$ 1,991,818	\$ -
Total Operating Revenues	<u>2,477,636</u>	<u>1,674,950</u>	<u>814,778</u>	<u>1,991,818</u>	<u>-</u>
Operating Expenses:					
Salaries and benefits	1,481,800	399,277	-	1,507,780	-
Claims and insurance premiums	-	-	-	-	26,644
Operations and maintenance	844,839	893,716	14,588	38,408	-
Depreciation	251,468	71,130	301,343	880	-
Administrative charges	27,090	275,655	-	438,056	-
Total Operating Expenses (Loss)	<u>2,605,197</u>	<u>1,639,778</u>	<u>315,931</u>	<u>1,985,124</u>	<u>26,644</u>
Operating Income	<u>(127,561)</u>	<u>35,172</u>	<u>498,847</u>	<u>6,694</u>	<u>(26,644)</u>
Nonoperating revenues(expenses):					
Investment earnings	18,438	2,575	202,712	-	7,735
Interest (expenses)	(9,412)	-	-	-	-
Total nonoperating revenue (expenses)	<u>9,026</u>	<u>2,575</u>	<u>202,712</u>	<u>-</u>	<u>7,735</u>
Income (loss) before operating transfers	<u>(118,535)</u>	<u>37,747</u>	<u>701,559</u>	<u>6,694</u>	<u>(18,909)</u>
Transfers in	-	-	10,000	-	-
Transfers out	(2,701)	-	-	(7,575)	-
Total transfers	<u>(2,701)</u>	<u>-</u>	<u>10,000</u>	<u>(7,575)</u>	<u>-</u>
Change in net position	(121,236)	37,747	711,559	(881)	(18,909)
Total Net Position (Deficit)-Beginning	<u>1,228,864</u>	<u>137,107</u>	<u>5,633,955</u>	<u>13,168</u>	<u>303,138</u>
Total Net Position (Deficit)-Ending	<u><u>\$ 1,107,628</u></u>	<u><u>\$ 174,854</u></u>	<u><u>\$ 6,345,514</u></u>	<u><u>\$ 12,287</u></u>	<u><u>\$ 284,229</u></u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
<u>Operating Revenues:</u>					
Charges for current services	\$ 957,628	\$ 1,140,641	\$ 837,158	\$ 2,098,820	\$ 11,993,429
Total Operating Revenues	957,628	1,140,641	837,158	2,098,820	11,993,429
<u>Operating Expenses:</u>					
Salaries and benefits	-	-	809,881	107,386	4,306,124
Claims and insurance premiums	902,980	-	-	2,893,532	3,823,156
Operations and maintenance	36,332	-	-	11,965	1,839,848
Depreciation	-	578,997	-	95	1,203,913
Administrative charges	-	-	-	-	740,801
Total Operating Expenses (Loss)	939,312	578,997	809,881	3,012,978	11,913,842
Operating Income	18,316	561,644	27,277	(914,158)	79,587
<u>Nonoperating revenues(expenses):</u>					
Investment earnings	94,505	349,695	17,838	62,456	755,954
Interest (expenses)	-	-	-	-	(9,412)
Total nonoperating revenue (expenses)	94,505	349,695	17,838	62,456	746,542
Income (loss) before operating transfers	112,821	911,339	45,115	(851,702)	826,129
Transfers in	-	570,000	-	-	580,000
Transfers (out)	-	-	-	(587)	(10,863)
Total transfers	-	570,000	-	(587)	569,137
Change in net position	112,821	1,481,339	45,115	(852,289)	1,395,266
Total Net Position (Deficit)-Beginning	588,498	10,103,952	(2,491,474)	932,477	16,449,685
Total Net Position (Deficit)-Ending	\$ 701,319	\$ 11,585,291	\$ (2,446,359)	\$ 80,188	\$ 17,844,951

City of Morgan Hill
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2024

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 2,479,259	\$ 1,675,515	\$ 814,778	\$ 1,991,818	\$ -
Payment for supplies and services	(871,547)	(890,765)	(67,537)	(38,136)	(26,644)
Payments to employees for salaries and benefits	(1,478,885)	(397,775)	1,528	(1,507,437)	-
Payments for interfund services	(27,090)	(275,655)	-	(438,056)	-
Net cash provided (used) by operating activities	<u>101,737</u>	<u>111,320</u>	<u>748,769</u>	<u>8,189</u>	<u>(26,644)</u>
Cash Flows from NonCapital Financing Activities					
Transfers from other funds	-	-	10,000	-	-
Transfers (to) other funds	(2,701)	-	-	(7,575)	-
Net cash provided (used) by noncapital financing activities	<u>(2,701)</u>	<u>-</u>	<u>10,000</u>	<u>(7,575)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Purchases of capital assets	(139,137)	(21,513)	(239,401)	-	-
Net cash provided (used) by capital and related financing activities	<u>(139,137)</u>	<u>(21,513)</u>	<u>(239,401)</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest earnings	9,189	2,575	203,688	-	7,800
Net cash provided (used) by investing activities	<u>9,189</u>	<u>2,575</u>	<u>203,688</u>	<u>-</u>	<u>7,800</u>
Net increase (decrease) in cash and equivalents	<u>(30,912)</u>	<u>92,382</u>	<u>723,056</u>	<u>614</u>	<u>(18,844)</u>
Cash and equivalents at July 1	817,586	63,919	4,363,653	11,951	295,217
Cash and Equivalents at June 30	<u>\$ 786,674</u>	<u>\$ 156,301</u>	<u>\$ 5,086,709</u>	<u>\$ 12,565</u>	<u>\$ 276,373</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (127,561)	\$ 35,172	\$ 498,847	\$ 6,694	\$ (26,644)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	251,468	71,130	301,343	880	-
(Increase) decrease in receivables	1,623	-	-	-	-
(Increase) decrease in Prepaid items	-	565	-	-	-
Increase (decrease) in accounts payable	102,545	2,951	(52,949)	272	-
Increase (decrease) in accrued liabilities	2,915	1,502	1,528	343	-
Increase (decrease) in unearned revenue	(1,623)	-	-	-	-
Increase in compensated absences	-	-	-	-	-
Increase (decrease) in SBITA's	(127,630)	-	-	-	-
Total adjustments	<u>229,298</u>	<u>76,148</u>	<u>249,922</u>	<u>1,495</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 101,737</u>	<u>\$ 111,320</u>	<u>\$ 748,769</u>	<u>\$ 8,189</u>	<u>\$ (26,644)</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2024

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 957,628	\$ 1,414,781	\$ 837,158	\$ 2,098,820	\$ 12,269,757
Payment for supplies and services	(823,312)	-	-	(2,568,146)	(5,286,087)
Payments to employees for salaries and benefits	-	-	(695,893)	(107,386)	(4,185,848)
Payments for interfund services	-	-	-	-	(740,801)
Net cash provided (used) by operating activities	<u>134,316</u>	<u>1,414,781</u>	<u>141,265</u>	<u>(576,712)</u>	<u>2,057,021</u>
Cash Flows from NonCapital Financing Activities					
Transfers from other funds	-	570,000	-	-	580,000
Transfers (to) other funds	-	-	-	(587)	(10,863)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>570,000</u>	<u>-</u>	<u>(587)</u>	<u>569,137</u>
Cash Flows from Capital and Related Financing Activities					
Purchases of capital assets	-	(998,754)	-	-	(1,398,805)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(998,754)</u>	<u>-</u>	<u>-</u>	<u>(1,398,805)</u>
Cash Flows from Investing Activities					
Interest earnings	94,956	351,387	17,940	62,750	750,285
Net cash provided (used) by investing activities	<u>94,956</u>	<u>351,387</u>	<u>17,940</u>	<u>62,750</u>	<u>750,285</u>
Net increase (decrease) in cash and equivalents	<u>229,272</u>	<u>1,337,414</u>	<u>159,205</u>	<u>(514,549)</u>	<u>1,977,638</u>
Cash and equivalents at July 1	<u>2,152,047</u>	<u>7,671,291</u>	<u>582,067</u>	<u>1,534,593</u>	<u>17,492,324</u>
Cash and Equivalents at June 30	<u>\$ 2,381,319</u>	<u>\$ 9,008,705</u>	<u>\$ 741,272</u>	<u>\$ 1,020,044</u>	<u>\$ 19,469,962</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 18,316	\$ 561,644	\$ 27,277	\$ (914,158)	\$ 79,587
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	578,997	-	95	1,203,913
(Increase) decrease in receivables	-	-	-	-	1,623
(Increase) decrease in Prepaid items	-	-	-	-	565
Increase (decrease) in accounts payable	-	274,140	-	16,720	343,679
Increase (decrease) in accrued liabilities	116,000	-	-	320,631	442,919
Increase (decrease) in unearned revenue	-	-	-	-	(1,623)
Increase in compensated absences	-	-	113,988	-	113,988
Increase (decrease) in SBITA's	-	-	-	-	(127,630)
Total adjustments	<u>116,000</u>	<u>853,137</u>	<u>113,988</u>	<u>337,446</u>	<u>1,977,434</u>
Net cash provided (used) by operating activities	<u>\$ 134,316</u>	<u>\$ 1,414,781</u>	<u>\$ 141,265</u>	<u>\$ (576,712)</u>	<u>\$ 2,057,021</u>



CITY OF MORGAN HILL

Custodial Funds



CITY OF MORGAN HILL

City of Morgan Hill
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2024

Custodial Funds				
	Morgan Hill Business Ranch	Madrone Business Park A.D.	Morgan Hill Property and Business Improvement District (MHPBID)	Total
<u>Assets:</u>				
Pooled cash and investments	\$ -	\$ 537,915	\$ -	\$ 537,915
Cash and investments with fiscal agents	-	622,248	-	622,248
Accounts receivable	-	1,367	-	1,367
Total Assets	-	1,161,530	-	1,161,530
<u>Liabilities</u>				
Due to bondholders	-	1,161,530	-	1,161,530
Total Liabilities	-	1,161,530	-	1,161,530
<u>Net Position</u>				
Other governments	-	-	-	-
Total Net Position	\$ -	\$ -	\$ -	\$ -

City of Morgan Hill
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2024

	Custodial Funds			
	Morgan Hill Business Ranch	Madrone Business Park A.D.	Morgan Hill Property and Business Improvement District (MHPBID)	Total
Additions:				
Other revenue	\$ 8,024	\$ 553,771	272,264	\$ 834,059
Total Additions	8,024	553,771	272,264	834,059
Deductions:				
Distribution	8,024	553,771	272,264	834,059
Total Deductions	8,024	553,771	272,264	834,059
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
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Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Government's financial report relates to the services the Government provides and the activities it performs.	220

City of Morgan Hill
Net Position by Component
Last Ten Fiscal Years

	2015	2016	2017	2018
<u>Governmental activities</u>				
Net investment in capital assets	\$ 212,704,540	\$ 247,387,770	\$ 255,440,265	\$ 261,192,662
Restricted	41,403,713	29,985,864	32,099,094	35,645,795
Unrestricted	67,076,890	83,047,293	80,663,122	69,792,792
Total governmental activities net position	<u>\$ 321,185,143</u>	<u>\$ 360,420,927</u>	<u>\$ 368,202,481</u>	<u>\$ 366,631,249</u>
<u>Business-type activities</u>				
Net investment in capital assets	\$ 59,973,693	\$ 66,841,902	\$ 74,296,295	\$ 75,398,340
Restricted	22,200,202	18,635,222	17,655,169	19,634,698
Unrestricted	10,015,654	10,092,674	6,561,396	7,811,265
Total business-type activities net position	<u>\$ 92,189,549</u>	<u>\$ 95,569,798</u>	<u>\$ 98,512,860</u>	<u>\$ 102,844,303</u>
<u>Primary government</u>				
Net investment in capital assets	\$ 272,678,233	\$ 314,229,672	\$ 329,736,560	\$ 336,591,002
Restricted	63,603,915	48,621,086	49,754,263	55,280,493
Unrestricted	77,092,544	93,139,967	87,224,518	77,604,057
Total primary government net position	<u>\$ 413,374,692</u>	<u>\$ 455,990,725</u>	<u>\$ 466,715,341</u>	<u>\$ 469,475,552</u>

Source: City of Morgan Hill Annual Financial Reports

2019		2020		2021		2022		2023		2024	
\$	270,716,404	\$	274,397,215	\$	283,099,830	\$	293,306,194	\$	300,675,120	\$	312,332,684
	35,888,935		31,219,706		25,555,920		22,896,579		24,399,382		23,229,578
	73,843,142		74,649,954		83,724,556		94,684,555		100,191,914		98,734,692
\$	380,448,481	\$	380,266,875	\$	392,380,306	\$	410,887,328	\$	425,266,416	\$	434,296,954

\$	75,944,603	\$	78,347,533	\$	78,260,663	\$	79,273,024	\$	78,825,056	\$	93,413,002
	22,966,985		23,633,751		25,530,099		22,398,499		23,279,896		21,445,979
	12,275,045		17,501,168		23,667,908		30,374,069		38,841,121		43,437,581
\$	111,186,633	\$	119,482,452	\$	127,458,670	\$	132,045,592	\$	140,946,073	\$	158,296,562

\$	346,661,007	\$	352,744,748	\$	361,360,493	\$	372,579,218	\$	379,500,176	\$	405,745,686
	58,855,920		54,853,457		51,086,019		45,295,078		47,679,278		44,675,557
	86,118,187		92,151,122		107,392,464		125,058,624		139,033,035		142,172,273
\$	491,635,114	\$	499,749,327	\$	519,838,976	\$	542,932,920	\$	566,212,489	\$	592,593,516

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

	2015	2016	2017	2018
Expenses				
Governmental activities:				
General Government	\$ 2,843,336	\$ 4,092,113	\$ 5,243,127	\$ 5,540,751
Public Safety	19,950,164	17,737,431	20,618,190	24,086,862
Community development	4,790,542	6,300,312	6,687,917	7,671,757
Public Works development	3,166,946	6,544,763	8,727,478	10,903,897
Recreation and culture	9,993,458	10,819,408	11,607,305	12,091,531
Interest on long term debt	558,971	643,763	474,499	549,201
Total governmental activities expenses	41,303,417	46,137,790	53,358,516	60,843,999
Business-type activities:				
Sewer	9,887,909	10,098,803	10,597,987	10,942,326
Water	10,527,296	13,642,270	10,933,406	12,708,481
Total Business-type activities expenses	20,415,205	23,741,073	21,531,393	23,650,807
Total primary government expenses	\$ 61,718,622	\$ 69,878,863	\$ 74,889,909	\$ 84,494,806
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 1,771,476	\$ 1,688,575	\$ 1,744,657	\$ 1,916,569
Public Safety	760,141	801,342	812,692	649,945
Community development	5,801,869	4,301,337	4,909,182	4,909,128
Public Works development	41,703	48,513	45,947	39,436
Recreation and culture	6,477,163	6,747,293	8,546,080	8,821,942
Operating grants and contributions	3,355,013	3,317,893	2,076,767	2,546,575
Capital grants and contributions	7,272,503	11,837,394	13,726,076	11,751,424
Total governmental activities program revenues	25,479,868	28,742,347	31,861,401	30,635,019
Business-type activities:				
Charges for services:				
Sewer	10,561,028	10,506,697	10,755,875	10,852,957
Water	9,041,044	10,834,507	12,067,226	13,031,315
Operating grants and contributions				
Capital grants and contributions	3,734,586	6,408,502	2,275,118	5,223,111
Total business-type activities program revenues	23,336,658	27,749,706	25,098,219	29,107,383
Total primary government program revenues	\$ 48,816,526	\$ 56,492,053	\$ 56,959,620	\$ 59,742,402
Net(Expense)/Revenue				
Governmental activities	\$ (15,823,549)	\$ (17,395,443)	\$ (21,497,115)	\$ (30,208,980)
Business-type activities	2,921,453	4,008,633	3,566,826	5,456,576
Total primary government net expense	\$ (12,902,096)	\$ (13,386,810)	\$ (17,930,289)	\$ (24,752,404)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 9,380,677	\$ 10,245,679	\$ 10,908,334	\$ 11,582,252
Sales taxes	8,790,769	9,437,549	9,734,686	10,358,420
Franchise taxes	4,232,789	4,585,883	5,198,405	5,478,690
Other general revenue taxes	1,146,383	784,422	1,247,902	1,023,350
Unrestricted investment earnings	713,844	1,035,927	1,211,374	1,253,089
Special item- assets transfer from Successor Agency		29,601,047		
Transfers	813,033	938,735	977,968	983,673
Total governmental activities	25,077,495	56,629,242	29,278,669	30,679,474
Business-type activities:				
Investment earnings	210,301	310,351	354,204	558,832
Transfers	(813,033)	(938,735)	(977,968)	(983,673)
Total business-type activities	(602,732)	(628,384)	(623,764)	(424,841)
Total primary government	\$ 24,474,763	\$ 56,000,858	\$ 28,654,905	\$ 30,254,633
Change in Net Position				
Governmental activities	\$ 9,253,946	\$ 39,233,799	\$ 7,781,554	\$ 470,494
Business-type activities	2,318,721	3,380,249	2,943,062	5,031,735
Total primary government	\$ 11,572,667	\$ 42,614,048	\$ 10,724,616	\$ 5,502,229

Source: City of Morgan Hill Annual Financial Reports

2019	2020	2021	2022	2023	2024
\$ 5,368,602	\$ 4,854,064	\$ 4,510,779	\$ 6,078,095	\$ 7,458,513	\$ 7,384,707
25,033,126	28,053,895	25,425,037	25,335,883	27,352,247	33,948,617
7,868,001	7,592,026	7,580,817	7,370,299	8,145,451	8,572,221
10,223,756	10,522,637	11,098,488	9,041,213	11,111,249	13,565,231
13,156,302	12,204,294	9,034,902	11,502,974	13,498,609	15,222,450
531,464	395,089	411,226	394,620	348,102	286,728
62,181,251	63,622,005	58,061,249	59,723,084	67,914,171	78,979,954
11,054,950	11,490,716	12,081,934	11,563,983	13,862,810	12,621,557
13,485,448	13,958,536	14,629,001	13,514,524	14,297,796	16,984,925
24,540,398	25,449,252	26,710,935	25,078,507	28,160,606	29,606,482
\$ 86,721,649	\$ 89,071,257	\$ 84,772,184	\$ 84,801,591	\$ 96,074,777	\$ 108,586,436
\$ 2,357,831	\$ 2,443,926	\$ 2,389,963	\$ 2,219,177	\$ 3,376,129	\$ 2,413,892
647,481	684,999	465,684	547,823	459,680	1,032,421
5,514,980	4,423,110	4,494,623	5,431,702	5,711,012	4,737,298
45,629	50,298	278,011	1,708,921	2,013,288	2,528,010
8,836,944	6,863,720	5,300,855	6,031,649	10,102,143	9,469,075
3,459,753	3,334,629	7,123,917	14,497,174	12,822,355	8,951,080
11,929,521	8,517,899	10,803,966	8,002,036	5,220,883	10,569,587
32,792,139	26,318,581	30,857,019	38,438,482	39,705,490	39,701,363
16,875,779	17,053,305	16,606,460	16,694,422	18,350,976	23,908,406
16,112,250	16,790,872	18,652,758	16,549,716	19,038,726	21,050,311
32,988,029	33,844,177	35,259,218	33,244,138	37,389,702	44,958,717
\$ 65,780,168	\$ 60,162,758	\$ 66,116,237	\$ 71,682,620	\$ 77,095,192	\$ 84,660,080
\$ (29,389,112)	\$ (37,303,424)	\$ (27,204,230)	\$ (21,284,602)	\$ (28,208,681)	\$ (39,278,591)
8,447,631	8,394,925	8,548,283	8,165,631	9,229,096	15,352,235
\$ (20,941,481)	\$ (28,908,499)	\$ (18,655,947)	\$ (13,118,971)	\$ (18,979,585)	\$ (23,926,356)
\$ 12,986,475	\$ 14,688,450	\$ 16,264,819	\$ 16,870,232	\$ 18,389,728	\$ 19,326,854
10,651,629	9,851,376	10,962,612	12,944,783	12,684,597	12,235,911
5,764,566	5,129,479	4,417,893	5,925,914	5,708,085	3,064,913
3,597,906	2,318,614	6,489,387	5,250,454	1,577,457	5,275,243
5,441,878	4,156,151	765,817	(2,201,423)	3,139,978	7,105,967
918,444	977,749	990,708	1,001,664	1,087,924	1,300,241
39,360,898	37,121,819	39,891,236	39,791,624	42,587,769	48,309,129
850,625	878,643	418,643	(2,577,045)	759,309	3,298,495
(918,444)	(977,749)	(990,708)	(1,001,664)	(1,087,924)	(1,300,241)
(67,819)	(99,106)	(572,065)	(3,578,709)	(328,615)	1,998,254
\$ 39,293,079	\$ 37,022,713	\$ 39,319,171	\$ 36,212,915	\$ 42,259,154	\$ 50,307,383
\$ 9,971,786	\$ (181,605)	\$ 12,687,006	\$ 18,507,022	\$ 14,379,088	\$ 9,030,538
8,379,812	8,295,819	7,976,218	4,586,922	8,900,481	17,350,489
\$ 18,351,598	\$ 8,114,214	\$ 20,663,224	\$ 23,093,944	\$ 23,279,569	\$ 26,381,027

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

	2015	2016	2017	2018
General Fund				
Nonspendable	\$ 1,681,066	\$ 1,651,263	\$ 2,451,243	\$ 2,809,542
Restricted	-	-	-	863,024
Unassigned	14,017,661	15,894,753	14,379,374	14,715,819
Total General Fund	<u>\$ 15,698,727</u>	<u>\$ 17,546,016</u>	<u>\$ 16,830,617</u>	<u>\$ 18,388,385</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	119,292,842	119,738,718	120,547,789	119,480,110
Unassigned	(805,653)	(688,296)	(778,193)	(736,932)
Total all other governmental funds	<u>\$ 118,487,189</u>	<u>\$ 119,050,422</u>	<u>\$ 119,769,596</u>	<u>\$ 118,743,178</u>
Total Governmental Funds	<u>\$ 134,185,916</u>	<u>\$ 136,596,438</u>	<u>\$ 136,600,213</u>	<u>\$ 137,131,563</u>

Source: City of Morgan Hill Annual Financial Reports

2019	2020	2021	2022	2023	2024
\$ 2,749,755	\$ 2,950,526	\$ 2,666,729	\$ 2,611,111	\$ 2,526,047	\$ 3,400,622
919,894	1,364,387	1,546,111	1,806,588	2,515,380	3,073,682
18,751,008	19,980,233	26,795,507	32,450,008	31,676,040	30,144,009
<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>	<u>\$ 36,618,313</u>
\$ 16,667	\$ 139	\$ 45,833	\$ 45,833	\$ 70,418	\$ -
117,366,252	113,405,611	110,787,947	108,071,806	110,495,305	112,169,592
(640,897)	(430,089)	-	(494,603)	(426,677)	(2,697,871)
<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>	<u>\$ 109,471,721</u>
<u>\$ 139,162,679</u>	<u>\$ 137,270,807</u>	<u>\$ 141,842,127</u>	<u>\$ 144,490,743</u>	<u>\$ 146,856,513</u>	<u>\$ 146,090,034</u>

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

	2015	2016	2017	2018
Revenues				
Property taxes	\$ 9,562,718	\$ 10,245,679	\$ 10,908,334	\$ 11,582,252
Sales taxes	8,790,769	9,437,549	9,734,686	10,358,420
Franchise, hotel and other taxes	4,232,789	4,585,883	5,198,405	5,478,690
Licenses and permits	190,796	198,342	194,186	199,824
Funding from other governmental agencies	2,710,916	1,677,125	1,479,375	1,694,780
Charges for current services	21,652,816	26,135,362	23,488,554	27,113,111
Investment income and rentals	1,666,549	1,891,025	933,215	1,101,533
Other revenues	867,721	568,333	1,539,966	1,172,387
Total Revenues	49,675,074	54,739,298	53,476,721	58,700,997
Expenditures				
General government	3,696,113	4,324,063	4,880,688	5,048,209
Public safety	17,949,585	18,921,528	20,360,934	20,799,919
Community development	8,560,835	6,033,214	6,386,603	6,524,119
Housing services	499,003	1,199,544	857,137	932,317
Streets and Highways	2,890,630	1,985,604	2,046,303	2,092,142
Parks and recreation	7,292,338	7,690,282	8,347,351	8,586,861
Other public services	737,953	651,551	1,138,415	1,061,927
Capital outlay	3,931,546	9,358,068	9,158,669	13,339,395
Debt service:				
Interest	649,264	739,333	531,126	423,561
Principal	310,000	450,323	402,582	497,022
Total Expenditures	46,517,267	51,353,510	54,109,808	59,305,472
Excess of revenues over (under) expenditures	3,157,807	3,385,788	(633,087)	(604,475)
Other Financing Sources (Uses)				
Proceeds from loans/bonds/sale	695,626	9,921,411	525,000	71,000
Transfers in	3,573,463	3,939,487	4,002,983	3,981,873
Transfers out	(3,068,817)	(4,322,934)	(3,891,121)	(3,647,503)
Payment to refunded escrow agent		(10,515,215)		
Subscription assets				
Total other financing sources (uses)	1,200,272	(977,251)	636,862	405,370
Net change in fund balances	\$ 4,358,079	\$ 2,408,537	\$ 3,775	\$ (199,105)
Debt service as a percentage of non-capital expenditures				
	2.5%	3.3%	2.1%	2.0%

Source: City of Morgan Hill Annual Financial Reports

	2019		2020		2021		2022		2023		2024
\$	12,986,475	\$	14,688,450	\$	16,264,819	\$	16,870,232	\$	18,389,728	\$	19,326,854
	10,651,629		9,851,376		10,962,612		12,944,783		12,684,597		12,235,911
	5,764,566		5,129,479		4,417,893		5,925,914		5,708,085		6,005,006
	207,393		152,642		141,280		296,030		790,534		439,828
	2,964,464		5,759,822		10,045,540		18,872,494		11,738,917		4,850,295
	26,593,418		22,093,980		23,787,363		23,923,891		28,197,077		30,723,369
	5,211,051		3,914,019		540,573		(1,434,456)		3,153,048		6,350,013
	841,030		505,751		944,094		438,986		456,051		863,895
	65,220,026		62,095,519		67,104,174		77,837,874		81,118,037		80,795,171
	5,207,567		4,845,180		4,365,737		6,585,424		7,139,671		7,178,760
	21,963,078		24,363,254		24,330,213		25,313,737		28,067,517		30,295,554
	7,310,548		7,593,331		7,166,342		7,568,283		8,038,330		8,140,132
	1,007,840		1,005,828		1,012,035		1,029,860		2,157,688		1,165,537
	2,431,834		2,478,804		2,312,370		2,570,990		2,667,574		3,365,932
	9,331,980		8,528,223		5,300,646		7,896,006		9,624,113		10,771,627
	1,658,110		1,391,786		1,094,799		2,307,804		2,711,023		3,465,901
	14,101,650		14,513,000		15,955,677		22,020,790		20,321,645		18,130,768
	439,549		460,540		414,351		394,620		345,253		287,958
	477,670		454,670		476,554		496,060		415,000		435,000
	63,929,826		65,634,616		62,428,724		76,183,574		81,487,814		83,237,169
	1,290,200		(3,539,097)		4,675,450		1,654,300		(369,777)		(2,441,998)
	143,064		950,000		-		-		-		-
	6,470,357		8,304,850		6,919,370		12,479,604		6,871,907		6,784,761
	(5,872,505)		(7,607,625)		(6,449,926)		(11,485,288)		(6,743,080)		(6,053,657)
									2,606,720		944,415
	740,916		1,647,225		469,444		994,316		2,735,547		1,675,519
\$	2,031,116	\$	(1,891,872)	\$	5,144,894	\$	2,648,616	\$	2,365,770	\$	(766,479)
	1.9%		1.8%		2.0%		1.7%		1.3%		1.1%

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
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
2024	10,346,346,760	1,188,415,092	601,988,163	150,856,297	423,091,172

Source: Santa Clara County Annual Assessor's Report

	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
\$	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%
	49,435,400	12,661,262,084	1.1345%

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	
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%
2024	1.00%	1.00%	0.0412%	0.0933%	1.1345%

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>	2024		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Value</u>
Bridge Group Investments LLC	Industrial	\$ 113,753,479	1	1.03%
Morgan Ranch Apartment Homes 182 LLC	Housing	69,652,250	2	0.63%
Morgan Hill Multifamily LLC	Housing	62,696,180	3	0.57%
83R JMH Owner LLC	R & D	46,818,000	4	0.42%
Sunsweet Morgan Hill Development LLC	Housing	39,336,648	5	0.36%
Woodland Residents Inc	Housing	36,774,566	6	0.33%
Willowbrook California Props LLC	Industrial	28,651,257	7	0.26%
18125 Sutter Owner LLC	Industrial	28,260,700	8	0.26%
Jtj Apartment Investors LLC (16945 Del Monte)	Housing	28,246,258	9	0.26%
Stag CA Holdings LP	Industrial	27,830,700	10	0.25%
		<u>\$ 482,020,038</u>		<u>4.35%</u>

Source: County of Santa Clara

2015		
Taxable Assessed Value	Rank	Percentage of Total Value
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
19,251,868	4	0.33%
24,135,990	1	0.41%
n/a	n/a	n/a
23,972,357	2	0.41%
n/a	n/a	n/a
<hr/>		<hr/>
\$ 67,360,215		1.14%
<hr/>		<hr/>

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
2015	\$ 8,168,385	\$ 8,168,385	100%	City of Morgan Hill participates in the Teeter Plan*		
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%			
2024	19,075,049	19,075,049	100%			

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

Source: City of Morgan Hill Annual Financial Reports



CITY OF MORGAN HILL

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>						Water Facilities Loan
	Revenue Bonds	Lease Revenue Bonds	Loans Payable	Capital Lease Payable	Special Assessment Bonds		
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	-	-	-
2024	-	6,587,238	-	1,710,362	-	-	-

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	Per Capita
\$	-	\$ 21,265,000	\$	-	\$ 17,318,703	\$ 54,755,847	1,311
	-	20,470,000		-	17,241,146	52,801,763	1,186
	-	19,635,000		-	15,903,588	49,857,700	1,120
	-	18,770,000		-	14,511,031	46,782,465	1,051
	-	17,875,000		-	13,058,474	43,608,921	980
	-	16,945,000		-	11,535,916	40,298,246	867
	-	16,370,000		-	30,096,092	57,409,698	1,212
	-	15,415,000		-	28,333,269	53,771,724	1,158
	-	14,265,000		-	26,650,445	50,088,952	1,091
	-	13,084,000		-	26,022,621	47,404,221	1,022



CITY OF MORGAN HILL

City of Morgan Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2024

2023-24 Assessed Valuation: \$ 13,137,080,622

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2024	% Applicable (1)	City's Share of Debt 6/30/2024
Santa Clara County	\$ 956,770,000	1.990%	\$ 19,039,723
Gavilan Joint Community College District	244,740,000	28.837%	70,575,674
Morgan Hill Unified School District	162,395,000	68.080%	110,558,516
City of Morgan Hill 1915 Act Bonds	990,000	100%	990,000
Santa Clara Valley Water District Benefit Assessment District	29,235,000	1.990%	581,777
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 201,745,690

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Santa Clara County General Fund Obligations	1,057,709,440	1.990%	21,048,418
Santa Clara County Pension Obligation Bonds	323,733,582	1.990%	6,442,298
Santa Clara County Board of Education Certificates of Participation	12,073,098	1.990%	240,255
Morgan Hill Unified School District Certificates of Participation	13,505,000	68.080%	9,194,204
Santa Clara County Vector Control Certificates of Participation	945,000	1.990%	18,806
City of Morgan Hill Lease Revenue Bonds	6,075,000	100%	6,075,000
City of Morgan Hill Capital Lease Obligations	1,710,362	100%	1,710,362
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 44,729,343
Less: Santa Clara County supported obligations			\$ 52,934
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 44,676,409

OVERLAPPING TAX INCREMENT DEBT (Successor Agency): \$ 56,700,000 100% \$ 56,700,000

TOTAL DIRECT DEBT	\$ 7,785,362
TOTAL GROSS OVERLAPPING DEBT	\$ 295,389,671
TOTAL NET OVERLAPPING DEBT	\$ 295,336,737

GROSS COMBINED TOTAL DEBT	\$ 303,175,033	(2)
NET COMBINED TOTAL DEBT	\$ 303,122,099	

(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 2023-24 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.54%
Total Direct Debt (\$7,785,362).....	0.06%
Gross Combined Total Debt.....	2.31%
Net Combined Total Debt.....	2.31%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$4,385,137,249):

Total Overlapping Tax Increment Debt.....	1.29%
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City of Morgan Hill
Legal Debt Margin Information
Last Ten Fiscal Years (In thousands)

	2015	2016	2017	2018	2019
Debt limit	\$ 1,032,954	\$ 1,103,614	\$ 1,187,287	\$ 1,270,730	\$ 1,360,477
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	\$ 1,032,954	\$ 1,103,614	\$ 1,187,287	\$ 1,270,730	\$ 1,360,477
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%

2020		2021		2022		2023		2024	
\$	1,473,255	\$	1,569,585	\$	1,660,467	\$	1,787,230	\$	1,899,189
	-		-		-		-		-
\$	1,473,255	\$	1,569,585	\$	1,660,467	\$	1,787,230	\$	1,899,189
	0%		0%		0%		0%		0%

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

Fiscal Year Ended June 30,	Sewer Bonds		
	Utility Services Charges	Less: Operating Costs	Net Available Revenue
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
2024	23,908,406	11,970,856	11,937,550

	Water Bonds		
	Utility Services Charges	Less: Operating Costs	Net Available Revenue
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
2024	21,001,040	16,596,253	4,404,787

Source: City of Morgan Hill Annual Financial Report

Sewer Bonds

Debt Service			
Principal		Interest	Coverage
\$ 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
465,000		662,915	10.58

Water Bonds

Debt Service			
Principal		Interest	Coverage
\$ 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
1,181,000		386,582	2.81



CITY OF MORGAN HILL

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
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
2024	46,384	152,199	3.070	49,576	4.2	38	8,617

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
Principal Employers
Current Fiscal Year, Prior Fiscal Year and Ten Years Ago

<u>Employer</u>	Fiscal Year 2024		
	Number of Employees	Rank	Percent of Total City Employment
Morgan Hill Unified School District	740	1	5.98%
Paramit Corporation	505	2	4.08%
Anritsu	389	3	3.14%
Lusamerica Foods, Inc.	317	4	2.56%
Toray Advanced Composites USA, Inc	260	5	2.10%
City of Morgan Hill	206	6	1.67%
Gryphon Financial Group	202	7	1.63%
Mission Bell Mfg, Inc.	202	7	1.63%
Walmart #5766	186	9	1.50%
Young's Market Company, LLC	182	10	1.47%
Target Store #T2252	181	11	1.46%
Sun Basket	150	12	1.21%
Marki Microwave, Inc.	145	13	1.17%
Paragon Mechanical	140	14	1.13%
The Home Depot #8572	139	15	1.12%
Pacific Hills Manor	138	16	1.12%
New Product Integration Solutions, Inc	133	17	1.08%
The Ford Store of Morgan Hill Inc.	131	18	1.06%
Safeway Inc. #1455	130	19	1.05%
Safeway #1891 + Fuel Center	120	20	0.97%
Intelligent foods Inc	120	20	0.97%
Lin Engineering			
Specialized Bicycle Components			
Psynergy			
Shoe Palace Corporation			
Wolfspeed, Inc (Formerly Cree, Inc)			
New Product Integratin Solutions, Inc.			
NXEdge MH LLC			
ANDPAK Inc			
Sakata Seed America			
Flextronics International			
Infineon Technologies, North America Corp			
Mission Bell Mfg., Inc.			
Extreme Learning			
Del Monaco Specialty Foods, Inc.			
 Total	 <u>4,716</u>		 <u>38.13%</u>

*Source: HDL Business License Database

Fiscal Year 2023			Fiscal Year 2015		
Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
800	1	5.91%	796	1	3.77%
419	2	3.10%	310	5	1.81%
412	3	3.04%	529	2	3.09%
321	6	2.37%	240	6	1.40%
204	10	1.51%	182	8	1.06%
204	11	1.51%	140	12	0.82%
207	9	1.53%	140	13	0.82%
187	13	1.38%	159	10	0.93%
149	17	1.10%	136	15	0.80%
279	7	2.06%			
202	12	1.49%			
144	18	1.06%			
137	19	1.01%	147	11	0.86%
					0.00%
			129	16	0.75%
134	20	0.99%	123	17	0.72%
152	16	1.12%	117	18	0.68%
405	4	2.99%			
333	5	2.46%			
245	8	1.81%			
186	14	1.37%			
154	15	1.14%			
<hr/> <hr/> 5,274			<hr/> <hr/> 3,148		
<hr/> <hr/> 38.96%			<hr/> <hr/> 17.53%		

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

	2015	2016	2017	2018
City Council	5.00	5.00	5.00	5.00
City Manager	1.20	3.00	3.90	4.05
City Attorney	2.63	2.63	2.75	2.75
Administrative Services	18.40	19.15	24.23	24.96
Community Services*	21.79	23.33	29.62	29.39
Police	58.50	59.50	60.60	61.60
Fire	-	-	0.10	0.10
Development Services	22.67	19.87	25.90	26.17
Engineering and Utilities*	32.29	43.10	41.40	40.98
Internal Services*	19.52	11.92	-	-
Public Services	-	-	-	-
Total City Government Employees	182.00	187.50	193.50	195.00

* 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

2019	2020	2021	2022	2023	2024
5.00	5.00	5.00	5.00	5.00	5.00
2.75	2.85	2.85	2.00	2.25	2.25
2.25	2.60	2.85	2.85	2.85	2.85
25.95	19.85	19.38	19.35	19.20	20.30
29.70	27.55	25.85	-	-	-
62.50	66.50	68.50	68.50	72.00	72.25
-	-	-	-	-	-
27.71	28.95	25.68	27.85	30.30	24.86
40.14	40.20	40.40	-	-	-
-	-	-	-	-	-
-	-	-	72.70	72.15	78.74
196.00	193.50	190.50	198.25	203.75	206.25

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

<u>Function/Program</u>	2015	2016	2017	2018
<u>Recreation and Community Services</u>				
Daily Visitors	349,844	402,342	314,149	321,079
Recreation Program Visits	77,451	84,519	95,602	86,392
RCS Facility Rental Reservation Hours	53,775	373,733	44,238	47,439
CRC/AC Memberships	4,737	4,703	4,903	4,944
% of expenditures for capital outlay	0.31%	0%	3.22%	3.22%
<u>Public Safety</u>				
Police				
Number of crimes reported	3,725	3,863	4,113	4,137
% of expenditures for capital outlay	1.22%	0.76%	3.10%	3.22%
Fire				
Fire and Life Safety Inspections	1,375	1,074	1,359	1,133
Public Education Attendees	2,536	3,370	3,417	3,242
% of expenditures for capital outlay	3.78%	0.19%	3.82%	1.61%
<u>Public Works</u>				
Sewer Operations				
Sewer lines flushed (ft)	587,687	445,843	363,622	649,668
Sanitary Sewer Overflows (SSO)	10	5	14	5
% of expenditures for capital outlay	0.54%	0.66%	1.24%	1.78%
Water Operations				
Water production (thous gal)	2,217,117	1,884,822	2,123,958	2,372,393
Water meters installed	271	348	195	469
Water meters repaired or replaced	1,409	780	286	585
Water customer accounts	13,274	13,647	13,841	13,953
% of expenditures for capital outlay	7.75%	5.75%	9.04%	5.51%
Streets Maintenance				
New signs installed	19	10	23	107
Signs repaired/replaced	164	63	100	132
% of expenditures for capital outlay	0.00%	0.00%	0.00%	5.49%
<u>Community Development</u>				
Planning applications	210	171	185	160
Building permits issued	2,105	2,204	2,197	2,191
% of expenditures for capital outlay	0.25%	4.71%	2.79%	0.60%
<u>Housing Agency</u>				
Rehab loans	0	0	9	35
Below Market Rate home sales	10	24	7	20
% of expenditures for capital outlay	0.00%	0.00%	0.00%	0.00%
<u>Total City Government Employees</u>	182.0	187.5	193.5	195

Source: Departments of the City of Morgan Hill

2019	2020	2021	2022	2023	2024
807,746	275,522	142,731	231,993	300,517	326,934
87,807	64,132	13,018	33,758	43,103	45,536
44,913	31,963	10,011	13,759	35,507	46,345
4,895	4,771	3,876	3,279	3,694	3,896
6.06%	6.94%	8.56%	9.88%	6.16%	5.32%
3,811	3,879	3,618	3,427	3,365	3,285
8.49%	2.95%	3.46%	2.51%	2.28%	2.56%
1,062	1,044	1,038	1,038	952	898
3,391	1,413	1,211	1,211	1,486	1,585
4.99%	1.56%	1.46%	1.27%	2.63%	9.01%
452,703	594,420	622,180	465,355	249,187	333,125
10	8	4	1	3	5
4.61%	1.81%	3.50%	2.06%	1.40%	1.74%
2,344,062	2,468,274	2,573,773	2,292,174	2,079,975	2,330,672
186	343	84	89	90	93
780	298	255	325	396	336
14,368	14,711	14,748	14,795	15,008	15,108
3.07%	3.70%	3.79%	3.53%	1.76%	2.08%
154	32	70	24	110	43
77	117	130	42	85	84
5.94%	3.29%	4.98%	6.21%	5.98%	4.24%
181	144	178	156	128	139
1,828	1,531	1,580	1,819	2,086	1,960
0.17%	0.28%	0.20%	0.57%	0.99%	0.88%
0	0	0	0	0	0
10	10	13	1	6	6
65.37%	0.13%	0.11%	0.83%	0.24%	0.29%
196	193.5	190.5	198.25	203.75	206.25

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

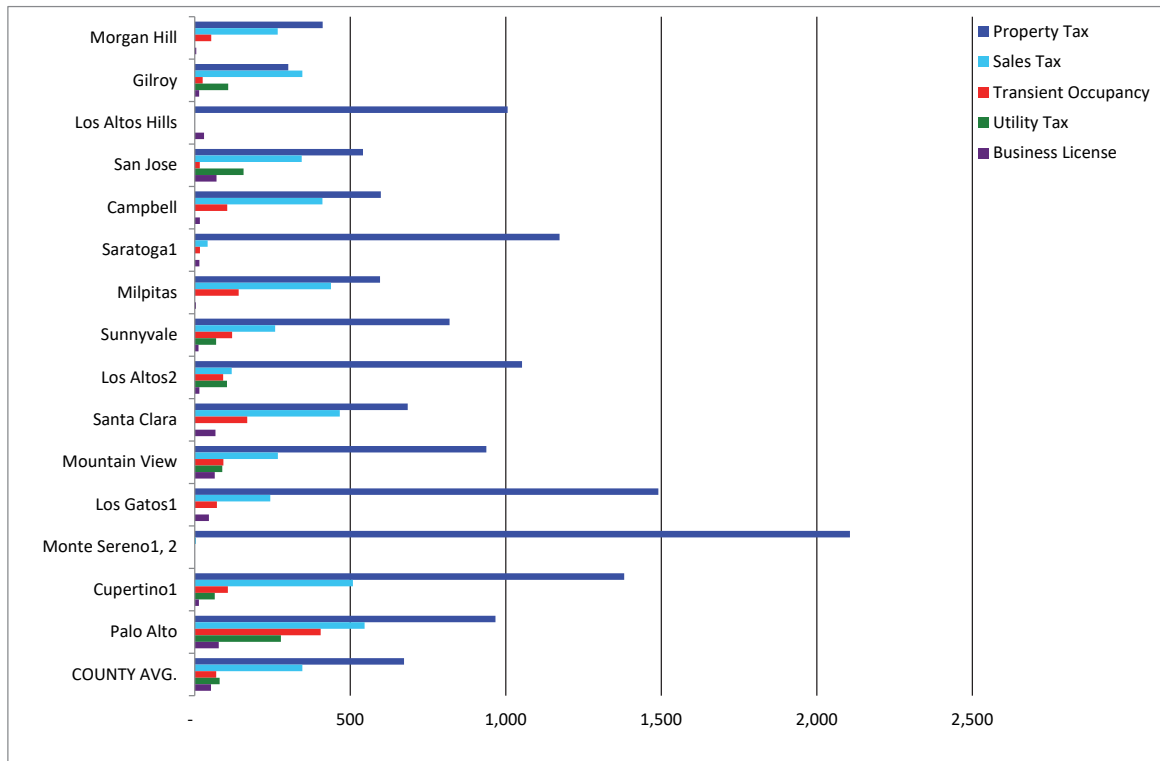
<u>Function/Program</u>	2015	2016	2017	2018
Community Services				
Parks & Open Space Acreage*	492	492	492	498
Parks*	23	22	22	22
Swimming Pools	4	4	4	4
Community and Recreation Centers	4	4	4	4
Streets				
Streets (miles)	149	n/a	127	127
Streetlights	4,161	n/a	n/a	n/a
Public Safety				
Police Stations	1	1	1	1
Patrol Units	22	22	24	28
Motorcycle Patrol Units	2	4	4	4
Fire Houses	2	2	2	2
Fire Apparatus	3	4	4	4
Fire Personnel Vehicles	3	3	3	3
Sewer				
Sewer lines (miles)	165	161	162	166
Storm drains (miles)	111	114	114	116
Maximum daily capacity (thousand gallons)	5,900	n/a	6,600	7,200
Water				
Water mains (miles)	185	189	186	192
Water wells	17	17	17	17
Maximum daily capacity (thousand gallons)	15,500	n/a	13,500	14,820

Source: Departments of the City of Morgan Hill

2019	2020	2021	2022	2023	2024
495	495	495	495	495	495
25	25	25	26	26	26
4	4	4	4	4	4
4	4	4	4	4	4
128	128	129	129	129	130
n/a	n/a	n/a	n/a	n/a	n/a
1	1	1	1	1	1
28	28	29	30	32	32
4	5	5	5	5	5
2	2	2	2	2	2
4	4	4	4	5	5
3	4	4	4	4	4
169.59	161	163	163	163	163
116	116	116	116	116	117
7,200	7,200	7,200	7,200	7,200	7,200
192.45	192	192	195	197	197
15	16	16	16	16	16
16,612	15,179	18,099	17,297	17,505	20,129

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 - 2023-24



City	Population	Property Tax		Sales Tax		Transient Occupancy		Utility Tax		Business License	
		Amount	Per capita	Amount	Per capita	Amount	Per capita	Amount	Per capita	Amount	Per capita
Morgan Hill	46,384	\$ 19,075,049	411	\$ 12,369,118	267	\$ 2,472,771	53	\$ -	-	\$ 238,860	5
Gilroy	61,033	18,359,121	301	21,119,635	346	1,560,500	26	6,563,469	108	883,812	14
Los Altos Hills	8,476	8,527,387	1,006	-	-	-	-	-	-	255,405	30
San Jose	969,491	524,473,430	541	333,411,487	344	15,894,163	16	152,062,539	157	67,749,866	70
Campbell	43,095	25,790,000	598	17,699,289	411	4,500,000	104	-	-	723,400	17
Saratoga ¹	30,163	35,378,883	1,173	1,253,649	42	512,261	17	-	-	458,856	15
Milpitas	81,773	48,723,543	596	35,836,135	438	11,537,074	141	-	-	333,592	4
Sunnyvale	157,566	129,062,478	819	40,715,300	258	18,915,542	120	10,816,575	69	1,938,459	12
Los Altos ²	31,021	32,644,256	1,052	3,686,148	119	2,830,943	91	3,214,718	104	471,808	15
Santa Clara	132,476	90,710,410	685	61,776,044	466	22,347,394	169	-	-	8,820,389	67
Mountain View	86,535	81,120,694	937	23,124,896	267	7,961,020	92	7,647,779	88	5,580,870	64
Los Gatos ¹	33,230	49,527,166	1,490	8,071,734	243	2,367,653	71	-	-	1,519,960	46
Monte Sereno ^{1, 2}	3,500	7,371,991	2,106	13,967	4	-	-	-	-	-	-
Cupertino ¹	60,869	84,036,853	1,381	30,961,166	509	6,486,798	107	3,935,917	65	831,321	14
Palo Alto	68,624	66,343,501	967	37,482,355	546	27,781,062	405	19,012,528	277	5,285,805	77
COUNTY AVG.	120,949	81,409,651	673	41,834,728	346	8,344,479	69	9,676,543	80	6,339,493	52

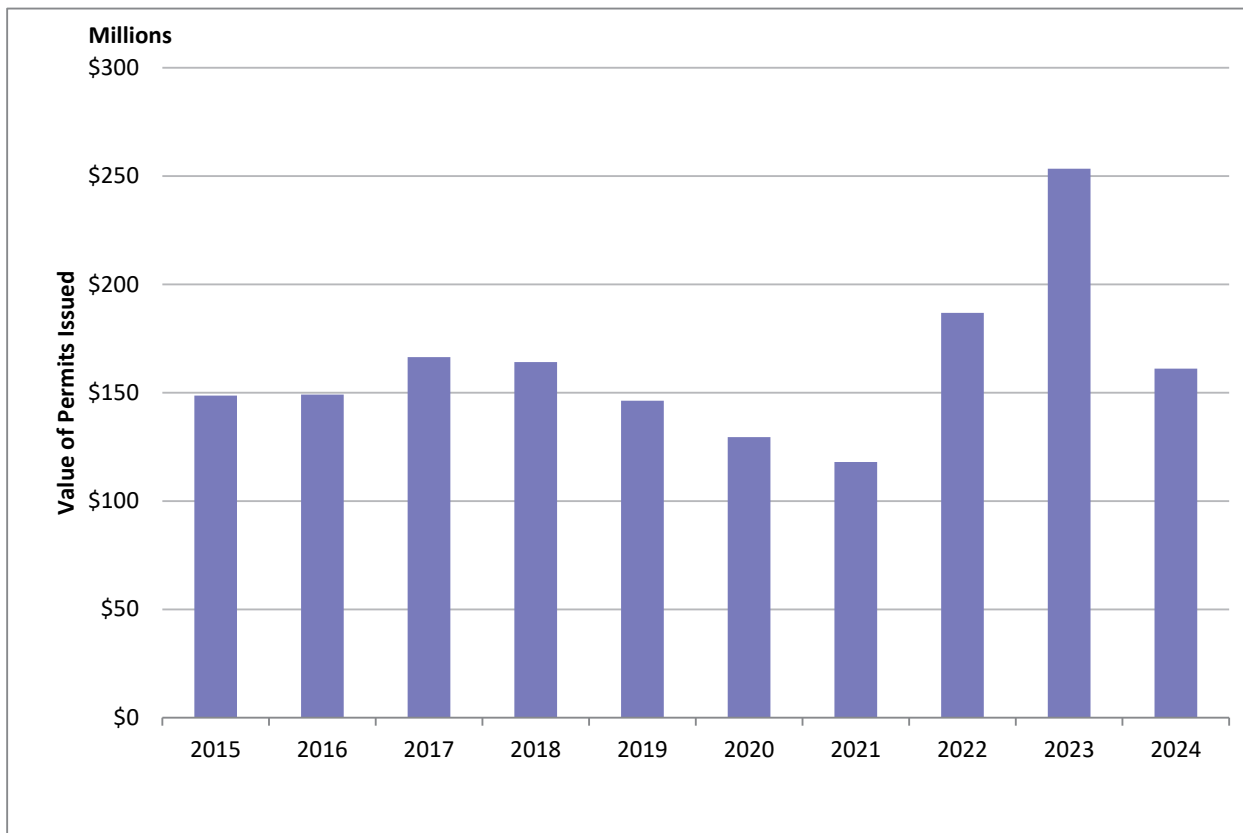
Source: ACFR /City websites

¹ Property tax amount includes Santa Clara County Central Fire District FY24-25

² FY 22-23 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
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
2024	12,661,262,084	1,960	44,789,847	116,347,074	161,136,921

Source: City of Morgan Hill Building Department

City of Morgan Hill, California

Miscellaneous Statistics - June 30, 2024

General Information

Date of Incorporation	October 1906
Form of Government	Council/Manager
Area	12.9 square miles
Number of Registered voters	28,868
Median household income for Morgan Hill	\$ 152,199
Elevation in feet	320
Building Permits Issued during year	1,960

Demographics:

Median Age	38.0
Median Persons per household	3.07
Population (consisting of)	46,384
White	42.6%
Hispanic	33.5%
Asian	16.3%
Black	2.3%
Native American	0.5%
Other, mixed	4.8%

Fire Protection:

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

Police Protection:

Number of stations	1
Number of police cars/motorcycles	37

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

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	8,617

Health Facilities:

Dentists and Optometrists	42
Physicians/Surgeons	29
Chiropractors	13
Therapists	14
Medical Clinics	6
Veterinarians	4

Culture and Recreation:

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

Employees:

City Council	5.00
City Manager	2.25
City Attorney	2.85
Administrative Services	20.30
Police	72.25
Development Services	24.86
Public Seivces	78.74

Total Employees 206.25

Sewer Services

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

Sources: Various