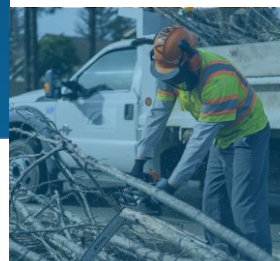
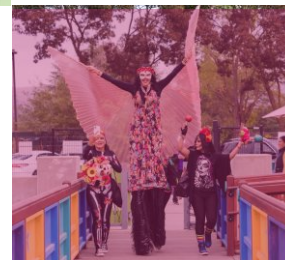


Annual Comprehensive Financial Report

Year Ended June 30, 2025

City of Morgan Hill, California





CITY OF MORGAN HILL

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2025

**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, 2025

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INTRODUCTORY SECTION



CITY OF MORGAN HILL

November 18, 2025

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, 2025, 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, 2025.

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 encompasses 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 three fire stations with personnel provided under contract by the State's CalFire.

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

ECONOMIC CONDITIONS AND OUTLOOK

The U.S. economy continues to display resilience amidst ongoing challenges. The unemployment rate in August 2025 was 4.3%, compared to 4.2% in August 2024, with 22,000 jobs added. A job gain in health care was partially offset by losses in federal government and in mining, quarrying, and oil and gas extraction. Wage growth slowed to 3.7% over the past year, a decrease from the previous year's pace, with real average hourly earnings (adjusted for inflation) growing by only 0.7% between August 2024 and August 2025. Inflation, while showing signs of moderation, remains a key economic concern. The Consumer Price Index (CPI) for September 2025 registered a 2.9% increase compared to the previous year, with core inflation, which excludes the more volatile food and energy categories, rising by 3.1%.

The State of California, like much of the U.S., continues to navigate the challenges posed by high inflation and interest rates. California's unemployment rate also rose slightly to 5.5% as of August 2025, compared to 5.4% a year earlier. Elevated 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.

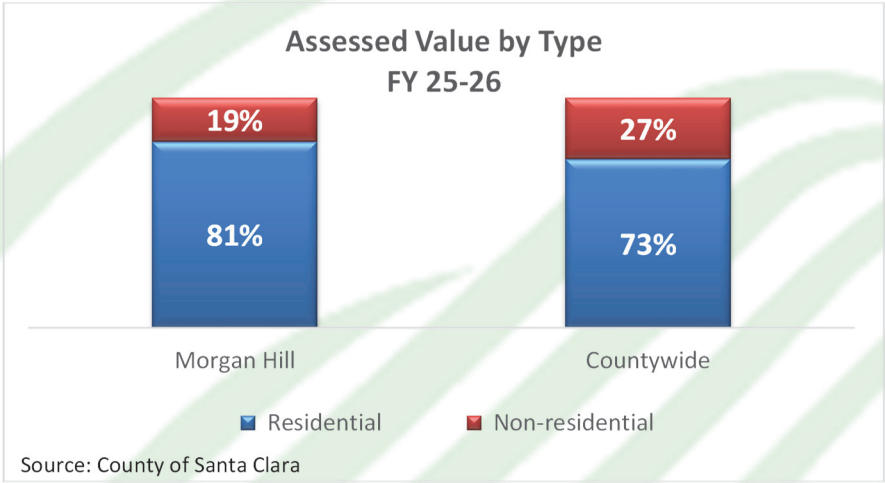
Morgan Hill's unemployment rate stood at 4.9% as of September 2025, above the County's rate of 4.6%. General Fund revenues have remained stable, supported by a strong property tax base due to rising home values and continued development. Property tax revenues are expected to grow by 7% in the coming year, reflecting the stable demand for housing in the region. Sales tax receipts are expected to remain flat after a decline in the previous year.

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 return to a growth mode, particularly with the opening of a new hotel, and sporting events such as Superbowl and Federation Internationale de Football Association (FIFA) World Cup in 2026. However, persistent inflationary pressures and higher operating costs, including personnel costs, continue to challenge service-level sustainability. 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 adopted Biennial Budget includes additional staffing that is 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 for the current fiscal year are projected to increase by 8%, compared to projected revenue growth of less than 1%.

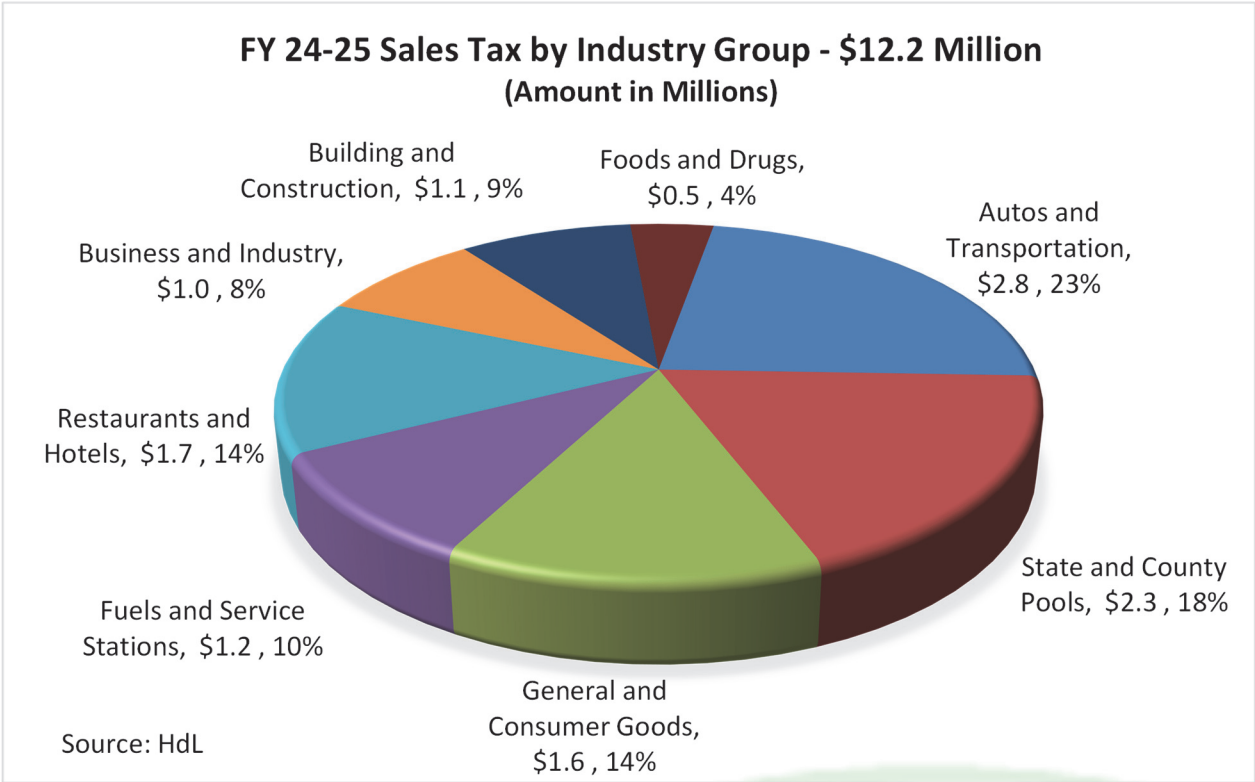
Despite these challenges, continued cost recovery in Recreation Services and steady growth in franchise fees and grant funding have propelled the City’s FY 24-25 General Fund revenues to exceed the prior fiscal year amount by \$1.4 million. On July 2, 2025, the County of Santa Clara Assessor’s Office released the assessment roll close for FY 25-26. The County’s assessment roll grew by 4.15% for FY 25–26, down from 5.39% in the previous year. The primary contributors to roll growth were changes in ownership, followed by the two percent inflation adjustment under Proposition 13, and new construction. The City of Morgan Hill recorded the highest growth rate in the County for FY 25–26 at 6.56%, slightly lower than the original budget projection of 7.0%. However, there are residential and commercial projects currently under construction or expected to be completed during the year, and these will be added to the City’s assessed value. These mid-year additions should generate additional supplemental property tax revenue for the City, and we expect that the City’s overall property tax revenue will meet or exceed the forecasted 7.0% growth for FY 25-26. The City’s total net assessed value for FY 25–26 is approximately \$14.7 billion, an increase of about \$0.9 billion from the prior year’s total of approximately \$13.8 billion. For the City of Morgan Hill, changes in ownership accounted for approximately 52% of the increase, or about \$475 million, while new construction contributed 22%, or about \$201 million, with the remaining amount mainly due to the two percent inflation adjustment under Proposition 13. Residential assessments make up about 81% of the City’s total assessed value, while non-residential accounts for about 19%, compared to the Countywide averages of 73% residential and 27% non-residential. Notably, in FY 25–26, new construction added assessed value that was 47% non-residential for Morgan Hill.

The chart below compares the City’s total net assessed value of residential and non-residential properties to the countywide for FY 25-26. 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 remains the City’s largest General Fund revenue source, accounting for about 37% of the projected \$57.6 million in FY 25–26 General Fund revenue. While property tax revenues are relatively stable, other major sources, such as sales tax and TOT, are more volatile and sensitive to economic fluctuations. Sales tax revenue for FY 25–26 is projected at \$12.2 million, unchanged from FY 24–25 actuals, based on October 2025 projections from the City’s sales tax consultant, HdL.

The chart below illustrates the City’s sales tax revenue by major industry group for FY 24-25. Total amount of sales tax revenue in FY 24-25 was about \$12.2 million, before sales tax rebates, a reduction of \$0.3 million from prior year. Sales tax revenue declined from every major industry group compared to the previous year, except for State and County Pools, General and Consumer Goods, 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. The program is intended to be full-cost recovery, except for certain public services such as counter/general information assistance and other subsidized activities, which are supported by the General Fund.

Development Services revenue for FY 25–26 is budgeted at \$5.9 million, though actual revenues are anticipated to match or exceed the prior year’s \$6.3 million, reflecting continued demand for development, particularly housing.

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.

The City offers economic development incentive programs to entities that propose to establish or expand business operations within the City. These programs are intended to stimulate the local economy, broaden the tax base, and promote job creation. Each agreement executed under these programs provides for a rebate of taxes paid to the City, calculated in accordance with formulas specified in the individual agreements. These limited-term agreements generally provide for the sharing of taxes collected above predetermined baseline amounts, with maximum rebate limits established to assist participating businesses in recovering a portion of the costs associated with establishing or expanding their operations. The City anticipates that these incentive arrangements will result in increased overall revenues and long-term economic benefits. All incentive agreements are subject to approval by the City Council. During the fiscal year, four agreements were active, including one that expired with its final payment made in FY 24–25.

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, 2024. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

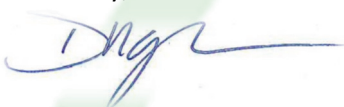
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report, the contents of which conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable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

The GFOA certificate is valid for a period of one year only. The City has received this certificate for the last 30 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,



Dat Nguyen, CPA, CGFM
Finance Director

CITY OF MORGAN HILL, CALIFORNIA

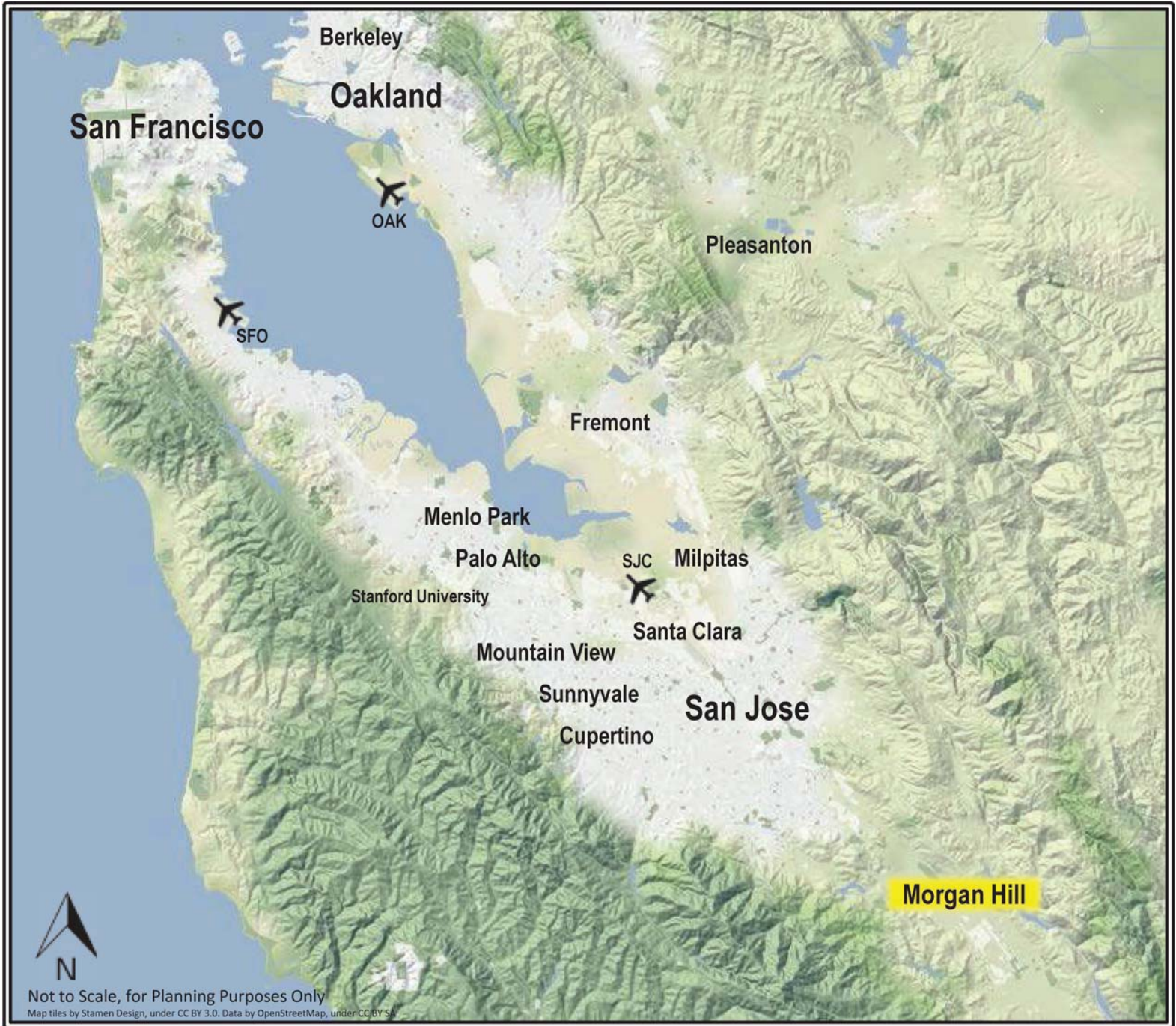
ELECTED OFFICIALS AND CITY STAFF

ELECTED OFFICIALS

Mark Turner	Mayor
Marilyn Librers	Mayor Pro Tem, District D Council Member
Miriam Vega	District A Council Member
Yvonne Martinez Beltran	District B Council Member
Soriada Iwanaga	District C Council Member
Cindy Murphy	City Treasurer

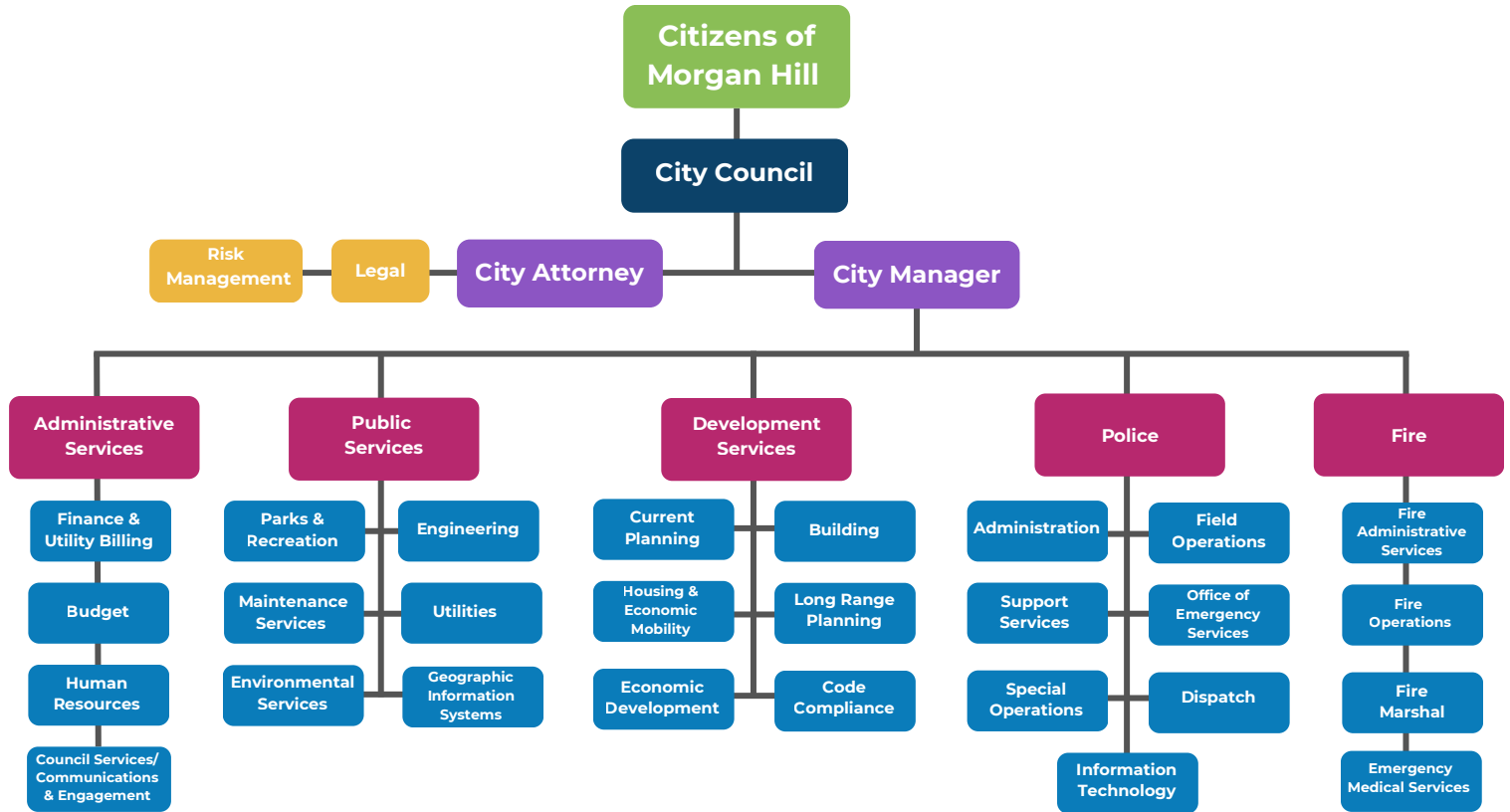
CITY STAFF

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
Marcus Hernandez	Fire Chief
John Lang	Housing and Economic Mobility Director
Michael Horta	Human Resources Director
Spring Andrews	Information Technology Director



CITYWIDE

Organizational Chart





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, 2024

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, 2025, 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, 2025, 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 18, 2025 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 signature is written in a cursive, flowing style.

Pleasant Hill, California
November 18, 2025

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2025

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, 2025. 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 24-25, 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 \$33.4 million to \$626.0 million. This is not, however, the same as an operating budget surplus. Of the total net position, \$149.4 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 23, Statement of Net Position.
- Total revenues from all sources were \$150.5 million—\$15.5 million more than the prior year, driven primarily by higher charges for services and increased investment earnings, partially offset by declines in grants and contributions and sales tax. Governmental activities reported a net revenue increase of \$5.7 million, mainly due to higher charges for services and an increase in capital grants and contributions, offset in part by a decrease in operating grants and contributions. Business-type activities reported a net revenue increase of \$9.8 million, largely resulting from higher charges for services due to rate increases and greater water consumption, as well as higher investment earnings.
- At June 30, 2025, the City had \$44.6 million, including unamortized bond premiums, in long-term debt, comprised of \$11.9 million secured by water revenues, \$25.3 million secured by sewer revenues, \$6.1 million in lease revenue refunding bonds subject to a City appropriations covenant, and \$1.3 million for Fire stations and apparatus. The \$44.6 million in long-term debt outstanding reflects a net decrease of \$2.8 million from the prior year.
- At June 30, 2025, the City's governmental funds reported ending fund balances of \$148.5 million, an increase of about 2% or \$2.5 million from the prior fiscal year.
- The fund balance in the City's General Fund decreased by \$1.8 million to \$34.8 million, mainly from overall cost increases, partially offset by an increase in grant funding, and charges for current services. The unassigned fund balance in the Development Services Fund increased by about \$0.2 million, with an ending negative fund balance of about \$1.0 million.
- During FY 24-25, the General Fund had a deficit of revenues over expenditures of \$2.5 million, excluding transfers. Transfers in exceeded transfers out by \$0.7 million. The principal purpose of the City's interfund transfers was for operational support to other funds.
- Actual revenues in the General Fund, including transfers in, were \$1.5 million more than the final budget, mainly attributed to the investment earnings, and charges for current services.

- Actual expenditures, excluding transfers out, in the General Fund were about \$5.8 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 24-25, Deferred outflows related to Pension for Governmental Activities decreased by \$4.7 million and Deferred inflows for the same purpose decreased by \$0.3 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 23 through 25 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 30 through 43 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, Housing Funds, Public Safety Facilities Fund, 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 Madrone Business Park assessment district. The City has no legal, contingent, or moral obligation for the repayment of the debt associated with this particular assessment district 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 and Business 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 110.

D. Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position for the fiscal year ended June 30, 2025, was \$626.0 million. A significant portion of the City's net position (\$422.2 million or 67%) reflects the City's investment in capital assets (for example, land, infrastructure, buildings, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net position (\$54.4 million or 9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$149.4 million or 24%) may be used to meet the City's ongoing obligations to citizens and creditors. The \$149.4 million in unrestricted net position is comprised of \$95.8 million in governmental unrestricted net position and \$53.6 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:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2024-25</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2023-24</u>
Assets						
Current and other assets	\$ 182,344,364	\$ 179,603,728	\$ 94,505,411	\$ 76,854,828	\$ 276,849,775	\$ 256,458,556
Capital assets	330,502,656	323,063,617	138,362,628	132,563,685	468,865,284	455,627,302
Total Assets	512,847,020	502,667,345	232,868,039	209,418,513	745,715,059	712,085,858
Deferred outflows						
Related to pension (Note 8)	15,438,314	20,118,282	2,720,560	3,403,147	18,158,874	23,521,429
Related to OPEB (Note 9)	756,347	1,785,004	178,662	414,274	935,009	2,199,278
Total Deferred Outflows	16,194,661	21,903,286	2,899,222	3,817,421	19,093,883	25,720,707
Liabilities						
Current and other liabilities	14,297,468	14,910,728	5,676,132	5,671,778	19,973,600	20,582,506
Long-term liabilities	65,225,336	68,383,570	46,953,922	48,618,194	112,179,258	117,001,764
Total Liabilities	79,522,804	83,294,298	52,630,054	54,289,972	132,152,858	137,584,270
Deferred inflows						
Leases related (Note 10)	3,850,095	4,444,527	159,949	213,265	4,010,044	4,657,792
Related to pension (Note 8)	607,335	884,004	-	52,996	607,335	937,000
Related to OPEB (Note 9)	1,649,774	1,650,848	389,706	383,139	2,039,480	2,033,987
Total Deferred Inflows	6,107,204	6,979,379	549,655	649,400	6,656,859	7,628,779
Net position						
Net investment in capital assets	321,082,441	312,332,684	101,118,831	93,413,002	422,201,272	405,745,686
Restricted	26,537,410	23,229,578	27,830,197	21,445,979	54,367,607	44,675,557
Unrestricted	95,791,822	98,734,692	53,638,524	43,437,581	149,430,346	142,172,273
Total Net Position	\$ 443,411,673	\$ 434,296,954	\$ 182,587,552	\$ 158,296,562	\$ 625,999,225	\$ 592,593,516

Governmental activities: The table above shows that total assets increased compared to the prior year, by \$10.2 million, primarily in capital assets. Total deferred outflows related to pension and OPEB decreased by \$5.7 million. Total liabilities decreased by \$3.8 million and total deferred inflows decreased by \$0.9 million.

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 24–25, property tax revenue remained essentially unchanged compared to FY 23–24. This stability is primarily attributable to the addition of new housing units and completed commercial properties to the assessor’s roll, property value increases permitted under Proposition 13, and a higher distribution from the Excess Educational Revenue Augmentation Fund (ERAF). These gains were offset by a \$1.0 million reserve established to cover potential losses related to the County of Santa Clara’s ongoing lawsuit with the California State Controller’s Office concerning the interpretation of state law governing excess ERAF calculations.

Sales tax revenue decreased by approximately 1% compared to the prior year, reflecting a moderation following the strong growth experienced in previous years. Capital grants and contributions increased by 34% from the prior year, primarily due to higher impact-fee payments from developers, while operating grants and contributions decreased by 15%, mainly due to lower housing in-lieu fee receipts.

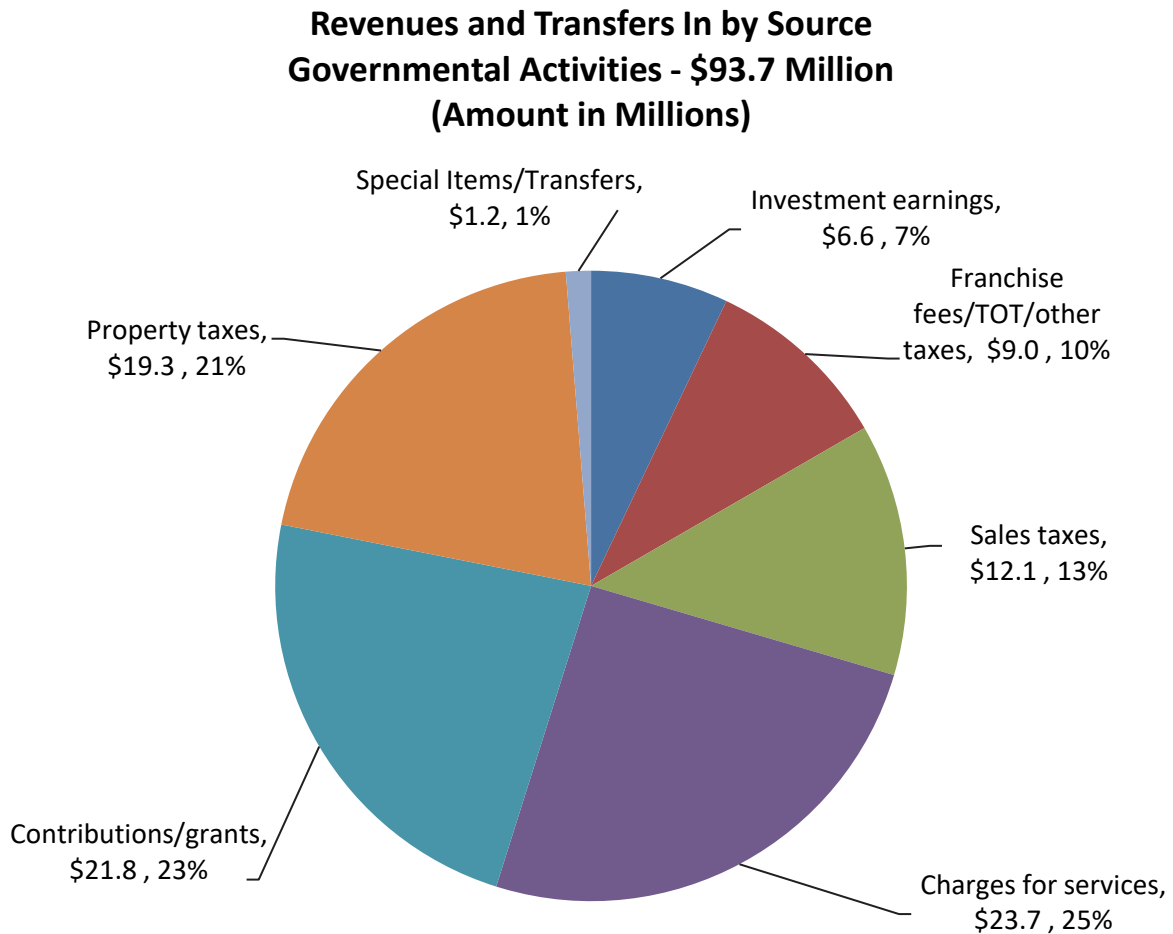
Total governmental expenses increased by \$5.6 million or 7% to \$84.6 million compared to the prior fiscal year, led by Public Works and Services with approximately \$2.0 million, Development Services with \$1.8 million, and Public Safety with \$1.7 million of increased expenses.

Overall, the City’s Governmental Activities net position increased by about \$9.1 million.

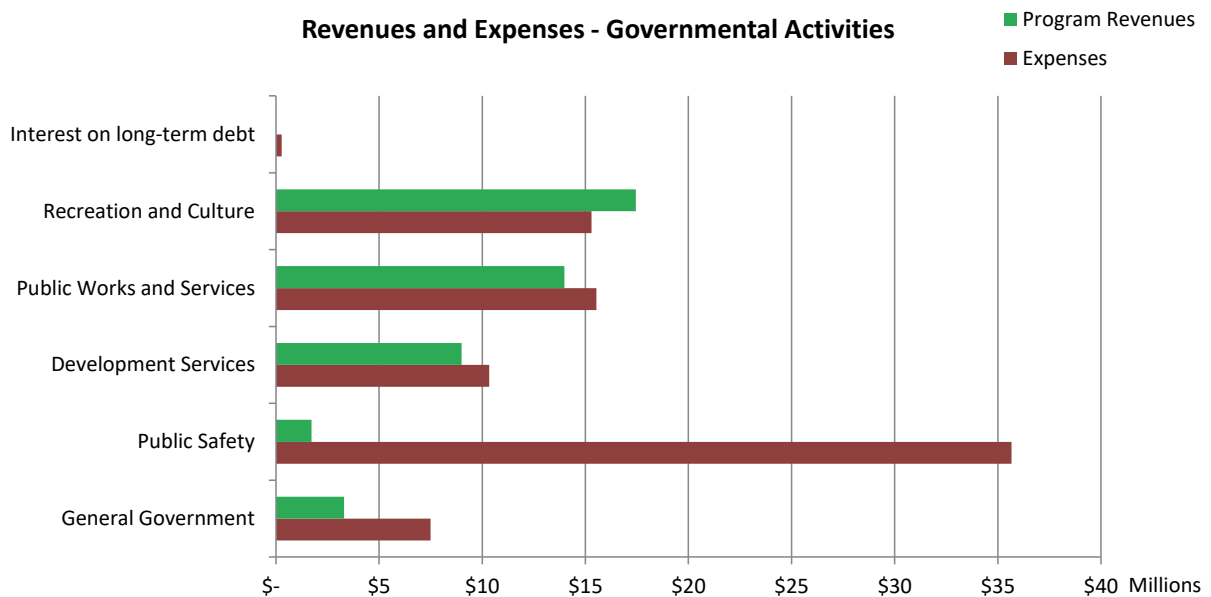
The table below summarizes the major program revenues and expenses:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
Revenues:	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
<u>Program Revenues:</u>						
Charges for Services	\$ 23,704,553	\$ 20,180,696	\$ 53,857,058	\$ 44,958,717	\$ 77,561,611	\$ 65,139,413
Operating Grants & Contributions	7,651,691	8,951,080	-	-	7,651,691	8,951,080
Capital Grants & Contributions	14,111,075	10,569,587	-	-	14,111,075	10,569,587
<u>General Revenues:</u>						
Property Taxes	19,286,251	19,326,854	-	-	19,286,251	19,326,854
Sales Taxes	12,072,608	12,235,911	-	-	12,072,608	12,235,911
Franchise, hotel & other taxes	6,229,522	6,005,007	-	-	6,229,522	6,005,007
Other general taxes/revenues	2,815,914	2,335,149	-	-	2,815,914	2,335,149
Unrestricted investment earnings	6,615,589	7,105,967	4,162,151	3,298,495	10,777,740	10,404,462
Total Revenues	92,487,203	86,710,251	58,019,209	48,257,212	150,506,412	134,967,463
Expenses:						
General Government	7,490,415	7,384,707	-	-	7,490,415	7,384,707
Public Safety	35,666,555	33,948,617	-	-	35,666,555	33,948,617
Development Services	10,343,116	8,572,221	-	-	10,343,116	8,572,221
Public Works and Services	15,541,296	13,565,231	-	-	15,541,296	13,565,231
Recreation and Culture	15,298,682	15,222,450	-	-	15,298,682	15,222,450
Interest on long-term debt	275,539	286,728	-	-	275,539	286,728
Sewer	-	-	13,915,717	12,621,557	13,915,717	12,621,557
Water	-	-	18,569,383	16,984,925	18,569,383	16,984,925
Total Expenses	84,615,603	78,979,954	32,485,100	29,606,482	117,100,703	108,586,436
Increase/(decrease) in net position before transfers	7,871,600	7,730,297	25,534,109	18,650,730	33,405,709	26,381,027
Transfers and special items	1,243,119	1,300,241	(1,243,119)	(1,300,241)	-	-
Increase/(decrease) in net position	9,114,719	9,030,538	24,290,990	17,350,489	33,405,709	26,381,027
Net position - beginning	434,296,954	425,266,416	158,296,562	140,946,073	592,593,516	566,212,489
Net position - year end	\$ 443,411,673	\$ 434,296,954	\$ 182,587,552	\$ 158,296,562	\$ 625,999,225	\$ 592,593,516

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



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



Business-type activities: Business-type activities (water and sewer) saw an increase of \$24.3 million in net position. Revenue from charges for services, combined with investment earnings, in both the Water and Sewer Funds increased by 20% or \$9.8 million compared to the prior year, primarily due to increased impact fees collection, higher water consumption, higher rates, and higher investment earnings. Expenses increased by 10% or \$2.9 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 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.

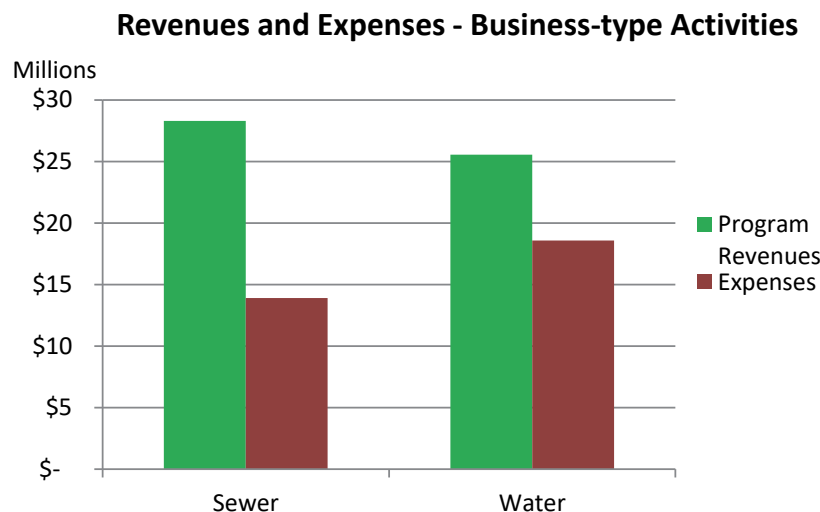
In 2023, the City engaged a consultant to conduct the sewer rate study. The sewer rate study was introduced to the City Council and the City Council directed staff to proceed with updating the City's sewer rates. On August 28, 2024, the City Council adopted a resolution approving the sewer rate adjustments which commenced 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 2021-2025					
	7/1/21	7/1/22	7/1/23	7/1/24	10/1/24	7/1/25
Water	\$67.14	\$73.56	\$80.18	\$85.78	\$85.78	\$91.70
Sewer	\$66.14	\$69.45	\$72.97	\$72.97	\$80.34	\$87.52
Total	\$133.28	\$143.01	\$153.15	\$158.75	\$166.12	\$179.22
Total Percent Increase	2.4%	7.3%	7.1%	3.7%	4.6%	7.9%

The chart below summarizes the financial activities of the Sewer and Water Funds for FY 24-25.



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, 2025, the City's governmental funds reported combined ending fund balances of \$148.5 million, an increase of \$2.5 million or about 2% from the prior year. Overall revenues in governmental funds were higher than the prior year by \$9.4 million, mostly attributable to increases in charges for services, grants and contributions, and investment earnings from investment holdings.

General Fund

The General Fund is the primary operating fund of the City. At the end of FY 24-25, total fund balance for the General Fund amounted to \$34.8 million, including \$28.0 million in unassigned fund balance, a decrease of \$2.2 million compared to prior year mostly attributable to higher cost to maintain municipal services.

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

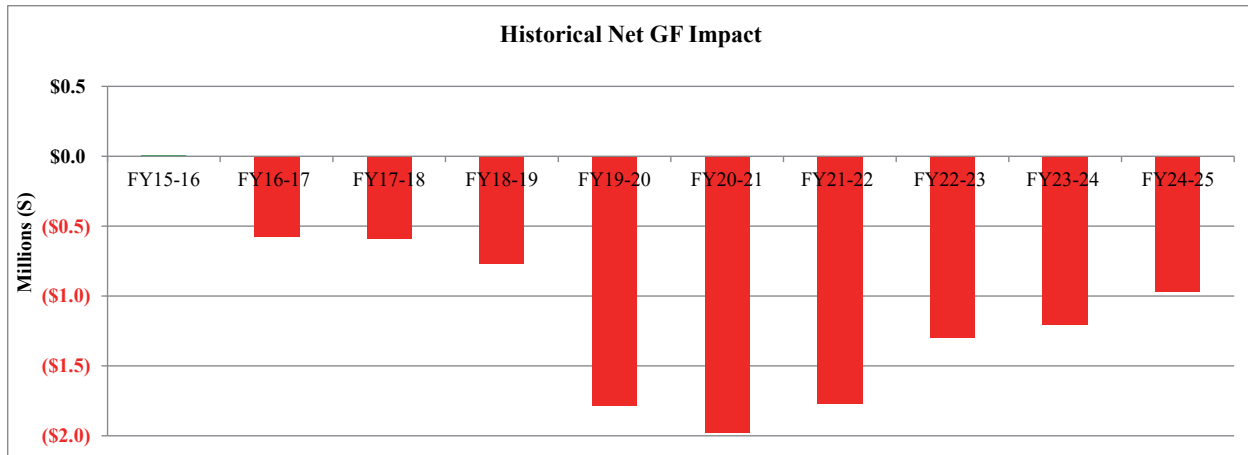
a. Revenue Highlights

Property tax revenue in the General Fund was unchanged from 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. These gains were offset by a \$1.0 million reserve established to cover potential losses related to the County of Santa Clara's ongoing lawsuit with the California State Controller's Office concerning the interpretation of state law governing excess ERAF calculations. 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 24-25 was \$12.1 million, a decrease of \$0.2 million or 1% compared to the prior year. The decrease in sales tax is partially attributable to lower tax receipts from vehicles sales.

The franchise fees, hotel and other taxes revenue was \$6.2 million, an increase of \$0.2 million or 4% 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. The amount received for hotel tax for FY 24-25 was approximately \$2.5 million, essentially unchanged from the previous year, and remained short of the pre-pandemic level of about \$3.0 million.

Recreation operations ended FY 24-25 with a negative impact on the General Fund of approximately \$1.0 million, significantly better than the budgeted impact of \$1.8 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 strive to improve the financial impact on 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

Expenditure totaled \$57.2 million, an increase of \$3.1 million or 6% compared to the prior year. The increase in expenditure was mainly due to the gradual recovery in Recreation Services, additional staffing programmed in the current year, and overall cost increases.

Development Services Fund

The Development Services Fund accounts for the City's planning, building, and engineering activities. At the end of FY 24-25, the fund had a negative balance of about \$1.0 million, an increase of about \$0.1 million from the prior year. Revenues were \$1.2 million or 25% higher than the prior year, partially due to the updated fees. 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. The program is intended to be full-cost recovery, except for certain public services such as counter/general information assistance and other subsidized activities, which are supported by the General 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 24-25, the fund balance amounted to \$71.0 million, all of which is restricted, an increase of \$0.9 million or about 1% from the prior year. As a result of the elimination of redevelopment agencies statewide, the Housing Program acted to serve as the successor to the former Morgan Hill Redevelopment Agency's housing functions and administer its legacy housing assets pursuant to Resolution 6504 adopted by the City Council on January 18, 2012. The City 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.

Public Safety Facilities Fund

The Public Safety Facilities Fund was created through the consolidation of the Police and Fire Impact Fee Funds. This fund collects revenues from developers to finance police and fire capital expansion projects, helping the City provide adequate public safety services to new developments. At the end of FY 24–25, the fund reported a negative fund balance of \$6.9 million, a decrease of \$5.3 million from the prior year. The decrease is primarily attributable to the construction of the third fire station, which was substantially completed and staffed in September 2025.

PROPRIETARY FUNDS

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

As of June 30, 2025, unrestricted net position totaled \$27.8 million for Sewer Operations and \$25.8 million for Water Operations.

- Water Operations: Unrestricted net position increased by \$3.4 million from the prior year. Operating revenues rose by approximately \$2.7 million, primarily due to higher consumption and rate adjustments.
- Sewer Operations: Unrestricted net position increased by \$6.7 million from the prior fiscal year, with operating revenues up \$2.9 million, largely due to rate adjustments.
- The Sewer Impact Fund reported \$22.1 million in net position restricted for capital improvements and expansion—an increase of \$4.5 million from the prior year—mainly due to higher impact fee collections.
- The Water Impact Fund reported \$5.7 million restricted for the same purpose, an increase of \$1.8 million from the 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 24-25 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, 2025, amounted to \$330.5 million (net of accumulated depreciation), as summarized below.

Governmental Funds Capital Assets:	2025	2024
Land	\$ 58,571,387	\$ 58,445,111
Buildings & Improvements	80,370,178	71,127,343
Machinery, Equipment, and Vehicles	5,818,811	5,030,125
Infrastructure	174,179,267	146,032,220
Subscription assets	2,479,877	3,069,085
Construction in Progress	9,083,136	39,359,733
Total Governmental Funds Capital Assets:	\$ 330,502,656	\$ 323,063,617

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

LONG-TERM DEBT

At the end of FY 24-25, the City had \$44.6 million, including unamortized bond premiums, in long-term debt, comprised of \$11.9 million secured by water revenues, \$25.3 million secured by sewer revenues, \$6.1 million in lease revenue refunding bonds subject to a City appropriations covenant, and \$1.3 million for Fire stations and apparatus. The \$44.6 million in long-term debt outstanding reflects a net decrease of \$2.7 million from the prior year. 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.

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, 2025

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<u>Assets</u>			
Pooled cash and investments (Note 4)	\$ 109,431,215	\$ 86,561,042	\$ 195,992,257
Restricted pooled cash and investments (Note 4)	30,000	-	30,000
Cash and investments with trustee (Note 4)	3,497,568	-	3,497,568
Receivables:			
Other accounts receivable	5,283,587	7,726,416	13,010,003
Loans receivable (Note 6)	59,721,333	36,350	59,757,683
Prepays	202,647	-	202,647
Leases receivable (Note 10)	4,178,014	181,603	4,359,617
Capital assets, net (Note 5)			
Non-Depreciable	67,654,523	50,710,791	118,365,314
Depreciable and sewer capacity rights	262,848,133	87,651,837	350,499,970
Total Assets	512,847,020	232,868,039	745,715,059
<u>Deferred Outflows of Resources</u>			
Related to pension (Note 8)	15,438,314	2,720,560	18,158,874
Related to OPEB (Note 9)	756,347	178,662	935,009
Total Deferred Outflows of Resources	16,194,661	2,899,222	19,093,883
<u>Liabilities</u>			
Accounts payable	3,255,194	3,232,448	6,487,642
Accrued liabilities	4,707,283	145,941	4,853,224
Interest payable	42,618	196,397	239,015
Customer and other deposits	2,261,713	350,239	2,611,952
Unearned revenue	1,155,382	1,107	1,156,489
Compensated absences (Note 2l)			
Due within one year	1,313,438	-	1,313,438
Due in more than one year	3,488,727	-	3,488,727
SBITA's (Note 11)			
Due within one year	656,565	-	656,565
Due in more than one year	1,370,325	-	1,370,325
Net OPEB liabilities			
Due in more than one year (Note 9)	62,991	14,879	77,870
Net pension liabilities			
Due in more than one year (Note 8)	53,815,243	11,445,246	65,260,489
Long-term debt (Note 7)			
Due within one year	905,275	1,750,000	2,655,275
Due in more than one year	6,488,050	35,493,797	41,981,847
Total Liabilities	79,522,804	52,630,054	132,152,858
<u>Deferred Inflows of Resources</u>			
Related to leases (Note 10)	3,850,095	159,949	4,010,044
Related to pension (Note 8)	607,335	-	607,335
Related to OPEB (Note 9)	1,649,774	389,706	2,039,480
Total Deferred Inflows of Resources	6,107,204	549,655	6,656,859
<u>Net Position</u> (Note 2n)			
Net investment in capital assets	321,082,441	101,118,831	422,201,272
Restricted for:			
Capital expansion projects	22,684,851	27,830,197	50,515,048
Debt service	354,991	-	354,991
Pension contributions	3,497,568	-	3,497,568
Unrestricted	95,791,822	53,638,524	149,430,346
Total Net Position	\$ 443,411,673	\$ 182,587,552	\$ 625,999,225

See accompanying notes to basic financial statements

City of Morgan Hill
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 7,490,415	\$ 2,869,082	\$ 431,666	\$ -
Public safety	35,666,555	1,408,708	302,695	10,318
Development services	10,343,116	6,506,285	2,497,812	-
Public works and services	15,541,296	1,842,991	4,265,253	7,877,533
Recreation & culture	15,298,682	11,077,487	154,265	6,223,224
Interest on long-term debt	275,539	-	-	-
Total government activities	84,615,603	23,704,553	7,651,691	14,111,075
Business-type activities:				
Sewer	13,915,717	28,306,119	-	-
Water	18,569,383	25,550,939	-	-
Total business-type activities	32,485,100	53,857,058	-	-
Total primary government	\$ 117,100,703	\$ 77,561,611	\$ 7,651,691	\$ 14,111,075

General revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Net Position - Beginning

Net Position - Ending

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,189,667)	\$ -	\$ (4,189,667)
(33,944,834)	-	(33,944,834)
(1,339,019)	-	(1,339,019)
(1,555,519)	-	(1,555,519)
2,156,294	-	2,156,294
(275,539)	-	(275,539)
(39,148,284)	-	(39,148,284)
-	14,390,402	14,390,402
-	6,981,556	6,981,556
-	21,371,958	21,371,958
(39,148,284)	21,371,958	(17,776,326)
19,286,251	-	19,286,251
12,072,608	-	12,072,608
2,951,522	-	2,951,522
3,278,000	-	3,278,000
2,815,914	-	2,815,914
6,615,589	4,162,151	10,777,740
1,243,119	(1,243,119)	-
48,263,003	2,919,032	51,182,035
9,114,719	24,290,990	33,405,709
434,296,954	158,296,562	592,593,516
\$ 443,411,673	\$ 182,587,552	\$ 625,999,225



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 2025. 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 revenue sources include interest and loan repayment from borrowers.

PUBLIC SAFETY FACILITIES IMPACT CAPITAL PROJECT FUND

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

City of Morgan Hill
Balance Sheet
Governmental Funds
June 30, 2025

		Major Special Revenue Funds	
	General	Development Services	Housing
Assets			
Pooled cash and investments (Note 4)	\$ 27,546,356	\$ 1,243,658	\$ 14,368,808
Cash and investments with trustees (Note 4)	3,497,376	-	-
Receivables:			
Other accounts receivable	4,555,912	3,928	2,466
Loans receivable (Note 6)	1,908,353	-	56,625,033
Prepays	56,552	-	-
Advances receivable (Note 2o)	1,368,362	-	-
Leases receivable (Note 10)	4,178,014	-	-
Total Assets	<u>\$ 43,110,925</u>	<u>\$ 1,247,586</u>	<u>\$ 70,996,307</u>
Liabilities			
Accounts payable	\$ 1,842,048	\$ 65,318	\$ 14,180
Accrued liabilities	1,169,321	403,943	622
Advances payable (Note 2o)	-	1,000,000	-
Unearned revenue	617,004	-	1,652
Customer and other deposits	848,472	765,859	2,000
Total Liabilities	<u>4,476,845</u>	<u>2,235,120</u>	<u>18,454</u>
Deferred Inflow of Resources			
Leases related (Note 10)	3,850,095	-	-
Total Deferred Inflow of Resources	<u>3,850,095</u>	<u>-</u>	<u>-</u>
Fund Balances (Note 2n):			
Nonspendable:			
Loans receivable	1,908,353	-	-
Prepaid expenditures	56,552	-	-
Advances receivable	1,368,362	-	-
Restricted:			
PARS pension trust	3,497,376	-	-
Community services	-	-	20,699,481
Parks and recreation	-	-	-
Streets and highways	-	-	-
Debt service	-	-	-
Public safety	-	-	-
Development services	-	-	50,278,372
Capital expansion projects	-	-	-
Other purposes	-	-	-
Unassigned	27,953,342	(987,534)	-
Total Fund Balances	<u>34,783,985</u>	<u>(987,534)</u>	<u>70,977,853</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 43,110,925</u>	<u>\$ 1,247,586</u>	<u>\$ 70,996,307</u>

See accompanying notes to basic financial statements

Major Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Public Safety Facilities Impact		
\$ 40,985	\$ 45,078,341	\$ 88,278,148
-	192	3,497,568
-	697,988	5,260,294
-	1,187,947	59,721,333
-	-	56,552
-	6,100,000	7,468,362
-	-	4,178,014
<u>\$ 40,985</u>	<u>\$ 53,064,468</u>	<u>\$ 168,460,271</u>
\$ 3,360	\$ 1,067,480	\$ 2,992,386
13,100	635,061	2,222,047
6,468,362	-	7,468,362
-	536,726	1,155,382
450,403	156,761	2,223,495
<u>6,935,225</u>	<u>2,396,028</u>	<u>16,061,672</u>
-	-	3,850,095
-	-	3,850,095
-	-	1,908,353
-	-	56,552
-	-	1,368,362
-	-	3,497,376
-	2,389,983	23,089,464
-	16,722,149	16,722,149
-	7,822,500	7,822,500
-	354,991	354,991
-	630,546	630,546
-	-	50,278,372
-	22,684,851	22,684,851
-	63,420	63,420
(6,894,240)	-	20,071,568
<u>(6,894,240)</u>	<u>50,668,440</u>	<u>148,548,504</u>
<u>\$ 40,985</u>	<u>\$ 53,064,468</u>	<u>\$ 168,460,271</u>

City of Morgan Hill
Reconciliation of the Governmental Funds - Balance Sheet
To the Statement of Net Position
June 30, 2025

Total fund balances - governmental funds	\$ 148,548,504
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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.	324,067,095
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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.	20,065,759
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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.	(42,618)
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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	15,438,314
Deferred outflows of resources related to OPEB	756,347
Long-term debt	(7,393,325)
SBITA liability	(1,893,060)
Net OPEB liability	(62,991)
Net pension liability	(53,815,243)
Deferred inflows of resources related to pensions	(607,335)
Deferred inflows of resources related to OPEB	(1,649,774)

Total net position - governmental activities	\$ 443,411,673
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See accompanying notes to basic financial statements



CITY OF MORGAN HILL

City of Morgan Hill
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

		Major Special Revenue Funds	
	General	Development Services	Housing
<u>Revenues</u>			
Property taxes and special assessments	\$ 19,054,966	\$ -	\$ -
Sales taxes	12,072,608	-	-
Franchise, hotel and other taxes	6,229,522	-	-
Licenses and permits	422,048	-	-
Funding from other governmental agencies	1,903,013	-	-
Charges for current services	9,644,420	6,178,669	2,340,082
Investment income and rentals	3,511,354	107,846	1,047,391
Other revenues	1,091,670	5,250	143,999
Total Revenues	53,929,601	6,291,765	3,531,472
<u>Expenditures</u>			
Current			
General government	7,250,665	-	-
Public safety	32,131,888	-	-
Community development	825,604	6,111,330	1,502,532
Housing services	-	-	1,123,944
Streets and highways	3,548,521	-	-
Parks and recreation	10,805,696	-	-
Other public services	1,426,715	-	-
Capital outlay			
Construction projects	9,596	-	-
Subscription assets	771,495	-	-
Debt service			
Principal	406,589	-	-
Interest and fiscal charges	60,394	-	-
Total Expenditures	57,237,163	6,111,330	2,626,476
Excess (deficiency) of revenues over (under) expenditures	(3,307,562)	180,435	904,996
<u>Other Financing Sources (Uses)</u>			
Subscription assets (Note 11)	771,495	-	-
Transfers in (Note 2o)	3,274,683	-	-
Transfers (Out) (Note 2o)	(2,572,944)	(23,533)	(13,387)
Total Other Financing Sources and Uses	1,473,234	(23,533)	(13,387)
Net Change in Fund Balances	(1,834,328)	156,902	891,609
Fund Balances (Deficits) - Beginning, as previously reported	36,618,313	(1,144,436)	70,086,244
Adjustment - change from nonmajor fund to major fund	-	-	-
Fund Balances (Deficits) - Beginning, as adjusted	36,618,313	(1,144,436)	70,086,244
Fund Balances (Deficits) - Ending	\$ 34,783,985	\$ (987,534)	\$ 70,977,853

See accompanying notes to basic financial statements

Major Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Public Safety		
Facilities Impact		
\$ -	\$ 231,285	\$ 19,286,251
-	-	12,072,608
-	-	6,229,522
-	-	422,048
-	4,427,139	6,330,152
882,298	17,315,770	36,361,239
15,913	2,431,662	7,114,166
-	908,425	2,149,344
898,211	25,314,281	89,965,330
-	994	7,251,659
331,648	2,176	32,465,712
-	1,359,372	9,798,838
-	-	1,123,944
-	203,107	3,751,628
-	53,362	10,859,058
-	2,475,262	3,901,977
5,703,269	12,078,773	17,791,638
-	-	771,495
-	455,000	861,589
-	221,769	282,163
6,034,917	16,849,815	88,859,701
(5,136,706)	8,464,466	1,105,629
-	-	771,495
-	2,869,069	6,143,752
(204,099)	(2,748,443)	(5,562,406)
(204,099)	120,626	1,352,841
(5,340,805)	8,585,092	2,458,470
-	40,529,913	146,090,034
(1,553,435)	1,553,435	-
(1,553,435)	42,083,348	146,090,034
\$ (6,894,240)	\$ 50,668,440	\$ 148,548,504

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, 2025

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

Net change in fund balances-total governmental funds	\$ 2,458,470
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.	19,789,646
Net retirements of SBITA related assets	(679,033)
Depreciation expense is reported in connection with all of a government's depreciable assets.	(14,717,514)
Contributions of infrastructure improvements by developers are capitalized in the statement of activities, but are not recorded in the Governmental Fund Statements because no cash changed hands	1,529,866
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.	6,624
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.	1,180,024
Net change in net OPEB liability and related deferred outflows/inflows of resources.	(80,671)
Net change in net pension liability and related deferred outflows/inflows of resources.	(2,593,501)
Net profit (loss) from Internal Service Funds need to be combined to the government wide statement of activities.	<u>2,220,808</u>
Change in Net Position of Governmental Activities	<u>\$ 9,114,719</u>

See accompanying notes to basic financial statements

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, 2025

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Assets			
Current assets:			
Pooled cash and investments (Note 4)	\$ 28,748,995	\$ 23,113,825	\$ 28,641,759
Restricted pooled cash and investments (Note 4)	-	-	-
Receivables:			
Other accounts receivable	2,973,798	2,707	4,749,911
Notes receivable	-	36,350	-
Prepaid items	-	-	-
Total current assets	31,722,793	23,152,882	33,391,670
Noncurrent assets:			
Leases receivable (Note 10)	-	-	181,603
Capital assets, net (Note 5)			
Non-Depreciable	2,542,701	40,829,825	6,097,209
Depreciable and sewer capacity rights	27,638,093	24,322,708	28,416,438
Total noncurrent assets	30,180,794	65,152,533	34,695,250
Total Assets	61,903,587	88,305,415	68,086,920
Deferred Outflows of Resources			
Related to pension (Note 8)	1,052,283	-	1,668,277
Related to OPEB (Note 9)	65,765	-	112,897
Total Deferred Outflows of Resources	1,118,048	-	1,781,174
Liabilities			
Current liabilities:			
Accounts payable	79,878	1,006,307	1,878,265
Accrued liabilities	56,042	5,600	84,299
Customer deposits	172,723	10,958	125,633
Unearned revenue	-	1,107	-
Interest payable	150,144	46,253	-
Current obligations for:			
Bonds payable (Note 7)	505,000	-	763,250
SBITAs (Note 11)	-	-	-
Compensated absences (Note 2I)	-	-	-
Total current liabilities	963,787	1,070,225	2,851,447
Noncurrent liabilities:			
Long term obligations for:			
Bonds payable (Note 7)	24,869,797	-	6,276,360
SBITAs (Note 11)	-	-	-
Net pension liability (Note 8)	4,426,897	-	7,018,349
Net OPEB liability (Note 9)	5,477	-	9,402
Compensated absences (Note 2I)	-	-	-
Total noncurrent liabilities	29,302,171	-	13,304,111
Total Liabilities	30,265,958	1,070,225	16,155,558
Deferred Inflows of Resources			
Related to leases (Note 10)	-	-	159,949
Related to pension (Note 8)	-	-	-
Related to OPEB (Note 9)	143,450	-	246,256
Total Deferred Inflows of Resources	143,450	-	406,205
Net Position: (Note 2n)			
Net investment in capital assets	4,805,997	65,152,533	27,474,037
Restricted for capital expansion	-	22,082,657	-
Unrestricted	27,806,230	-	25,832,294
Total Net Position	\$ 32,612,227	\$ 87,235,190	\$ 53,306,331

See accompanying notes to basic financial statements

Business-type Activities		Governmental Activities	
Enterprise Funds (continued)		Internal Service Funds	
Water Impact	Totals		
\$ 6,056,463	\$ 86,561,042	\$ 21,153,067	
-	-	30,000	
-	7,726,416	23,293	
-	36,350	-	
-	-	146,095	
6,056,463	94,323,808	21,352,455	
-	181,603	-	
1,241,056	50,710,791	-	
7,274,598	87,651,837	6,435,561	
8,515,654	138,544,231	6,435,561	
14,572,117	232,868,039	27,788,016	
-	2,720,560	-	
-	178,662	-	
-	2,899,222	-	
267,998	3,232,448	262,808	
-	145,941	2,485,236	
40,925	350,239	38,218	
-	1,107	-	
-	196,397	-	
481,750	1,750,000	-	
-	-	133,830	
-	-	1,313,438	
790,673	5,676,132	4,233,530	
4,347,640	35,493,797	-	
-	-	-	
-	11,445,246	-	
-	14,879	-	
-	-	3,488,727	
4,347,640	46,953,922	3,488,727	
5,138,313	52,630,054	7,722,257	
-	159,949	-	
-	-	-	
-	389,706	-	
-	549,655	-	
3,686,264	101,118,831	6,301,731	
5,747,540	27,830,197	-	
-	53,638,524	13,764,028	
\$ 9,433,804	\$ 182,587,552	\$ 20,065,759	

City of Morgan Hill
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2025

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Operating Revenues:			
Charges for current services	\$ 18,485,715	\$ -	\$ 21,540,082
Other operating income	7,048	9,813,356	592,421
Total Operating Revenues	18,492,763	9,813,356	22,132,503
Operating expenses:			
Salaries and benefits	3,123,864	-	5,395,369
Utilities and taxes	68,547	-	6,325,705
Operations and maintenance	6,313,001	3,469	2,898,781
Depreciation	1,414,813	1,425,131	2,620,869
Amortization of sewer capacity rights	557,684	-	-
Administrative charges	327,367	53,777	446,749
Total Operating Expenses	11,805,276	1,482,377	17,687,473
Operating Income (Loss)	6,687,487	8,330,979	4,445,030
Nonoperating revenues (expenses):			
Investment earnings	1,311,009	1,118,815	1,481,628
Interest and rentals	-	-	49,270
Interest (expense)	(631,389)	3,325	(355,603)
Total nonoperating revenues (expenses)	679,620	1,122,140	1,175,295
Income (loss) before operating transfers and contributions	7,367,107	9,453,119	5,620,325
Transfers In (Note 2o)	682,145	-	865,171
Transfers (Out) (Note 2o)	(1,362,665)	(714,845)	(534,849)
Change in Net Position	6,686,587	8,738,274	5,950,647
Total Net Position - Beginning	25,925,640	78,496,916	47,355,684
Total Net Position - Ending	\$ 32,612,227	\$ 87,235,190	\$ 53,306,331

See accompanying notes to basic financial statements

Business-type Activities		Governmental Activities Internal Service Funds
Enterprise Funds (continued)		
Water Impact	Totals	
\$ -	\$ 40,025,797	\$ 13,707,880
3,369,166	13,781,991	-
3,369,166	53,807,788	13,707,880
-	8,519,233	6,459,686
-	6,394,252	3,288,406
-	9,215,251	1,355,616
507,445	5,968,258	1,278,069
-	557,684	-
18,862	846,755	752,726
526,307	31,501,433	13,134,503
2,842,859	22,306,355	573,377
250,699	4,162,151	992,007
-	49,270	-
-	(983,667)	(6,349)
250,699	3,227,754	985,658
3,093,558	25,534,109	1,559,035
-	1,547,316	927,112
(178,076)	(2,790,435)	(265,339)
2,915,482	24,290,990	2,220,808
6,518,322	158,296,562	17,844,951
\$ 9,433,804	\$ 182,587,552	\$ 20,065,759

City of Morgan Hill
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 17,956,896	\$ 9,822,978	\$ 20,476,186
Payments for supplies and services	(7,591,557)	(57,069)	(9,212,155)
Payments to employees for salaries and benefits	(2,982,627)	-	(4,416,284)
Payments for interfund services	-	-	-
Net cash provided (used) by operating activities	<u>7,382,712</u>	<u>9,765,909</u>	<u>6,847,747</u>
Cash Flows From Noncapital Financing Activities			
Transfers in	682,145	-	865,171
Transfers (out)	(1,362,665)	(714,845)	(534,849)
Net cash provided (used) by noncapital and financing activities	<u>(680,520)</u>	<u>(714,845)</u>	<u>330,322</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,273,803)	(5,524,818)	(4,347,118)
Principal paid on debt	(647,824)	-	(716,850)
Interest paid on debt	(634,214)	-	(355,603)
Net cash provided (used) by capital and related financing activities	<u>(2,555,841)</u>	<u>(5,524,818)</u>	<u>(5,419,571)</u>
Cash Flows From Investing Activities			
Interest earnings	<u>1,311,009</u>	<u>1,118,815</u>	<u>1,481,628</u>
Net cash provided (used) by investing activities	<u>1,311,009</u>	<u>1,118,815</u>	<u>1,481,628</u>
Net change in cash and cash equivalents	5,457,360	4,645,061	3,240,126
Cash and cash equivalents, beginning	<u>23,291,635</u>	<u>18,468,764</u>	<u>25,401,633</u>
Cash and Cash equivalents, ending	<u>\$ 28,748,995</u>	<u>\$ 23,113,825</u>	<u>\$ 28,641,759</u>
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating income (loss)	\$ 6,687,487	\$ 8,330,979	\$ 4,445,030
Adjustments to reconcile:			
Interest and rentals	-	-	49,270
Depreciation expense	1,414,813	1,425,131	2,620,869
Amortization of sewer capacity rights	557,684	-	-
(Increase) decrease in accounts receivable	(609,546)	(1,608)	(1,613,692)
(Increase) decrease in prepaid expenses	-	-	-
(Increase) decrease in notes receivables	-	11,766	-
(Increase) decrease in lease receivables	-	-	(496)
Increase (decrease) in customer deposits	73,679	-	(91,399)
Increase (decrease) in accounts payable	(907,456)	-	519,519
Increase (decrease) in accrued liabilities	24,814	(536)	(16,377)
Increase (decrease) in unearned revenue	-	177	-
Increase (decrease) in compensated absences	-	-	-
Increase (decrease) in SBITA's	-	-	(44,062)
Increase (decrease) in net pension liability	128,702	-	968,946
Increase (decrease) in net OPEB liability	12,535	-	10,139
Total adjustments	<u>695,225</u>	<u>1,434,930</u>	<u>2,402,717</u>
Net cash provided (used) by operating activities	<u>\$ 7,382,712</u>	<u>\$ 9,765,909</u>	<u>\$ 6,847,747</u>
Schedule of non-cash capital and related financing activities:			
Capital related accounts payable	<u>\$ -</u>	<u>\$ 137,603</u>	<u>\$ -</u>

See accompanying notes to basic financial statements

Business-Type Activities		Governmental Activities	
Enterprise Funds (continued)		Internal Service Funds	
Water Impact	Total		
\$ 3,410,091	\$ 51,666,151	\$ 13,265,192	
204,755	(16,656,026)	(4,805,802)	
-	(7,398,911)	(4,846,847)	
-	-	(752,726)	
3,614,846	27,611,214	2,859,817	
-	1,547,316	927,112	
(178,076)	(2,790,435)	(265,339)	
(178,076)	(1,243,119)	661,773	
(1,041,543)	(12,187,282)	(2,794,143)	
(498,150)	(1,862,824)	-	
-	(989,817)	-	
(1,539,693)	(15,039,923)	(2,794,143)	
250,699	4,162,151	985,658	
250,699	4,162,151	985,658	
2,147,776	15,490,323	1,713,105	
3,908,687	71,070,719	19,469,962	
\$ 6,056,463	\$ 86,561,042	\$ 21,183,067	
\$ 2,842,859	\$ 22,306,355	\$ 573,377	
-	49,270	-	
507,445	5,968,258	1,278,069	
-	557,684	-	
-	(2,224,846)	(23,293)	
-	-	(138,239)	
-	11,766	-	
-	(496)	-	
40,925	23,205	38,218	
267,762	(120,175)	(237,009)	
(44,145)	(36,244)	(115,146)	
-	177	-	
-	-	1,614,534	
-	(44,062)	(130,694)	
-	1,097,648	-	
-	22,674	-	
771,987	5,304,859	2,286,440	
\$ 3,614,846	\$ 27,611,214	\$ 2,859,817	
\$ -	\$ 137,603	\$ -	



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, 2025

	Private- Purpose Trust Fund	
	Successor Agency	Custodial Funds
<u>Assets:</u>		
Pooled cash and investments (Note 4)	\$ 29,684	\$ 3,376
Cash and investments with trustees (Note 4)	6,213,798	412,303
Loans receivable, net (Note 12a)	2,621,888	-
Total Assets	8,865,370	415,679
<u>Deferred Outflows of Resources:</u>		
Deferred amount on refunding	2,423,192	-
Total Deferred Outflows of Resources	2,423,192	-
<u>Liabilities</u>		
Accounts payable	498,500	-
Due to bondholders	-	415,679
Interest payable	282,731	-
Long-term debt (Note 12b):		
Due within one year	5,390,000	-
Due in more than one year	45,960,000	-
Total Liabilities	52,131,231	415,679
<u>Net Position</u>		
Private purpose trust (RDA)	(40,842,669)	-
Total Net Positions	\$ (40,842,669)	\$ -

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, 2025

	Private- Purpose Trust Fund	
	Successor Agency	Custodial Funds
Additions:		
Property tax	\$ 6,254,298	\$ -
Fees and assessments	182,659	-
Other revenue	-	257,907
Total Additions	6,436,957	257,907
Deductions:		
Development services	12,936	-
Distribution	1,158,323	257,907
Total Deductions	1,171,259	257,907
Change in Net Position	5,265,698	-
Total Net Position (Deficit) - Beginning	(46,108,367)	-
Total Net Position (Deficit) - Ending	\$ (40,842,669)	\$ -

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.

Public Safety Facilities Impact Capital Project Fund

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

(e) Fair Value Measurements

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

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

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

(f) Prepaid Items

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

(g) Property Held for Resale

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Capital Assets

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

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

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

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

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

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

(i) Sewer Capacity Rights

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

(j) Deferred Outflows and Inflows of Resources

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(l) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick and compensatory time off subject to certain limits. All vacation and compensatory time, and portions of sick leave, 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	\$ 3,187,631
Net Changes	1,614,534
Ending Balance	<u>\$ 4,802,165</u>
Current Portion	<u>\$ 1,313,438</u>
Non-current Portion	<u>\$ 3,488,727</u>

(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, 2025, the Development Services Special Revenue Fund had a deficit fund balance of \$987,534, Public Safety Facilities Impact Capital Projects Fund had a deficit fund balance of \$6,894,240, Employee Benefits Internal Service Fund had a deficit net position of \$3,714,640 and the Successor Agency Private Purpose Trust Fund had a deficit net position of \$40,842,669.

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, 2025:

	Governmental Activities	Business-Type Activities	Total
Capital assets, net of Accumulated Depreciation:	\$ 330,502,656	\$ 138,362,628	\$ 468,865,284
Less Capital Debt	(9,420,215)	(37,243,797)	(46,664,012)
Net investment in capital assets	\$ 321,082,441	\$ 101,118,831	\$ 422,201,272

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	\$ -	\$ 2,092,944	\$ -	\$ -	\$ 190,000	\$ 290,000	\$ 2,572,944 B	
Development Services								
Special Revenue	-	23,533	-	-	-	-	23,533 C	
Housing Special Revenue	-	13,387	-	-	-	-	13,387 C	
Public Safety Facilities Impact								
Capital Project	-	204,099	-	-	-	-	204,099 C	
Nonmajor Governmental Funds	2,397,283	276,160	-	-	75,000	-	2,748,443 A,C,H	
Enterprises Funds:								
Sewer Operations	413,700	113,670	-	719,795	-	115,500	1,362,665 AD,I	
Sewer Impact	25,000	7,700	682,145	-	-	-	714,845 A,E	
Water Operations	413,700	121,149	-	-	-	-	534,849 A,F	
Water Impact	25,000	7,700	-	145,376	-	-	178,076 A,G	
Internal Services Funds:								
Information Systems	-	-	-	-	256,612	-	256,612 H	
CIP Project Implementation	-	8,727	-	-	-	-	8,727 C	
Total Transfers in	\$ 3,274,683	\$ 2,869,069	\$ 682,145	\$ 865,171	\$ 521,612	\$ 405,500	\$ 8,618,180	

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 fund's share of the Civic Center and Police Station 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.
- H. Transfer from Information Systems Internal Service Fund and Nonmajor Governmental Funds to Building Replacement Internal Service Fund was for the Audiovisual Project cost share.
- I. Transfer from Sewer Operations Enterprise Fund to Equipment Replacement Internal Service Fund for the purchase of Vactor equipment.

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 \$7,468,362 were outstanding on June 30, 2025. The total outstanding interfund advances are reflected in the fund financial statements.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Unbilled Service Receivables

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

(r) Income Taxes

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

(s) Pensions

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

(t) Other Post-Employment Benefits Other than Pensions

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

OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB – For purposes of measure the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by 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.

(u) Estimates

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

3. BUDGETARY INFORMATION

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

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

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

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2025, the Landscape and Lighting, Community Facilities District, and Environmental Programs Special Revenue Funds, had an excess of expenditures over appropriations of \$10,428, \$3,014 and \$1,878,494, respectively. Sufficient resources were available in each fund to fund these excesses.

4. CASH AND INVESTMENTS

Cash and investments as of June 30, 2025, were classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government	
Pooled cash and investments	\$ 195,992,257
Restricted pooled cash and investments	30,000
Cash and investments with fiscal agents	3,497,568
Fiduciary Funds	
Pooled cash and investments	33,060
Cash and investments with fiscal agents	6,626,101
	<u>\$ 206,178,986</u>

Cash and investments as of June 30, 2025, consisted of the following:

Cash on hand	\$ 15,850
Deposits (overdraft) with financial institutions	(1,863,059)
Investments	208,026,195
Total cash and investments	<u>\$ 206,178,986</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, 2025:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value:			
Federal Agency	\$ -	\$ 153,842,666	\$ 153,842,666
Certificates of Deposit	-	1,033,313	1,033,313
U.S. Treasury Notes	13,679,300	-	13,679,300
Total Investments at Fair Value	<u>\$ 13,679,300</u>	<u>\$ 154,875,979</u>	168,555,279
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			32,781,323
Held by Bond Trustee:			
Money Market Mutual Funds			6,626,292
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			63,301
Total Investments			<u>\$ 208,026,195</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 \$63.3 thousand and money market mutual funds at \$39.4 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	\$ 45,217,960	\$ 37,938,550	\$ 70,686,156	\$ 153,842,666
U.S. Treasury Notes	-	3,876,640	9,802,660	13,679,300
Certificate of Deposits	-	-	1,033,313	1,033,313
Money Market Mutual Funds	32,781,323	-	-	32,781,323
Local Agency Investment Fund	63,301	-	-	63,301
Held by bond trustee:				
Money Market Mutual Funds	6,626,292	-	-	6,626,292
Total Investments	<u>\$ 84,688,876</u>	<u>\$ 41,815,190</u>	<u>\$ 81,522,129</u>	208,026,195
Cash overdraft in Banks and on hand				<u>(1,847,209)</u>
Total City Cash and Investments				<u>\$ 206,178,986</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, 2025		
			AA+	AAAm	Not Rated/Exempt
Federal Agency	\$ 153,842,666	N/A	\$ 153,842,666	\$ -	\$ -
U.S. Treasury Notes	13,679,300	N/A	-	-	13,679,300
Certificate of Deposits	1,033,313	N/A	1,033,313	-	-
Money Market Mutual Funds	32,781,323	N/A	-	15,230	32,766,093
Local Agency Investment Fund	63,301	N/A	-	-	63,301
Held by Bond Trustee:					
Money Market Mutual Funds	6,626,292	N/A	-	6,626,292	-
Total	208,026,195		<u>\$ 154,875,979</u>	<u>\$ 6,641,522</u>	<u>\$ 46,508,694</u>
Cash overdraft in banks and on hand	<u>(1,847,209)</u>				
	<u>\$ 206,178,986</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	\$ 38,814,850
Federal Home Loan Banks	Federal Agency Securities	76,753,241
Fannie Mae	Federal Agency Securities	15,927,940
Federal Farm Credit Banks	Federal Agency Securities	16,150,925

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, 2025, 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, 2025, 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, 2025:

	Balance Beginning of year	Increases	Decreases	Transfers/ Adjustments	Balance End of Year
Capital assets not being depreciated:					
Land	\$ 58,445,111	\$ -	\$ -	\$ 126,276	\$ 58,571,387
Construction in progress	39,359,733	18,397,424	-	(48,674,021)	9,083,136
Total capital assets not being depreciated	97,804,844	18,397,424	-	(48,547,745)	67,654,523
Capital assets being depreciated:					
Infrastructure	269,752,595	1,529,866	-	34,992,015	306,274,476
Buildings and other improvements	151,530,470	1,477,218	(74,973)	13,223,373	166,156,088
Machinery/Equipment/Vehicles	20,680,374	2,091,364	(927,351)	197,268	22,041,655
Subscription assets	4,083,636	771,495	(1,097,706)	-	3,757,425
Total capital assets being depreciated	446,047,075	5,869,943	(2,100,030)	48,412,656	498,229,644
Less accumulated depreciation for:					
Infrastructure	(123,720,375)	(8,374,834)	-	-	(132,095,209)
Buildings and other improvements	(80,403,127)	(5,457,756)	74,973	-	(85,785,910)
Machinery/Equipment/Vehicles	(15,650,249)	(1,499,946)	927,351	-	(16,222,844)
Subscription assets	(1,014,551)	(681,670)	418,673	-	(1,277,548)
Total accumulated depreciation	(220,788,302)	(16,014,206)	1,420,997	-	(235,381,511)
Total Capital Assets Being Depreciated, Net	225,258,773	(10,144,263)	(679,033)	48,412,656	262,848,133
Governmental activities, net capital assets	\$ 323,063,617	\$ 8,253,161	\$ (679,033)	\$ (135,089)	\$ 330,502,656

During fiscal year ended June 30, 2025, the City expensed \$135,089 of expenditures previously recorded in Construction in Progress that were determined to not be capitalizable.

5. CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Expense
Administration	\$ 275,238
Community Development	190,414
Public Works	8,710,466
Public Safety	1,289,276
Parks and Recreation	4,270,079
Housing Successor Agency	664
Internal Service Funds	1,278,069
Total General Capital Assets	<u>\$ 16,014,206</u>

As of June 30, 2025, 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	49,916,663	10,995,818	-	(12,027,022)	48,885,459
Total capital assets not being depreciated	<u>51,741,995</u>	<u>10,995,818</u>	<u>-</u>	<u>(12,027,022)</u>	<u>50,710,791</u>
Capital assets being depreciated:					
Infrastructure	149,544,022	927,860	-	12,027,022	162,498,904
Buildings and other improvements	63,134,473	-	-	-	63,134,473
Machinery/Equipment/Vehicles	14,949,633	401,207	(159,596)	-	15,191,244
Subscription assets	132,212	-	-	-	132,212
Sewer capacity rights	28,347,522	-	-	-	28,347,522
Total capital assets, being depreciated	<u>256,107,862</u>	<u>1,329,067</u>	<u>(159,596)</u>	<u>12,027,022</u>	<u>269,304,355</u>
Less accumulated depreciation for:					
Infrastructure	(94,916,193)	(3,535,560)	-	-	(98,451,753)
Buildings and other improvements	(39,832,198)	(1,828,626)	-	-	(41,660,824)
Machinery/Equipment/Vehicles	(12,659,801)	(560,002)	159,596	-	(13,060,207)
Subscription assets	(88,142)	(44,070)	-	-	(132,212)
Sewer Capacity Rights	(27,789,838)	(557,684)	-	-	(28,347,522)
Total accumulated depreciation	<u>(175,286,172)</u>	<u>(6,525,942)</u>	<u>159,596</u>	<u>-</u>	<u>(181,652,518)</u>
Total Capital Assets Being Depreciated, Net	<u>80,821,690</u>	<u>(5,196,875)</u>	<u>-</u>	<u>12,027,022</u>	<u>87,651,837</u>
Enterprise Funds, Net Capital Assets	<u>\$ 132,563,685</u>	<u>\$ 5,798,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,362,628</u>

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

Funds	Amount
Sewer Funds	\$ 3,397,628
Water Funds	3,128,314
Total Business Type Activities	<u>\$ 6,525,942</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, 2025 total \$59,721,333 and consisted of the following types:

Description	Amount
CDBG Loans/Housing Rehabilitation Loans	\$ 489,170
Sunrise Meadows	389,762
San Pedro Gardens	534,526
Morgan Hill Ranch Family Housing	1,863,739
Village Avante Apartments	1,864,389
Village Avante Apartments 2	1,314,115
Villa Ciolino	4,702,303
Jasmine Square	5,522,393
Murphy Ranch	9,686,783
Royal Court Apartments	4,255,767
Bella Terra	3,833,350
Millennium Housing	1,941,699
Habitat for Humanity	760,000
Crest Avenue Housing and Crest Avenue LLP	8,282,481
UHC - The Crossings	4,330,602
UHC Crossings at Monterey	917,994
BEGIN	4,461,706
Horizon Senior Housing	6,754,520
Down Payment Assistance-Citywide	183,512
Cal Homes	329,842
Sycamore Glen	399,021
Executive Management Loans	1,908,353
EAH Scattered Site	6,128,014
Royal Village Oaks	436,921
Other Loans	4,262,460
Allowance for Doubtful Accounts	(15,832,089)
Total:	<u>\$ 59,721,333</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, 2025, the City has a total balance of \$489,170 of former Redevelopment Agency Housing Rehab loans, which includes accrued interest of \$149,262.

(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, 2025, there was a balance of \$389,762 outstanding, of which \$110,695 is accrued interest, in its Housing Special Revenue 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, 2025, the balance of these loans is \$534,526, which includes accrued compound interest of \$109,526. On November 16, 2016, City Council accepted the assignment of an 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, 2025, the loan had accrued interest of \$9,332 bringing the loan balance to \$1,863,739. 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, 2025 is \$1,864,389, which includes accrued interest of \$327,890.

(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, 2025 is \$1,314,115, which includes accrued interest of \$257,490.

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, 2025 is \$4,702,303, which includes accrued interest of \$2,327,303.

(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, 2025, is \$5,522,393, which includes accrued interest of \$2,217,681.

(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, 2025, there is a balance of \$9,686,783, which includes accrued interest of \$4,013,958.

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, 2025, the balance due is \$4,255,767, which includes accrued interest of \$1,605,768.

(k) Bella Terra

Bella Terra is an EAH affiliate which is a “tax credit limited partnership”. Bella Terra Senior Housing Project includes 40 units of affordable senior rental housing with all resident units restricted to seniors over 55 and who qualify as low income households. On June 1, 2012 the former Redevelopment Agency approved a \$3,182,800 loan for the Bella Terra project. The term of the loan is for 55 years and is secured by a deed of trust. At June 30, 2025, the balance due is \$3,833,350, which includes accrued interest of \$650,550.

(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, 2025, the balance due is \$1,941,699, which includes accrued interest of \$741,699. 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, 2025 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, 2025 is \$8,282,481, which includes accrued interest of \$1,909,446.

(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, 2025 is \$4,330,602, which includes accrued interest of \$1,424,602.

(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, 2025, the balance due is \$917,994, which includes accrued interest of \$167,994.

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, 2025 the balance due is \$4,461,706, which includes accrued interest of \$1,089,973.

(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, 2025 is \$6,754,520, which includes accrued interest of \$2,079,968.

(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, 2025, there were 6 Citywide loans with a total outstanding balance of \$183,512, which includes no accrued interest.

(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 \$329,842 as of June 30, 2025, which includes accrued interest of \$100,619.

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, 2025 is \$399,021, which includes accrued interest of \$47,931.

(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, 2025, the outstanding balance of the loans was \$1,908,353.

(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, 2025, is \$6,128,014, which includes accrued interest of \$1,238,014.

6. GOVERNMENTAL LOANS RECEIVABLE (continued)

(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, 2025 is \$436,921, which includes accrued interest of \$36,921.

(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	Special Provisions of Loan
SCH (Skeels Hotel)	\$ 227,343	Annual installments
Down payment Assistance	30,998	Various
Down payment Assistance-Madrone	2,816,172	Loan will be forgiven at maturity unless borrower is in default
Employee computer loans	6,226	Payments through payroll deductions
Economic Development loans	421,721	
Vacant Land Sale	760,000	
Subtotal	<u>\$ 4,262,460</u>	

(z) Allowance for Doubtful Accounts

The City's Allowance for Doubtful Accounts is used to estimate the uncollectible. Most of the \$15.8 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, 2024	Reductions	Balance June 30, 2025	Current Portion
Governmental Activities				
Bond Payable (Direct Borrowing)				
2015 Lease Revenue Refunding Bonds	\$ 6,075,000	\$ (455,000)	\$ 5,620,000	\$ 485,000
Premium	512,238	(42,686)	469,552	-
Financed Purchases (Direct Placement)				
Fire Houses	954,440	(225,417)	729,023	233,995
Fire Apparatus	755,922	(181,172)	574,750	186,280
Total Governmental Activities	<u>8,297,600</u>	<u>(904,275)</u>	<u>7,393,325</u>	<u>905,275</u>
Business Type Activities				
Bonds Payable (Direct Borrowing)				
2022 Water Revenue Refunding Bonds	13,084,000	(1,215,000)	11,869,000	1,245,000
2015 Sewer Revenue Bonds	5,320,000	(350,000)	4,970,000	365,000
Premium	930,688	(77,557)	853,131	-
2020 Sewer Revenue Bonds	17,555,000	(135,000)	17,420,000	140,000
Premium	2,216,933	(85,267)	2,131,666	-
Total Business-Type Activities	<u>39,106,621</u>	<u>(1,862,824)</u>	<u>37,243,797</u>	<u>1,750,000</u>
Total Long Term Debt	<u>\$ 47,404,221</u>	<u>\$ (2,767,099)</u>	<u>\$ 44,637,122</u>	<u>\$ 2,655,275</u>

(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.

7. LONG TERM DEBT (continued)**(c) 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, 2025.

(d) 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	
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	565,000	100,013	-	-	565,000	100,013	665,013
2031-2035	2,705,000	235,458	-	-	2,705,000	235,458	2,940,458
2036	285,000	4,631	-	-	285,000	4,631	289,631
Sub-Total	5,620,000	947,679	1,303,773	69,022	6,923,773	1,016,701	7,940,474
Add unamortized premium	469,552	-	-	-	469,552	-	469,552
Totals	\$ 6,089,552	\$ 947,679	\$ 1,303,773	\$ 69,022	\$ 7,393,325	\$ 1,016,701	\$ 8,410,026

7. LONG TERM DEBT (continued)

(e) 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, 2025.

(f) 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, 2025.

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 2025, Sewer Operations net revenue (excluding depreciation and amortization) amounted to \$18,557,330, which represented coverage of 25.28 over the \$728,538 in debt service.

7. LONG TERM DEBT (continued)

(g) 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, 2025.

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.

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

For the Year Ending June 30	Business-Type Activities		Totals
	Totals		
	Principal	Interest	
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	1,994,000	857,834	2,851,834
2031-2035	8,663,000	3,370,231	12,033,231
2036-2040	4,080,000	2,322,310	6,402,310
2041-2045	4,985,000	1,419,684	6,404,684
2046-2050	5,910,000	491,186	6,401,186
2051	1,265,000	14,231	1,279,231
Sub-Totals	34,259,000	12,501,403	46,760,403
Add unamortized premiums	2,984,797	-	2,984,797
	\$ 37,243,797	\$ 12,501,403	\$ 49,745,200

7. LONG TERM DEBT (continued)

(i) 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, 2025, the total balance of these districts' outstanding debt was \$288,000 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, 2025, the balance in the PARS trust was \$3,497,376. 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, 2025, 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 - 63, 50 - 55	52 - 67
Annual benefits, as a % of eligible compensation	1.426% to 2.418%, 2% to 2.5%	1% to 2.5%
Required employee contribution rates	8.00%	7.50%
Required employer contribution rates*	32.52%	32.52%

* The required employer contributions rate does not include the unfunded accrued liability (UAL) as percentage, which is 20.74% in FY24-25.

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, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 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, 2023 (Measurement Date)	<u>\$ 149,779,166</u>	<u>\$ 108,727,600</u>	<u>\$ 41,051,566</u>
Changes in the year:			
Service cost	3,563,260	-	3,563,260
Interest on the total pension liability	10,414,722	-	10,414,722
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between actual and expected experience	2,646,098	-	2,646,098
Plan to plan resource movement	-	-	-
Contribution - employer	-	4,277,099	(4,277,099)
Contribution - employee	-	2,697,223	(2,697,223)
Net investment income	-	10,361,517	(10,361,517)
Benefit payments, including refunds of employee contributions	(6,537,758)	(6,537,758)	-
Administrative Expense	-	(88,472)	88,472
Other Miscellaneous (Income)/Expense	-	-	-
Net changes	<u>10,086,322</u>	<u>10,709,609</u>	<u>(623,287)</u>
Balance at June 30, 2024 (Measurement Date)	<u>\$ 159,865,488</u>	<u>\$ 119,437,209</u>	<u>\$ 40,428,279</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>\$ 62,251,795</u>	<u>\$ 40,428,279</u>	<u>\$ 22,437,982</u>

8. PENSION PLANS (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2025, the City recognized pension expense of \$7,323,037 for the Miscellaneous plan and \$5,041,588 for the Safety plan, for total pension expense of \$12,364,625. On June 30, 2025, 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	\$ 5,027,597	\$ -	\$ 3,645,879	\$ -	\$ 8,673,476	\$ -
Differences between actual and expected experience	2,883,299	-	2,026,529	(65,891)	4,909,828	(65,891)
Changes in assumptions	-	-	611,815	-	611,815	-
Net differences between projected and actual earnings on plan investments	1,698,994	-	1,200,276	-	2,899,270	-
Change in proportion	-	-	55,838	(370,711)	55,838	(370,711)
Differences between actual contributions and proportionate share of contributions	-	-	1,008,647	(170,733)	1,008,647	(170,733)
Total	\$ 9,609,890	\$ -	\$ 8,548,984	\$ (607,335)	\$ 18,158,874	\$ (607,335)

A total of \$8,673,476 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, 2026. 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
2026	\$ 2,014,619	\$ 1,628,079
2027	3,572,059	3,008,028
2028	(434,160)	70,343
2029	(570,225)	(410,680)
Total	\$ 4,582,293	\$ 4,295,770

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, 2025 increased over the fiscal year 2024 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, 2025, 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	27.32%	13.76%

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, 2025 was \$6,246,973 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, 2025, contributions to the Miscellaneous and Safety Plans were as follows:

	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
Contributions - employer	\$ 4,435,345	\$ 592,252	\$ 3,037,299	\$ 608,580

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

8. PENSION PLANS (continued)

On June 30, 2025, 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	\$ 24,832,210

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, 2024, 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, 2023 rolled forward to June 30, 2024 using standard update procedures. The City's proportion of the net pension liability was based on the City's share of long-term contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability as of June 30, 2023 and 2024 was as follows:

	Safety
Proportion - June 30, 2023	0.34182%
Proportion - June 30, 2024	0.34059%
Change-Increase (Decrease)	-0.00123%

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	\$ 36,952,261	\$ 24,832,210	\$ 14,919,713

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

8. PENSION PLANS (continued)

Actuarial Assumptions – For the measurement period ended June 30, 2024, the total pension liabilities were determined by rolling forward the June 30, 2023 total pension liability. The June 30, 2024 total pension liabilities were based on the following actuarial methods and assumptions:

	All Plans
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial 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% thereafter
Post Retirement Benefit Increase	

(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.

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2023 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, 2025, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	234	72
Inactive employees entitled to but not yet receiving benefits	211	29
Active employees	165	42
Total	610	143

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 next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

The expected real 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%	50.00%
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, 2025, the balance in the trust was \$6,749,480.

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, 2024, 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, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024. 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, 2024 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, 2024
Funding Method	Entry Age Normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Investment rate of return	4.20% for 1-5 years and 5.90% for 6+ years as of June 30, 2023, and 6.10% as of June 30, 2024
Discount Rates	5.50% as of June 30, 2023 and 6.10% as of June 30, 2024
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: 6.80%, trending down to 4.14% over 51 years. Medicare: n/a
Mortality rate	CalPERS rates

The discount rate used to measure the total OPEB liability was 6.10%. 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 6/30/2024: (Measurement Date 6/30/23)	\$ 6,134,117	\$ 4,889,830	\$ 1,244,287
Changes Recognized for the Measurement Period:			
Service Cost	390,885	-	390,885
Interest	351,090	-	351,090
Expected investment income	-	-	-
Differences Between Expected and Actual Experience	(1,270)	-	(1,270)
Contributions:			
Employer - City's contribution	-	868,749	(868,749)
Employer - Implicit subsidy	-	164,319	(164,319)
Net investment income	-	470,206	(470,206)
Benefit payments	(118,749)	(118,749)	-
Implicit rate subsidy fulfilled	(164,319)	(164,319)	-
Changes of assumptions	(405,547)	-	(405,547)
Administrative expenses*	-	(1,699)	1,699
Net Changes during Fiscal Year 2024	52,090	1,218,507	(1,166,417)
Balance at Fiscal Year Ending 6/30/2025: (Measurement Date 6/30/24)	\$ 6,186,207	\$ 6,108,337	\$ 77,870

*Administrative expenses are included in investment expenses.

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.10%) or one percentage point higher (7.10%), as follows:

Net OPEB Liability/(Asset)		
Discount Rate -1% (5.10%)	Discount Rate (6.10%)	Discount Rate +1% (7.10%)
\$ 775,764	\$ 77,870	\$ (520,894)

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

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.80%) or one percentage point higher (7.80%) than current healthcare cost trend rates, as follows:

Net OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost	1% Increase
(5.80%)	Trend Rates	(7.80%)
(6.80%)	(7.80%)	
\$ (295,422)	\$ 77,870	\$ 517,017

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

For the fiscal year ended June 30, 2025, the City recognized OPEB expense of \$331,313. On June 30, 2025, 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	\$ 263,601	\$ -
Differences between actual and expected experience	6,847	(916,576)
Net difference between projected and actual earnings on OPEB plan investments	93,780	-
Changes of assumptions	570,781	(1,122,904)
Total	<u>\$ 935,009</u>	<u>\$ (2,039,480)</u>

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

A total of \$263,601 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, 2026. 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
2026	\$ (199,129)
2027	(127,714)
2028	(301,670)
2029	(184,920)
2030	(205,507)
Thereafter	(349,132)
Total	<u>\$ (1,368,072)</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, 2025
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, 2025, the balance of the trust was \$6,749,480. 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, 2025:

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%	6.90%
Fixed Income	23.00%	41.00%	51.00%	4.10%
Global Real Estate (REITs)	20.00%	17.00%	14.00%	6.30%
Treasury Inflation-Protected Securities (TIPS)	5.00%	5.00%	9.00%	3.90%
Commodities	3.00%	3.00%	3.00%	4.60%
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, 2025, 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, 2025:

Governmental Activities							
Lessee	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options	Monthly revenue as of June 30, 2025	Lease Receivable balance at June 30, 2025	Deferred Inflow of Resources at June 30, 2025
AT&T El Toro Telecommunications Facility	7/1/2021	1.0	6.00	6/30/2028	\$ 6,221	\$ 228,221	\$ 223,938
AT&T OSC Telecommunications Facility	10/1/2021	4.08	10.00	10/1/2035	2,192	306,040	271,760
Crown Castle Telecommunications Facility	7/1/2021	4.00	10.00	7/1/2034	4,138	569,076	496,555
Morgan Hill Unified School District	7/1/2021	3.00	2.00	4/1/2026	7,124	90,524	85,485
Santa Clara County Library	7/1/2021	12.00	-	5/1/2033	11,647	1,157,672	1,118,119
Uplift Family Services	2/1/2022	6.00	5.00	1/1/2033	14,867	1,500,780	1,352,924
Spectrum Pacific West	12/29/2022	5.00	5.00	12/31/2032	3,348	325,701	301,314
Governmental Activities subtotal					<u>\$ 49,537</u>	<u>\$ 4,178,014</u>	<u>\$ 3,850,095</u>
Business Activities							
Lessee	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options	Monthly revenue as of June 30, 2025	Lease Receivable balance at June 30, 2025	Deferred Inflow of Resources at June 30, 2025
AT&T Woodland Tank Telecommunications Facility	7/1/2021	7.0	-	7/1/2027	\$ 4,443	\$ 181,603	\$ 159,949
Business Activities subtotal					<u>\$ 4,443</u>	<u>\$ 181,603</u>	<u>\$ 159,949</u>
Total					<u>\$ 53,980</u>	<u>\$ 4,359,617</u>	<u>\$ 4,010,044</u>

10. LEASES (Continued)

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

For the Year Ended June 30	Governmental Activities			Business Activities			Total		
	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Principal	Interest	Total
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	535,101	-	-	-	460,690	74,411	535,101
2030	487,484	59,995	547,479	-	-	-	487,484	59,995	547,479
2031-2035	1,639,641	92,715	1,732,356	-	-	-	1,639,641	92,715	1,732,356
2036-2037	38,459	391	38,850	-	-	-	38,459	391	38,850
Totals	\$ 4,178,014	\$ 545,081	\$ 4,723,095	\$ 181,603	\$ 6,145	\$ 187,748	\$ 4,359,617	\$ 551,226	\$ 4,910,843

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, 2025, the lease has 3 years remaining. The City recognized \$67,092 in lease revenue and \$9,072 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, 2025, the lease has 10 years remaining. The City recognized \$17,189 in lease revenue and \$9,420 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, 2025, the lease has 9 years remaining. The City recognized \$35,545 in lease revenue and \$17,152 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, 2025, the lease has 1 years remaining. The City recognized \$87,817 in lease revenue and \$3,972 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, 2025, the lease has 8 years remaining. The City recognized \$134,742 in lease revenue and \$39,400 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, 2025, the lease has 8 years remaining. The City recognized \$145,799 in lease revenue and \$48,059 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, 2025, the lease has 7 years remaining. The City recognized \$31,693 in lease revenue and \$10,431 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, 2025, the lease has 2 years remaining. The City recognized \$52,820 in lease revenue and \$5,578 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 the 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 one additional SBITA that qualifies 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, 2025, are as follows:

	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Governmental Activities					
Tyler Munis ERP	\$ 139,532	\$ -	\$ 139,532	\$ -	\$ -
Axon Bundles	1,033,990	-	116,899	917,091	120,231
Dash Cam Systems	190,303	-	18,565	171,738	19,163
Microsoft Enterprise Agreement (MEA)	264,524	-	130,694	133,830	133,830
Flock Camera Systems	479,206	-	113,947	365,259	117,764
CivicPlus Rec	325,778	-	73,688	252,090	78,695
Sun Ridge Systems	-	771,495	584,613	186,882	186,882
<i>Subtotal - Governmental</i>	2,433,333	771,495	1,177,938	2,026,890	656,565
Business-Type Activities					
Water Operations Enterprise:					
Tyler Munis ERP	44,062	-	44,062	-	-
Total SBITA Liabilities	<u>\$ 2,477,395</u>	<u>\$ 771,495</u>	<u>\$ 1,222,000</u>	<u>\$ 2,026,890</u>	<u>\$ 656,565</u>

The future principal and interest subscription liability payments as of June 30, 2025 are as follows:

For the Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2026	\$ 656,565	\$ 82,618	\$ 739,183
2027	349,092	58,932	408,024
2028	362,834	45,962	408,796
2029	151,880	32,487	184,367
2030	156,287	26,035	182,322
2031-2034	350,232	39,815	390,047
Totals	<u>\$ 2,026,890</u>	<u>\$ 285,849</u>	<u>\$ 2,312,739</u>

12. SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY

(a) Loans receivable of the Successor Agency as of June 30, 2025, consisted of the following:

<u>Project Name</u>	<u>Loan Balance</u>	<u>Special Provisions of Loan</u>
	<u>Outstanding</u>	
Morgan Hill Grange	\$ 2,913,914	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	422,356	If loan conditions are met, loan will be treated as a reimbursement grant
Allowance for Doubtful Accounts	(1,239,999)	
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, 2024</u>	<u>Reductions</u>	<u>Balance June 30, 2025</u>	<u>Current Portion</u>
2020 Refunding Revenue Bond	\$ 56,700,000	\$ (5,350,000)	\$ 51,350,000	\$ 5,390,000
Total	<u>\$ 56,700,000</u>	<u>\$ (5,350,000)</u>	<u>\$ 51,350,000</u>	<u>\$ 5,390,000</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
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	5,675,000	517,924	6,192,924
2031-2034	23,745,000	979,087	24,724,087
Totals	<u>\$ 51,350,000</u>	<u>\$ 4,386,567</u>	<u>\$ 55,736,567</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.

24-25 Starting VRF Balance as of July 1, 2024:	\$ -
24-25 VRF Revenue:	306,021
24-25 VRF Interest:	-
24-25 VRF Expended:	<u>306,021</u>
24-25 Ending VRF Balance as of June 30, 2025:	<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, 2025, 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, 2025 for all funds.

<u>Project Name</u>	<u>Total Amount</u>
Solar Project	\$ 5,436,361
East Dunne Hillside Water Reservoir Project	5,413,726
Sanitary Sewer Lift Stations K&F Rehabilitation	2,848,171
Butterfield Park Phase I Project	2,386,823
Gilroy Sewer Trunk Repair Project	1,714,393
Axon Officer Safety Bundle Software/Cloud License	1,078,318
2025 Encino Tank Rehab	780,850
Flock Safety - 50 Automated License Plate Readers	390,000
Design & Engineering for Grade Separation	306,782
Eagle View Well Site Improvement Project	261,765
Install Small Trash Capture Project	143,500
Villa Mira Monte Expansion Plan Phase I	141,524
Dunne Tank Construction Support Services	136,291
Development of Comprehensive Safety Action Plan	118,210
Tyler Munis Implementation	377,407
Design & Consult Glen Ayer Reservoir	286,826
Water Well and Booster Station	132,319
150 KW Trailer-Mounted Diesel Generator	169,150

Listed below are the total outstanding encumbrances by each major fund and nonmajor funds in the aggregate as of June 30, 2025.

13. COMMITMENTS/CONTINGENCIES (continued)

Fund	Amount
General Fund	\$ 1,715,039
Development Services	238,035
Housing Successor	783,471
Public Safety Facilities Impact Funds	2,273,072
Nonmajor Funds	8,772,641
Sewer Enterprise Fund	6,217,406
Water Enterprise Fund	10,169,150

(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 2025, payments to CALFIRE related to this contract totaled \$6,922,649.

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.

14. RISK MANAGEMENT (continued)

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, 2025, 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.

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, 2025.

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

14. RISK MANAGEMENT (continued)

Changes in the reported liabilities are as follows:

	Workers' Compensation	General Liability	Total
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
Claims and changes in estimates during the fiscal year ended 06/30/25	(492,705)	(366,471)	(859,176)
Claims payments during the fiscal year ended 06/30/25	537,705	208,020	745,725
Liability as of 06/30/25	\$ 1,725,000	\$ 745,668	\$ 2,470,668

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, 2025. 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, 2025, under this program the City has abatements of sales tax totaling \$218,964.

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

Required Supplementary Information



CITY OF MORGAN HILL

City of Morgan Hill
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Property taxes and special assessments	\$ 19,411,020	\$ 19,411,020	\$ 19,054,966	\$ (356,054)
Sales taxes	12,816,469	12,816,469	12,072,608	(743,861)
Franchise, hotel and other taxes	6,463,872	6,463,872	6,229,522	(234,350)
Licenses and permits	280,750	280,750	422,048	141,298
Funding from other govt agencies	1,394,181	1,663,004	1,903,013	240,009
Charges for current services	9,329,753	9,329,753	9,644,420	314,667
Investment income and rentals	2,347,226	2,347,226	3,511,354	1,164,128
Other revenues	813,298	813,298	1,091,670	278,372
Total Revenues	52,856,569	53,125,392	53,929,601	804,209
Expenditures:				
General government				
Council	519,208	519,208	509,243	9,965
City Attorney	1,022,651	1,132,894	1,014,590	118,304
City Manager	1,004,655	1,024,689	685,469	339,220
Human Resources	1,083,613	1,083,613	987,076	96,537
City Clerk	960,894	960,894	869,352	91,542
Finance	2,084,054	2,608,945	2,196,855	412,090
Economic Development	1,164,255	1,211,824	988,080	223,744
Total General Government	<u>7,839,330</u>	<u>8,542,067</u>	<u>7,250,665</u>	<u>1,291,402</u>
Public Safety				
Police	24,780,591	26,061,561	24,463,231	1,598,330
Fire	10,345,110	10,345,110	7,668,657	2,676,453
Total Public Safety	<u>35,125,701</u>	<u>36,406,671</u>	<u>32,131,888</u>	<u>4,274,783</u>
Development services				
Congestion Management	957,655	957,655	825,604	132,051
Total Development Services	<u>957,655</u>	<u>957,655</u>	<u>825,604</u>	<u>132,051</u>
Streets and Highways				
Street Maintenance	3,510,337	3,511,131	3,548,521	(37,390)
Total Streets and Highways	<u>3,510,337</u>	<u>3,511,131</u>	<u>3,548,521</u>	<u>(37,390)</u>
Culture and recreation				
Recreation	9,863,197	10,041,647	9,429,468	612,179
Cable TV/Comm.& Marketing	81,209	81,209	81,209	-
Park maintenance	1,470,922	1,472,142	1,295,019	177,123
Downtown maintenance	377,094	378,065	294,370	83,695
Total Culture and recreation	<u>11,792,422</u>	<u>11,973,063</u>	<u>11,100,066</u>	<u>872,997</u>
Other Public Services				
Solid Waste Management	1,595,008	1,634,261	1,132,345	501,916
Total Other Public Services	<u>1,595,008</u>	<u>1,634,261</u>	<u>1,132,345</u>	<u>501,916</u>
Capital outlay				
Construction projects	36,050	36,050	9,596	26,454
Subscription assets	-	-	771,495	(771,495)
Debt service				
Principal	-	-	406,589	(406,589)
Interest and fiscal charges	-	-	60,394	(60,394)
Total Expenditures	60,856,503	63,060,898	57,237,163	5,823,735
Excess (deficiency) of revenues over (under) expenditures	<u>(7,999,934)</u>	<u>(9,935,506)</u>	<u>(3,307,562)</u>	<u>6,627,944</u>
Other Financing sources (uses):				
Subscription assets	-	-	771,495	771,495
Transfers in	3,365,760	3,401,760	3,274,683	(127,077)
Transfers (out)	<u>(1,692,943)</u>	<u>(2,572,943)</u>	<u>(2,572,944)</u>	<u>(1)</u>
Total other financing sources (uses)	<u>1,672,817</u>	<u>828,817</u>	<u>1,473,234</u>	<u>644,417</u>
Net change in fund balance	<u>\$ (6,327,117)</u>	<u>\$ (9,106,689)</u>	<u>(1,834,328)</u>	<u>\$ 7,272,361</u>
Fund Balance-Beginning			36,618,313	
Fund Balance-Ending			\$ 34,783,985	

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, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
<u>Revenues:</u>				
Charges for services	\$ 5,858,052	\$ 5,858,052	\$ 6,178,669	\$ 320,617
Investment income	-	-	107,846	107,846
Other revenues	-	-	5,250	5,250
Total Revenues	5,858,052	5,858,052	6,291,765	433,713
<u>Expenditures:</u>				
Current:				
Community Development	6,356,915	6,395,290	6,111,330	283,960
Total Expenditures	6,356,915	6,395,290	6,111,330	283,960
Excess (deficiency) of revenues over (under) expenditures	(498,863)	(537,238)	180,435	717,673
<u>Other Financing Sources (Uses):</u>				
Transfers (out)	(23,533)	(23,533)	(23,533)	-
Total other financing sources (uses)	(23,533)	(23,533)	(23,533)	-
Net change in fund balance	\$ (522,396)	\$ (560,771)	156,902	\$ 717,673
Fund Balance (Deficit) - Beginning			(1,144,436)	
Fund Balance (Deficit) - Ending			\$ (987,534)	

City of Morgan Hill
Housing Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Charges for services	\$ 2,830,250	\$ 2,830,250	\$ 2,340,082	\$ (490,168)
Investment income	396,260	396,260	1,047,391	651,131
Other revenues	-	-	143,999	143,999
Total Revenues	3,226,510	3,226,510	3,531,472	304,962
Expenditures:				
Current:				
Housing services	1,317,527	1,317,527	1,123,944	193,583
Community Development	2,034,994	2,736,415	1,502,532	1,233,883
Total Expenditures	3,352,521	4,053,942	2,626,476	1,427,466
Other Financing Sources Uses):				
Transfers (Out)	(13,387)	(13,387)	(13,387)	-
Total other financing sources and uses	(13,387)	(13,387)	(13,387)	-
Net change in fund balance	\$ (139,398)	\$ (840,819)	891,609	\$ 1,732,428
Fund Balance-Beginning			70,086,244	
Fund Balance-Ending			\$ 70,977,853	

City of Morgan Hill
Public Safety Facilities Impact Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Charges for services	\$ 2,197,212	\$ 2,197,212	\$ 882,298	\$ (1,314,914)
Investment income	6,002	6,002	15,913	9,911
Total Revenues	2,203,214	2,203,214	898,211	(1,305,003)
Expenditures:				
Current:				
Public Safety	126,712	225,651	331,648	(105,997)
Capital outlay				
Construction projects	2,829,682	7,864,746	5,703,269	2,161,477
Total Expenditures	2,956,394	8,090,397	6,034,917	2,055,480
Excess (deficiency) of revenues over (under) expenditures	(753,180)	(5,887,183)	(5,136,706)	750,477
Other Financing Sources (Uses):				
Transfers in	1,000,000	11,450,000	-	(11,450,000)
Transfers (out)	(254,099)	(254,099)	(204,099)	50,000
Total other financing sources (uses)	(254,099)	(254,099)	(204,099)	50,000
Net change in fund balance	\$ (1,007,279)	\$ (6,141,282)	(5,340,805)	\$ 800,477
Fund Balance (Deficit) - Beginning			(1,553,435)	
Fund Balance (Deficit) - Ending			\$ (6,894,240)	



CITY OF MORGAN HILL

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:	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Total Pension Liability					
Service Cost	\$ 2,160,542	\$ 2,258,111	\$ 2,569,067	\$ 2,841,364	\$ 2,892,885
Interest	5,903,293	6,326,739	6,655,208	7,136,369	7,717,398
Differences between expected and actual experience	(556,276)	302,964	(1,017,186)	1,625,260	2,037,515
Changes in assumptions	(1,526,156)	-	5,785,611	(769,774)	-
Changes in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,739,905)	(3,020,203)	(3,242,574)	(3,730,215)	(4,099,244)
Net change in total pension liability	3,241,498	5,867,611	10,750,126	7,103,004	8,548,554
Total pension liability - beginning	79,539,327	82,780,825	88,648,436	99,398,292	106,501,296
Total pension liability - ending (a)	\$ 82,780,825	\$ 88,648,436	\$ 99,398,562	\$ 106,501,296	\$ 115,049,850
Plan fiduciary net position					
Contributions - employer	\$ 2,301,680	\$ 2,590,587	\$ 2,518,266	\$ 2,950,037	\$ 3,275,042
Contributions - employee	1,001,923	1,071,857	1,197,450	1,211,918	1,207,537
Net investment income	1,400,430	317,085	7,449,380	6,195,398	5,243,810
Administrative Expense	-	-	(95,969)	(113,485)	(56,466)
Net Plan to Plan Resource Movement	-	-	-	-	-
Other Miscellaneous Income	-	-	-	(215,693)	183
Benefit payments, including refunds of employee contributions	(2,874,687)	(3,020,203)	(3,242,574)	(3,730,215)	(4,099,244)
Net change in plan fiduciary net position	1,829,346	959,326	7,826,553	6,297,960	5,570,862
Plan fiduciary net position - beginning	62,251,308	64,080,654	65,000,926	72,827,479	79,125,439
Plan fiduciary net position - ending (b)	\$ 64,080,654	\$ 65,039,980	\$ 72,827,479	\$ 79,125,439	\$ 84,696,301
Net pension liability - ending (a)-(b)	\$ 18,700,171	\$ 23,608,456	\$ 26,571,083	\$ 27,375,857	\$ 30,353,549
Plan fiduciary net position as a percentage of the total pension liability	77.41%	73.37%	73.27%	74.30%	73.62%
Covered payroll	\$ 13,206,077	\$ 13,545,383	\$ 14,943,991	\$ 15,095,617	\$ 14,796,541
Net pension liability as percentage of covered payroll	141.60%	174.29%	177.80%	181.35%	205.14%

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 2023, 2024, and 2025, there were no changes. 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:	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Pension Liability					
Service Cost	\$ 2,951,576	\$ 2,830,305	\$ 3,054,722	\$ 3,344,392	\$ 3,563,260
Interest	8,104,716	8,637,361	9,040,250	9,755,418	10,414,722
Differences between expected and actual experience	(967,501)	1,038,351	(764,435)	3,704,427	2,646,098
Changes in assumptions	-	-	4,470,923	-	-
Changes in benefits	-	-	-	143,416	-
Benefit payments, including refunds of employee contributions	(4,410,945)	(4,757,884)	(5,383,140)	(6,062,636)	(6,537,758)
Net change in total pension liability	5,677,846	7,748,133	10,418,320	10,885,017	10,086,322
Total pension liability - beginning	115,049,850	120,727,696	128,475,829	138,894,149	149,779,166
Total pension liability - ending (a)	\$ 120,727,696	\$ 128,475,829	\$ 138,894,149	\$ 149,779,166	\$ 159,865,488
Plan fiduciary net position					
Contributions - employer	\$ 3,646,492	\$3,729,194	\$ 3,679,364	\$ 3,970,508	\$ 4,277,099
Contributions - employee	1,274,304	1,517,946	2,049,486	2,475,659	2,697,223
Net investment income	4,253,255	20,384,416	(8,325,147)	6,366,237	10,361,517
Administrative Expense	(119,401)	(89,245)	(68,601)	(75,045)	(88,472)
Net Plan to Plan Resource Movement	-	-	(23,518)	-	-
Other Miscellaneous Income	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,410,945)	(4,757,884)	(5,383,140)	(6,062,636)	(6,537,758)
Net change in plan fiduciary net position	4,643,705	20,784,427	(8,071,556)	6,674,723	10,709,609
Plan fiduciary net position - beginning	84,696,301	89,340,006	110,124,433	102,052,877	108,727,600
Plan fiduciary net position - ending (b)	\$ 89,340,006	\$ 110,124,433	\$ 102,052,877	\$ 108,727,600	\$ 119,437,209
Net pension liability - ending (a)-(b)	\$ 31,387,690	\$ 18,351,396	\$ 36,841,272	\$ 41,051,566	\$ 40,428,279
Plan fiduciary net position as a percentage of the total pension liability	74.00%	85.72%	73.48%	72.59%	74.71%
Covered payroll	\$ 15,580,036	\$ 15,519,529	\$ 16,806,929	\$ 14,385,788	\$ 24,474,713
Net pension liability as percentage of covered payroll	201.46%	118.25%	219.20%	285.36%	165.18%

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 2023, 2024, and 2025, there were no changes. 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

Fiscal Year:	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Actuarially determined contributions	\$ 2,590,586	\$ 2,557,965	\$ 2,950,036	\$ 3,270,125	\$ 3,642,162
Contributions in relation to the actuarially determined contributions	2,590,586	2,557,965	2,950,036	3,270,125	3,642,162
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 13,545,383	\$ 14,943,991	\$ 15,095,617	\$ 14,796,541	\$ 15,580,036
Contributions as a percentage of covered payroll	19%	17%	20%	22%	23%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
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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; and 2.30% for 2025
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, and 6.80% for 2025 net of pension plan investment expense, including inflation.
Retirement age	The probabilities of retirement are based on the CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	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.

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

Fiscal Year:	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Actuarially determined contributions	\$ 3,729,194	\$ 3,679,402	\$ 3,969,316	\$ 4,277,010	\$ 5,027,597
Contributions in relation to the actuarially determined contributions	<u>3,729,194</u>	<u>3,679,402</u>	<u>3,969,316</u>	<u>4,277,010</u>	<u>5,027,597</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,519,529	\$ 16,806,929	\$ 14,385,788	\$ 24,474,713	\$ 19,916,054
Contributions as a percentage of covered payroll	24%	22%	28%	17%	25%
Notes to Schedule					
Valuation date:	6/30/2018	6/30/2019	6/30/2021	6/30/2022	6/30/2023

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; and 2.30% for 2025
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, and 6.80% for 2025 net of pension plan investment expense, including inflation.
Retirement age	The probabilities of retirement are based on the CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	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.

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>6/30/2015¹</u>	<u>6/30/2016¹</u>	<u>6/30/2017¹</u>	<u>6/30/2018¹</u>	<u>6/30/2019¹</u>
Plan's proportion of the Net Pension Liability (Asset)	0.33056%	0.31681%	0.30948%	0.31556%	0.31549%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 13,620,561	\$ 16,408,464	\$ 18,492,131	\$ 18,515,708	\$ 19,694,738
Plan's Covered Payroll ²	\$ 4,622,181	\$ 4,622,181	\$ 4,622,181	\$ 5,642,678	\$ 5,676,163
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	294.68%	354.99%	400.07%	328.14%	346.97%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.40%	74.06%	73.31%	75.26%	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:	6/30/2020¹	6/30/2021¹	6/30/2022¹	6/30/2023¹	6/30/2024¹
Plan's proportion of the Net Pension Liability (Asset)	0.31765%	0.39276%	0.34621%	0.34181%	0.34059%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 21,163,013	\$ 13,783,927	\$ 23,789,809	\$ 25,550,664	\$ 24,832,210
Plan's Covered Payroll ²	\$ 5,676,163	\$ 5,797,380	\$ 6,158,051	\$ 7,464,268	\$ 8,937,865
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	372.84%	237.76%	386.32%	342.31%	277.83%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.10%	88.29%	76.68%	76.21%	78.08%

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:	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Actuarially determined contribution	\$ 1,778,790	\$ 1,902,125	\$ 2,110,520	\$ 2,232,536	\$ 2,480,901
Contributions in relation to the actuarially determined contribution	1,778,790	1,902,125	2,110,520	2,232,536	2,480,901
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,622,181	\$ 4,789,104	\$ 5,685,714	\$ 5,642,678	\$ 5,676,163
Contributions as a percentage of covered payroll	38.48%	39.72%	37.12%	39.57%	43.71%

Notes to Schedule

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016 6/30/2017

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, 2.50% for 2024, and 2.30% for 2025.
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, and 6.80% for 2025 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, 2024, and 2025 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:	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Actuarially determined contribution	\$ 2,519,728	\$ 2,718,406	\$ 3,022,686	\$ 3,272,963	\$ 3,645,879
Contributions in relation to the actuarially determined contribution	2,519,728	2,718,406	3,022,686	3,272,963	3,645,879
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,797,380	\$ 6,158,051	\$ 7,464,268	\$ 8,937,865	\$ 7,745,132
Contributions as a percentage of covered payroll	43.46%	44.14%	40.50%	36.62%	47.07%

Notes to Schedule

Valuation date: 6/30/2018 6/30/2019 6/30/2021 6/30/2022 6/30/2023

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, 2.50% for 2024, and 2.30% for 2025.
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, and 6.80% for 2025 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, 2024, and 2025 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	416,327	677,593	(857,032)	1,229,724
Total OPEB liability - beginning	4,821,696	5,238,023	5,915,616	5,058,584
Total OPEB liability - ending (a)	\$ 5,238,023	\$ 5,915,616	\$ 5,058,584	\$ 6,288,308
OPEB fiduciary net position				
Net investment income	\$ 70,468	\$ 65,740	\$ 99,458	\$ 61,224
Contributions:				
Employer - City's contribution	358,737	371,474	475,760	885,682
Employer - Implicit subsidy	162,747	173,326	188,792	144,586
Administrative expense	-	-	-	-
Implicit rate subsidy fulfilled	(162,747)	(173,326)	(188,792)	(144,586)
Benefit payments	(58,737)	(71,474)	(75,760)	(85,682)
Net change in plan fiduciary net position	370,468	365,740	499,458	861,224
Plan fiduciary net position - beginning	402,373	772,841	1,138,581	1,638,039
Plan fiduciary net position - ending (b)	\$ 772,841	\$ 1,138,581	\$ 1,638,039	\$ 2,499,263
Net OPEB liability - ending (a)-(b)	\$ 4,465,182	\$ 4,777,035	\$ 3,420,545	\$ 3,789,045
Plan fiduciary net position as a percentage of the total OPEB liability	14.75%	19.25%	32.38%	39.74%
Covered-employee payroll	\$ 19,380,617	\$ 20,058,939	\$ 20,247,450	\$ 21,498,231
Total OPEB liability as a percentage of covered-employee payroll	23.04%	23.81%	16.89%	17.62%

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

City of Morgan Hill

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

An Agent Multiple-employer OPEB Plan (Continued)

Last 10 fiscal years*

Measurement Date	6/30/21	6/30/22	6/30/23	6/30/2024
Total OPEB Liability (1)				
Service Cost	\$ 429,322	\$ 310,942	\$ 354,492	\$ 390,885
Interest	355,256	356,169	370,175	351,090
Differences between expected and actual experience	(526,832)	10,957	(383,152)	(1,270)
Benefit payments	(94,919)	(104,715)	(111,451)	(118,749)
Implicit rate subsidy fulfilled	(161,666)	(164,963)	(165,395)	(164,319)
Changes of assumptions	(531,384)	347,914	(444,941)	(405,547)
Net change in total OPEB liability	(530,223)	756,304	(380,272)	52,090
Total OPEB liability - beginning	6,288,308	5,758,085	6,514,389	6,134,117
Total OPEB liability - ending (a)	<u>\$ 5,758,085</u>	<u>\$ 6,514,389</u>	<u>\$ 6,134,117</u>	<u>\$ 6,186,207</u>
OPEB fiduciary net position				
Net investment income	\$ 558,619	\$ (626,994)	\$ 178,646	\$ 470,206
Contributions:				
Employer - City's contribution	494,919	1,169,678	1,111,451	868,749
Employer - Implicit subsidy	161,666	-	165,395	164,319
Administrative expense	(16,216)	(2,220)	(1,268)	(1,699)
Implicit rate subsidy fulfilled	(161,666)	(164,963)	(165,395)	(164,319)
Benefit payments	(94,919)	(104,715)	(111,451)	(118,749)
Net change in plan fiduciary net position	942,403	270,786	1,177,378	1,218,507
Plan fiduciary net position - beginning	2,499,263	3,441,666	3,712,452	4,889,830
Plan fiduciary net position - ending (b)	<u>\$ 3,441,666</u>	<u>\$ 3,712,452</u>	<u>\$ 4,889,830</u>	<u>\$ 6,108,337</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 2,316,419</u>	<u>\$ 2,801,937</u>	<u>\$ 1,244,287</u>	<u>\$ 77,870</u>
Plan fiduciary net position as a percentage of the total OPEB liability	59.77%	56.99%	79.72%	98.74%
Covered-employee payroll	\$ 20,485,077	\$ 22,027,504	\$ 24,392,520	\$ 25,075,511
Total OPEB liability as a percentage of covered-employee payroll	11.31%	12.72%	5.10%	0.31%

* Fiscal year 2018 was the first year of implementation of GASB 75

Administrative expenses are included in investment expenses.

City of Morgan Hill

SCHEDULE OF CONTRIBUTIONS

An Agent Multiple-employer OPEB Plan

Last 10 fiscal years*

Fiscal Year Ended June 30,	2018	2019	2020	2021
Actuarially Determined Contribution (ADC)	\$ 623,755	\$ 652,198	\$ 732,059	\$ 721,678
Less: Contributions in Relation to the ADC	<u>(521,484)</u>	<u>(544,800)</u>	<u>(1,038,044)</u>	<u>(656,585)</u>
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	20 years
Inflation	2.30%
Assumed Payroll Growth	2.80%
Healthcare Trend Rates	Pre-Medicare: 7.40%, trending down to 4.14% over 51 years. Medicare: n/a
Rate of Return on Assets	6.10%
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	2025
Actuarially Determined Contribution (ADC)	\$ 530,702	\$ 470,389	\$ 582,445	\$ 499,265
Less: Contributions in Relation to the ADC	<u>(156,433)</u>	<u>(1,276,846)</u>	<u>(723,933)</u>	<u>(263,601)</u>
Contribution deficiency (excess)	<u>\$ 374,269</u>	<u>\$ (806,457)</u>	<u>\$ (141,488)</u>	<u>\$ 235,664</u>
Covered-employee payroll	\$ 22,027,504	\$ 24,392,520	\$ 25,075,511	\$ 28,192,761
Contributions as a percentage of				
Covered-employee payroll	0.71%	5.23%	2.89%	0.93%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

Assumptions and Methods

Actuarial Cost Method	Entry Age Normal cost, level percent of pay
Amortization Method	Closed period, level percent of pay
Amortization Period	20 years
Inflation	2.30%
Assumed Payroll Growth	2.80%
Healthcare Trend Rates	Pre-Medicare: 7.40%, trending down to 4.14% over 51 years. Medicare: n/a
Rate of Return on Assets	6.10%
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.

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.

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, 2025

	Special Revenue Funds			
	Street Maintenance	Supplemental Law Enforcement	General Plan Update	Community Dev Block Grant
Assets				
Pooled cash and investments	\$ -	\$ 523,410	\$ 2,012,144	\$ 34,690
Cash with trustees	-	-	-	-
Receivables:				
Other accounts receivable	152,931	-	-	-
Loans receivable	-	-	-	-
Advances receivable	-	-	-	-
Total Assets	\$ 152,931	\$ 523,410	\$ 2,012,144	\$ 34,690
Liabilities				
Accounts payable	\$ -	\$ -	\$ 104,229	\$ -
Accrued liabilities	-	-	11,904	-
Customer deposits/other liabilities	-	-	-	-
Advances payable	-	-	-	-
Unearned revenue	-	-	528,920	-
Total Liabilities	-	-	645,053	-
Fund Balances				
Restricted				
Community services	-	-	1,367,091	34,690
Parks and recreation	-	-	-	-
Streets and highways	152,931	-	-	-
Debt service	-	-	-	-
Public safety	-	523,410	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	152,931	523,410	1,367,091	34,690
Total Liabilities and Fund Balances	\$ 152,931	\$ 523,410	\$ 2,012,144	\$ 34,690

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Special Revenue Funds (continued)				
	Asset Seizure	Landscape and Lighting	Community Facilities Districts	Environmental Programs
Assets				
Pooled cash and investments	\$ 107,136	\$ 222,635	\$ 169,531	\$ 1,160,078
Cash with trustees	-	-	-	-
Receivables:				
Other accounts receivable	-	-	-	318,821
Loans receivable	-	-	-	-
Advances receivable	-	-	-	-
Total Assets	\$ 107,136	\$ 222,635	\$ 169,531	\$ 1,478,899
Liabilities				
Accounts payable	\$ -	\$ 5,525	\$ -	\$ 563,958
Accrued liabilities	-	12,426	524	13,981
Customer deposits/other liabilities	-	-	-	-
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	17,951	524	577,939
Fund Balances				
Restricted				
Community services	-	-	-	900,960
Parks and recreation	-	-	169,007	-
Streets and highways	-	204,684	-	-
Debt service	-	-	-	-
Public safety	107,136	-	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	107,136	204,684	169,007	900,960
Total Liabilities and Fund Balances	\$ 107,136	\$ 222,635	\$ 169,531	\$ 1,478,899

(Continued)

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds (continued)		Capital Projects Funds	
	Mobile Home Park Rent Stabilization	Employee Assistance	Park Impact	Park Maintenance
Assets				
Pooled cash and investments	\$ 87,242	\$ 57,194	\$ 3,346,773	\$ 8,770,303
Cash with trustees	-	-	-	-
Receivables:				
Other accounts receivable	-	-	-	-
Loans receivable	-	6,226	-	-
Advances receivable	-	-	-	-
Total Assets	\$ 87,242	\$ 63,420	\$ 3,346,773	\$ 8,770,303
Liabilities				
Accounts payable	\$ -	\$ -	\$ 4,495	\$ 4,967
Accrued liabilities	-	-	-	192
Customer deposits/other liabilities	-	-	9,164	67,916
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	13,659	73,075
Fund Balances				
Restricted				
Community services	87,242	-	-	-
Parks and recreation	-	-	3,333,114	8,697,228
Streets and highways	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Capital expansion projects	-	-	-	-
Other purposes	-	63,420	-	-
Unassigned	-	-	-	-
Total Fund Balances	87,242	63,420	3,333,114	8,697,228
Total Liabilities and Fund Balances	\$ 87,242	\$ 63,420	\$ 3,346,773	\$ 8,770,303

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Capital Projects Funds (continued)			
	Drainage Impact	Open Space	Street CIP	Traffic Impact
Assets				
Pooled cash and investments	\$ 5,830,877	\$ 1,569,706	\$ 4,617,859	\$ 3,018,711
Cash with trustees	-	-	-	-
Receivables:				
Other accounts receivable	-	14,348	185,959	25,929
Loans receivable	-	760,000	-	421,721
Advances receivable	6,100,000	-	-	-
Total Assets	\$ 11,930,877	\$ 2,344,054	\$ 4,803,818	\$ 3,466,361
Liabilities				
Accounts payable	\$ 38,350	\$ -	\$ 175,383	\$ 32,712
Accrued liabilities	26,110	-	-	569,924
Customer deposits/other liabilities	7,175	-	19,469	-
Advances payable	-	-	-	-
Unearned revenue	-	-	-	7,806
Total liabilities	71,635	-	194,852	610,442
Fund Balances				
Restricted				
Community services	-	-	-	-
Parks and recreation	-	-	-	-
Streets and highways	-	-	4,608,966	2,855,919
Debt service	-	-	-	-
Public safety	-	-	-	-
Capital expansion projects	11,859,242	2,344,054	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	11,859,242	2,344,054	4,608,966	2,855,919
Total Liabilities and Fund Balances	\$ 11,930,877	\$ 2,344,054	\$ 4,803,818	\$ 3,466,361

(Continued)

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Capital Projects Funds (continued)			
	Public Facilities	Library Impact	Undergrounding	Community/ Recreation Center Impact Fund
Assets				
Pooled cash and investments	\$ 3,301,542	\$ 3,540,033	\$ 1,768,756	\$ 4,584,922
Cash with trustees	-	-	-	-
Receivables:				
Other accounts receivable	-	-	-	-
Loans receivable	-	-	-	-
Advances receivable	-	-	-	-
Total Assets	\$ 3,301,542	\$ 3,540,033	\$ 1,768,756	\$ 4,584,922
Liabilities				
Accounts payable	\$ 112,983	\$ -	\$ -	\$ 24,878
Accrued liabilities	-	-	-	-
Customer deposits/other liabilities	15,793	-	-	37,244
Advances payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	128,776	-	-	62,122
Fund Balances				
Restricted				
Community services	-	-	-	-
Parks and recreation	-	-	-	4,522,800
Streets and highways	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Capital expansion projects	3,172,766	3,540,033	1,768,756	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	3,172,766	3,540,033	1,768,756	4,522,800
Total Liabilities and Fund Balances	\$ 3,301,542	\$ 3,540,033	\$ 1,768,756	\$ 4,584,922

City of Morgan Hill
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Debt Service Funds		
	Civic Center (Library)	Police Facility	Total Nonmajor Govt Funds
<u>Assets</u>			
Pooled cash and investments	\$ 192,619	\$ 162,180	\$ 45,078,341
Cash with trustees	84	108	192
Receivables:			
Other accounts receivable	-	-	697,988
Loans receivable	-	-	1,187,947
Advances receivable	-	-	6,100,000
Total Assets	\$ 192,703	\$ 162,288	\$ 53,064,468
<u>Liabilities</u>			
Accounts payable	\$ -	\$ -	\$ 1,067,480
Accrued liabilities	-	-	635,061
Customer deposits/other liabilities	-	-	156,761
Advances payable	-	-	-
Unearned revenue	-	-	536,726
Total liabilities	-	-	2,396,028
<u>Fund Balances</u>			
Restricted			
Community services	-	-	2,389,983
Parks and recreation	-	-	16,722,149
Streets and highways	-	-	7,822,500
Debt service	192,703	162,288	354,991
Public safety	-	-	630,546
Capital expansion projects	-	-	22,684,851
Other purposes	-	-	63,420
Unassigned	-	-	-
Total Fund Balances	192,703	162,288	50,668,440
Total Liabilities and Fund Balances	\$ 192,703	\$ 162,288	\$ 53,064,468

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	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	853,982	194,664	471,080	-
Charges for current services	-	-	698,037	-
Investment income	6,522	14,927	126,422	2,277
Other revenues	-	-	17,901	-
Total Revenues	860,504	209,591	1,313,440	2,277
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	1,355	-	-
Development services	-	-	1,358,800	87
Streets and highways	5,452	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	5,452	1,355	1,358,800	87
Excess (deficiency) of revenues over (under) expenditures	855,052	208,236	(45,360)	2,190
Other Financing Sources (Uses)				
Transfers in	-	-	110,000	-
Transfers (out)	(774,855)	(100,000)	(3,764)	-
Total other financing sources (uses)	(774,855)	(100,000)	106,236	-
Net change in fund balances	80,197	108,236	60,876	2,190
Fund Balances (Deficits) - Beginning, as previously reported	72,734	415,174	1,306,215	32,500
Adjustment - change from nonmajor fund to major fund	-	-	-	-
Fund Balances - Beginning, as adjusted	72,734	415,174	1,306,215	32,500
Fund Balances - Ending	\$ 152,931	\$ 523,410	\$ 1,367,091	\$ 34,690

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds (continued)			
	Asset Seizure	Landscape and Lighting	Community Facilities District	Environmental Programs
Revenues:				
Property taxes and special assessment	\$ -	\$ 203,629	\$ 27,656	\$ -
Funding from other governmental agencies	-	-	-	-
Charges for current services	-	-	-	1,525,387
Investment income	3,462	6,597	5,358	46,248
Other revenues	-	-	-	524,246
Total Revenues	3,462	210,226	33,014	2,095,881
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	821	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	-	221,548	26,526	1,878,494
Capital outlay:				
Construction projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	821	221,548	26,526	1,878,494
Excess (deficiency) of revenues over (under) expenditures	2,641	(11,322)	6,488	217,387
Other Financing Sources (Uses)				
Transfers in	-	-	-	449,452
Transfers (out)	-	-	-	(577,907)
Total other financing sources (uses)	-	-	-	(128,455)
Net change in fund balances	2,641	(11,322)	6,488	88,932
Fund Balances (Deficits) - Beginning, as previously reported	104,495	216,006	162,519	812,028
Adjustment - change from nonmajor fund to major fund	-	-	-	-
Fund Balances - Beginning, as adjusted	104,495	216,006	162,519	812,028
Fund Balances - Ending	\$ 107,136	\$ 204,684	\$ 169,007	\$ 900,960

(Continued)

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds (continued)		Capital Projects Funds	
	Mobile Home Park Rent Stabilization	Employee Assistance	Park Impact	Park Maintenance
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	-	-
Charges for current services	-	-	2,214,565	4,607,549
Investment income	6,252	1,933	132,612	336,187
Other revenues	-	-	2,000	6,100
Total Revenues	6,252	1,933	2,349,177	4,949,836
Expenditures:				
Current:				
General government	-	994	-	-
Public safety	-	-	-	-
Development services	485	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	51,212	2,150
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	865,299	2,001,450
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	485	994	916,511	2,003,600
Excess (deficiency) of revenues over (under) expenditures	5,767	939	1,432,666	2,946,236
Other Financing Sources (Uses)				
Transfers in	-	-	-	140,000
Transfers (out)	-	-	(107,700)	(650,000)
Total other financing sources (uses)	-	-	(107,700)	(510,000)
Net change in fund balances	5,767	939	1,324,966	2,436,236
Fund Balances (Deficits) - Beginning, as previously reported	81,475	62,481	2,008,148	6,260,992
Adjustment - change from nonmajor fund to major fund	-	-	-	-
Fund Balances - Beginning, as adjusted	81,475	62,481	2,008,148	6,260,992
Fund Balances - Ending	\$ 87,242	\$ 63,420	\$ 3,333,114	\$ 8,697,228

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Capital Projects Funds (Continued)			
	Drainage Impact	Open Space	Street CIP	Traffic Impact
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	2,907,413	-
Charges for current services	524,869	986,348	306,021	1,998,390
Investment income	634,833	53,285	224,446	250,513
Other revenues	76,366	-	-	281,812
Total Revenues	1,236,068	1,039,633	3,437,880	2,530,715
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	13,290	30,557	111,302	24,497
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	391,602	-	4,284,860	3,351,597
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	404,892	30,557	4,396,162	3,376,094
Excess (deficiency) of revenues over (under) expenditures	831,176	1,009,076	(958,282)	(845,379)
Other Financing Sources (Uses)				
Transfers in	210,404	-	1,280,000	-
Transfers (out)	(22,700)	(97,600)	-	(106,900)
Total other financing sources (uses)	187,704	(97,600)	1,280,000	(106,900)
Net change in fund balances	1,018,880	911,476	321,718	(952,279)
Fund Balances (Deficits) - Beginning, as previously reported	10,840,362	1,432,578	4,287,248	3,808,198
Adjustment - change from nonmajor fund to major fund	-	-	-	-
Fund Balances - Beginning, as adjusted	10,840,362	1,432,578	4,287,248	3,808,198
Fund Balances - Ending	\$ 11,859,242	\$ 2,344,054	\$ 4,608,966	\$ 2,855,919

(Continued)

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Capital Projects Funds (Continued)			
	Public Facilities	Library Impact	Undergrounding	Community/ Recreation Center Impact
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	-	-	-	-
Charges for current services	465,327	1,378,226	32,200	2,578,851
Investment income	204,526	121,304	98,806	149,539
Other revenues	-	-	-	-
Total Revenues	669,853	1,499,530	131,006	2,728,390
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	1,234	16,775
Parks and recreation	-	-	-	-
Other public services	342,097	6,597	-	-
Capital outlay:				
Construction projects	568,049	-	129,567	486,349
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	910,146	6,597	130,801	503,124
Excess (deficiency) of revenues over (under) expenditures	(240,293)	1,492,933	205	2,225,266
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	(100,000)	(207,017)	-	-
Total other financing sources (uses)	(100,000)	(207,017)	-	-
Net change in fund balances	(340,293)	1,285,916	205	2,225,266
Fund Balances (Deficits) - Beginning, as previously reported	3,513,059	2,254,117	1,768,551	2,297,534
Adjustment - change from nonmajor fund to major fund	-	-	-	-
Fund Balances - Beginning, as adjusted	3,513,059	2,254,117	1,768,551	2,297,534
Fund Balances - Ending	\$ 3,172,766	\$ 3,540,033	\$ 1,768,756	\$ 4,522,800

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Capital Projects (Previously Nonmajor) Public Safety Facilities Impact	Debt Service Funds			Total NonMajor Govt Funds
		Civic Center (Library)	Police Facility		
Revenues:					
Property taxes and special assessment	\$ -	\$ -	\$ -	\$	231,285
Funding from other governmental agencies	-	-	-		4,427,139
Charges for current services	-	-	-		17,315,770
Investment income	-	5,613	-		2,431,662
Other revenues	-	-	-		908,425
Total Revenues	-	5,613	-		25,314,281
Expenditures:					
Current:					
General government	-	-	-		994
Public safety	-	-	-		2,176
Development services	-	-	-		1,359,372
Streets and highways	-	-	-		203,107
Parks and recreation	-	-	-		53,362
Other public services	-	-	-		2,475,262
Capital outlay:					
Construction projects	-	-	-		12,078,773
Debt service:					
Principal	-	193,056	261,944		455,000
Interest and fiscal charges	-	97,012	124,757		221,769
Total Expenditures	-	290,068	386,701		16,849,815
Excess (deficiency) of revenues over (under) expenditures	-	(284,455)	(386,701)		8,464,466
Other Financing Sources (Uses)					
Transfers in	-	294,120	385,093		2,869,069
Transfers (out)	-	-	-		(2,748,443)
Total other financing sources (uses)	-	294,120	385,093		120,626
Net change in fund balances	-	9,665	(1,608)		8,585,092
Fund Balances (Deficits) - Beginning, as previously reported	(1,553,435)	183,038	163,896		40,529,913
Adjustment - change from nonmajor fund to major fund	1,553,435	-	-		1,553,435
Fund Balances - Beginning, as adjusted	-	183,038	163,896		42,083,348
Fund Balances - Ending	\$ -	\$ 192,703	\$ 162,288	\$	50,668,440

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, 2025

	Special Revenue Funds			
	Street Maintenance			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	851,932	851,932	853,982	2,050
Charges for current services	-	-	-	-
Investment income	2,135	2,135	6,522	4,387
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	854,067	854,067	860,504	6,437
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	5,452	5,452	5,452	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	5,452	5,452	5,452	-
Excess (deficiency) of revenues over (under) expenditures	848,615	848,615	855,052	6,437
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(851,932)	(851,932)	(774,855)	77,077
Total other financing sources (uses)	(851,932)	(851,932)	(774,855)	77,077
Net change in fund balances	\$ (3,317)	\$ (3,317)	80,197	\$ 83,514
Fund Balances-Beginning			72,734	
Fund Balances-Ending			\$ 152,931	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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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	900,000	900,000	194,664	(705,336)
Charges for current services	100,000	100,000	-	(100,000)
Investment income	12,957	12,957	14,927	1,970
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	1,012,957	1,012,957	209,591	(803,366)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	1,355	1,355	1,355	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	1,355	1,355	1,355	-
Excess (deficiency) of revenues over (under) expenditures	1,011,602	1,011,602	208,236	(803,366)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(774,855)	(100,000)	(100,000)	-
Total other financing sources (uses)	(774,855)	(100,000)	(100,000)	-
Net change in fund balances	\$ 236,747	\$ 911,602	108,236	\$ (803,366)
Fund Balances-Beginning			415,174	
Fund Balances-Ending			\$ 523,410	

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, 2025

	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	900,000	900,000	471,080	-
Charges for current services	716,758	716,758	698,037	(18,721)
Investment income	24,247	24,247	126,422	102,175
Fines, forfeitures, and other revenues	-	-	17,901	17,901
Total Revenues	1,641,005	1,641,005	1,313,440	(327,565)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	3,103,744	3,103,744	1,358,800	1,744,944
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	3,103,744	3,103,744	1,358,800	1,744,944
Excess (deficiency) of revenues over (under) expenditures	(1,462,739)	(1,462,739)	(45,360)	1,417,379
Other Financing Sources (Uses):				
Transfers in	110,000	110,000	110,000	-
Transfers (out)	(3,764)	(3,764)	(3,764)	-
Total other financing sources (uses)	106,236	106,236	106,236	-
Net change in fund balances	\$ (1,356,503)	\$ (1,356,503)	60,876	\$ 1,417,379
Fund Balances-Beginning			1,306,215	
Fund Balances-Ending			\$ 1,367,091	

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	1,161	1,161	2,277	1,116
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	1,161	1,161	2,277	1,116
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	87	87	87	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	87	87	87	-
Excess (deficiency) of revenues over (under) expenditures	1,074	1,074	2,190	1,116
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 1,074	\$ 1,074	2,190	\$ 1,116
Fund Balances-Beginning			32,500	
Fund Balances-Ending			\$ 34,690	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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Special Revenue Funds (continued)				
Asset Seizure				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	2,807	2,807	3,462	655
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	2,807	2,807	3,462	655
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	821	821	821	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	821	821	821	-
Excess (deficiency) of revenues over (under) expenditures	1,986	1,986	2,641	655
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 1,986	\$ 1,986	2,641	\$ 655
Fund Balances-Beginning			104,495	
Fund Balances-Ending			\$ 107,136	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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Special Revenue Funds (continued)				
Landscape and Lighting				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ 203,074	\$ 203,074	\$ 203,629	\$ 555
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	3,341	3,341	6,597	3,256
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	206,415	206,415	210,226	3,811
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	211,120	211,120	221,548	(10,428)
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	211,120	211,120	221,548	(10,428)
Excess (deficiency) of revenues over (under) expenditures	(4,705)	(4,705)	(11,322)	(6,617)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (4,705)	\$ (4,705)	(11,322)	\$ (6,617)
Fund Balances-Beginning			216,006	
Fund Balances-Ending			\$ 204,684	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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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	\$ 25,000	\$ 25,000	\$ 27,656	\$ 2,656
Funding from other govt agencies	-	-	-	-
Charges for current services	-	-	-	-
Investment income	3,828	3,828	5,358	1,530
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	28,828	28,828	33,014	4,186
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	23,512	23,512	26,526	(3,014)
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	23,512	23,512	26,526	(3,014)
Excess (deficiency) of revenues over (under) expenditures	5,316	5,316	6,488	1,172
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 5,316	\$ 5,316	6,488	\$ 1,172
Fund Balances-Beginning			162,519	
Fund Balances-Ending			\$ 169,007	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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Special Revenue Funds (continued)				
Environmental Programs				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	-	-	-	-
Charges for current services	2,313,503	1,789,256	1,525,387	(263,869)
Investment income	17,784	17,784	46,248	28,464
Fines, forfeitures, and other revenues	-	524,246	524,246	-
Total Revenues	2,331,287	2,331,286	2,095,881	(235,405)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	2,749,214	2,376,302	1,878,494	497,808
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	2,749,214	2,376,302	1,878,494	497,808
Excess (deficiency) of revenues over (under) expenditures	(417,927)	(45,016)	217,387	262,403
Other Financing Sources (Uses):				
Transfers in	449,452	449,452	449,452	-
Transfers (out)	(541,907)	(577,907)	(577,907)	-
Total other financing sources (uses)	(92,455)	(128,455)	(128,455)	-
Net change in fund balances	\$ (510,382)	\$ (173,471)	88,932	\$ 262,403
Fund Balances-Beginning			812,028	
Fund Balances-Ending			\$ 900,960	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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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	2,872	2,872	6,252	3,380
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	2,872	2,872	6,252	3,380
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	485	485	485	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	485	485	485	-
Excess (deficiency) of revenues over (under) expenditures	2,387	2,387	5,767	3,380
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 2,387	\$ 2,387	5,767	\$ 3,380
Fund Balances-Beginning			81,475	
Fund Balances-Ending			\$ 87,242	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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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	-	-	-	-
Investment income	1,297	1,297	1,933	636
Fines, forfeitures, and other revenues	-	-	-	-
Total Revenues	1,297	1,297	1,933	636
Expenditures:				
Current:				
General government	20,993	20,993	994	19,999
Public safety	-	-	-	-
Development services	-	-	-	-
Streets and highways	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	20,993	20,993	994	19,999
Excess (deficiency) of revenues over (under) expenditures	(19,696)	(19,696)	939	20,635
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (19,696)	\$ (19,696)	939	\$ 20,635
Fund Balances-Beginning			62,481	
Fund Balances-Ending			\$ 63,420	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
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	Capital Project Funds			
	Park Impact			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,965,692	1,965,692	2,214,565	248,873
Investment income	33,579	33,579	132,612	99,033
Other revenues	-	-	2,000	2,000
Total Revenues	1,999,271	1,999,271	2,349,177	349,906
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	33,047	33,047	51,212	(18,165)
Other public services	-	-	-	-
Capital outlay:				
Construction projects	2,777,280	3,534,260	865,299	2,668,961
Total Expenditures	2,810,327	3,567,307	916,511	2,650,796
Excess (deficiency) of revenues over (under) expenditures	(811,056)	(1,568,036)	1,432,666	3,000,702
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(107,700)	(107,700)	(107,700)	-
Total other financing sources (uses)	(107,700)	(107,700)	(107,700)	-
Net change in fund balances	\$ (918,756)	\$ (1,675,736)	1,324,966	\$ 3,000,702
Fund Balances-Beginning			2,008,148	
Fund Balances-Ending			\$ 3,333,114	

City of Morgan Hill
Nonmajor Governmental Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
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	Capital Project Funds (continued)			
	Park Maintenance			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	2,566,037	2,566,037	4,607,549	2,041,512
Investment income	99,512	99,512	336,187	236,675
Other revenues	-	-	6,100	6,100
Total Revenues	2,665,549	2,665,549	4,949,836	2,284,287
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	2,150	(2,150)
Other public services	-	-	-	-
Capital outlay:				
Construction projects	6,640,319	7,485,700	2,001,450	5,484,250
Total Expenditures	6,640,319	7,485,700	2,003,600	5,482,100
Excess (deficiency) of revenues over (under) expenditures	(3,974,770)	(4,820,151)	2,946,236	7,766,387
Other Financing Sources (Uses):				
Transfers in	-	140,000	140,000	-
Transfers (out)	(650,000)	(1,650,000)	(650,000)	1,000,000
Total other financing sources (uses)	(650,000)	(1,510,000)	(510,000)	1,000,000
Net change in fund balances	\$ (4,624,770)	\$ (6,330,151)	2,436,236	\$ 8,766,387
Fund Balances-Beginning			6,260,992	
Fund Balances-Ending			\$ 8,697,228	

City of Morgan Hill
Nonmajor Governmental Funds
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	Capital Project Funds (continued)			
	Drainage Impact			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,394,761	1,394,761	524,869	(869,892)
Investment income	70,930	70,930	634,833	563,903
Other revenues	-	-	76,366	76,366
Total Revenues	1,465,691	1,465,691	1,236,068	(229,623)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	13,290	13,290	13,290	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	4,069,503	5,888,641	391,602	5,497,039
Total Expenditures	4,082,793	5,901,931	404,892	5,497,039
Excess (deficiency) of revenues over (under) expenditures	(2,617,102)	(4,436,240)	831,176	5,267,416
Other Financing Sources (Uses):				
Transfers in	210,404	210,404	210,404	-
Transfers (out)	(22,700)	(6,472,700)	(22,700)	6,450,000
Total other financing sources (uses)	187,704	(6,262,296)	187,704	6,450,000
Net change in fund balances	<u>\$ (2,429,398)</u>	<u>\$ (10,698,536)</u>	1,018,880	<u>\$ 11,717,416</u>
Fund Balances-Beginning			10,840,362	
Fund Balances-Ending			\$ 11,859,242	

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, 2025

	Capital Project Funds (continued)			
	Open Space			
	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	-	-	986,348	986,348
Investment income	18,459	18,459	53,285	34,826
Other revenues	-	-	-	-
Total Revenues	18,459	18,459	1,039,633	1,021,174
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	30,557	30,557	30,557	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	-	-	-	-
Total Expenditures	30,557	30,557	30,557	-
Excess (deficiency) of revenues over (under) expenditures	(12,098)	(12,098)	1,009,076	1,021,174
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	\$ (109,698)	\$ (109,698)	911,476	\$ 1,021,174
Fund Balances-Beginning			1,432,578	
Fund Balances-Ending			\$ 2,344,054	

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, 2025

Capital Project Funds (continued)				
Streets CIP				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ 2,495,263	\$ 2,495,263	\$ 2,907,413	\$ 412,150
Charges for current services	290,000	290,000	306,021	16,021
Investment income	101,614	101,614	224,446	122,832
Other revenues	-	-	-	-
Total Revenues	2,886,877	2,886,877	3,437,880	551,003
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	111,304	111,304	111,302	2
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	4,192,121	4,881,213	4,284,860	596,353
Total Expenditures	4,303,425	4,992,517	4,396,162	596,355
Excess (deficiency) of revenues over (under) expenditures	(1,416,548)	(2,105,640)	(958,282)	1,147,358
Other Financing Sources (Uses):				
Transfers in	1,000,000	1,280,000	1,280,000	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	1,000,000	1,280,000	1,280,000	-
Net change in fund balances	\$ (416,548)	\$ (825,640)	321,718	\$ 1,147,358
Fund Balances-Beginning			4,287,248	
Fund Balances-Ending			\$ 4,608,966	

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, 2025

	Capital Project Funds (continued)			
	Traffic Impact			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ 200,500	\$ -	\$ (200,500)
Charges for current services	4,672,629	4,672,629	1,998,390	(2,674,239)
Investment income	80,663	80,663	250,513	169,850
Other revenues	-	-	281,812	281,812
Total Revenues	4,753,292	4,953,792	2,530,715	(2,423,077)
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	24,497	244,747	24,497	220,250
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	1,572,045	4,364,037	3,351,597	1,012,440
Total Expenditures	1,596,542	4,608,784	3,376,094	1,232,690
Excess (deficiency) of revenues over (under) expenditures	3,156,750	345,008	(845,379)	(1,190,387)
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	\$ 3,049,850	\$ 238,108	(952,279)	\$ (1,190,387)
Fund Balances-Beginning			3,808,198	
Fund Balances-Ending			\$ 2,855,919	

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, 2025

	Capital Project Funds (continued)			
	Public Facilities			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	576,940	576,940	465,327	(111,613)
Investment income	64,115	64,115	204,526	140,411
Other revenues	-	-	-	-
Total Revenues	641,055	641,055	669,853	28,798
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Parks and recreation	-	-	-	-
Other public services	9,303	9,303	342,097	(332,794)
Capital outlay:				
Construction projects	2,235,864	2,707,801	568,049	2,139,752
Total Expenditures	2,245,167	2,717,104	910,146	1,806,958
Excess (deficiency) of revenues over (under) expenditures	(1,604,112)	(2,076,049)	(240,293)	1,835,756
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	(25,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	(25,000)	(100,000)	(100,000)	-
Net change in fund balances	\$ (1,629,112)	\$ (2,176,049)	(340,293)	\$ 1,835,756
Fund Balances-Beginning			3,513,059	
Fund Balances-Ending			\$ 3,172,766	

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, 2025

Capital Project Funds (continued)			
Library Impact			Variance with Final Budget
Budgeted Amounts		Actual	Positive
Original	Final	Amounts	(Negative)
Revenues:			
Funding from other govt agencies	\$ -	\$ -	\$ -
Charges for current services	1,386,902	1,386,902	(8,676)
Investment income	27,384	121,304	93,920
Other revenues	-	-	-
Total Revenues	1,414,286	1,499,530	85,244
Expenditures:			
Current:			
Public safety	-	-	-
Streets and highways	-	-	-
Parks and recreation	-	-	-
Other public services	6,597	6,597	-
Capital outlay:			
Construction projects	-	-	-
Total Expenditures	6,597	6,597	-
Excess (deficiency) of revenues over (under) expenditures	1,407,689	1,407,689	85,244
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers (out)	(2,707,017)	(207,017)	2,500,000
Total other financing sources (uses)	(2,707,017)	(207,017)	2,500,000
Net change in fund balances	\$ (1,299,328)	\$ (1,299,328)	\$ 2,585,244
Fund Balances-Beginning		2,254,117	
Fund Balances-Ending		\$ 3,540,033	

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, 2025

	Capital Project Funds (continued)			
	Undergrounding			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	20,000	20,000	32,200	12,200
Investment income	54,302	54,302	98,806	44,504
Other revenues	-	-	-	-
Total Revenues	74,302	74,302	131,006	56,704
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	1,234	1,234	1,234	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	262,008	527,921	129,567	398,354
Total Expenditures	263,242	529,155	130,801	-
Excess (deficiency) of revenues over (under) expenditures	(188,940)	(454,853)	205	455,058
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	(1,500,000)	-	1,500,000
Total other financing sources (uses)	-	(1,500,000)	-	1,500,000
Net change in fund balances	\$ (188,940)	\$ (1,954,853)	205	\$ 1,955,058
Fund Balances-Beginning			1,768,551	
Fund Balances-Ending			\$ 1,768,756	

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, 2025

	Capital Project Funds (continued)			
	Community/Recreation Center Impact			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	2,459,641	2,459,641	2,578,851	119,210
Investment income	41,887	41,887	149,539	107,652
Other revenues	-	-	-	-
Total Revenues	2,501,528	2,501,528	2,728,390	226,862
Expenditures:				
Current:				
Public safety	-	-	-	-
Streets and highways	16,775	16,775	16,775	-
Parks and recreation	-	-	-	-
Other public services	-	-	-	-
Capital outlay:				
Construction projects	890,826	2,261,876	486,349	1,775,527
Total Expenditures	907,601	2,278,651	503,124	1,775,527
Excess (deficiency) of revenues over (under) expenditures	1,593,927	222,877	2,225,266	2,002,389
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 1,593,927	\$ 222,877	2,225,266	\$ 2,002,389
Fund Balances-Beginning			2,297,534	
Fund Balances-Ending			\$ 4,522,800	

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, 2025

	Debt Service Funds Civic Center (Library)			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Charges for current services	\$ -	\$ -	\$ -	\$ -
Investment income	6,345	6,345	5,613	(732)
Total Revenues	6,345	6,345	5,613	(732)
Expenditures:				
Debt service:				
Principal	196,105	196,105	193,056	3,049
Interest and fiscal charges	95,608	97,012	97,012	-
Total Expenditures	291,713	293,117	290,068	3,049
Excess (deficiency) of revenues over (under) expenditures	(285,368)	(286,772)	(284,455)	2,317
Other Financing Sources (Uses):				
Transfers in	294,120	294,120	294,120	-
Total other financing sources (uses)	294,120	294,120	294,120	-
Net change in fund balances	\$ 8,752	\$ 7,348	9,665	\$ 2,317
Fund Balances-Beginning			183,038	
Fund Balances-Ending			\$ 192,703	

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, 2025

	Debt Service Funds, (continued)			
	Police Facility Bond			Variance with Final Budget
	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original	Final		
Revenues:				
Charges for current services	\$ -	\$ -	\$ -	\$ -
Investment income	5,846	5,846	-	(5,846)
Total Revenues	5,846	5,846	-	(5,846)
Expenditures:				
Debt service:				
Principal	260,624	261,944	261,944	-
Interest and fiscal charges	124,470	124,757	124,757	-
Total Expenditures	385,094	386,701	386,701	-
Excess (deficiency) of revenues over (under) expenditures	(379,248)	(380,855)	(386,701)	(5,846)
Other Financing Sources (Uses):				
Transfers in	385,093	385,093	385,093	-
Total other financing sources (uses)	385,093	385,093	385,093	-
Net change in fund balances	\$ 5,845	\$ 4,238	(1,608)	\$ (5,846)
Fund Balances-Beginning			163,896	
Fund Balances-Ending			\$ 162,288	



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, 2025

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
<u>Assets:</u>					
Current assets					
Pooled cash and investment	\$ 640,051	\$ 384,882	\$ 5,125,748	\$ 10,948	\$ 279,318
Restricted pooled cash and investments	-	-	-	-	-
Receivables:					
Other account receivable	-	-	-	-	-
Prepaid items	138,239	-	-	-	7,856
Total current assets	778,290	384,882	5,125,748	10,948	287,174
Noncurrent assets					
Depreciable capital assets, net	544,486	149,040	2,655,555	2,200	-
Total noncurrent assets	544,486	149,040	2,655,555	2,200	-
Total Assets	1,322,776	533,922	7,781,303	13,148	287,174
<u>Liabilities:</u>					
Current liabilities					
Accounts payable	156,690	26,936	63,031	2,549	1,586
Accrued liabilities	2,382	11,303	-	883	-
Customer deposits	-	-	38,218	-	-
Current obligations for:					
SBITAs	133,830	-	-	-	-
Compensated absences	-	-	-	-	-
Total current liabilities	292,902	38,239	101,249	3,432	1,586
Noncurrent liabilities					
Long term obligations for:					
SBITAs	-	-	-	-	-
Compensated absences	-	-	-	-	-
Total noncurrent liabilities	-	-	-	-	-
Total Liabilities	292,902	38,239	101,249	3,432	1,586
<u>Net Position:</u>					
Net investment in capital assets	410,656	149,040	2,655,555	2,200	-
Unrestricted	619,218	346,643	5,024,499	7,516	285,588
Total Net Position	\$ 1,029,874	\$ 495,683	\$ 7,680,054	\$ 9,716	\$ 285,588

City of Morgan Hill
Internal Service Funds
Combining Statement of Net Position
June 30, 2025

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
<u>Assets:</u>					
Current assets					
Pooled cash and investment	\$ 2,314,541	\$ 10,148,897	\$ 1,087,525	\$ 1,161,157	\$ 21,153,067
Restricted pooled cash and investments	30,000	-	-	-	30,000
Receivables:					
Other account receivable	-	23,293	-	-	23,293
Prepaid items	-	-	-	-	146,095
Total current assets	2,344,541	10,172,190	1,087,525	1,161,157	21,352,455
Noncurrent assets					
Depreciable capital assets, net	-	3,083,946	-	334	6,435,561
Total noncurrent assets	-	3,083,946	-	334	6,435,561
Total Assets	2,344,541	13,256,136	1,087,525	1,161,491	27,788,016
<u>Liabilities:</u>					
Current liabilities					
Accounts payable	-	-	-	12,016	262,808
Accrued liabilities	1,725,000	-	-	745,668	2,485,236
Customer deposits	-	-	-	-	38,218
Current obligations for:					
SBITAs	-	-	-	-	133,830
Compensated absences	-	-	1,313,438	-	1,313,438
Total current liabilities	1,725,000	-	1,313,438	757,684	4,233,530
Noncurrent liabilities					
Long term obligations for:					
SBITAs	-	-	-	-	-
Compensated absences	-	-	3,488,727	-	3,488,727
Total noncurrent liabilities	-	-	3,488,727	-	3,488,727
Total Liabilities	1,725,000	-	4,802,165	757,684	7,722,257
<u>Net Position:</u>					
Net investment in capital assets	-	3,083,946	-	334	6,301,731
Unrestricted	619,541	10,172,190	(3,714,640)	403,473	13,764,028
Total Net Position	\$ 619,541	\$ 13,256,136	\$ (3,714,640)	\$ 403,807	\$ 20,065,759

City of Morgan Hill
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
<u>Operating Revenues:</u>					
Charges for current services	\$ 2,863,636	\$ 1,421,485	\$ 870,276	\$ 2,494,855	\$ -
Total Operating Revenues	<u>2,863,636</u>	<u>1,421,485</u>	<u>870,276</u>	<u>2,494,855</u>	<u>-</u>
<u>Operating Expenses:</u>					
Salaries and benefits	1,626,670	389,879	-	1,925,377	-
Claims and insurance premiums	-	-	-	-	7,791
Operations and maintenance	791,237	444,336	17,546	42,098	-
Depreciation	285,472	39,445	324,639	880	-
Administrative charges	-	232,382	-	520,344	-
Total Operating Expenses (Loss)	<u>2,703,379</u>	<u>1,106,042</u>	<u>342,185</u>	<u>2,488,699</u>	<u>7,791</u>
Operating Income	<u>160,257</u>	<u>315,443</u>	<u>528,091</u>	<u>6,156</u>	<u>(7,791)</u>
<u>Nonoperating revenues(expenses):</u>					
Investment earnings	24,950	5,386	284,837	-	9,150
Interest (expenses)	(6,349)	-	-	-	-
Total nonoperating revenue (expenses)	<u>18,601</u>	<u>5,386</u>	<u>284,837</u>	<u>-</u>	<u>9,150</u>
Income (loss) before operating transfers	<u>178,858</u>	<u>320,829</u>	<u>812,928</u>	<u>6,156</u>	<u>1,359</u>
Transfers in	-	-	521,612	-	-
Transfers out	(256,612)	-	-	(8,727)	-
Total transfers	<u>(256,612)</u>	<u>-</u>	<u>521,612</u>	<u>(8,727)</u>	<u>-</u>
Change in net position	(77,754)	320,829	1,334,540	(2,571)	1,359
Total Net Position (Deficit)-Beginning	<u>1,107,628</u>	<u>174,854</u>	<u>6,345,514</u>	<u>12,287</u>	<u>284,229</u>
Total Net Position (Deficit)-Ending	<u>\$ 1,029,874</u>	<u>\$ 495,683</u>	<u>\$ 7,680,054</u>	<u>\$ 9,716</u>	<u>\$ 285,588</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
<u>Operating Revenues:</u>					
Charges for current services	\$ 1,022,411	\$ 1,416,324	\$ 1,118,241	\$ 2,500,652	\$ 13,707,880
Total Operating Revenues	1,022,411	1,416,324	1,118,241	2,500,652	13,707,880
<u>Operating Expenses:</u>					
Salaries and benefits	-	-	2,402,654	115,106	6,459,686
Claims and insurance premiums	1,184,354	-	-	2,096,261	3,288,406
Operations and maintenance	44,258	16,141	-	-	1,355,616
Depreciation	-	627,633	-	-	1,278,069
Administrative charges	-	-	-	-	752,726
Total Operating Expenses (Loss)	1,228,612	643,774	2,402,654	2,211,367	13,134,503
Operating Income	(206,201)	772,550	(1,284,413)	289,285	573,377
<u>Nonoperating revenues(expenses):</u>					
Investment earnings	124,423	492,795	16,132	34,334	992,007
Interest (expenses)	-	-	-	-	(6,349)
Total nonoperating revenue (expenses)	124,423	492,795	16,132	34,334	985,658
Income (loss) before operating transfers	(81,778)	1,265,345	(1,268,281)	323,619	1,559,035
Transfers in	-	405,500	-	-	927,112
Transfers (out)	-	-	-	-	(265,339)
Total transfers	-	405,500	-	-	661,773
Change in net position	(81,778)	1,670,845	(1,268,281)	323,619	2,220,808
Total Net Position (Deficit)-Beginning	701,319	11,585,291	(2,446,359)	80,188	17,844,951
Total Net Position (Deficit)-Ending	\$ 619,541	\$ 13,256,136	\$ (3,714,640)	\$ 403,807	\$ 20,065,759

City of Morgan Hill
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2025

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 2,725,397	\$ 1,421,485	\$ 870,276	\$ 2,494,855	\$ -
Payment for supplies and services	(892,434)	(468,128)	81,525	(42,040)	(6,205)
Payments to employees for salaries and benefits	(1,627,203)	(389,529)	(1,528)	(1,925,361)	-
Payments for interfund services	-	(232,382)	-	(520,344)	-
Net cash provided (used) by operating activities	<u>205,760</u>	<u>331,446</u>	<u>950,273</u>	<u>7,110</u>	<u>(6,205)</u>
Cash Flows from NonCapital Financing Activities					
Transfers from other funds	-	-	521,612	-	-
Transfers (to) other funds	(256,612)	-	-	(8,727)	-
Net cash provided (used) by noncapital financing activities	<u>(256,612)</u>	<u>-</u>	<u>521,612</u>	<u>(8,727)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Purchases of capital assets	(114,372)	(108,251)	(1,717,683)	-	-
Net cash provided (used) by capital and related financing activities	<u>(114,372)</u>	<u>(108,251)</u>	<u>(1,717,683)</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest earnings	18,601	5,386	284,837	-	9,150
Net cash provided (used) by investing activities	<u>18,601</u>	<u>5,386</u>	<u>284,837</u>	<u>-</u>	<u>9,150</u>
Net increase (decrease) in cash and equivalents	<u>(146,623)</u>	<u>228,581</u>	<u>39,039</u>	<u>(1,617)</u>	<u>2,945</u>
Cash and equivalents at July 1	<u>786,674</u>	<u>156,301</u>	<u>5,086,709</u>	<u>12,565</u>	<u>276,373</u>
Cash and Equivalents at June 30	<u><u>\$ 640,051</u></u>	<u><u>\$ 384,882</u></u>	<u><u>\$ 5,125,748</u></u>	<u><u>\$ 10,948</u></u>	<u><u>\$ 279,318</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 160,257	\$ 315,443	\$ 528,091	\$ 6,156	\$ (7,791)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	285,472	39,445	324,639	880	-
(Increase) decrease in receivables	-	-	-	-	-
(Increase) decrease in prepaid items	(138,239)	-	-	-	-
Increase (decrease) in accounts payable	29,497	(23,792)	60,853	58	1,586
Increase (decrease) in accrued liabilities	(533)	350	(1,528)	16	-
Increase (decrease) in customer deposits	-	-	38,218	-	-
Increase (decrease) in unearned revenue	-	-	-	-	-
Increase in compensated absences	-	-	-	-	-
Increase (decrease) in SBITA's	(130,694)	-	-	-	-
Total adjustments	<u>45,503</u>	<u>16,003</u>	<u>422,182</u>	<u>954</u>	<u>1,586</u>
Net cash provided (used) by operating activities	<u><u>\$ 205,760</u></u>	<u><u>\$ 331,446</u></u>	<u><u>\$ 950,273</u></u>	<u><u>\$ 7,110</u></u>	<u><u>\$ (6,205)</u></u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2025

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,022,411	\$ 1,111,875	\$ 1,118,241	\$ 2,500,652	\$ 13,265,192
Payment for supplies and services	(1,183,612)	(16,141)	-	(2,278,767)	(4,805,802)
Payments to employees for salaries and benefits	-	-	(788,120)	(115,106)	(4,846,847)
Payments for interfund services	-	-	-	-	(752,726)
Net cash provided (used) by operating activities	(161,201)	1,095,734	330,121	106,779	2,859,817
Cash Flows from NonCapital Financing Activities					
Transfers from other funds	-	405,500	-	-	927,112
Transfers (to) other funds	-	-	-	-	(265,339)
Net cash provided (used) by noncapital financing activities	-	405,500	-	-	661,773
Cash Flows from Capital and Related Financing Activities					
Purchases of capital assets	-	(853,837)	-	-	(2,794,143)
Net cash provided (used) by capital and related financing activities	-	(853,837)	-	-	(2,794,143)
Cash Flows from Investing Activities					
Interest earnings	124,423	492,795	16,132	34,334	985,658
Net cash provided (used) by investing activities	124,423	492,795	16,132	34,334	985,658
Net increase (decrease) in cash and equivalents	(36,778)	1,140,192	346,253	141,113	1,713,105
Cash and equivalents at July 1	2,381,319	9,008,705	741,272	1,020,044	19,469,962
Cash and Equivalents at June 30	\$ 2,344,541	\$ 10,148,897	\$ 1,087,525	\$ 1,161,157	\$ 21,183,067
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (206,201)	\$ 772,550	\$ (1,284,413)	\$ 289,285	\$ 573,377
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	-	627,633	-	-	1,278,069
(Increase) decrease in receivables	-	(23,293)	-	-	(23,293)
(Increase) decrease in prepaid items	-	-	-	-	(138,239)
Increase (decrease) in accounts payable	-	(281,156)	-	(24,055)	(237,009)
Increase (decrease) in accrued liabilities	45,000	-	-	(158,451)	(115,146)
Increase (decrease) in customer deposits	-	-	-	-	38,218
Increase (decrease) in unearned revenue	-	-	-	-	-
Increase in compensated absences	-	-	1,614,534	-	1,614,534
Increase (decrease) in SBITA's	-	-	-	-	(130,694)
Total adjustments	45,000	323,184	1,614,534	(182,506)	2,286,440
Net cash provided (used) by operating activities	\$ (161,201)	\$ 1,095,734	\$ 330,121	\$ 106,779	\$ 2,859,817



CITY OF MORGAN HILL

Custodial Funds



CITY OF MORGAN HILL

City of Morgan Hill
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025

	Custodial Funds		
	Madrone Business Park A.D.	Morgan Hill Property and Business Improvement District (MHPBID)	Total
<u>Assets:</u>			
Pooled cash and investments	\$ 3,376	\$ -	\$ 3,376
Cash and investments with fiscal agents	412,303	-	412,303
Total Assets	415,679	-	415,679
<u>Liabilities</u>			
Due to bondholders	415,679	-	415,679
Total Liabilities	415,679	-	415,679
<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, 2025

	Custodial Fund		
	Madrone Business Park A.D.	Morgan Hill Property and Business Improvement District (MHPBID)	Total
Additions:			
Other revenue	\$ 28,277	\$ 229,630	\$ 257,907
Total Additions	28,277	229,630	257,907
Deductions:			
Distribution	28,277	229,630	257,907
Total Deductions	28,277	229,630	257,907
Change in Net Position	-	-	-
Total Net Position-Beginning	-	-	-
Total Net Position-Ending	\$ -	\$ -	\$ -

STATISTICAL SECTION



CITY OF MORGAN HILL

STATISTICAL SECTION

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

	2016	2017	2018	2019
<u>Governmental activities</u>				
Net investment in capital assets	\$ 247,387,770	\$ 255,440,265	\$ 261,192,662	\$ 270,716,404
Restricted	29,985,864	32,099,094	35,645,795	35,888,935
Unrestricted	83,047,293	80,663,122	69,792,792	73,843,142
Total governmental activities net position	<u>\$ 360,420,927</u>	<u>\$ 368,202,481</u>	<u>\$ 366,631,249</u>	<u>\$ 380,448,481</u>
<u>Business-type activities</u>				
Net investment in capital assets	\$ 66,841,902	\$ 74,296,295	\$ 75,398,340	\$ 75,944,603
Restricted	18,635,222	17,655,169	19,634,698	22,966,985
Unrestricted	10,092,674	6,561,396	7,811,265	12,275,045
Total business-type activities net position	<u>\$ 95,569,798</u>	<u>\$ 98,512,860</u>	<u>\$ 102,844,303</u>	<u>\$ 111,186,633</u>
<u>Primary government</u>				
Net investment in capital assets	\$ 314,229,672	\$ 329,736,560	\$ 336,591,002	\$ 346,661,007
Restricted	48,621,086	49,754,263	55,280,493	58,855,920
Unrestricted	93,139,967	87,224,518	77,604,057	86,118,187
Total primary government net position	<u>\$ 455,990,725</u>	<u>\$ 466,715,341</u>	<u>\$ 469,475,552</u>	<u>\$ 491,635,114</u>

Source: City of Morgan Hill Annual Financial Reports

2020		2021		2022		2023		2024		2025	
\$	274,397,215	\$	283,099,830	\$	293,306,194	\$	300,675,120	\$	312,332,684	\$	321,082,441
	31,219,706		25,555,920		22,896,579		24,399,382		23,229,578		26,537,410
	74,649,954		83,724,556		94,684,555		100,191,914		98,734,692		95,791,822
\$	380,266,875	\$	392,380,306	\$	410,887,328	\$	425,266,416	\$	434,296,954	\$	443,411,673
\$	78,347,533	\$	78,260,663	\$	79,273,024	\$	78,825,056	\$	93,413,002	\$	101,118,831
	23,633,751		25,530,099		22,398,499		23,279,896		21,445,979		27,830,197
	17,501,168		23,667,908		30,374,069		38,841,121		43,437,581		53,638,524
\$	119,482,452	\$	127,458,670	\$	132,045,592	\$	140,946,073	\$	158,296,562	\$	182,587,552
\$	352,744,748	\$	361,360,493	\$	372,579,218	\$	379,500,176	\$	405,745,686	\$	422,201,272
	54,853,457		51,086,019		45,295,078		47,679,278		44,675,557		54,367,607
	92,151,122		107,392,464		125,058,624		139,033,035		142,172,273		149,430,346
\$	499,749,327	\$	519,838,976	\$	542,932,920	\$	566,212,489	\$	592,593,516	\$	625,999,225

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

	2016	2017	2018	2019
Expenses				
Governmental activities:				
General Government	\$ 4,092,113	\$ 5,243,127	\$ 5,540,751	\$ 5,368,602
Public Safety	17,737,431	20,618,190	24,086,862	25,033,126
Community development	6,300,312	6,687,917	7,671,757	7,868,001
Public Works development	6,544,763	8,727,478	10,903,897	10,223,756
Recreation and culture	10,819,408	11,607,305	12,091,531	13,156,302
Interest on long term debt	643,763	474,499	549,201	531,464
Total governmental activities expenses	46,137,790	53,358,516	60,843,999	62,181,251
Business-type activities:				
Sewer	10,098,803	10,597,987	10,942,326	11,054,950
Water	13,642,270	10,933,406	12,708,481	13,485,448
Total Business-type activities expenses	23,741,073	21,531,393	23,650,807	24,540,398
Total primary government expenses	\$ 69,878,863	\$ 74,889,909	\$ 84,494,806	\$ 86,721,649
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 1,688,575	\$ 1,744,657	\$ 1,916,569	\$ 2,357,831
Public Safety	801,342	812,692	649,945	647,481
Community development	4,301,337	4,909,182	4,909,128	5,514,980
Public Works development	48,513	45,947	39,436	45,629
Recreation and culture	6,747,293	8,546,080	8,821,942	8,836,944
Operating grants and contributions	3,317,893	2,076,767	2,546,575	3,459,753
Capital grants and contributions	11,837,394	13,726,076	11,751,424	11,929,521
Total governmental activities program revenues	28,742,347	31,861,401	30,635,019	32,792,139
Business-type activities:				
Charges for services:				
Sewer	10,506,697	10,755,875	10,852,957	16,875,779
Water	10,834,507	12,067,226	13,031,315	16,112,250
Operating grants and contributions	-	-	-	-
Capital grants and contributions	6,408,502	2,275,118	5,223,111	-
Total business-type activities program revenues	27,749,706	25,098,219	29,107,383	32,988,029
Total primary government program revenues	\$ 56,492,053	\$ 56,959,620	\$ 59,742,402	\$ 65,780,168
Net(Expense)/Revenue				
Governmental activities	\$ (17,395,443)	\$ (21,497,115)	\$ (30,208,980)	\$ (29,389,112)
Business-type activities	4,008,633	3,566,826	5,456,576	8,447,631
Total primary government net expense	\$ (13,386,810)	\$ (17,930,289)	\$ (24,752,404)	\$ (20,941,481)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 10,245,679	\$ 10,908,334	\$ 11,582,252	\$ 12,986,475
Sales taxes	9,437,549	9,734,686	10,358,420	10,651,629
Franchise taxes	4,585,883	5,198,405	5,478,690	5,764,566
Other general revenue taxes	784,422	1,247,902	1,023,350	3,597,906
Unrestricted investment earnings	1,035,927	1,211,374	1,253,089	5,441,878
Special item- assets transfer from Successor Agency	29,601,047	-	-	-
Transfers	938,735	977,968	983,673	918,444
Total governmental activities	56,629,242	29,278,669	30,679,474	39,360,898
Business-type activities:				
Investment earnings	310,351	354,204	558,832	850,625
Transfers	(938,735)	(977,968)	(983,673)	(918,444)
Total business-type activities	(628,384)	(623,764)	(424,841)	(67,819)
Total primary government	\$ 56,000,858	\$ 28,654,905	\$ 30,254,633	\$ 39,293,079
Change in Net Position				
Governmental activities	\$ 39,233,799	\$ 7,781,554	\$ 470,494	\$ 9,971,786
Business-type activities	3,380,249	2,943,062	5,031,735	8,379,812
Total primary government	\$ 42,614,048	\$ 10,724,616	\$ 5,502,229	\$ 18,351,598

Source: City of Morgan Hill Annual Financial Reports

2020	2021	2022	2023	2024	2025
\$ 4,854,064	\$ 4,510,779	\$ 6,078,095	\$ 7,458,513	\$ 7,384,707	\$ 7,490,415
28,053,895	25,425,037	25,335,883	27,352,247	33,948,617	35,666,555
7,592,026	7,580,817	7,370,299	8,145,451	8,572,221	10,343,116
10,522,637	11,098,488	9,041,213	11,111,249	13,565,231	15,541,296
12,204,294	9,034,902	11,502,974	13,498,609	15,222,450	15,298,682
395,089	411,226	394,620	348,102	286,728	275,539
63,622,005	58,061,249	59,723,084	67,914,171	78,979,954	84,615,603
11,490,716	12,081,934	11,563,983	13,862,810	12,621,557	13,915,717
13,958,536	14,629,001	13,514,524	14,297,796	16,984,925	18,569,383
25,449,252	26,710,935	25,078,507	28,160,606	29,606,482	32,485,100
\$ 89,071,257	\$ 84,772,184	\$ 84,801,591	\$ 96,074,777	\$ 108,586,436	\$ 117,100,703
\$ 2,443,926	\$ 2,389,963	\$ 2,219,177	\$ 3,376,129	\$ 2,413,892	\$ 2,869,082
684,999	465,684	547,823	459,680	1,032,421	1,408,708
4,423,110	4,494,623	5,431,702	5,711,012	4,737,298	6,506,285
50,298	278,011	1,708,921	2,013,288	2,528,010	1,842,991
6,863,720	5,300,855	6,031,649	10,102,143	9,469,075	11,077,487
3,334,629	7,123,917	14,497,174	12,822,355	8,951,080	7,651,691
8,517,899	10,803,966	8,002,036	5,220,883	10,569,587	14,111,075
26,318,581	30,857,019	38,438,482	39,705,490	39,701,363	45,467,319
17,053,305	16,606,460	16,694,422	18,350,976	23,908,406	28,306,119
16,790,872	18,652,758	16,549,716	19,038,726	21,050,311	25,550,939
-	-	-	-	-	-
-	-	-	-	-	-
33,844,177	35,259,218	33,244,138	37,389,702	44,958,717	53,857,058
\$ 60,162,758	\$ 66,116,237	\$ 71,682,620	\$ 77,095,192	\$ 84,660,080	\$ 99,324,377
\$ (37,303,424)	\$ (27,204,230)	\$ (21,284,602)	\$ (28,208,681)	\$ (39,278,591)	\$ (39,148,284)
8,394,925	8,548,283	8,165,631	9,229,096	15,352,235	21,371,958
\$ (28,908,499)	\$ (18,655,947)	\$ (13,118,971)	\$ (18,979,585)	\$ (23,926,356)	\$ (17,776,326)
\$ 14,688,450	\$ 16,264,819	\$ 16,870,232	\$ 18,389,728	\$ 19,326,854	\$ 19,286,251
9,851,376	10,962,612	12,944,783	12,684,597	12,235,911	12,072,608
5,129,479	4,417,893	5,925,914	5,708,085	3,064,913	2,951,522
2,318,614	6,489,387	5,250,454	1,577,457	5,275,243	6,093,914
4,156,151	765,817	(2,201,423)	3,139,978	7,105,967	6,615,589
-	-	-	-	-	-
977,749	990,708	1,001,664	1,087,924	1,300,241	1,243,119
37,121,819	39,891,236	39,791,624	42,587,769	48,309,129	48,263,003
878,643	418,643	(2,577,045)	759,309	3,298,495	4,162,151
(977,749)	(990,708)	(1,001,664)	(1,087,924)	(1,300,241)	(1,243,119)
(99,106)	(572,065)	(3,578,709)	(328,615)	1,998,254	2,919,032
\$ 37,022,713	\$ 39,319,171	\$ 36,212,915	\$ 42,259,154	\$ 50,307,383	\$ 51,182,035
\$ (181,605)	\$ 12,687,006	\$ 18,507,022	\$ 14,379,088	\$ 9,030,538	\$ 9,114,719
8,295,819	7,976,218	4,586,922	8,900,481	17,350,489	24,290,990
\$ 8,114,214	\$ 20,663,224	\$ 23,093,944	\$ 23,279,569	\$ 26,381,027	\$ 33,405,709

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

	2016	2017	2018	2019
General Fund				
Nonspendable	\$ 1,651,263	\$ 2,451,243	\$ 2,809,542	\$ 2,749,755
Restricted	-	-	863,024	919,894
Unassigned	15,894,753	14,379,374	14,715,819	18,751,008
Total General Fund	<u>\$ 17,546,016</u>	<u>\$ 16,830,617</u>	<u>\$ 18,388,385</u>	<u>\$ 22,420,657</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ -	\$ 16,667
Restricted	119,738,718	120,547,789	119,480,110	117,366,252
Unassigned	(688,296)	(778,193)	(736,932)	(640,897)
Total all other governmental funds	<u>\$ 119,050,422</u>	<u>\$ 119,769,596</u>	<u>\$ 118,743,178</u>	<u>\$ 116,742,022</u>
Total Governmental Funds	<u>\$ 136,596,438</u>	<u>\$ 136,600,213</u>	<u>\$ 137,131,563</u>	<u>\$ 139,162,679</u>

Source: City of Morgan Hill Annual Financial Reports

2020	2021	2022	2023	2024	2025
\$ 2,950,526	\$ 2,666,729	\$ 2,611,111	\$ 2,526,047	\$ 3,400,622	\$ 3,333,267
1,364,387	1,546,111	1,806,588	2,515,380	3,073,682	3,497,376
19,980,233	26,795,507	32,450,008	31,676,040	30,144,009	27,953,342
<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>	<u>\$ 34,783,985</u>
\$ 139	\$ 45,833	\$ 45,833	\$ 70,418	\$ -	\$ -
113,405,611	110,787,947	108,071,806	110,495,305	112,169,592	121,646,293
(430,089)	-	(494,603)	(426,677)	(2,697,871)	(7,881,774)
<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>\$ 113,764,519</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>	<u>\$ 148,548,504</u>

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

	2016	2017	2018	2019
Revenues				
Property taxes	\$ 10,245,679	\$ 10,908,334	\$ 11,582,252	\$ 12,986,475
Sales taxes	9,437,549	9,734,686	10,358,420	10,651,629
Franchise, hotel and other taxes	4,585,883	5,198,405	5,478,690	5,764,566
Licenses and permits	198,342	194,186	199,824	207,393
Funding from other governmental agencies	1,677,125	1,479,375	1,694,780	2,964,464
Charges for current services	26,135,362	23,488,554	27,113,111	26,593,418
Investment income and rentals	1,891,025	933,215	1,101,533	5,211,051
Other revenues	568,333	1,539,966	1,172,387	841,030
Total Revenues	54,739,298	53,476,721	58,700,997	65,220,026
Expenditures				
General government	4,324,063	4,880,688	5,048,209	5,207,567
Public safety	18,921,528	20,360,934	20,799,919	21,963,078
Community development	6,033,214	6,386,603	6,524,119	7,310,548
Housing services	1,199,544	857,137	932,317	1,007,840
Streets and Highways	1,985,604	2,046,303	2,092,142	2,431,834
Parks and recreation	7,690,282	8,347,351	8,586,861	9,331,980
Other public services	651,551	1,138,415	1,061,927	1,658,110
Capital outlay	9,358,068	9,158,669	13,339,395	14,101,650
Debt service:				
Interest	739,333	531,126	423,561	439,549
Principal	450,323	402,582	497,022	477,670
Total Expenditures	51,353,510	54,109,808	59,305,472	63,929,826
Excess of revenues over (under) expenditures	3,385,788	(633,087)	(604,475)	1,290,200
Other Financing Sources (Uses)				
Proceeds from loans/bonds/sale	9,921,411	525,000	71,000	143,064
Transfers in	3,939,487	4,002,983	3,981,873	6,470,357
Transfers out	(4,322,934)	(3,891,121)	(3,647,503)	(5,872,505)
Payment to refunded escrow agent	(10,515,215)	-	-	-
Subscription assets	-	-	-	-
Total other financing sources (uses)	(977,251)	636,862	405,370	740,916
Net change in fund balances	\$ 2,408,537	\$ 3,775	\$ (199,105)	\$ 2,031,116
Debt service as a percentage of non-capital expenditures	3.3%	2.1%	2.0%	1.9%

Source: City of Morgan Hill Annual Financial Reports

2020	2021	2022	2023	2024	2025
\$ 14,688,450	\$ 16,264,819	\$ 16,870,232	\$ 18,389,728	\$ 19,326,854	\$ 19,286,251
9,851,376	10,962,612	12,944,783	12,684,597	12,235,911	12,072,608
5,129,479	4,417,893	5,925,914	5,708,085	6,005,006	6,229,522
152,642	141,280	296,030	790,534	439,828	422,048
5,759,822	10,045,540	18,872,494	11,738,917	4,850,295	6,330,152
22,093,980	23,787,363	23,923,891	28,197,077	30,723,369	36,361,239
3,914,019	540,573	(1,434,456)	3,153,048	6,350,013	7,114,166
505,751	944,094	438,986	456,051	863,895	2,149,344
62,095,519	67,104,174	77,837,874	81,118,037	80,795,171	89,965,330
4,845,180	4,365,737	6,585,424	7,139,671	7,178,760	7,251,659
24,363,254	24,330,213	25,313,737	28,067,517	30,295,554	32,465,712
7,593,331	7,166,342	7,568,283	8,038,330	8,140,132	9,798,838
1,005,828	1,012,035	1,029,860	2,157,688	1,165,537	1,123,944
2,478,804	2,312,370	2,570,990	2,667,574	3,365,932	3,751,628
8,528,223	5,300,646	7,896,006	9,624,113	10,771,627	10,859,058
1,391,786	1,094,799	2,307,804	2,711,023	3,465,901	3,901,977
14,513,000	15,955,677	22,020,790	20,321,645	18,130,768	18,563,133
460,540	414,351	394,620	345,253	287,958	282,163
454,670	476,554	496,060	415,000	435,000	861,589
65,634,616	62,428,724	76,183,574	81,487,814	83,237,169	88,859,701
(3,539,097)	4,675,450	1,654,300	(369,777)	(2,441,998)	1,105,629
950,000	-	-	-	-	-
8,304,850	6,919,370	12,479,604	6,871,907	6,784,761	6,143,752
(7,607,625)	(6,449,926)	(11,485,288)	(6,743,080)	(6,053,657)	(5,562,406)
-	-	-	-	-	-
-	-	-	2,606,720	944,415	771,495
1,647,225	469,444	994,316	2,735,547	1,675,519	1,352,841
\$ (1,891,872)	\$ 5,144,894	\$ 2,648,616	\$ 2,365,770	\$ (766,479)	\$ 2,458,470
1.8%	2.0%	1.7%	1.3%	1.1%	1.7%

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
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
2025	10,857,713,626	1,300,504,722	633,384,966	158,602,007	442,350,599

Source: Santa Clara County Annual Assessor's Report

	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
\$	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%
	49,242,200	13,343,313,720	1.1267%

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	
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%
2025	1.00%	1.00%	0.0412%	0.0855%	1.1267%

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>	2025		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Value</u>
Bridge Group Investments LLC	Industrial	\$ 116,028,547	1	1.05%
TC Morgan Hill Venture LLC	Industrial	106,700,898	2	0.96%
Morgan Ranch Apartment Homes 182 LLC	Housing	71,045,294	3	0.64%
Morgan Hill Multifamily LLC	Housing	63,950,102	4	0.58%
Mershops Office San Francisco LLC	R & D	47,754,360	5	0.43%
Woodland Residents Inc	Housing	38,999,240	6	0.35%
Sunsweet Morgan Hill Development LLC	Housing	35,384,491	7	0.32%
Willowbrook California Props LLC	Industrial	29,224,179	8	0.26%
18125 Sutter Owner LLC	Industrial	28,825,913	9	0.26%
Jtj Apartment Investors LLC (16945 Del Monte)	Housing	28,811,182	10	0.26%
		<u>\$ 566,724,206</u>		<u>5.12%</u>

Source: County of Santa Clara

2016		
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
\$ 20,805,229	4	0.35%
n/a	n/a	n/a
24,686,807	1	0.42%
n/a	n/a	n/a
24,604,278	2	0.42%
<hr/>		<hr/>
\$ 70,096,314		1.19%
<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
2016	\$ 9,851,539	\$ 9,851,539	100%	City of Morgan Hill participates in the Teeter Plan*		
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%			
2025	19,054,966	19,054,966	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>				SBITAs
	Lease Revenue Bonds	Loans Payable	Financed Purchase		
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		2,433,333
2025	6,089,552	-	1,303,773		2,026,890

Source: City of Morgan Hill Annual Financial Reports

<u>Business-Type Activities</u>				
Water Revenue Bonds	Wastewater Revenue Bonds	Total Primary Government	Percentage of Secured Assessed Value	Per Capita
\$ 20,470,000	\$ 17,241,146	\$ 52,801,763	0.72%	1,186
19,635,000	15,903,588	49,857,700	0.63%	1,120
18,770,000	14,511,031	46,782,465	0.55%	1,051
17,875,000	13,058,474	43,608,921	0.48%	980
16,945,000	11,535,916	40,298,246	0.41%	867
16,370,000	30,096,092	57,409,698	0.55%	1,212
15,415,000	28,333,269	53,771,724	0.49%	1,158
14,265,000	26,650,445	50,088,952	0.42%	1,091
13,084,000	26,022,621	49,837,554	0.39%	1,074
11,869,000	25,374,797	46,664,012	0.35%	1,001



CITY OF MORGAN HILL

City of Morgan Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2025

2024-25 Assessed Valuation: \$ 13,850,941,932

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2025	% Applicable (1)	City's Share of Debt 6/30/2025
Santa Clara County	\$ 1,217,905,000	1.992%	\$ 24,260,668
Gavilan Joint Community College District	229,425,000	28.828%	66,138,639
Morgan Hill Unified School District	158,425,000	68.221%	108,079,119
California Statewide Community Development Authority			
Community Facilities District No. 2023-11	5,610,000	100%	5,610,000
California Statewide Community Development Authority			
Community Facilities District No. 2024-24	4,395,000	100%	4,395,000
City of Morgan Hill 1915 Act Bonds	288,000	100%	288,000
Santa Clara Valley Water District Benefit Assessment District	24,940,000	1.992%	496,805
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 209,268,231

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Santa Clara County General Fund Obligations	1,002,458,930	1.992%	\$ 19,968,982
Santa Clara County Pension Obligation Bonds	317,654,990	1.992%	6,327,687
Santa Clara County Board of Education Certificates of Participation	12,072,417	1.992%	240,483
Morgan Hill Unified School District Certificates of Participation	13,505,000	68.221%	9,213,246
City of Morgan Hill Lease Revenue Bonds	6,089,552	100%	6,089,552
City of Morgan Hill Financed Purchase Obligations	1,303,773	100%	1,303,773
City of Morgan Hill Subscription Obligations	2,026,890	100%	2,026,890
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			45,170,613
Less: Santa Clara County supported obligations			48,206
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 45,122,407

OVERLAPPING TAX INCREMENT DEBT (Successor Agency): \$51,350,000 100% \$ 51,350,000

TOTAL DIRECT DEBT	\$ 9,420,215
TOTAL GROSS OVERLAPPING DEBT	\$ 296,368,629
TOTAL NET OVERLAPPING DEBT	\$ 296,320,423
 GROSS COMBINED TOTAL DEBT	 \$ 305,788,844 (2)
NET COMBINED TOTAL DEBT	\$ 305,740,638

- (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 financed purchase obligations.

Ratios to 2024-25 Assessed Valuation:

Total Overlapping Tax and Assesment Debt.....	1.51%
Total Direct Debt (\$9,420,215).....	0.07%
Gross Combined Total Debt.....	2.21%
Net Combined Total Debt.....	2.21%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$4,581,778,549):

Total Overlapping Tax Increment Debt.....	1.12%
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City of Morgan Hill
Legal Debt Margin Information
Last Ten Fiscal Years (In thousands)

	2016	2017	2018	2019	2020
Debt limit	\$ 1,103,614	\$ 1,187,287	\$ 1,270,730	\$ 1,360,477	\$ 1,473,255
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 1,103,614</u>	<u>\$ 1,187,287</u>	<u>\$ 1,270,730</u>	<u>\$ 1,360,477</u>	<u>\$ 1,473,255</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

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

Legal Debt limit is the total assessed value x 15%

2021		2022		2023		2024		2025	
\$	1,569,585	\$	1,660,467	\$	1,787,230	\$	1,899,189	\$	2,001,497
	-		-		-		-		-
\$	1,569,585	\$	1,660,467	\$	1,787,230	\$	1,899,189	\$	2,001,497
	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
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	8,365,747	15,542,659
2025	28,306,119	9,890,025	18,416,094

	Water Bonds		
	Utility Services Charges	Less: Operating Costs	Net Available Revenue
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	13,397,993	7,603,047
2025	25,501,669	15,085,466	10,416,203

Source: City of Morgan Hill Annual Financial Report

Sewer Bonds

		Debt Service		
	Principal		Interest	Coverage
\$	-	\$	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	13.78
	485,000		795,288	14.38

Water Bonds

		Debt Service		
	Principal		Interest	Coverage
\$	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	4.85
	1,215,000		354,576	6.64



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
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	38.0	8,617
2025	46,599	159,578	3.440	46,389	4.7	38.8	8,483

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 2025		
	Number of Employees	Rank	Percent of Total City Employment
Morgan Hill Unified School District	800	1	5.91%
Tecan Systems	420	2	3.10%
Anritsu	304	3	2.24%
Lusamerica Foods, Inc.	289	4	2.13%
City of Morgan Hill	246	5	1.82%
Mission Bell Mfg, Inc.	246	5	1.82%
Toray Advanced Composites USA, Inc	230	6	1.70%
Golden State Assembly	229	7	1.69%
PTEC Solutions, Inc	215	8	1.59%
Specialized Bicycle Components	200	9	1.48%
Walmart #5766	183	10	1.35%
Gryphon Financial Group	182	11	1.34%
Young's Market Company, LLC	178	12	1.31%
Target Store #T2252	164	13	1.21%
Sun Basket	150	14	1.11%
Shop Monkey	157	15	1.16%
Marki Microwave, Inc.	155	16	1.14%
Paragon Mechanical	154	17	1.14%
Macom Technology Solutions Inc	140	18	1.03%
The Home Depot #8572	138	19	1.02%
New Product Integration Solutions, Inc	131	20	0.97%
The Ford Store of Morgan Hill Inc.			
Intelligent foods Inc			
Safeway #1891 + Fuel Center			
Pacific Hills Manor			
Safeway Inc. #1455			
Paramit Corporation			
Shoe Palace Corporation			
NXEdge MH LLC			
Sakata Seed America			
Infineon Technologies, North America Corp			
Del Monaco Specialty Foods, Inc.			
 Total	 <u>4,911</u>		 <u>36.25%</u>

*Source: HDL Business License Database

Fiscal Year 2024			Fiscal Year 2016		
Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
740	1	5.98%	716	1	3.39%
389	3	3.14%	477	2	2.26%
317	4	2.56%	270	5	1.28%
206	6	1.67%	188	8	0.89%
202	7	1.63%			
260	5	2.10%			
			400	3	1.90%
186	9	1.50%	158	10	0.75%
202	7	1.63%	114	19	0.54%
182	10	1.47%	146	11	0.69%
181	11	1.46%	136	13	0.64%
150	12	1.21%			
145	13	1.17%			
140	14	1.13%			
139	15	1.12%	138	12	0.65%
133	17	1.08%			
131	18	1.06%	130	16	0.62%
120	20	0.97%			
120	20	0.97%	123	17	0.58%
138	16	1.12%	135	14	0.64%
130	19	1.05%	134	15	0.64%
505	2	4.08%	320	4	1.52%
			122	18	0.58%
			265	6	1.26%
			114	20	0.54%
			203	7	0.96%
			165	9	0.78%
4,716		38.13%	4,454		21.11%

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

	2016	2017	2018	2019
City Council	5.00	5.00	5.00	5.00
City Manager	3.00	3.90	4.05	2.75
City Attorney	2.63	2.75	2.75	2.25
Administrative Services	19.15	24.23	24.96	25.95
Community Services*	23.33	29.62	29.39	29.70
Police	59.50	60.60	61.60	62.50
Fire	-	0.10	0.10	-
Development Services	19.87	25.90	26.17	27.71
Engineering and Utilities*	43.10	41.40	40.98	40.14
Internal Services*	11.92	-	-	-
Public Services	-	-	-	-
Total City Government Employees	187.50	193.50	195.00	196.00

* 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

2020	2021	2022	2023	2024	2025
5.00	5.00	5.00	5.00	5.00	5.00
2.85	2.85	2.00	2.25	2.25	2.50
2.60	2.85	2.85	2.85	2.85	3.59
19.85	19.38	19.35	19.20	20.30	21.22
27.55	25.85	-	-	-	-
66.50	68.50	68.50	72.00	72.25	73.25
-	-	-	-	-	-
28.95	25.68	27.85	30.30	24.86	26.79
40.20	40.40	-	-	-	-
-	-	-	-	-	-
-	-	72.70	72.15	78.74	80.90
193.50	190.50	198.25	203.75	206.25	213.25

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

<u>Function/Program</u>	2016	2017	2018	2019
<u>Recreation and Community Services</u>				
Daily Visitors	402,342	314,149	321,079	807,746
Recreation Program Visits	84,519	95,602	86,392	87,807
RCS Facility Rental Reservation Hours	373,733	44,238	47,439	44,913
CRC/AC Memberships	4,703	4,903	4,944	4,895
% of expenditures for capital outlay	0%	3.22%	3.22%	6.06%
<u>Public Safety</u>				
Police				
Number of crimes reported	3,863	4,113	4,137	3,811
% of expenditures for capital outlay	0.76%	3.10%	3.22%	8.49%
Fire				
Fire and Life Safety Inspections	1,074	1,359	1,133	1,062
Public Education Attendees	3,370	3,417	3,242	3,391
% of expenditures for capital outlay	0.19%	3.82%	1.61%	4.99%
<u>Public Works</u>				
Sewer Operations				
Sewer lines flushed (ft)	445,843	363,622	649,668	452,703
Sanitary Sewer Overflows (SSO)	5	14	5	10
% of expenditures for capital outlay	0.66%	1.24%	1.78%	4.61%
Water Operations				
Water production (thous gal)	1,884,822	2,123,958	2,372,393	2,344,062
Water meters installed	348	195	469	186
Water meters repaired or replaced	780	286	585	780
Water customer accounts	13,647	13,841	13,953	14,368
% of expenditures for capital outlay	5.75%	9.04%	5.51%	3.07%
Streets Maintenance				
New signs installed	10	23	107	154
Signs repaired/replaced	63	100	132	77
% of expenditures for capital outlay	0.00%	0.00%	5.49%	5.94%
<u>Community Development</u>				
Planning applications	171	185	160	181
Building permits issued	2,204	2,197	2,191	1,828
% of expenditures for capital outlay	4.71%	2.79%	0.60%	0.17%
<u>Housing Agency</u>				
Rehab loans	0	9	35	0
Below Market Rate home sales	24	7	20	10
% of expenditures for capital outlay	0.00%	0.00%	0.00%	65.37%
<u>Total City Government Employees</u>	187.5	193.5	195	196

Source: Departments of the City of Morgan Hill

2020	2021	2022	2023	2024	2025
275,522	142,731	231,993	300,517	326,934	377,624
64,132	13,018	33,758	43,103	45,536	42,240
31,963	10,011	13,759	35,507	46,345	38,868
4,771	3,876	3,279	3,694	3,896	4,053
6.94%	8.56%	9.88%	6.16%	5.32%	5.34%
3,879	3,618	3,427	3,365	3,285	2,862
2.95%	3.46%	2.51%	2.28%	2.56%	7.73%
1,044	1,038	1,038	952	898	627
1,413	1,211	1,211	1,486	1,585	4,167
1.56%	1.46%	1.27%	2.63%	9.01%	0.97%
594,420	622,180	465,355	249,187	333,125	392,759
8	4	1	3	5	3
1.81%	3.50%	2.06%	1.40%	1.74%	1.79%
2,468,274	2,573,773	2,292,174	2,079,975	2,330,672	2,446,747
343	84	89	90	93	77
298	255	325	396	336	168
14,711	14,748	14,795	15,008	15,108	15,258
3.70%	3.79%	3.53%	1.76%	2.08%	3.72%
32	70	24	110	43	56
117	130	42	85	84	108
3.29%	4.98%	6.21%	5.98%	4.24%	8.67%
144	178	156	128	139	157
1,531	1,580	1,819	2,086	1,960	2,013
0.28%	0.20%	0.57%	0.99%	0.88%	0.76%
0	0	0	0	0	0
10	13	1	6	6	1
0.13%	0.11%	0.83%	0.24%	0.29%	0.32%
193.5	190.5	198.25	203.75	206.25	213.25

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

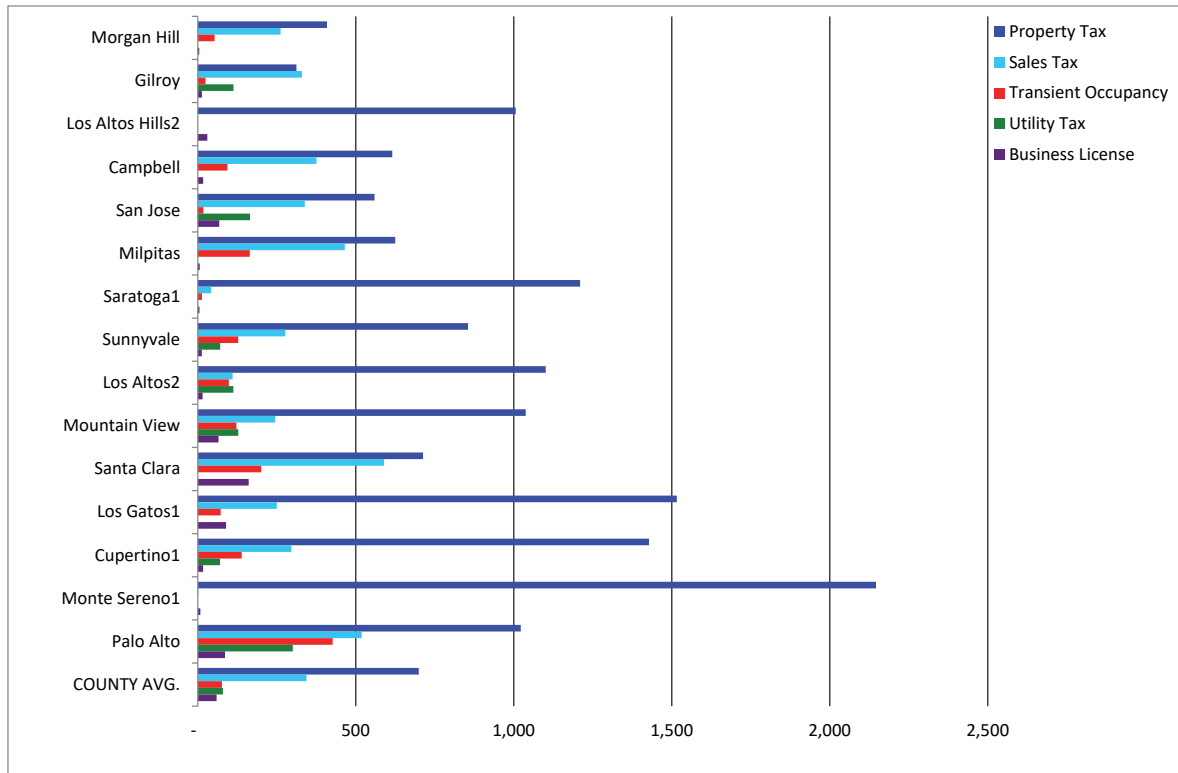
<u>Function/Program</u>	2016	2017	2018	2019
Community Services				
Parks & Open Space Acreage*	492	492	498	495
Parks*	22	22	22	25
Swimming Pools	4	4	4	4
Community and Recreation Centers	4	4	4	4
Streets				
Streets (miles)	n/a	127	127	128
Streetlights	n/a	n/a	n/a	n/a
Public Safety				
Police Stations	1	1	1	1
Patrol Units	22	24	28	28
Motorcycle Patrol Units	4	4	4	4
Fire Houses	2	2	2	2
Fire Apparatus	4	4	4	4
Fire Personnel Vehicles	3	3	3	3
Sewer				
Sewer lines (miles)	161	162	166	169.59
Storm drains (miles)	114	114	116	116
Maximum daily capacity (thousand gallons)	n/a	6,600	7,200	7,200
Water				
Water mains (miles)	189	186	192	192.45
Water wells	17	17	17	15
Maximum daily capacity (thousand gallons)	n/a	13,500	14,820	16,612

Source: Departments of the City of Morgan Hill

2020	2021	2022	2023	2024	2025
495	495	495	495	495	495
25	25	26	26	26	26
4	4	4	4	4	4
4	4	4	4	4	4
128	129	129	129	130	130
n/a	n/a	n/a	n/a	n/a	n/a
1	1	1	1	1	1
28	29	30	32	32	32
5	5	5	5	5	7
2	2	2	2	2	3
4	4	4	5	5	5
4	4	4	4	4	4
161	163	163	163	163	163
116	116	116	116	117	117
7,200	7,200	7,200	7,200	7,200	7,200
192	192	195	197	197	197
16	16	16	16	16	16
15,179	18,099	17,297	17,505	20,129	17,716

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 - 2024-25



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	46,599	\$ 19,054,967	409	\$ 12,189,787	262	\$ 2,471,202	53	\$ -	-	\$ 216,241	5
Gilroy	62,205	19,409,424	312	20,478,194	329	1,509,597	24	7,014,280	113	800,040	13
Los Altos Hills ²	8,476	8,527,387	1,006	-	-	-	-	-	-	255,405	30
Campbell	43,281	26,637,000	615	16,258,133	376	4,050,000	94	-	-	735,200	17
San Jose	979,415	547,588,652	559	331,430,656	338	17,212,205	18	161,886,034	165	66,419,486	68
Milpitas	81,915	51,181,370	625	38,101,357	465	13,470,736	164	-	-	501,907	6
Saratoga ¹	30,486	36,882,155	1,210	1,271,000	42	400,000	13	-	-	159,920	5
Sunnyvale	159,673	136,562,806	855	44,176,622	277	20,415,260	128	11,327,278	71	2,003,085	13
Los Altos ²	31,255	34,410,697	1,101	3,442,623	110	3,065,493	98	3,517,437	113	474,551	15
Mountain View	86,513	89,769,687	1,038	21,176,755	245	10,564,518	122	11,083,814	128	5,676,597	66
Santa Clara	134,587	95,931,933	713	79,352,441	590	26,992,989	201	-	-	21,677,378	161
Los Gatos ¹	33,355	50,566,865	1,516	8,330,978	250	2,417,630	72	-	-	2,975,721	89
Cupertino ¹	59,831	85,425,468	1,428	17,694,142	296	8,305,933	139	4,214,212	70	995,990	17
Monte Sereno ¹	3,501	7,514,430	2,146	6,241	2	-	-	-	-	28,099	8
Palo Alto	67,900	69,401,590	1,022	35,218,990	519	28,970,382	427	20,393,512	300	5,835,235	86
COUNTY AVG.	121,933	85,257,629	699	41,941,861	344	9,323,063	76	9,676,543	79	7,250,324	59

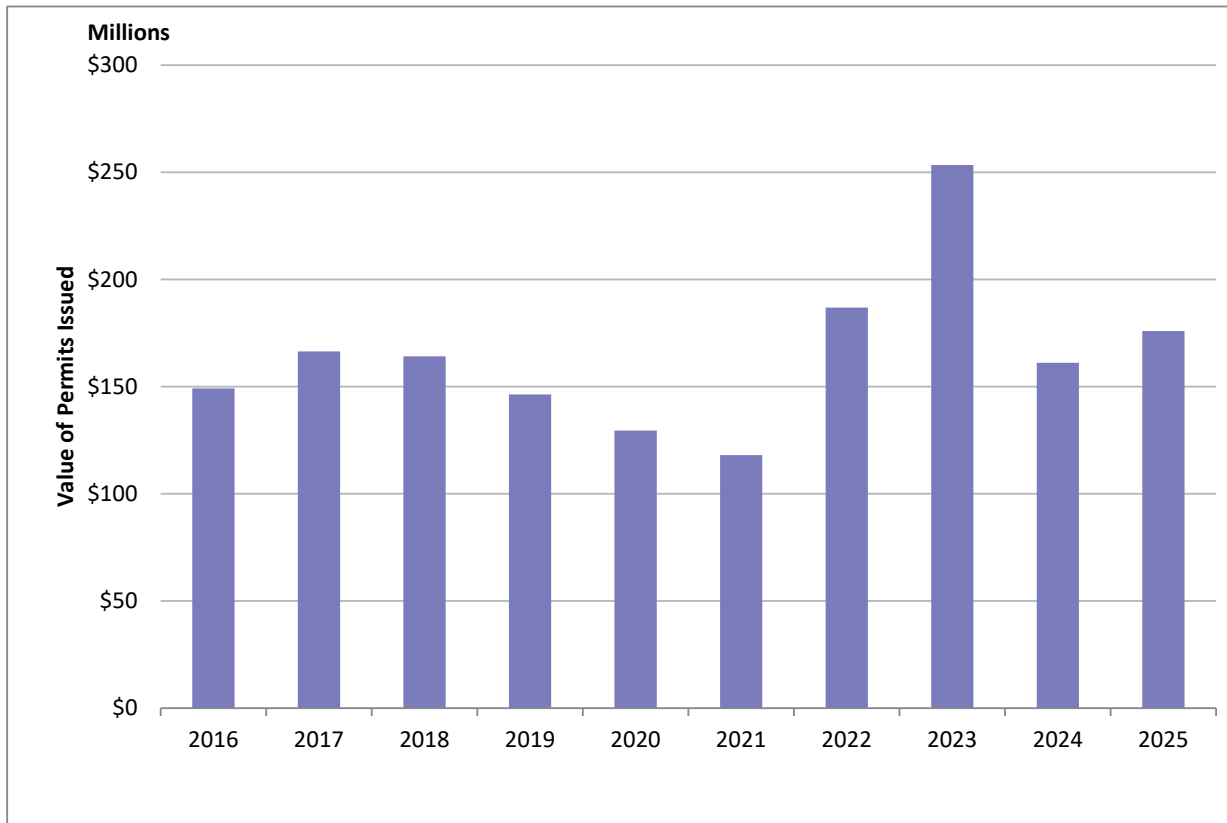
Source: ACFR /City websites

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

² FY 23-24 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
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
2025	13,343,313,720	2,013	37,154,420	138,796,880	175,951,300

Source: City of Morgan Hill Building Department

City of Morgan Hill, California

Miscellaneous Statistics - June 30, 2025

General Information

Date of Incorporation	October 1906
Form of Government	Council/Manager
Area	12.9 square miles
Number of Registered voters	30,098
Median household income for Morgan Hill	\$ 159,578
Elevation in feet	320
Building Permits Issued during year	2,013

Demographics:

Median Age	38.8
Median Persons per household	3.44
Population (consisting of)	46,599
White	44.0%
Hispanic	33.1%
Asian	14.4%
Black	2.0%
Native American	0.3%
Other, mixed	6.3%

Fire Protection:

Number of stations (3 City, 1 State)	4
Fire Apparatus	5
Fire Vehicles Other	4

Police Protection:

Number of stations	1
Number of police cars/motorcycles	39

Municipal Water Services:

Number of Active Accounts	15,258
Average Daily Consumption (gallons)	6,703,416
Miles of Water Mains	197
Pumping Capacity (thousand gallons/day)	17,716

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	8,483

Health Facilities:

Dentists and Optometrists	43
Physicians/Surgeons	36
Chiropractors	12
Therapists	22
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	2.50
City Attorney	3.59
Administrative Services	21.22
Police	73.25
Development Services	26.79
Public Services	80.90

Total Employees 213.25

Sewer Services

Peak Flow (thousand gallons/day)	6,200
Miles of sewer lines	163

Sources: Various