

City of Morgan Hill

Comprehensive Annual Financial Report

Year Ended June 30, 2019





CITY OF MORGAN HILL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

**PREPARED BY
ADMINISTRATIVE SERVICES**



CITY OF MORGAN HILL



CITY OF MORGAN HILL

CITY OF MORGAN HILL, CALIFORNIA
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2019

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INTRODUCTORY SECTION



CITY OF MORGAN HILL

November 22, 2019

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

The *Comprehensive Annual Financial Report (CAFR)* of the City of Morgan Hill, California for the fiscal year ended June 30, 2019, is submitted for your information and review. Responsibility for the accuracy of the information, and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and the results of operations of the City. Management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. Management is committed to maintain the City's internal controls to adequately safeguard assets; and to provide reasonable assurances of proper recording of financial transactions. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. The financial statements within this report have been audited by the City's independent financial auditor, Maze & Associates, which has issued an unmodified opinion. The auditor's opinion letter is included in this report.

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

- The Statement of Net Position and the Statement of Activities represent a combination of all the City's funds, comprising the City's General Fund, Special Revenue, Capital Projects, Debt Service, Internal Service, and Enterprise Funds, including activities which are restricted. Information about individual funds can be found in the combining statements contained within the CAFR.
- 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, 2019.

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

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

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

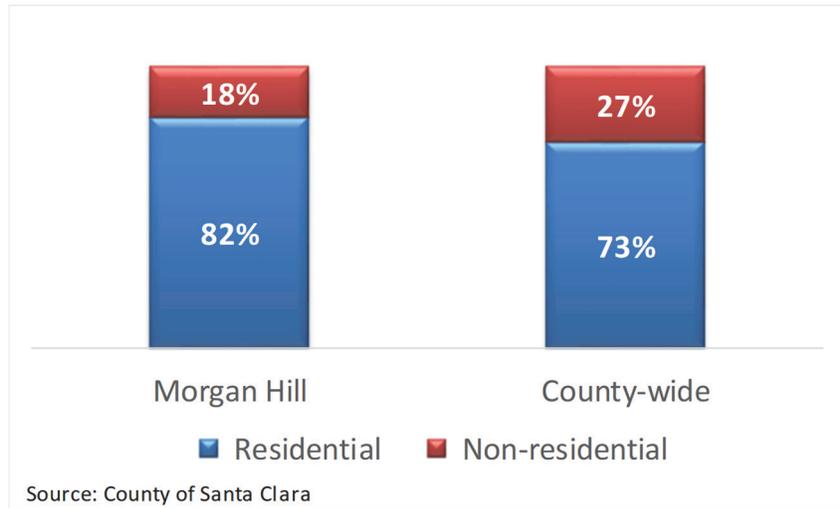
State statutes require a budget be approved before any expenditures are made. Budgets are adopted for all governmental fund types. Budgetary comparisons are reflected in the City's financial report for all governmental funds. From the effective date of the budget, the amounts stated therein as proposed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

ECONOMIC CONDITIONS AND OUTLOOK

Morgan Hill's financial condition remains steady as the City continues to benefit from a historic 11th year of economic expansion, albeit slower than in the recent years, and a strong labor market. The economy expanded at a 1.9% annual rate in the July-September 2019 quarter, down from 3.1% in the first three months of the year. The Federal Reserve cut short-term interest rates for the third time this year as it believes the economy continues to face risks from slower growth overseas and trade tensions. According to Beacon Economics, the outlook for the U.S. economy continues to be moderate and growth will slow to 2.3% in the current fiscal year 2019-20 and 2.0% in FY 2020-21. Here in Morgan Hill, demand for development activity continues to be more limited. While the cities to the north have experienced stronger growth with massive construction of new tech industry centers, Morgan Hill has not seen its share in the growth in the tech sector. That being said, Morgan Hill continues to benefit from the strong regional economy with low unemployment and high-paying jobs, resulting in significant property tax growth and associated revenues. Morgan Hill's unemployment rate hit a high of 15% in 2010, and has dropped to 2.6% in 2019. This matches County of Santa Clara rate of 2.6% and is lower than the state-wide unemployment rate of 4.1%.

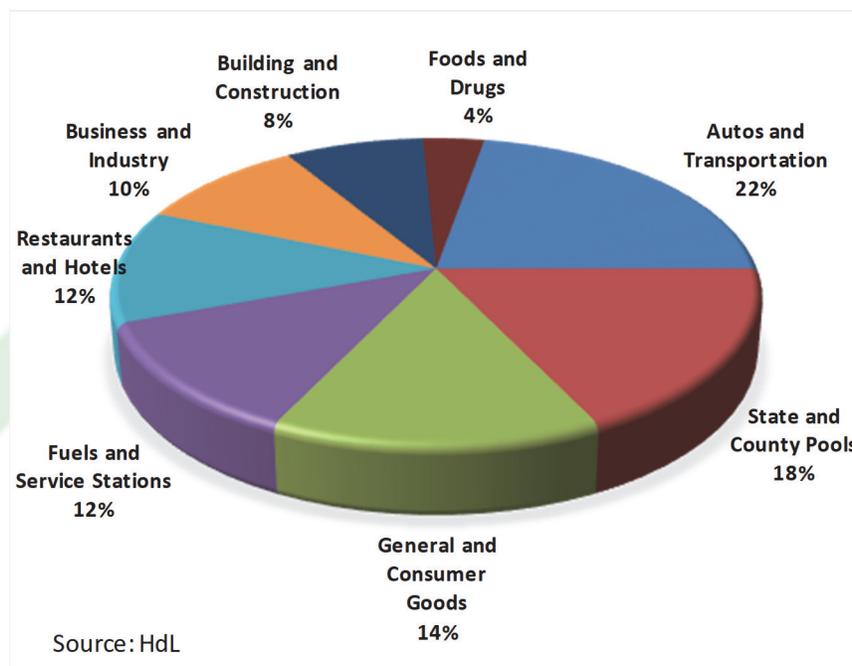
Since FY 2010-11, a steady stream of new housing construction has added over 2,000 new homes. Housing prices have risen dramatically since the Great Recession with median home prices in the Bay Area hitting an all-time high. New housing units being added to the assessor's roll, coupled with commercial developments in the community, restoration of Proposition 8 temporary reductions granted by the County Assessor's Office during the Great Recession, and higher property values, have led to a steady increase in local property tax revenues. Based on the latest County Assessor's Office's projection, Assessed Value (AV) before exemptions in Morgan Hill for FY2019-20 exceeds \$10 billion, an increase of 7.7% from FY 2018-19 AV before exemptions of \$9.4 billion. This includes growth in property taxes resulting from new development being added to the tax role, as well as increases in AV from changes in ownership.

The chart below compares the City's total net assessed value of residential and non-residential properties to the County-wide for FY 19-20. The percentage of the net assessed value of non-residential properties in Morgan Hill has been consistently below the County of Santa Clara average.



Property tax is the largest source of Morgan Hill's General Fund revenue. However, it accounts for only 30% of the approximately \$43.1 million General Fund revenue for the current FY 2019-20. Although property tax tends to be a more predictable revenue source, other major revenue categories such as sales tax and transient occupancy tax, which account for a large portion of the City's General Fund revenue, are more volatile and tend to fluctuate more with swings in the economy. The sales tax revenue for the current FY 2019-20 is expected to be flat compared to prior FY 2018-19. However, the amount is still more than double since the low experienced in FY 2009-10.

The chart below illustrates the City's sales tax revenue by major industry group. Total amount of sales tax revenue in FY 2018-19 was about \$10.5 million. Sales tax revenue generated from industry groups such as State and County Pools, Fuels and Service Stations, and Restaurants and Hotels increased from prior year while Autos and Transportation, Business and Industry, and Building and Construction groups decreased.



Developments in the community, coupled with increased consumer confidence and a strong labor market, have all contributed to the General Fund's budgetary surplus for FY 2018-19. General Fund reserves remained at the same level as of last year after the expected \$0.8 million transfer to the City's Section 115 Pension and Other Post-Employment Benefits (OPEB) trust funds. The Council has set the long-term general fund reserve goal of 25% of general fund revenues, and a minimum level of 15%. The expected \$0.8 million transfer represents the FY 2018-19 General Fund's budgetary surplus, excluding non-cash items such as unrealized gain or loss on investment. On the September 4, 2019 meeting, City Council directed the City Manager to transfer the FY 2018-19 General Fund's surplus to the City's Pension and OPEB trusts.

After the Great Recession, for several years, the community development fund experienced noticeable fund balance growth as a result of increased development activity. As the development activity returned to a more typical level, the community development fund ended the FY 2018-19 with an operating deficit of approximately \$673,000, as compared to the prior year deficit of approximately \$620,000. However, the amount was better than the budgeted deficit of approximately \$1.4 million partially attributable to conservative spending. The fund is forecasted to continue to be structurally imbalanced, requiring significant use of reserves in subsequent years. Barring any unforeseen circumstances, the remaining fund reserves, should support the fund's operating deficits in the next few years.

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

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

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Morgan Hill for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2018. 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 comprehensive annual 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 24 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 *Comprehensive Annual Financial Report* represents many months of work by the City's entire Finance staff and other departments who assisted in the process of compiling the information. A special "thank you" to our external auditors who contributed long hours to make this document possible. Their efforts and continued dedication are greatly appreciated. I also wish to express appreciation to the City Council and City Manager for their support, interest, integrity, and sound leadership in financial matters.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Nguyen", with a long horizontal flourish extending to the right.

Dat P. Nguyen, CPA, CGFM
Finance Director

**CITY OF MORGAN HILL, CALIFORNIA
ELECTED OFFICIALS AND CITY STAFF**

ELECTED OFFICIALS

Rich Constantine	Mayor
Rene Spring	Mayor Pro Tem
Larry Carr	Council Member
John K. McKay	Council Member
Yvonne Martinez Beltran	Council Member
David Clink	City Treasurer
Irma Torrez	City Clerk

CITY STAFF

Christina Turner	City Manager
Donald Larkin	City Attorney
Leslie Little	Assistant City Manager for Development Services
Harjot Sangha	Assistant to the City Manager
Dat Nguyen	Finance Director
Chris Ghione	Public Services Director
Jennifer Carman	Development Services Director
Edith Ramirez	Economic Development Director
Michael Horta	Human Resources Director
Maureen Tobin	Communications and Engagement Director
David Swing	Chief of Police
Jake Hess	Fire Chief







Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Morgan Hill
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

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 Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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 on the Table of Contents be presented to supplement the basic financial statements. Such information, 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.

Other 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 Introductory Section, Supplementary Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary 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. Such 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.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
November 22, 2019



CITY OF MORGAN HILL

Management's Discussion and Analysis (MD&A) For the Fiscal Year Ended June 30, 2019

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, 2019. Please read this overview in conjunction with the accompanying letter of transmittal and the basic financial statements. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, comparative data for the prior fiscal year is provided.

FINANCIAL HIGHLIGHTS

- During FY 18-19, the City's net position, representing the difference between total assets and total liabilities, increased by \$18.4 million to \$491.6 million. Of the total net position, \$85.0 million, about 17%, in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors, and the majority of the remaining, about 71%, consists of net investment in capital assets. Additional detailed information can be found on page 25, Statement of Net Position.
- Total revenues from all sources were \$105.1 million—\$15.1 million more than the prior year partially due to an increase in business-type activities and investment earnings. Business-type activities saw a net increase of \$3.8 million in revenues compared to the prior year mainly due to the rate increases for water and collection of development impact fees.
- At June 30, 2019, the City had \$43.6 million, including unamortized bond premiums, in long-term debt, comprised of \$17.9 million secured by water revenues, \$13.0 million secured by wastewater revenues, \$8.8 million in lease revenue refunding bonds subject to a City appropriations covenant, \$3.5 million for Fire stations and apparatus, and \$0.4 million in energy efficiency loans. The \$43.6 million in long-term debt outstanding reflects a net decrease of \$3.2 million from the prior year.
- At June 30, 2019, the City's governmental funds reported ending fund balances of \$139.2 million, an increase of 1% or \$2.0 million from the prior fiscal year.
- The fund balance in the City's General Fund increased by \$4.0 million to \$22.4 million as the City continued to benefit from a growing economy. The restricted fund balance in the Development Services Fund decreased by \$0.7 million, with an ending fund balance of \$1.3 million.
- During FY 18-19, the General Fund had an excess of revenues over expenditures of \$4.4 million, excluding transfers. Transfers out exceeded transfers in by \$0.4 million. The principal purpose of the City's interfund transfers was for operational support to other funds.
- Actual revenues in the General Fund were \$5.0 million more than the final budget or \$2.8 million without the fair market value adjustment for the investments, mostly attributed to the increase in property and sales taxes.
- Actual expenditures, excluding transfers out, in the General Fund were about \$2.5 million less than the final budget, with public safety contributing all of the savings.
- During FY 18-19 Deferred inflows and outflows related to Net Pension Liability decreased by \$2.4 million. This is further discussed in Note 8, on page 81.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements – These include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the City as a whole and about the overall financial condition of the City in a manner similar to a private-sector business. These statements are described in more detail in a subsequent section in this MD&A and can be found on pages 25 and 26 of this report.
- Fund financial statements – These statements provide additional information about the City's major funds, including how services were financed in the short term and including fund balances available for financing future projects. These statements are described in more detail in a subsequent section of this MD&A and can be found on pages 31 through 33.

A. Government-Wide Financial Statements

These statements include all assets and liabilities of the City using the *accrual* basis of accounting, which is similar to the accounting used by most private sector companies. All current fiscal year revenues and expenses are accounted for regardless of when the cash is paid or received.

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

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

B. Fund Financial Statements

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

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

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

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

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

Proprietary funds: The City maintains two different types of proprietary funds, *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for sewer and water operations, as well as for sewer and water capital project activities financed by development impact fees.

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

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

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

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

Also included in fiduciary funds is the Other Post-Employment Benefits (OPEB) Trust Fund. The fund was established in accordance with GASB Statement No. 74 for the defined benefit OPEB plans administered through trusts that meet the specified criteria. The fund accounts for City's contributions, investments and benefit payments.

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 100.

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 101.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position for the fiscal year ended June 30, 2019, was \$491.6 million. A significant portion of the City's net position (\$346.7 million or 71%) 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 (\$58.8 million or 11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$86.1 million or 18%) may be used to meet the City's ongoing obligations to citizens and creditors. The \$86.1 million in unrestricted net position is comprised of \$73.8 million in governmental unrestricted net position and \$12.3 million in business-type unrestricted net position. The governmental unrestricted net position includes many assets that are not currently available for spending. The unrestricted business-type net position are funds that have been collected from water and sewer rate payers, and are needed to fund ongoing water and sewer operating and capital needs.

The table below summarizes the City's net position:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018-19</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2017-18</u>
Assets						
Current and other assets	\$ 156,084,479	\$ 152,620,376	\$ 46,606,485	\$ 41,550,820	\$ 202,690,964	\$ 194,171,196
Capital assets	278,593,042	269,313,592	104,887,638	102,625,211	383,480,680	371,938,803
Total Assets	434,677,521	421,933,968	151,494,123	144,176,031	586,171,644	566,109,999
Deferred outflows						
Related to OPEB (Note 9)	312,664	400,871	-	133,623	312,664	534,494
Related to pension (Note 8)	9,620,414	12,144,417	1,654,456	2,083,484	11,274,870	14,227,901
Total Deferred Outflows	9,933,078	12,545,288	1,654,456	2,217,107	11,587,534	14,762,395
Liabilities						
Long-term liabilities	56,288,110	55,800,227	36,792,492	39,301,445	93,080,602	95,101,672
Other liabilities	6,878,583	7,291,842	4,941,806	4,095,248	11,820,389	11,387,090
Total Liabilities	63,166,693	63,092,069	41,734,298	43,396,693	104,900,991	106,488,762
Deferred inflows						
Related to OPEB (Note 9)	-	19,593	-	6,531	-	26,124
Related to pension (Note 8)	995,425	890,899	227,648	183,093	1,223,073	1,073,992
Total Deferred Inflows	995,425	910,492	227,648	189,624	1,223,073	1,100,116
Net position						
Net investment in capital	270,716,404	261,192,662	75,944,603	75,398,340	346,661,007	336,591,002
Restricted	37,004,746	35,645,795	22,966,985	19,634,698	59,971,731	55,280,493
Unrestricted	72,727,331	73,638,238	12,275,045	7,773,783	85,002,376	81,412,021
Total Net Position	\$ 380,448,481	\$ 370,476,695	\$ 111,186,633	\$ 102,806,821	\$ 491,635,114	\$ 473,283,516

Governmental activities: The table above shows that total assets increased compared to the prior year, by \$12.7 million, mainly due capital assets/projects. The increase of \$0.1 million in the total liabilities is mostly attributable to the increase in net pension liabilities, further discussed in note 8, on page 81, partially offset by a decrease of long-term debt.

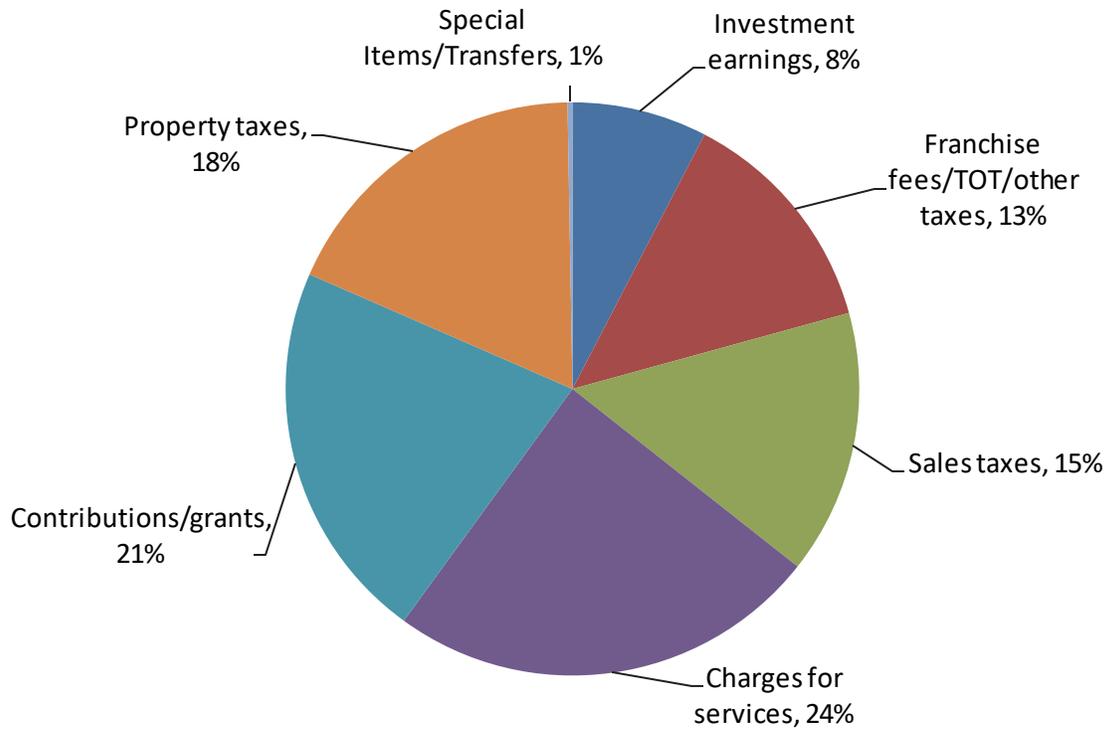
The table and charts on the next pages summarize major program expenses, program revenues used to fund specific expenditure programs, and general City revenues available for funding all City programs. In FY 18-19, property tax revenue increased about 12% compared to FY 17-18 mainly attributable to new housing units being added to the assessor's roll, commercial developments in the community, restoration of Proposition 8 temporary reductions granted by the County Assessor's Office during the Great Recession, property value increases as allowed under Proposition 13, and higher excess Educational Revenue Augmentation Fund (ERAF) distribution. Sales tax revenue increased by about 3% compared to prior year as the City continued to benefit from a growing economy.

Total governmental expenses increased by \$4.3 million or 7% to \$62.2 million compared to prior fiscal year, mainly attributable to \$3.1 million increase in expenses by Public Safety and Recreation Services, followed by \$0.8 million in Development Services expenses due to high demand for development services.

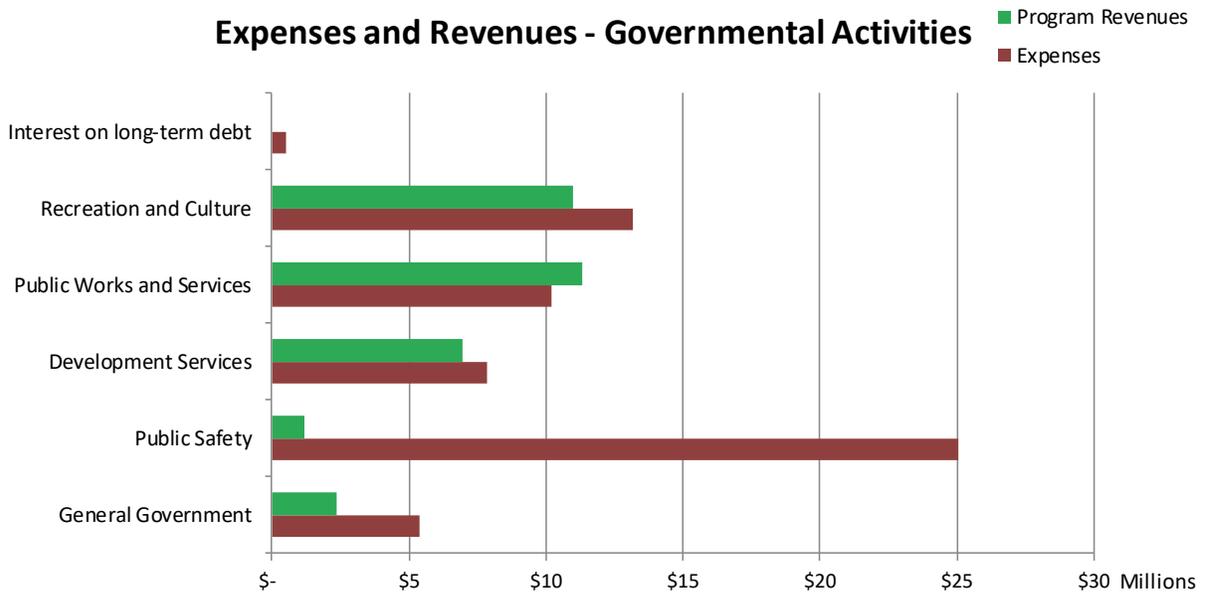
Overall, the City's Governmental Activities net position increased by \$10.0 million, mainly attributable to the investment in capital assets.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018-19</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2017-18</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for Services	\$ 17,402,865	\$ 16,349,199	\$ 32,988,029	\$ 29,107,383	\$ 50,390,894	\$ 45,456,582
Operating Grants & Contributions	3,459,753	2,546,575	-	-	3,459,753	2,546,575
Capital Grants & Contributions	11,929,521	11,751,424	-	-	11,929,521	11,751,424
<i>General Revenues:</i>						
Property Taxes	12,986,475	11,582,252	-	-	12,986,475	11,582,252
Sales Taxes	10,651,629	10,358,420	-	-	10,651,629	10,358,420
Franchise, hotel & other taxes	5,764,566	5,478,690	-	-	5,764,566	5,478,690
Other general taxes/revenues	3,597,906	1,022,622	-	-	3,597,906	1,022,622
Unrestricted investment earnings	5,441,878	1,253,818	850,625	558,831	6,292,503	1,812,649
Total Revenues	71,234,593	60,343,000	33,838,654	29,666,214	105,073,247	90,009,214
Expenses:						
General Government	5,368,602	5,147,400	-	-	5,368,602	5,147,400
Public Safety	25,033,126	22,947,672	-	-	25,033,126	22,947,672
Development Services	7,868,001	7,069,348	-	-	7,868,001	7,069,348
Public Works and Services	10,223,756	10,051,526	-	-	10,223,756	10,051,526
Recreation and Culture	13,156,302	12,108,610	-	-	13,156,302	12,108,610
Interest on long-term debt	531,464	549,201	-	-	531,464	549,201
Sewer	-	-	11,054,950	10,956,264	11,054,950	10,956,264
Water	-	-	13,485,448	12,732,024	13,485,448	12,732,024
Total Expenses	62,181,251	57,873,757	24,540,398	23,688,288	86,721,649	81,562,045
Increase/(decrease) in net position before transfers	9,053,342	2,469,243	9,298,256	5,977,926	18,351,598	8,447,169
Transfers and special items	918,444	983,673	(918,444)	(983,673)	-	-
Increase/(decrease) in net position	9,971,786	3,452,916	8,379,812	4,994,253	18,351,598	8,447,169
Net position beginning	370,476,695	368,316,573	102,806,821	98,512,860	473,283,516	466,829,433
Prior period restatement (Note 2v)	-	(1,292,794)	-	(700,292)	-	(1,993,086)
Net position - year end	\$ 380,448,481	\$ 370,476,695	\$ 111,186,633	\$ 102,806,821	\$ 491,635,114	\$ 473,283,516

Revenues and Transfers In by Source Governmental Activities - \$72.2 Million



Expenses and Revenues - Governmental Activities



Business-type activities: Business-type activities (water and wastewater) saw an increase of \$8.4 million in net position. Revenue from charges for services, combined with operation and capital contributions, in both the Water and Wastewater Funds increased by 14% or \$4.2 million compared to prior year, primarily due to the water rate adjustment approved by City Council in January 2016. Expenses increased by 4% or \$0.9 million compared to prior year mostly due to increases operating expenses such as salaries and benefits and wholesale water cost.

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

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

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

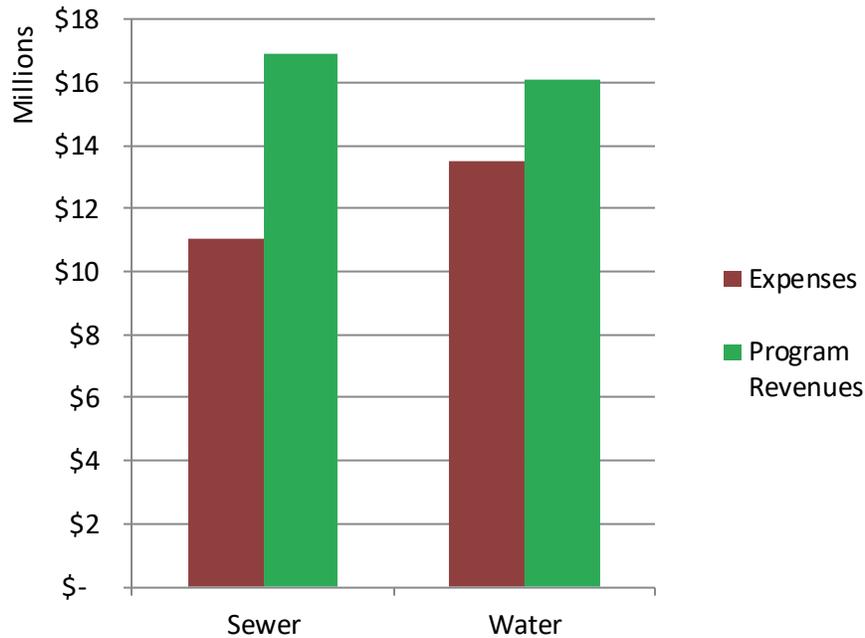
The table below illustrates the increase for a typical single-family home with median water usage (14 units of water per month; 8 units of wastewater). We are in year four of the adopted water rate adjustments.

Total Average Single Family Monthly Utility Bill

Prior to 4/1/16 Rates		Adopted Rates					
		4/1/16	1/1/17	1/1/18	1/1/19	7/1/19	1/1/20
Water(a)	\$40.15	\$46.84	\$50.24	\$58.37	\$62.60	\$62.60	\$67.14
Wastewater(a)	\$49.98	\$49.98	\$50.98	\$52.00	\$53.04	\$57.84	\$57.84
Total	\$90.13	\$96.82	\$101.22	\$110.37	\$115.64	\$120.44	\$124.98
Total Percent Increase		7.4%	4.5%	9.0%(b)	4.8%	9.2%(c)	8.0%(c)

(a) Booster Station & Lift Station service charges are not included in the rates. (b) Higher percent increase in January 1, 2018 is due to an assumed 10% increase in water consumption (conservation level drops from 30% to 20%). (c) Includes recently approved wastewater rate adjustments.

The chart below summarizes the financial activities of the Sewer and Water Funds for FY 18-19.



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, 2019, the City's governmental funds reported combined ending fund balances of \$139.2 million, an increase of \$2.0 million or 1% from prior year. Overall revenues in governmental funds were 11% or \$6.5 million more than the prior year, with the biggest contributors for the increase mostly related to fair market value adjustment for the investments and property tax and sales tax. Additional contributing factors included a growing local economy, demand for development, and the resulting increased property values and associated revenues for those factors.

General Fund

The General Fund is the primary operating fund of the City. At the end of FY 18-19, total fund balance for the General Fund amounted to \$22.4 million, including \$18.8 million in unassigned fund balance, an increase of \$4.0 million compared to prior year. The increase is attributable to fair market value adjustment for the investments of approximately \$2.2 million, conservative spending, and a sustained economic expansion which led to higher tax revenues.

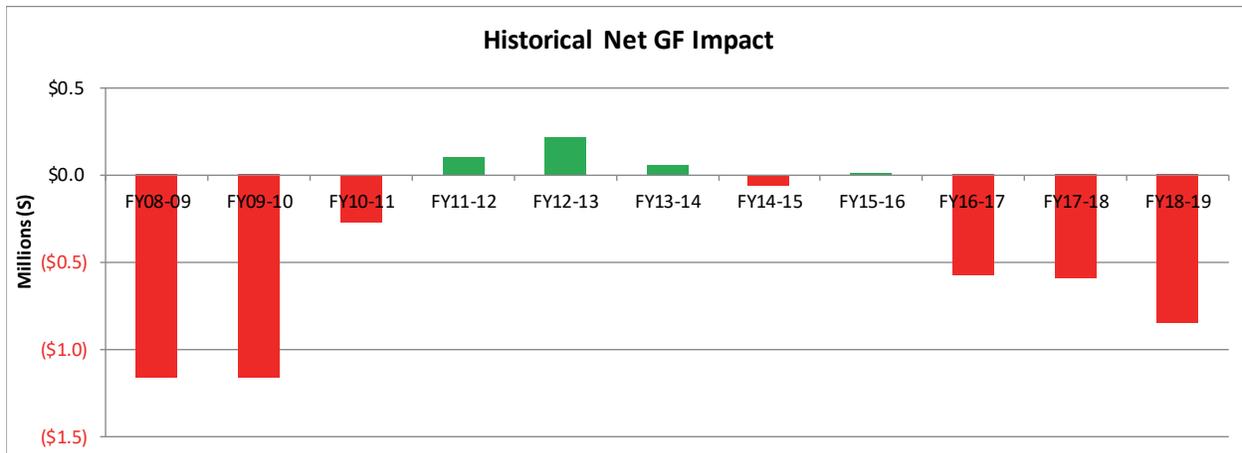
Significant changes in revenues and expenditures that affected the fund balance for the General Fund are as follows:

a. Revenue Highlights

Property tax revenue in the general fund was \$1.4 million or 12% more than prior year. Increases in assessed value as allowed under Proposition 13, new housing units added to the assessor's roll, and restoration of Proposition 8 temporary reduction granted by the County of Santa Clara Assessor's Office during the Great Recession contributed to the increase in property tax revenues. In addition, the City also received approximately \$1.0 million from excess Educational Revenue Augmentation Fund (ERAF) distribution during the year, approximately \$0.5 million more than prior year. Excess ERAF is the money that is returned to the cities, counties, and special districts after schools reach their state-mandated thresholds.

Furthermore, sales tax revenue in FY 18-19 was \$10.7 million, an increase of \$0.3 million or 3% compared to prior year. The franchise, hotel and other taxes revenue was \$5.8 million, an increase of \$0.3 million or 5% compared to prior year. For the hotel tax, the amount received for FY 18-19 is approximately \$2.9 million, an increase of \$0.2 million or 6% from prior year amount, mainly attributable to the increased in tax rate to 11% from 10%. On November 6, 2018, Morgan Hill voters approved Measure H, which increased ongoing hotel tax from 10% to 11% in the City. The new rate went into effect March 1, 2019.

Recreation operations ended FY 18-19 year with a negative impact to the general fund of approximately \$0.8 million as costs of providing the services continue to outpace the revenues. However, the amount is slightly better than the budgeted net negative impact to the general fund of approximately \$1.0. The recreation services program has been self-sufficient in the prior five years from a negative impact to the general fund of over \$1.5 million in FY 06-07. The chart below shows the historical net impact of Recreation Operations to the general fund.



b. Expenditure Highlights

Expenditures, including transfers out increased slightly by 8% or \$3.0 million compared to the prior year to a total of \$41.6 million. The increase in expenditures was a result of the Council decision to continue to invest in service enhancements and one-time needs such as funding the Street Capital Improvement Program (CIP) fund for streets improvements, funding the Equipment Replacement Fund, and funding the Employee Benefits Fund to continue addressing the City's unfunded liabilities. Recreation services saw an increase in expenditures for several items such as those related to the change in California's minimum wage law, and increased building maintenance services.

c. Budgetary Highlights

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

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

Budget adjustments approved by the City Council during FY 18-19 related primarily to projects, expenditure adjustments, and grant-related activity.

After taking into account these adjustments, actual expenditures including transfers out, were less than the final budget amounts by \$2.7 million, primarily from savings relating to the operations of the Public Safety, and Recreation Services.

Development Services Fund

The Development Services Fund accounts for the City's planning, building, and engineering activities. At the end of FY 18-19, the fund balance amounted to \$1.3 million, all of which is restricted, a decrease of \$0.7 million from prior year. This is primarily due to the timing of fee increases, services or new projects unsupported by fees, such as front counter services, responding to public inquiries, tree removal permits, use permits for non-profits or special projects, and continued implementation of Measure S. This Measure is a City initiated ballot measure which was approved by the voters on November 8, 2016 and became effective March 1, 2017. It defined the residential development control system and set the population ceiling through 2035.

After the Great Recession, for several years, the community development fund experienced noticeable fund balance growth as a result of increased development activity. As the development activity returned to a more typical level, the community development fund ended the FY 18-19 with an operating deficit of approximately \$0.7 million, as compared to the prior year deficit of approximately \$0.6 million. However, the amount was better than the budgeted deficit of approximately \$1.4 million partially attributable to conservative spending. The fund is forecasted to continue to be structurally imbalanced, requiring significant use of reserves in subsequent years. Barring any unforeseen circumstances, the remaining fund reserves, should support the fund's operating deficits in the next few years.

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 18-19, the fund balance amounted to \$57.1 million, all of which is restricted, a decrease of \$3.2 million or 5% from the prior year. As a result of the elimination of redevelopment agencies statewide, the Housing Program acted to serve as the successor to the former Morgan Hill Redevelopment Agency's housing functions and administer its legacy housing assets pursuant to Resolution 6504 adopted by the City Council on January 18, 2012. The City has accepted the housing assets of the former Redevelopment Agency (RDA) and beginning in FY 12-13 operated a limited housing program utilizing and leveraging other housing resources. The primary source of revenue for this fund is residual receipts and loan repayments from previously constructed projects and loans executed.

PROPRIETARY FUNDS

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

Unrestricted net position at June 30, 2019, amounted to \$8.9 million for Sewer Operations and \$3.4 million for Water Operations. Water Operations' unrestricted net position increased by \$2.4 million compared to prior year. The operating revenues saw an increase of \$1.5 million primarily due to the water rate adjustments approved by City Council in January 2016 as mentioned earlier in the analysis. Sewer Operations' unrestricted net position increased by \$2.1 million from prior fiscal year with operating revenues increased by \$1.1 million primarily due to increase in usage and rate adjustments. The Sewer Impact Fund had \$18.1 million in net position restricted for capital improvements and expansion, an increase of \$2.6 million from prior year mainly due to higher collection of impact fees while the Water Impact Fund had \$4.8 million for the same purpose, an increase of \$0.8 million from prior year.

FIDUCIARY FUNDS

The City of Morgan Hill, as the Successor Agency to Redevelopment Agency, fully expended the remainder of the 2008 bond proceeds within its Downtown redevelopment project areas in the prior year, with the main transaction during FY 18-19 being the annual debt service per the Recognized Obligations Payment Schedule, approved by the California State Department of Finance.

The Other Post Employment Benefit (OPEB) Trust Fund, which the City established in the prior year includes the City's contribution of \$400,000 for FY 18-19. This fund was established in accordance with GABS No. 74 for the defined benefit OPEB plans administered through trusts that meet the specified criteria. The trust accounts for City's contributions, investments and health benefits paid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's capital assets for its governmental activities as of June 30, 2019, amounted to \$278.6 million (net of accumulated depreciation), as summarized below. The capital assets included land, buildings, park and roadway improvements, vehicles and other equipment, infrastructure, and construction in progress, as summarized in the schedule below.

Governmental Funds Capital Assets:	2019	2018
Land	\$ 52,183,468	\$ 43,510,012
Buildings & Improvements	89,431,410	92,247,881
Machinery, Equipment, and Vehicles	4,886,945	4,448,436
Infrastructure	124,081,777	121,041,030
Construction in Progress	8,009,442	8,066,233
Total Governmental Funds Capital Assets:	\$ 278,593,042	\$ 269,313,592

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

LONG-TERM DEBT

At the end of FY 18-19, the City had long-term debt outstanding of \$43.6 million. Of the total, Governmental Activities long-term debt portion is \$12.7 million. Of this amount, \$3.9 million represented debt to be paid directly from general City revenues and is related to fire houses and equipment leases, including energy efficient loans.

The remaining \$30.9 million of the City's debt is almost all for bonds secured solely by specified water and sewer revenue sources. Additional detailed information on long-term debt can be found in Note 7, of the Notes Section, on page 77.

REQUESTS FOR INFORMATION

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



CITY OF MORGAN HILL

Basic Financial Statements



CITY OF MORGAN HILL

Government-Wide Financial Statements



CITY OF MORGAN HILL

CITY OF MORGAN HILL

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

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

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

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

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

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



CITY OF MORGAN HILL

**City of Morgan Hill
Statement of Net Position
June 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled cash and investments (Note 4)	\$ 84,857,250	\$ 39,372,832	\$ 124,230,082
Restricted pooled cash and investments (Note 4)	30,000	2,885,398	2,915,398
Cash and investments with fiscal agents (Note 4)	920,078	-	920,078
Receivables:			
Accrued interest	266,810	155,350	422,160
Other accounts receivable	4,910,848	3,963,911	8,874,759
Loans receivable (Note 6)	64,501,725	228,994	64,730,719
Prepays	41,724	-	41,724
Property held for resale	556,044	-	556,044
Capital assets, Net (Note 5)			
Non-Depreciable	60,192,910	12,624,362	72,817,272
Depreciable and Sewer Capacity Rights	218,400,132	92,263,276	310,663,408
Total Assets	434,677,521	151,494,123	586,171,644
Deferred Outflows			
Related to OPEB (Note 9)	312,664	-	312,664
Related to pension (Note 8)	9,620,414	1,654,456	11,274,870
Total Deferred Outflows	9,933,078	1,654,456	11,587,534
Liabilities			
Accounts payable	1,365,316	1,708,994	3,074,310
Accrued liabilities	2,461,374	398,061	2,859,435
Interest payable	110,329	188,297	298,626
Customer and other deposits	1,256,111	266,702	1,522,813
Unearned revenue	247,229	4,752	251,981
Compensated absences (Note 2l):			
Due within one year	622,793	-	622,793
Due in more than one year	1,993,499	-	1,993,499
Net OPEB liabilities,			
due in more than one year (Note 9)	3,660,740	1,116,295	4,777,035
Net pension liabilities,			
due in more than one year (Note 8)	38,773,842	7,117,723	45,891,565
Long-term debt (Note 7)			
Due within one year	815,431	2,375,000	3,190,431
Due in more than one year	11,860,029	28,558,474	40,418,503
Total Liabilities	63,166,693	41,734,298	104,900,991
Deferred Inflows			
Related to pension (Note 8)	995,425	227,648	1,223,073
	995,425	227,648	1,223,073
Net Position (Note 2n)			
Net investment in capital assets	270,716,404	75,944,603	346,661,007
Restricted for:			
Capital expansion projects	36,763,182	22,966,985	59,730,167
Debt service	241,564	-	241,564
Unrestricted	72,727,331	12,275,045	85,002,376
Total Net Position	\$ 380,448,481	\$ 111,186,633	\$ 491,635,114

See accompanying notes to basic financial statements

City of Morgan Hill
Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 5,368,602	\$ 2,357,831	\$ -	\$ -
Public safety	25,033,126	647,481	216,808	311,882
Development services	7,868,001	5,514,980	1,419,140	
Public works and services	10,223,756	45,629	1,780,325	9,494,267
Recreation & culture	13,156,302	8,836,944	43,480	2,123,372
Interest on long-term debt	531,464			
Total government activities	<u>62,181,251</u>	<u>17,402,865</u>	<u>3,459,753</u>	<u>11,929,521</u>
Business-type activities:				
Sewer	11,054,950	16,875,779		
Water	13,485,448	16,112,250		
Total business-type activities	<u>24,540,398</u>	<u>32,988,029</u>		
Total primary government	<u>\$ 86,721,649</u>	<u>\$ 50,390,894</u>	<u>\$ 3,459,753</u>	<u>\$ 11,929,521</u>

General revenues:
Property taxes
Sales taxes
Franchise, hotel and other taxes
Other general revenues/taxes
Unrestricted investment earnings

Transfers
Total general revenues and transfers

Change in net position
Net position - beginning
Net position - ending

See accompanying notes to basic financial statements

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,010,771)	\$ -	\$ (3,010,771)
(23,856,955)		(23,856,955)
(933,881)		(933,881)
1,096,465		1,096,465
(2,152,506)		(2,152,506)
(531,464)		(531,464)
<u>(29,389,112)</u>		<u>(29,389,112)</u>
	5,820,829	5,820,829
	2,626,802	2,626,802
	<u>8,447,631</u>	<u>8,447,631</u>
<u>(29,389,112)</u>	<u>8,447,631</u>	<u>(20,941,481)</u>
12,986,475		12,986,475
10,651,629		10,651,629
5,764,566		5,764,566
3,597,906		3,597,906
5,441,878	850,625	6,292,503
918,444	(918,444)	
<u>39,360,898</u>	<u>(67,819)</u>	<u>39,293,079</u>
9,971,786	8,379,812	18,351,598
<u>370,476,695</u>	<u>102,806,821</u>	<u>473,283,516</u>
<u>\$ 380,448,481</u>	<u>\$ 111,186,633</u>	<u>\$ 491,635,114</u>



CITY OF MORGAN HILL

Fund Financial Statements



CITY OF MORGAN HILL

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2019. 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 FUND

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

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.

City of Morgan Hill
Balance Sheet
Governmental Funds
June 30, 2019

	General	Development Services	Housing	Other Governmental Funds	Total Governmental Funds
Assets					
Pooled cash and investments (Note 4)	\$ 15,351,821	\$ 2,835,370	\$ 4,003,571	\$ 49,353,003	\$ 71,543,765
Cash and investments with fiscal agents (Note 4)	919,894			184	920,078
Receivables:					
Accrued interest	52,666	9,701	4,263	158,891	225,521
Other accounts receivable	4,565,696	120,659	2,556	209,820	4,898,731
Loans receivable (Note 6)	2,081,336		52,526,893	9,893,496	64,501,725
Due from other funds (Note 2o)	173,480				173,480
Advances receivable (Note 2o)	643,362			2,300,000	2,943,362
Prepays	25,057		16,667		41,724
Property held for resale			556,044		556,044
Total Assets	\$ 23,813,312	\$ 2,965,730	\$ 57,109,994	\$ 61,915,394	\$ 145,804,430
Liabilities					
Accounts payable	\$ 350,193	\$ 417,837	\$ 20,493	\$ 303,167	\$ 1,091,690
Accrued liabilities	746,408	105,527	9,766	69,620	931,321
Due to other funds (Note 2o)				173,480	173,480
Advances payable (Note 2o)				2,943,362	2,943,362
Unearned revenue	239,111		1,436	5,240	245,787
Customer and other deposits	56,943	1,113,289	2,000	83,879	1,256,111
Total Liabilities	1,392,655	1,636,653	33,695	3,578,748	6,641,751
Fund Balances (Note 2m):					
Nonspendable:					
Loans receivable	2,081,336				2,081,336
Prepaid expenditures	25,057		16,667		41,724
Advances receivable	643,362				643,362
Restricted:					
PARS pension trust	919,894				919,894
Community services				14,162,575	14,162,575
Parks and recreation				8,307,320	8,307,320
Streets and highways				195,644	195,644
Debt service				241,564	241,564
Public safety				224,207	224,207
Development services		1,329,077	57,059,632		58,388,709
Capital expansion projects				36,763,182	36,763,182
Other purposes				198,862	198,862
Unassigned	18,751,008			(1,756,708)	16,994,300
Total Fund Balances	22,420,657	1,329,077	57,076,299	58,336,646	139,162,679
Total Liabilities and Fund Balances	\$ 23,813,312	\$ 2,965,730	\$ 57,109,994	\$ 61,915,394	\$ 145,804,430

See accompanying notes to basic financial statements

**City of Morgan Hill
 Reconciliation of the Governmental Funds - Balance Sheet
 To the Statement of Net Position
 For the Fiscal Year Ended June 30, 2019**

Total fund balances - governmental funds	\$ 139,162,679
<p>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:</p>	
<p>Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Government Funds.</p>	273,880,610
<p>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.</p>	13,636,253
<p>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.</p>	(110,329)
<p>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.</p>	
<p>Long-term liabilities relating to governmental activities consist of:</p>	
Deferred outflows of resources related to pensions	9,620,414
Deferred outflows of resources related to OPEB	312,664
Long-term debt	(12,623,803)
Net OPEB obligation	(3,660,740)
Net pension liability	(38,773,842)
Deferred inflows of resources related to pensions	(995,425)
Total net position - governmental activities	<u><u>\$ 380,448,481</u></u>

See accompanying notes to basic financial statements

City of Morgan Hill
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General	Development Services	Housing	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes and special assessments	\$ 12,761,577	\$ -	\$ -	\$ 224,898	\$ 12,986,475
Sales taxes	10,651,629				10,651,629
Franchise, hotel and other taxes	5,764,566				5,764,566
Licenses and permits	207,393				207,393
Funding from other governmental agencies	1,022,798			1,941,666	2,964,464
Charges for current services	9,295,145	5,075,236		12,223,037	26,593,418
Investment income and rentals	3,552,363	64,821	331,099	1,262,768	5,211,051
Other revenues	675,667		29,596	135,767	841,030
Total Revenues	43,931,138	5,140,057	360,695	15,788,136	65,220,026
Expenditures					
Current					
General government	5,200,147			7,420	5,207,567
Public safety	21,946,076			17,002	21,963,078
Community development	207,300	5,681,869		1,421,379	7,310,548
Housing services			1,007,840		1,007,840
Streets and highways	2,310,280			121,554	2,431,834
Parks and recreation	8,191,326			1,140,654	9,331,980
Other public services	542,852			1,115,258	1,658,110
Capital outlay					
Construction projects	897,857		2,607,462	10,596,331	14,101,650
Debt service					
Principal	99,549			340,000	439,549
Interest and fiscal charges	131,626			346,044	477,670
Total Expenditures	39,527,013	5,681,869	3,615,302	15,105,642	63,929,826
Excess (deficiency) of revenues over (under) expenditures	4,404,125	(541,812)	(3,254,607)	682,494	1,290,200
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	77,000		66,064		143,064
Transfers in (Note 2o)	1,628,564			2,591,793	4,220,357
Transfers (Out) (Note 2o)	(2,077,417)	(131,064)		(1,414,024)	(3,622,505)
Total other financing sources and uses	(371,853)	(131,064)	66,064	1,177,769	740,916
Net change in fund balances	4,032,272	(672,876)	(3,188,543)	1,860,263	2,031,116
Fund Balances - Beginning	18,388,385	2,001,953	60,264,842	56,476,383	137,131,563
Fund Balances - Ending	\$ 22,420,657	\$ 1,329,077	\$ 57,076,299	\$ 58,336,646	\$ 139,162,679

See accompanying notes to basic financial statements

**City of Morgan Hill
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2019**

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

Net change in fund balances-total governmental funds	\$ 2,031,116
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.	14,980,560
Depreciation expense is reported in connection with all of a government's depreciable assets.	(10,899,942)
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	5,783,779
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.	(53,748)
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.	814,287
Net change in net OPEB liability and related deferred outflows/inflows of resources	(380,467)
Net change in net pension liability and related deferred outflows/inflows of resources	(3,513,546)
Net profit (loss) from Internal Service Funds need to be combined to the government wide statement of activities	<u>1,209,747</u>
Change in Net Position of Governmental Activities	<u><u>\$ 9,971,786</u></u>

See accompanying notes to basic financial statements



CITY OF MORGAN HILL

MAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS:

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

The City reports the following major proprietary funds:

SEWER OPERATIONS ENTERPRISE FUND

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

SEWER IMPACT ENTERPRISE FUND

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

WATER OPERATIONS ENTERPRISE FUND

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

WATER IMPACT ENTERPRISE FUND

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

City of Morgan Hill
Proprietary Funds
Statement of Net Position
June 30, 2019

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Assets			
Current assets:			
Pooled cash and investment (Note 4)	\$ 11,419,845	\$ 18,877,841	\$ 6,425,789
Restricted pooled cash and investments (Note 4)	2,885,398		
Cash with fiscal agents (Note 4)			
Receivables:			
Accrued interest	59,501	62,362	24,246
Other accounts receivable	1,633,587	4,437	2,325,887
Notes receivable - current		228,994	
Total current assets	<u>15,998,331</u>	<u>19,173,634</u>	<u>8,775,922</u>
Noncurrent assets:			
Interfund advance (Note 2o)			
Capital assets, net (Note 5)			
Non-Depreciable	2,476,292	2,998,173	5,151,310
Depreciable and Sewer capacity rights	24,011,911	28,937,955	31,643,288
Total noncurrent assets	<u>26,488,203</u>	<u>31,936,128</u>	<u>36,794,598</u>
Total Assets	<u>42,486,534</u>	<u>51,109,762</u>	<u>45,570,520</u>
Deferred Outflows of Resources			
Related to pension (Note 8)	572,696		1,081,760
Total Deferred Outflows	<u>572,696</u>		<u>1,081,760</u>
Liabilities			
Current liabilities:			
Accounts payable	46,725	885,097	723,651
Accrued liabilities	286,404	6,763	104,394
Customer deposits	1,330	31,764	159,517
Unearned revenue		4,752	
Interest payable	6,622	125,816	32,957
Current obligations for:			
Bonds payable (Note 7)	1,445,000		548,700
Energy efficiency loan (Note 7)			
Compensated absences (Note 2l)			
Total current liabilities	<u>1,786,081</u>	<u>1,054,192</u>	<u>1,569,219</u>
Noncurrent liabilities:			
Interfund advance (Note 2o)			
Long term obligations for:			
Bonds payable (Note 7)	11,613,474		9,997,550
Net pension liability (Note 8)	2,463,827		4,653,896
Energy efficiency loan (Note 7)			
Net OPEB obligation (Note 9)	446,519		669,776
Compensated absences (Note 2l)			
Total noncurrent liabilities	<u>14,523,820</u>		<u>15,321,222</u>
Total Liabilities	<u>16,309,901</u>	<u>1,054,192</u>	<u>16,890,441</u>
Deferred Inflows of Resources			
Related to pension (Note 8)	78,801		148,847
Total Deferred Inflows	<u>78,801</u>		<u>148,847</u>
Net Position: (Note 2n)			
Net investment in capital assets	17,760,127	31,936,128	26,248,348
Restricted for capital expansion		18,119,442	
Unrestricted	8,910,401		3,364,644
Total Net Position	<u>\$ 26,670,528</u>	<u>\$ 50,055,570</u>	<u>\$ 29,612,992</u>

See accompanying notes to basic financial statements

Business-type Activities		Governmental Activities	
Enterprise Funds (continued)		Internal Service Funds	
Water Impact	Totals		
\$ 2,649,357	\$ 39,372,832	\$ 13,313,485	
	2,885,398	30,000	
9,241	155,350	41,289	
	3,963,911	12,117	
	228,994		
<u>2,658,598</u>	<u>46,606,485</u>	<u>13,396,891</u>	
1,998,587	12,624,362		
<u>7,670,122</u>	<u>92,263,276</u>	<u>4,712,432</u>	
9,668,709	104,887,638	4,712,432	
<u>12,327,307</u>	<u>151,494,123</u>	<u>18,109,323</u>	
	1,654,456		
	<u>1,654,456</u>		
53,521	1,708,994	273,626	
500	398,061	1,530,053	
74,091	266,702		
	4752	1,442	
22,902	188,297		
381,300	2,375,000		
		11,700	
		622,793	
<u>532,314</u>	<u>4,941,806</u>	<u>2,439,614</u>	
6,947,450	28,558,474		
	7,117,723		
		39,957	
	1,116,295		
		1,993,499	
<u>6,947,450</u>	<u>36,792,492</u>	<u>2,033,456</u>	
<u>7,479,764</u>	<u>41,734,298</u>	<u>4,473,070</u>	
	227,648		
	<u>227,648</u>		
	75,944,603	4,660,775	
4,847,543	22,966,985		
	12,275,045	8,975,478	
<u>\$ 4,847,543</u>	<u>\$ 111,186,633</u>	<u>\$ 13,636,253</u>	

City of Morgan Hill
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2019

	Business-type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Operating Revenues:			
Charges for current services	\$ 11,998,859	\$ -	\$ 14,528,438
Other operating income	-	4,876,920	
Total Operating Revenues	11,998,859	4,876,920	14,528,438
Operating expenses:			
Salaries and benefits	1,907,193		3,509,682
Utilities and taxes	57,291		3,827,182
Operations and maintenance	4,790,293	16,709	2,001,381
Depreciation	1,220,184	1,328,079	2,617,162
Amortization of sewer capacity rights	944,917		
Administrative charges	266,436	54,468	384,156
Total Operating expenses	9,186,314	1,399,256	12,339,563
Operating Income (Loss)	2,812,545	3,477,664	2,188,875
Nonoperating revenues (expenses):			
Investment earnings	318,041	344,622	129,815
Interest and rentals			132,463
Interest (expense)	(485,708)	16,328	(702,225)
Total nonoperating revenues (expenses)	(167,667)	360,950	(439,947)
Income (loss) before operating transfers and contributions	2,644,878	3,838,614	1,748,928
Transfers In (Note 2o)	232,692		1,886,686
Transfers (Out) (Note 2o)	(845,172)	(240,396)	(1,655,964)
Change in net position	2,032,398	3,598,218	1,979,650
Total Net Position - Beginning	24,638,130	46,457,352	27,633,342
Total Net Position-Ending	\$ 26,670,528	\$ 50,055,570	\$ 29,612,992

See accompanying notes to basic financial statements

Business-type Activities		Governmental
Enterprise Funds (continued)		Activities
Water		Internal Service
Impact	Totals	Funds
\$ -	\$ 26,527,297	\$ 11,187,151
1,451,349	6,328,269	73,626
1,451,349	32,855,566	11,260,777
	5,416,875	3,955,318
	3,884,473	1,560,782
5,636	6,814,019	2,907,205
421,915	5,587,340	1,678,419
	944,917	
17,256	722,316	500,640
444,807	23,369,940	10,602,364
1,006,542	9,485,626	658,413
58,147	850,625	230,788
	132,463	
1,147	(1,170,458)	(46)
59,294	(187,370)	230,742
1,065,836	9,298,256	889,155
	2,119,378	330,240
(296,290)	(3,037,822)	(9,648)
769,546	8,379,812	1,209,747
4,077,997	102,806,821	12,426,506
\$ 4,847,543	\$ 111,186,633	\$ 13,636,253

City of Morgan Hill
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities		
	Enterprise Funds		
	Sewer Operations	Sewer Impact	Water Operations
Cash Flows from Operating activities			
Receipts from customers and users	\$ 11,690,322	\$ 4,926,341	\$ 14,029,156
Payments for supplies and services	(4,870,906)	307,155	(5,986,069)
Payments to employees for salaries and benefits	(1,644,333)		(3,228,263)
Payments for interfund services			
Net cash provided (used) by operating activities	<u>5,175,083</u>	<u>5,233,496</u>	<u>4,814,824</u>
Cash Flows From Noncapital Financing Activities			
Transfers in	232,692		1,886,686
Transfers (out)	(845,172)	(240,396)	(1,655,964)
Net cash provided (used) by noncapital and financing activities	<u>(612,480)</u>	<u>(240,396)</u>	<u>230,722</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(3,420,565)	(2,363,556)	(1,646,940)
Principal paid on debt	(1,452,557)		1,723,650
Bond proceeds reallocation			(2,251,700)
Interest paid on debt	(485,708)	16,328	(702,225)
Net cash provided (used) by capital and related financing activities	<u>(5,358,830)</u>	<u>(2,347,228)</u>	<u>(2,877,215)</u>
Cash Flows From Investing Activities			
Interest earnings	305,984	320,226	117,299
Net cash provided (used) by investing activities	<u>305,984</u>	<u>320,226</u>	<u>117,299</u>
Net change in cash and cash equivalents	(490,243)	2,966,098	2,285,630
Cash and cash equivalents, beginning	14,795,486	15,911,743	4,140,159
Cash and Cash equivalents, ending	<u>\$ 14,305,243</u>	<u>\$ 18,877,841</u>	<u>\$ 6,425,789</u>
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating income (loss)	\$ 2,812,545	\$ 3,477,664	\$ 2,188,875
Adjustments to reconcile:			
Interest and rentals			132,463
Depreciation expense	1,220,184	1,328,079	2,617,162
Amortization of sewer capacity rights	944,917		
(Increase) decrease in accounts receivable	(308,537)	(4,121)	(468,801)
(Increase) decrease in prepaid expenses			
(Increase) decrease in notes receivables		53,313	
Increase (decrease) in customer deposits			(162,944)
Increase (decrease) in accounts payable	(16,440)	398,013	137,645
Increase (decrease) in accrued liabilities	260,413	(3,353)	90,655
Increase (decrease) in unearned revenue		229	
Increase (decrease) in interest payable	(859)	(16,328)	(1,650)
Increase (decrease) in compensated absences			
Increase (decrease) in net pension liability	212,023		205,164
Increase (decrease) in net OPEB liability	50,837		76,255
Total adjustments	<u>2,362,538</u>	<u>1,755,832</u>	<u>2,625,949</u>
Net cash provided (used) by operating activities	<u>\$ 5,175,083</u>	<u>\$ 5,233,496</u>	<u>\$ 4,814,824</u>

See accompanying notes to basic financial statements

Business-Type Activities		Governmental	
Enterprise Funds (continued)		Activities	
Water		Internal Service	
Impact	Total	Funds	
\$ 1,492,911	\$ 32,138,730	\$ 11,228,681	
(8,277)	(10,558,097)	(4,361,284)	
	(4,872,596)	(3,656,438)	
		(500,640)	
<u>1,484,634</u>	<u>16,708,037</u>	<u>2,710,319</u>	
	2,119,378	320,592	
<u>(296,290)</u>	<u>(3,037,822)</u>		
	(918,444)	320,592	
(1,363,623)	(8,794,684)	(1,093,472)	
(2,618,650)	(2,347,557)	(11,687)	
2,251,700			
1,147	(1,170,458)	(46)	
<u>(1,729,426)</u>	<u>(12,312,699)</u>	<u>(1,105,205)</u>	
59,522	803,031	214,932	
<u>59,522</u>	<u>803,031</u>	<u>214,932</u>	
(481,560)	4,279,925	2,140,638	
<u>3,130,917</u>	<u>37,978,305</u>	<u>11,202,847</u>	
\$ 2,649,357	\$ 42,258,230	\$ 13,343,485	
<u>\$ 1,006,542</u>	<u>\$ 9,485,626</u>	<u>\$ 658,413</u>	
	132,463		
421,915	5,587,340	1,678,419	
	944,917		
	(781,459)	35,127	
	-		
	53,313		
41,562	(121,382)		
15,788	535,006	(101,117)	
(26)	347,689	245,514	
	229	419	
(1,147)	(19,984)		
		193,544	
	417,187		
	127,092		
<u>478,092</u>	<u>7,222,411</u>	<u>2,051,906</u>	
\$ 1,484,634	\$ 16,708,037	\$ 2,710,319	



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. The Other Post Employment Benefits (OPEB) Trust Fund was established for the defined benefit OPEB plans administered through trusts that meet specified criteria. Agency 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, 2019

	<u>Private- Purpose Trust Fund</u>		
	<u>Successor Agency</u>	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Pooled cash and investments (Note 4)	\$ 50,932	\$ -	\$ 3,106,685
Cash and investments with fiscal agents (Note 4)	11,457,550		1,125,373
Investments with Trustees (Note 4):			
Equity		794,776	
Fixed income		719,427	
Mutual funds		123,836	
Accounts receivable	68		4,936
Interest receivable			
Loans receivable, net (Note 10a)	2,621,890		
Total Assets	<u><u>14,130,440</u></u>	<u><u>1,638,039</u></u>	<u><u>\$ 4,236,994</u></u>
Liabilities			
Accounts payable	500,904		\$ 4,498
Customer and other deposits			4,232,496
Interest payable	1,185,125		
Long-term debt (Note 10c):			
Due within one year	3,440,000		
Due in more than one year	73,117,385		
Loan payable to the City, due in more than one year (Note 10d)	320,614		
Total Liabilities	<u><u>78,564,028</u></u>		<u><u>\$ 4,236,994</u></u>
Net Position			
Held (deficit) in trust	<u><u>\$ (64,433,588)</u></u>		
Restricted for OPEB benefits		<u><u>\$ 1,638,039</u></u>	

See accompanying notes to basic financial statements

City of Morgan Hill
Statement of Changes in Fiduciary Net Position
Trust Funds
For the Year Ended June 30, 2019

	Private- Purpose Trust Fund	
	Successor Agency	OPEB Trust Fund
Additions:		
Property tax	\$ 8,436,176	\$ -
Employer contributions		400,000
Investment income:		
Interest		103,264
Less Investment expenses		(3,806)
Interest and rentals	255,299	
Gain on sale of capital asset	1,655,378	
Other revenue	1,948,937	
Total additions	12,295,790	499,458
Deductions:		
Development services	4,364,273	
Interest expense	3,380,177	
Depreciation expense	14,332	
Total deductions	7,758,782	
Change in Net Position	4,537,008	499,458
Total net position-beginning	(68,970,596)	1,138,581
Total net position-ending	\$ (64,433,588)	\$ 1,638,039

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. Component units are legally separate entities for which the primary government is fully accountable. The Morgan Hill Wastewater Facilities Financing Corporation and the Morgan Hill Financing Authority are governed by boards which are substantially the same as the City's governing body. These two component units have been blended into the City's basic financial statements because the City is able to impose its will on these component units and because the component units provide services primarily to the City. Until March 7, 2012 the Morgan Hill Economic Development Corporation was similarly governed by a board that was the same as the City's governing body, so its financial activity through that date had also been blended into the City's basic financial statements. The Corporation modified its bylaws on March 7 to change the make-up of the board. The number of board members increased from five to seven, only two of whom are members of the City Council. Therefore, for the purposes of financial reporting, the Corporation's financial activity beginning March 7, 2012 is excluded from the City's basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

General Fund

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

Development Services Fund

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Housing Fund

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

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

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

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

The City reports the following major enterprise funds:

Sewer Operations Enterprise Funds

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

Sewer Impact Enterprise Fund

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

Water Operations Enterprise Funds

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

Water Impact Enterprise Fund

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Additionally, the City reports the following fund types:

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

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

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

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

(b) Budgetary Information

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 to the City Council and Morgan Hill residents, 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 Council in the next year. See details of outstanding encumbrances in Note 11(c).

(d) Cash and Investments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(e) Fair Value Measurements

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

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

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

(f) Prepaid Items

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

(g) Property Held for Resale

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Capital Assets

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

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

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

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

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

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

(i) Sewer Capacity Rights

Capacity rights are capitalized in the Sewer Enterprise Funds. Such rights are being amortized over 30 years, the estimated life of the sewer treatment facility. Sewer capacity rights will be fully amortized in 2023.

(j) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the City that is applicable to a future reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(l) Compensated Absences

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

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

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

	Governmental Activities
Beginning Balance	\$ 2,422,748
Additions	779,648
Payments	<u>(586,104)</u>
Ending Balance	<u>\$ 2,616,292</u>
Current Portion	\$ 622,793
Non-current Portion	\$ 1,993,499

(m) Restricted Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Fund Balances and Net Position

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position:

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

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

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

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

(o) **Interfund Transactions**

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

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

Transfers Out	Transfers In						Total
	General Fund	Nonmajor Governmental	Sewer Operations	Water Operations	Building Replacement	Equipment Replacement	
General Fund	\$ -	\$ 1,747,177	\$ -	\$ -	\$ 30,240	\$ 300,000	\$ 2,077,417
Community Development Fund		131,064					131,064
Nonmajor Governmental Funds	929,804	484,220					1,414,024
Sewer Operations Fund	349,380	97,692		398,100			845,172
Sewer Impact Fund		7,704	232,692				240,396
Water Operations Fund	349,380	106,584		1,200,000			1,655,964
Water Impact Fund		7,704		288,586			296,290
Information Systems		1,488					1,488
CIP Administration		8,160					8,160
Total Transfers in	<u>\$ 1,628,564</u>	<u>\$ 2,591,793</u>	<u>\$ 232,692</u>	<u>\$ 1,886,686</u>	<u>\$ 30,240</u>	<u>\$ 300,000</u>	<u>\$ 6,669,975</u>

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due From/Due to Other Funds

Individual interfund receivables and payables at June 30, 2019, are as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$ 173,480	\$ -
Community Development Block Grant		
Special Revenue Fund	-	13,299
Public Facilities/Non-AB 1600	-	160,181
	<u>\$ 173,480</u>	<u>\$ 173,480</u>

Interfund transactions are reported on the governmental fund type statements but are eliminated for government-wide reporting. Long term interfund advances from the General Fund and Fire Impact Fund to the Police Impact Fund in the amounts of \$643,362 and \$50,000, respectively, to cover cash shortage were outstanding at June 30, 2019. During the year, the City Council approved an interfund advance from the Drainage Impact Fund to the Traffic Impact Fund in the amount of \$2,250,000 to be paid over three years for the purchase of property for the Hale Avenue Extension Project. The outstanding interfund advances are reflected in the fund financial statements. The long-term interfund advance from the Equipment Replacement Internal Service Fund to the Building Maintenance Internal Service Fund in the amount of \$8,422 has been paid off as of June 30, 2019.

(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 PARS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(u) Estimates

The preparation of financial statements in conformity 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 legally exceed appropriations at the fund level. 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 required the authorization of the City Council.

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the excess of expenditures over appropriations at the legal level of control is as below:

Fund	Expenditures in Excess of Appropriations
Special Revenue Funds:	
Community Development Block Grant	\$ 331
Environmental Remediation	6,484
Capital Project Fund:	
Police Impact	87

4. CASH AND INVESTMENTS

Cash and investments as of June 30, 2019, were classified in the accompanying financial statements as follows:

Statement of Net Position:	
Primary Government	
Pooled cash and investments	\$ 124,230,082
Restricted pooled cash and investments	2,915,398
Cash and investments with fiscal agents	920,078
Fiduciary Funds	
Pooled cash and investments	3,157,617
Cash and investments with fiscal agents	12,582,923
Investments with Trustees	1,638,039
	<u>\$ 145,444,137</u>

4. CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2019, consisted of the following:

Cash on hand	\$ 6,500
Deposits with financial institutions	1,055,065
Investments	<u>144,382,572</u>
Total cash and investments	<u>\$ 145,444,137</u>

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

The table below identifies the investment types that are authorized for the City by the City of Morgan Hill investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds, held by bond trustees that are instead governed by the provisions of trust agreements with the City.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills & Notes	5 years	N/A	No Limit	No Limit
U.S. Government Agencies	5 years	N/A	No Limit	No Limit
Local Agency Investment Funds	N/A	N/A	No Limit	\$65M
Time Deposits	5 years	A-1	5%	\$2M per institution
Money Market Mutual Funds	N/A	AAAm	20%	No Limit

4. CASH AND INVESTMENTS (continued)

Investments Authorized by Trust Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the trust agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are currently authorized for investment and held by bond trustees. The table also identifies certain provisions of these trust agreements that address interest rate risk, credit risk, and concentration of credit risk.

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

(a) 2015 Lease Revenue Refunding Bonds

4. CASH AND INVESTMENTS (continued)

Fair Value Measurement

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

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2019:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value:			
U.S. Treasury Notes	\$ 4,462,560	\$ -	\$ 4,462,560
Federal Agency	-	66,230,696	66,230,696
Held by Bond Trustee:			
U.S. Treasury Notes	5,125,170	-	5,125,170
Total Investments at Fair Value	\$ 9,587,730	\$ 66,230,696	75,818,426
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			5,979,438
Held by Bond Trustee:			
Money Market Mutual Funds			7,508,685
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			55,076,023
Total Investments			\$ 144,382,572

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 \$46.9 million and money market mutual funds at \$1.8 million are classified as exempt in the fair value hierarchy, as it is valued at amortized cost, which is exempt from being classified under GASB 72. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City mitigates its exposure to interest rate risk is by structuring the portfolio so that securities mature at the same time that major cash outflows occur; thus, eliminating the need to sell securities prior to maturity. In addition, the City prohibits the taking of short positions; that is, selling securities that the City does not own.

4. CASH AND INVESTMENTS (continued)

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

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

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
Federal Agency	\$ 9,658,726	\$ 3,988,960	\$ 52,583,010	\$ 66,230,696
US Treasury Notes			4,462,560	4,462,560
Money Market Mutual Funds	5,979,438	-	-	5,979,438
Local Agency Investment Fund	55,076,023	-	-	55,076,023
Held by bond trustee:				
Money Market Mutual Funds	7,508,685	-	-	7,508,685
US Treasury Notes	-	5,125,170	-	5,125,170
Total Investments	\$ 78,222,872	\$ 9,114,130	\$ 57,045,570	144,382,572
Cash in Banks and on hand				1,061,565
Total City Cash and Investments				\$ 145,444,137

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, 2019		
			AA+	AAAm	Not Rated/Exempt
Federal Agency	\$ 66,230,696	N/A	\$ 66,230,696	\$ -	\$ -
US Treasury Notes (1)	4,462,560	N/A	-	-	4,462,560
Money Market Mutual Funds	5,979,438	N/A	-	5,979,438	-
Local Agency Investment Fund (1)	55,076,023	N/A	-	-	55,076,023
Held by Bond Trustee:					
US Treasury Notes (1)	5,125,170	N/A	-	-	5,125,170
Money Market Mutual Funds	7,508,685	N/A	-	7,508,685	-
Total	\$ 144,382,572		\$ 66,230,696	\$ 13,488,123	\$ 64,663,753

(1) Exempt from rating

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 Bank	Federal Agency Securities	\$ 27,431,419
Federal Home Loan Mortgage Corporation	Federal Agency Securities	15,609,498
Federal National Mortgage Association	Federal Agency Securities	22,298,320

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

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, 2019, \$805,605 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

4. CASH AND INVESTMENTS (continued)

External Investment Pool

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

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

The City valued its investments in LAIF as of June 30, 2019, 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 at June 30, 2019:

	Balance Beginning of Year	Increases	Decreases	Transfers/ Adjustments	Balance End of Year
Capital assets not being depreciated:					
Land	\$ 43,510,012	\$ 8,673,456	\$ -	\$ -	\$ 52,183,468
Construction in progress	8,066,233	5,099,968	-	(5,156,759)	8,009,442
Total capital assets not being depreciated	<u>51,576,245</u>	<u>13,773,424</u>	<u>-</u>	<u>(5,156,759)</u>	<u>60,192,910</u>
Capital assets being depreciated:					
Infrastructure	205,577,695	5,783,773	-	3,061,378	214,422,846
Buildings and other improvements	141,047,990	259,300	-	2,095,381	143,402,671
Machinery/Equipment/Vehicles	13,329,373	2,007,174	(83,017)	-	15,253,530
Total capital assets being depreciated	<u>359,955,058</u>	<u>8,050,247</u>	<u>(83,017)</u>	<u>5,156,759</u>	<u>373,079,047</u>
Less accumulated depreciation for:					
Infrastructure	(84,536,665)	(5,804,404)	-	-	(90,341,069)
Buildings and other improvements	(48,800,109)	(5,171,152)	-	-	(53,971,261)
Machinery/Equipment/Vehicles	(8,880,937)	(1,568,665)	83,017	-	(10,366,585)
Total accumulated depreciation	<u>(142,217,711)</u>	<u>(12,544,221)</u>	<u>83,017</u>	<u>-</u>	<u>(154,678,915)</u>
Total Capital Assets Being Depreciated, Net	<u>217,737,347</u>	<u>(4,493,974)</u>	<u>-</u>	<u>5,156,759</u>	<u>218,400,132</u>
Governmental activities, net capital assets	<u>\$ 269,313,592</u>	<u>\$ 9,279,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,593,042</u>

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Function</u>	<u>Expense</u>
Administration	\$ 44,141
Community Development	244,667
Public Works	6,161,928
Public Safety	771,362
Parks and Recreation	3,630,898
Housing Successor Agency	12,806
Internal Service	1,678,419
Total General Capital Assets	<u>\$ 12,544,221</u>

As of June 30, 2019, 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	5,887,604	6,723,841	-	(1,812,415)	10,799,030
Total capital assets not being depreciated	<u>7,712,936</u>	<u>6,723,841</u>	<u>-</u>	<u>(1,812,415)</u>	<u>12,624,362</u>
Capital assets being depreciated:					
Infrastructure	126,640,752	1,414,822	-	1,812,415	129,867,989
Buildings and other improvements	63,153,582	12,162	-	-	63,165,744
Machinery/Equipment/Vehicles	12,011,002	643,859	(52,606)	-	12,602,255
Sewer capacity rights	28,347,522	-	-	-	28,347,522
Total capital assets, being depreciated, net	<u>230,152,858</u>	<u>2,070,843</u>	<u>(52,606)</u>	<u>1,812,415</u>	<u>233,983,510</u>
Less accumulated depreciation for:					
Infrastructure	(76,009,335)	(2,904,515)	-	-	(78,913,850)
Buildings and other improvements	(28,109,142)	(2,057,487)	-	-	(30,166,629)
Machinery/Equipment/Vehicles	(9,001,770)	(625,338)	52,606	-	(9,574,502)
Sewer Capacity Rights	(22,120,336)	(944,917)	-	-	(23,065,253)
Total accumulated depreciation	<u>(135,240,583)</u>	<u>(6,532,257)</u>	<u>52,606</u>	<u>-</u>	<u>(141,720,234)</u>
Total Capital Assets Being Depreciated, Net	<u>94,912,275</u>	<u>(4,461,414)</u>	<u>-</u>	<u>1,812,415</u>	<u>92,263,276</u>
Enterprise Funds, Net Capital Assets	<u>\$102,625,211</u>	<u>\$ 2,262,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,887,638</u>

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

<u>Funds</u>	<u>Amount</u>
Sewer Funds	\$ 3,493,180
Water Funds	3,039,077
Total Business Type Activities	<u>\$ 6,532,257</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, 2019 total \$64,501,725 and consisted of the following types:

<u>Description</u>	<u>Amount</u>
Housing Rehabilitation	\$ 705,446
Sunrise Meadows	4,457,489
San Pedro Gardens	1,202,526
Morgan Hill Ranch Family Housing	2,564,805
Village Avante Apartments	1,623,879
Village Avante Apartments 2	1,115,823
Villa Ciolino	4,144,839
Jasmine Square	5,343,524
Murphy Ranch	8,870,497
Royal Court Apartments	5,296,309
Bella Terra	3,686,008
Millennium Housing	1,725,699
Habitat for Humanity	760,000
Crest Avenue Housing	7,810,800
UHC-The Crossings	3,807,522
UHC Crossings at Monterey	768,924
BEGIN	4,378,459
Horizon Senior Housing	5,913,101
Down Payment Assistance-Citywide	275,914
Sycamore Glen	446,000
Executive Management Loan	2,081,336
EAH, Inc.	4,971,284
Loans to Successor Agency	320,614
Other Loans	3,924,447
Allowance for Doubtful Accounts	<u>(11,693,520)</u>
Total:	<u>\$ 64,501,725</u>

6. GOVERNMENTAL LOANS RECEIVABLE (Continued)

(a) CDBG Loans/Housing Rehabilitation Loans

The City administers two home improvement revolving loan funds using Federal Community Development Block Grant Funds (CDBG) and former Redevelopment Agency Housing monies. The program provides below market rate loans, secured by deeds of trust, to eligible participants for housing rehabilitation. Although payments for most loans are amortized over an established payment schedule, some loans allow for deferred payment of accrued interest and principal until the homeowner's property is sold or transferred, applicable primarily for seniors and very low income families. On August 22, 2012 the City authorized the Office of Affordable Housing of Santa Clara County to assume the servicing of the City's existing CDBG rehabilitation loans, manage new loans including transferring existing rehabilitation loan funds to cover the costs associated with new loans. The City will continue to service one loan due to unresolved issues. As of June 30, 2019, the City has a total balance of \$705,446 of former Redevelopment Agency Housing Rehab loans, which includes accrued interest of \$192,424.

(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, 2019, there was a balance of \$4,457,489 outstanding, of which \$3,681,663 is accrued interest, in its Housing Fund.

(c) San Pedro Gardens

The San Pedro Gardens project was developed in 1991, the former Redevelopment Agency provided a \$825,000 loan to Housing Authority of County of Santa Clara (HACSC); \$400,000 of the loan was "repaid" via HACSC's assignment of homebuyer promissory notes to the City at the time of closing. The result was a \$400,000 reduction in the Housing Authority's note. These notes are now referred to as the original homebuyer "City" San Pedro notes and they remain on the San Pedro homes with a formula that reduces 10% principal and interest in years 21-30. If the borrower has occupied the unit for 20 years, 10% of the balance outstanding will be forgiven each year and the loan will be totally canceled at year 30. As of June 30, 2019, the balance of these loans is \$1,202,526, which includes accrued compound interest of \$674,441. On November 16, 2016, City Council accepted the assignment of additional 7 San Pedro homeowner's self help notes, as consideration for forgiveness of the HACSC's outstanding loan of \$425,000.

6. GOVERNMENTAL LOANS RECEIVABLE (Continued)

(d) Morgan Hill Ranch Family Housing

The Morgan Hill Ranch Family Housing Project consists of 96 residential rental units and a day care center. Ecumenical Association for Housing (EAH) developed the Project. The former Redevelopment Agency made a principal predevelopment loan of \$10,000 in FY 95-96 and principal development loan of \$610,579 in FY 96-97. The Agency provided an additional loan for land acquisition and construction costs in the amount of \$2,524,585 in FY 97-98. Commencing on the date of the first disbursement of the loans, the loans accrue compound interest at 3.28% per annum. At June 30, 2019, the loan had accrued interest of \$137,812, bringing the loan balance to \$2,564,805. 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, 2019 is \$1,623,879, which includes accrued interest of \$87,380.

(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 receipts 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 at June 30, 2019 is \$1,115,823, which includes accrued interest of \$59,198.

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 market place. 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 at June 30, 2019 is \$4,144,839, which includes accrued interest of \$1,769,839.

(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 at June 30, 2019, is \$5,343,524, which includes accrued interest of \$1,937,174.

(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. At June 30, 2019, there is a balance of \$8,870,497, which includes accrued interest of \$3,197,673.

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. At June 30, 2019, the balance due is \$5,296,309, which includes accrued interest of \$1,646,148.

(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, 2019, the balance due is \$3,686,008, which includes accrued interest of \$503,208.

(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, 2019, the balance due is \$1,725,699, which includes accrued interest of \$525,699. 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 at June 30, 2019, was \$760,000.

(n) Crest Avenue Housing

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 will be 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, 2019, is \$7,810,800, which includes accrued interest of \$1,535,800.

(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 at June 30, 2019, is \$3,807,522, which includes accrued interest of \$901,522.

(p) UHC – Crossings on Monterey

On August 1, 2018, the former Redevelopment Agency approved a loan in the amount of \$750,000 to Urban Housing Communities (UHC) 00661 Morgan Hill, L.P. at 16800 Monterey Road. The term of the loan is 55 years and bears compounding interest at 3%. At June 30, 2019, the balance due is \$768,924, which includes accrued interest of \$18,925.

6. GOVERNMENTAL LOANS RECEIVABLE (Continued)

(q) BEGIN

In 2007, the City of Morgan Hill received a grant award from the California Department of Housing and Community Development (HCD) for the Building Equity and Growth in Neighborhoods (BEGIN) program for the Madrone Plaza project. The BEGIN program provides down payment assistance to first time home buyers in the form of deferred payment loans. To date, eighty three (83) home buyers have received down payment assistance. At June 30, 2019 the balance due is \$4,378,459, which includes accrued interest of \$686,290.

(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 at June 30, 2019, is \$5,913,101, which includes accrued interest of \$1,238,549.

(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. At June 30, 2019, there were 6 city wide loans with a total outstanding balance of \$275,914.

(t) 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 at June 30, 2019 is \$446,000, which includes accrued interest of \$246,000.

(u) Executive Management

On June 15, 2016, City Council adopted resolution number 16109 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. At June 30, 2019, the outstanding balance of the loans was \$2,081,337.

6. GOVERNMENTAL LOANS RECEIVABLE (Continued)

(v) 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. at June 30, 2019, is \$4,971,284, which includes accrued interest of \$471,284.

(w) Loans to Successor Agency

Please see Note 10 (d).

(x) Other Loans

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

Project Name	Loan Balance Outstanding
SCH (Skeels Hotel)	\$ 226,720
Community Solutions La Casa Del Puente	152,000
Down payment Assistance	41,554
Down payment Assistance-Madrone	3,344,882
Employee computer loans	11,236
Casitas Nuevas LLC	4,120
Kelly Brewery	17,132
Cochrane Co Brand II	126,803
Subtotal	\$ 3,924,447

(y) Allowance for Doubtful Accounts

The City's Allowance for Doubtful Accounts is used to estimate the uncollectible. Most of the \$11.7 million balance in the City's Allowance for Doubtful Accounts are forgiven loans. These loans are forgiven once certain criteria are met by the borrowers.

7. LONG TERM DEBT

Summary of Changes in Long-Term Debt:

	Balance July 1, 2018	Reductions	Balance June 30, 2019	Current Portion
Governmental Activities				
Bond Payable				
2015 Lease Revenue Refunding Bonds	\$ 8,395,000	\$ (340,000)	\$ 8,055,000	\$ 360,000
Premium	768,354	(42,686)	725,668	-
Capital Leases (Direct Borrowing)				
Fire Houses	2,143,640	(180,162)	1,963,478	187,018
Fire Apparatus	1,726,881	(151,890)	1,574,991	156,173
Loans Payable (Direct Borrowing)				
Energy Efficiency Loan	63,344	(11,700)	51,644	11,700
Energy Assistance Act Loan	404,215	(99,549)	304,666	100,540
Total Governmental Activities	13,501,434	(825,987)	12,675,447	815,431
Business Type Activities				
2014 Water Revenue Bonds	18,770,000	(895,000)	17,875,000	930,000
2015 Sewer Revenue Bonds	13,115,000	(1,375,000)	11,740,000	1,445,000
Premium	1,396,031	(77,557)	1,318,474	-
Total Business-Type Activities	33,281,031	(2,347,557)	30,933,474	2,375,000
Total Long Term Debt	\$ 46,782,465	\$ (3,173,544)	\$ 43,608,921	\$ 3,190,431

(a) Fire Houses Capital Lease-Direct Placement

On April 1, 2014, the City of Morgan Hill entered into a lease agreement for the purchase of two fire stations, known as the El Toro Fire Station and the Dunne Hill Fire Station from the Santa Clara County Central Fire Protection District. Principal and interest payments are due March 1 and September 1 of each year and mature on March 2, 2028 with an effective interest rate of 3.77%.

(b) Fire Equipment Capital Lease-Direct Placement

On September 7, 2012, the City of Morgan Hill entered into a lease agreement for the purchase of fire equipment. Annual principal and interest payments are due September of each year and mature on September 7, 2027 with an effective interest rate of 2.82%.

(c) Energy Efficiency Loan-Direct Placement

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

(d) Energy Assistance Act Loan -Direct Placement

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

7. LONG TERM DEBT (continued)

(e) 2015 Lease Revenue Refunding Bonds

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

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 occurred during the fiscal year ending June 30, 2019.

Annual debt service requirements for governmental debt are shown below:

For the Year Ending June 30	Governmental Activities								Totals
	Bonds Payable		Capital Leases		Loans Payable		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 360,000	\$ 313,487	\$ 343,191	\$ 116,692	\$ 112,240	\$ 2,804	\$ 815,431	\$ 432,983	\$ 1,248,414
2021	375,000	295,113	354,712	105,171	113,254	1,789	842,966	402,073	1,245,039
2022	395,000	275,862	366,629	93,254	114,272	771	875,901	369,887	1,245,788
2023	415,000	255,613	378,954	80,929	11,700	-	805,654	336,542	1,142,196
2024	435,000	234,363	391,702	68,181	4,844	-	831,546	302,544	1,134,090
2024-2028	2,520,000	819,690	1,703,281	136,250	-	-	4,223,281	955,940	5,179,221
2029-2033	3,005,000	322,068	-	-	-	-	3,005,000	322,068	3,327,068
2034-2036	550,000	18,034	-	-	-	-	550,000	18,034	568,034
Sub-Total	8,055,000	2,534,230	3,538,469	600,477	356,310	5,364	11,949,779	3,140,071	15,089,850
Add unamortized premium	725,668	-	-	-	-	-	725,668	-	725,668
Totals	\$ 8,780,668	\$ 2,534,230	\$ 3,538,469	\$ 600,477	\$ 356,310	\$ 5,364	\$ 12,675,447	\$ 3,140,071	\$ 15,815,518

7. LONG TERM DEBT (continued)

(f) 2014 Water Revenue Bonds

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

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 occurred during the fiscal year ending June 30, 2019.

The pledge of future net revenue ends upon repayment of all remaining debt service on the Bonds which is scheduled to occur in fiscal 2034. For fiscal year 2019, Water Operations net revenue (excluding depreciation and amortization) amounted to \$4,310,929, which represented coverage of 2.70 over the \$1,598,875 in debt service.

(g) 2015 Sewer Revenue Bonds

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

The pledge of future net revenue ends upon repayment of all remaining debt service on the Bonds which is scheduled to occur in fiscal 2036. For fiscal year 2019, Sewer Operations net revenue (excluding depreciation and amortization) amounted to \$9,783,389, which represented coverage of 5.05 over the \$1,939,125 in debt service.

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%.

7. LONG TERM DEBT (continued)

The Revenue Bonds are general obligations of the City, payable solely from Net Revenues and not secured by a pledge of the taxing power of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. There were no such events occurred during the fiscal year ending June 30, 2019.

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

For the Year Ending June 30	Business-Type Activities		Totals
	Totals		
	Principal	Interest	
2020	\$ 2,375,000	\$ 1,163,938	\$ 3,538,938
2021	2,095,000	1,054,938	3,149,938
2022	2,645,000	955,375	3,600,375
2023	2,600,000	838,188	3,438,188
2024	1,455,000	751,313	2,206,313
2024-2028	8,185,000	2,839,100	11,024,100
2029-2033	9,200,000	1,148,999	10,348,999
2034-2036	1,060,000	39,799	1,099,799
Sub-Totals	29,615,000	8,791,650	38,406,650
Add unamortized premiums	1,318,474	-	1,318,474
	<u>\$ 30,933,474</u>	<u>\$ 8,791,650</u>	<u>\$ 39,725,124</u>

(h) 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, 2019, the total balance of these districts' outstanding debt was \$7,256,000 comprised of \$4,245,000 for Madrone Business Park 2015 A&B and \$3,011,000 for Morgan Hill Ranch 2015.

8. PENSION PLANS

CalPERS Miscellaneous

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous Plans, an agent multiple-employer 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.

At June 30, 2019 the balance in the PARS trust was \$919,894. In the prior years, the PARS Trust balance had been excluded from City’s cash and investment balance.

7. PENSION PLANS (Continued)

The Plan’s provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2%@55; 2.5%@55	2%@62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Annual benefits, as a % of eligible compensation	2% to 2.5%	2%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	21.929%	21.929%

* The required employer contributions rate does not include the unfunded accrued liability (UAL) as percentage, which is 12.078% in FY18-19

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

Net Pension Liability - The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. For governmental funds, the General Fund has been primarily used to liquidate pension liabilities. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2017 (Measurement Date)	\$ 99,398,292	\$ 72,827,479	\$ 26,570,813
Changes in the year:			
Service cost	2,841,364	-	2,841,364
Interest on the total pension liability	7,136,369	-	7,136,369
Changes in benefit terms	-	-	-
Changes in assumptions	(769,774)	-	(769,774)
Differences between actual and expected experience	1,625,260	-	1,625,260
Plan to plan resource movement	-	(183)	183
Contribution - employer	-	2,950,037	(2,950,037)
Contribution - employee	-	1,211,918	(1,211,918)
Net investment income	-	6,195,398	(6,195,398)
Benefit payments, including refunds of employee contributions	(3,730,215)	(3,730,215)	-
Administrative Expense	-	(113,485)	113,485
Other Miscellaneous Income (a)	-	(215,510)	215,510
Net changes during 2017-18	7,103,004	6,297,960	805,044
Balance at June 30, 2018 (Measurement Date)	\$ 106,501,296	\$ 79,125,439	\$ 27,375,857

(a) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pension (GASB 68).

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

	Discount Rate		
	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Miscellaneous Net Pension Liability	\$ 42,364,581	\$ 27,375,857	\$ 15,023,781

8. PENSION PLANS (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - For the year ended June 30, 2019, the City recognized pension expense of \$4,027,465. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,270,125	\$ -	\$ 2,232,536	\$ -
Differences between actual and expected experience	1,142,522	(339,062)	397,840	(1,509)
Changes in assumptions	1,928,537	(536,509)	1,816,714	(245,107)
Net differences between projected and actual earnings on plan investments	22,108	-	125,360	-
Change in proportion	-	-	42,188	(100,886)
Differences between actual contributions and proportionate share of contributions	-	-	296,940	-
Total	<u>\$ 6,363,292</u>	<u>\$ (875,571)</u>	<u>\$ 4,911,578</u>	<u>\$ (347,502)</u>

A total of \$5,502,661 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Year Ended June 30	Safety	Miscellaneous
	Annual Amortization	Annual Amortization
2020	\$ 1,809,951	\$2,684,529
2021	1,099,526	415,378
2022	(449,688)	(682,640)
2023	(128,249)	(199,671)
Total	<u>\$ 2,331,540</u>	<u>\$ 2,217,596</u>

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.

8. PENSION PLANS (continued)

Plan Description - All qualified permanent and probationary employees are eligible to participate in the City’s Safety Employee Pension Plans, a cost-sharing multiple employer 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.

The Plan’s provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Annual benefits, as a % of eligible compensation	3%	2.70%
Required employee contribution rates	9.00%	12.000%
Required employer contribution rates*	20.556%	12.141%

* The required employer contributions rate does not include the unfunded accrued liability (UAL) as percentage, which is 24.385% for Classic and 1.388% for PEPRA in FY18-19.

Beginning in fiscal year 2018, CalPERS collects employer contributions for the cost-sharing 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. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$2,924,648 in fiscal year 2019.

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.

8. PENSION PLANS (continued)

For the year ended June 30, 2019, contributions to the Miscellaneous and Safety Plans were as follows:

	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
Contributions - employer	\$ 2,858,944	\$ 411,181	\$ 2,098,918	\$ 133,618

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.

At June 30, 2019, 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	\$ 18,515,708

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, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability as of June 30, 2017 and 2018 was as follows:

	Safety
Proportion - June 30, 2018	0.30948%
Proportion - June 30, 2019	0.31556%
Change-Increase (Decrease)	0.00608%

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

	Discount Rate		
	1% Decrease	Current	1% Increase
Safety Net Pension Liability	\$ 27,196,214	\$ 18,515,708	\$ 11,403,589

8. PENSION PLANS (continued)

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

Actuarial Assumptions – For the measurement period ended June 30, 2018, the total pension liabilities were determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liabilities were based on the following actuarial methods and assumptions:

	All Plans
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

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

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

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions – For the measurement date of June 30, 2018, the inflation rate reduced from 2.75% to 2.50%.

Employees Covered – At June 30, 2019, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	161	60
Inactive employees entitled to but not yet receiving benefits	198	19
Active employees	170	40
Total	<u>529</u>	<u>119</u>

8. PENSION PLANS (continued)

Discount Rate - The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each 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, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. 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 for each Plan.

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

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

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

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

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

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 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 (\$136 in 2019), regardless of elected coverage tier.

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

(b) Funding Policy

Generally accepted accounting principles do not require pre-funding of OPEB benefits. Therefore, the City's funding policy is to continue to pay healthcare premiums for retirees as they fall due. During FY 15-16, the City joined the Public Agencies Post-Retirement Health Care Plan, a multiple employer trust administered by Public Agency Retirement Services (PARS). The City established an irrevocable trust with PARS, managed by an appointed board not under the control of City Council. This trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for PARS may be obtained from PARS at 4350 Von Karman Ave., Suite 200, Newport Beach, CA 92660. At June 30, 2019 the balance in the trust was \$1,638,039.

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

At June 30, 2017 (the census date), the benefit terms covered the following employees:

Active employees	189
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	69
Inactive employees entitled to but not yet receiving benefit payments	<u>195</u>
Total	<u><u>453</u></u>

(d) Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

<u>Actuarial Assumption</u>	<u>Measurement Date</u>
Measurement date	June 30, 2018
Funding Method	Entry Age Normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Investment rate of return	6.25%
Discount Rates	6.50% as of June 30, 2017 and 6.25% as of June 30, 2018
Salary increases	3.50%. Additional merit-based increases based on CalPERS merit salary increase tables.
Inflation	2.50% per year
Healthcare cost trend rates	5.80% in the first year, trending down to 3.84% over 57 years.
Mortality rate	CalPERS rates

The discount rate used to measure the total OPEB liability was 6.25%. 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 6/30/2018:	\$ 5,238,023	\$ 772,841	\$ 4,465,182
Changes Recognized for the Measurement Period:			
Service Cost	323,815	-	323,815
Interest	355,177	-	355,177
Expected investment income	-	-	-
Contributions:	-	-	-
Employer - City's contribution	-	371,474	(371,474)
Employer - Implicit subsidy	-	173,326	(173,326)
Net investment income	-	65,740	(65,740)
Benefit payments	(71,474)	(71,474)	-
Implicit rate subsidy fulfilled	(173,326)	(173,326)	-
Changes of assumptions	243,401	-	243,401
Administrative expenses*	-	-	-
Net Changes during Fiscal Year 2019	<u>677,593</u>	<u>365,740</u>	<u>311,853</u>
Balance at Fiscal Year Ending 6/30/2019:	<u>\$ 5,915,616</u>	<u>\$ 1,138,581</u>	<u>\$ 4,777,035</u>

*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 (5.25%) or one percentage point higher (7.25%), as follows:

Net OPEB Liability/(Asset)		
Discount Rate -1% (5.25%)	Discount Rate (6.25%)	Discount Rate +1% (7.25%)
\$ 5,524,641	\$ 4,777,035	\$ 4,145,082

(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 (4.80%) or one percentage point higher (6.80%) than current healthcare cost trend rates, as follows:

Net OPEB Liability/(Asset)		
1% Decrease (4.80% Decreasing to 2.84%)	Healthcare Cost Trend Rates (5.80% Decreasing to 3.84%)	1% Increase (6.80% Decreasing to 4.84%)
\$ 4,021,992	\$ 4,777,035	\$ 5,699,257

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

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

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$628,066. At June 30, 2019, 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	\$ 97,566	\$ -
Differences between actual and expected experience	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes of assumptions	215,098	-
Total	<u>\$ 312,664</u>	<u>\$ -</u>

A total of \$97,556 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, 2020. 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
2020	\$ 19,066
2021	19,066
2022	19,066
2023	19,066
2024	25,599
Thereafter	113,235
Total	<u>\$ 215,098</u>

(j) OPEB Trust Fund

(i) Plan Administration

The City is the plan administrator. The Public Agency Retirement Services (PARS) administers the trust for the City. 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, 2019
Plan Type	Agent Multiple Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Entity	No

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

(ii) Contribution Information

The City's funding/contribution policy is to continue to pay healthcare premiums for retirees as they fall due. In addition, the City established this irrevocable trust with Public Agency

Retirement Services (PARS) to set aside funds for OPEB liability. At June 30, 2019, the balance of the trust was \$1,638,039. 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.

(iii) Investment Policy

PARS offers different investment portfolios as part of the investment vehicle. The City's policy regarding the allocation of the plan's invested assets is established and may be amended by the management of the City of Morgan Hill. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the City has selected is the Moderate Objective, which has a dual goal to seek moderate growth of income and principal. The asset allocation ranges for this objective as of June 30, 2019, are listed below:

The following is the City adopted asset allocation policy as of June 30, 2019:

Asset Class Component:	Target Allocation
Equity	40-60%
Fixed Income	40-60%
Cash	0-20%
Assumed Long Term Rate of Inflation	2.50%
Discount Rate	6.25%

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, 2019, the City's Trust did not have investments in any one organization exceeding 5% of the City's Trust investments.

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

(v) Investment Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 7.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

10. SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY

(a) Loans receivable of the Successor Agency as of June 30, 2019, consisted of the following:

Project Name	Loan Balance Outstanding	Special Provisions of Loan
Morgan Hill Grange	\$ 1,941,664	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	413,236	If loan conditions are met, loan will be treated as a reimbursement grant
Allowance for Doubtful Accounts	(258,627)	
Total:	\$ 2,621,890	

(b) Capital assets of the Successor Agency as of June 30, 2019, consisted of the following:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 1,512,204	\$ -	\$ (1,512,204)	\$ -
Total capital assets not being depreciated	1,512,204	-	(1,512,204)	-
Capital assets being depreciated:				
Buildings and other improvements	859,896	-	(859,896)	-
Total capital assets, being depreciated, net	859,896	-	(859,896)	-
Less accumulated depreciation for:				
Buildings and other improvements	(530,264)	(14,332)	544,596	-
Total accumulated depreciation	(530,264)	(14,332)	544,596	-
Total Capital Assets Being Depreciated, Net	329,632	(14,332)	(315,300)	-
Net Capital Assets	\$ 1,841,836	\$ (14,332)	\$ (1,827,504)	\$ -

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

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.

(c) The Successor Agency's changes in long term debt are as follows:

		Balance July 1, 2018	Reductions	Balance June 30, 2019	Current Portion
2013A Refunding Revenue Bonds		\$ 74,310,000	\$ (3,185,000)	\$ 71,125,000	\$ 3,440,000
	Premium	5,658,735	(226,350)	5,432,385	-
2013B Refunding Revenue Bonds		1,000,000	(1,000,000)	-	-
	Total	<u>\$ 80,968,735</u>	<u>\$ (4,411,350)</u>	<u>\$ 76,557,385</u>	<u>\$ 3,440,000</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.

Future debt service requirements as follows:

For Year Ending June 30	Principal	Interest	Totals
2020	\$ 3,440,000	\$ 3,495,750	\$ 6,935,750
2021	3,610,000	3,321,625	6,931,625
2022	3,795,000	3,138,875	6,933,875
2023	3,985,000	2,946,750	6,931,750
2024	2,755,000	2,745,000	5,500,000
2025-2029	23,525,000	10,555,438	34,080,438
2030-2033	23,415,000	3,733,125	27,148,125
2034	6,600,000	165,000	6,765,000
Sub Totals	71,125,000	30,101,563	101,226,563
Add unamortized premium	5,432,385	-	5,432,385
Totals	<u>\$ 76,557,385</u>	<u>\$ 30,101,563</u>	<u>\$ 106,658,948</u>

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

- (d) The loans payable in the amount of \$320,614 is due to the City for the State’s Supplemental Educational Revenue Augmentation Fund (SERAF) payment. The funds were previously borrowed from the former RDA’s Low and Moderate Fund to pay the SERAF. Upon the dissolution of the RDA, the City took control of the housing activities and the net position of the Low and Moderate Fund, which includes the SERAF receivable due from the Successor Agency.

11. 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.

18-19 Starting VRF Balance as of July 1, 2018:	\$	-
18-19 VRF Revenue:		274,160
18-19 VRF Interest:		-
18-19 VRF Expended:		274,160
18-19 Ending VRF Balance as of June 30, 2019	<u>\$</u>	<u>-</u>

(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, 2019, based on calculations by the City’s management, proceeds of taxes did not exceed the appropriations limit.

11. COMMITMENTS/CONTINGENCIES (continued)

(c) Construction and Other Significant Commitments

Listed below are the projects for uncompleted contracts over \$200,000 outstanding as of June 30, 2019 for all funds.

<u>Project Name</u>	<u>Total Amount Outstanding</u>
New Trunk Line	\$ 306,422
Main Ave Well #3	535,558
Lift Station Improvements	463,080
Inclusive Playground	400,000

Listed below are the total outstanding encumbrances by each major fund and nonmajor funds in the aggregate as of June 30, 2019.

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 1,049,044
Development Services	543,264
Housing	23,890
Nonmajor Funds	2,386,859

(d) Contracting Out of Fire and Emergency Medical Services

The City of Morgan Hill entered into a reimbursement agreement with the California Department of Forestry and Fire Protection (CALFIRE) effective September 1, 2012 for fire and life safety services. The City purchased the two fire houses located within Morgan Hill and also purchased three fire trucks and other emergency personnel vehicles. CALFIRE provides personnel services with the City reimbursing the State for those labor costs. All other costs associated are the responsibility of the City including equipment, supplies, and maintenance. The agreement for services between the City of Morgan Hill and the State of California expires June 30, 2023 and has a maximum amount of \$37,381,274. During fiscal year 2019, payments to CALFIRE related to this contract totaled \$4,468,657.

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

Prior to January 2018 the City participated in ABAG Plan Corporation, a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. On January 16, 2018, ABAG Plan Corporation transitioned to Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a self-funded pooled insurance corporation established by a joint powers authority in which the City is one of 28 members. For the fiscal year ended June 30, 2019, PLAN JPA provided general liability insurance up to \$15,000,000 per occurrence through a combination of \$5,000,000 pool coverage and \$10,000,000 of excess insurance, subject to a \$100,000 deductible.

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, 2019.

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

12. RISK MANAGEMENT (continued)

Changes in the reported liabilities are as follows:

	Workers' Compensation	General Liability	Total
Liability as of 06/30/16	\$ 1,560,000	\$ 525,528	\$ 2,085,528
Claims and changes in estimates during the fiscal year ended	288,878	45,739	334,617
Claims payments during the fiscal year ended 06/30/17	(156,878)	(201,927)	(358,805)
Liability as of 06/30/17	1,692,000	369,340	2,061,340
Claims and changes in estimates during the fiscal year ended	526,947	66,518	593,465
Claims payments during the fiscal year ended 06/30/18	(1,199,947)	(188,059)	(1,388,006)
Liability as of 06/30/18	1,019,000	247,799	1,266,799
Claims and changes in estimates during the fiscal year ended	131,982	129,538	261,520
Claims payments during the fiscal year ended 06/30/19	(19,982)	(109,968)	(129,950)
Liability as of 06/30/19	\$ 1,131,000	\$ 267,369	\$ 1,398,369

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, 2019. 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.

13. 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 meet 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, 2019, under this program the City has abatements of sales tax totaling \$95,466.

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes and special assessments	\$ 11,813,532	\$ 11,813,532	\$ 12,761,577	\$ 948,045
Sales taxes	9,981,124	9,981,124	10,651,629	670,505
Franchise, hotel and other taxes	5,423,190	5,423,190	5,764,566	341,376
Licenses and permits	200,800	200,800	207,393	6,593
Funding from other govt agencies	295,332	656,826	1,022,798	365,972
Charges for current services	9,032,548	9,175,312	9,295,145	119,833
Investment income and rentals	1,225,429	1,225,429	3,552,363	2,326,934
Other revenues	354,250	429,505	675,667	246,162
Total revenues	38,326,205	38,905,718	43,931,138	5,025,420
Expenditures:				
General government				
Council	336,124	336,124	301,597	34,527
City Attorney	688,415	762,387	636,703	125,684
City Manager	377,868	427,868	398,981	28,887
Human Resources	787,142	840,882	811,428	29,454
City Clerk	878,370	930,670	736,080	194,590
Finance	1,683,579	1,715,682	2,315,358	(599,676)
Total General Government	4,751,498	5,013,613	5,200,147	(186,534)
Public Safety				
Police	16,904,394	17,493,059	16,277,033	1,216,026
Fire	6,604,977	6,973,059	5,669,043	1,304,016
Total Public Safety	23,509,371	24,466,118	21,946,076	2,520,042
Development services				
Congestion Management	206,325	232,325	207,300	25,025
Total Community Development	206,325	232,325	207,300	25,025
Streets and Highways				
Street Maintenance	2,184,648	2,251,667	2,310,280	(58,613)
Total Streets and Highways	2,184,648	2,251,667	2,310,280	(58,613)
Culture and recreation				
Recreation	8,264,047	8,318,048	8,169,464	148,584
Cable TV/Comm. & Marketing	21,581	21,581	21,862	(281)
Downtown maintenance	316,644	354,644	318,421	36,223
Total Culture and recreation	8,602,272	8,694,273	8,509,747	184,526
Other Public Services				
Solid Waste Management	303,894	303,894	224,431	79,463
Total Other Public Services	303,894	303,894	224,431	79,463
Capital outlay				
Construction projects	87,400	939,513	897,857	41,656
Debt service				
Principal	108,175	108,175	99,549	8,626
Interest and fiscal charges	3,009	3,009	131,626	(128,617)
Total Expenditures	39,756,592	42,012,587	39,527,013	2,485,574
Excess (deficiency) of revenues over (under) expenditures	(1,430,387)	(3,106,869)	4,404,125	7,510,994
Other Financing sources (uses):				
Proceeds from sale of capital assets			77,000	77,000
Transfers in	1,637,720	1,653,560	1,628,564	(24,996)
Transfers (out)	(2,283,882)	(2,333,882)	(2,077,417)	256,465
Total other financing sources (uses)	(646,162)	(680,322)	(371,853)	308,469
Net change in fund balance	\$ (2,076,549)	\$ (3,787,191)	4,032,272	\$ 7,819,463
Fund Balance-Beginning			18,388,385	
Fund Balance-Ending			\$ 22,420,657	

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Charges for services	\$ 4,855,503	\$ 4,855,503	\$ 5,075,236	\$ 219,733
Investment income	24,265	24,265	64,821	40,556
Total Revenues	4,879,768	4,879,768	5,140,057	260,289
Expenditures:				
Current:				
Development services	5,760,462	6,080,451	5,681,869	398,582
Total Expenditures	5,760,462	6,080,451	5,681,869	398,582
Excess (deficiency) of revenues over (under) expenditures	(880,694)	(1,200,683)	(541,812)	658,871
Other Financing Sources (Uses):				
Transfers (out)	(161,069)	(161,069)	(131,064)	30,005
Total other financing sources (uses)	(161,069)	(161,069)	(131,064)	30,005
Net change in fund balance	\$ (1,041,763)	\$ (1,361,752)	(672,876)	\$ 688,876
Fund Balance-Beginning			2,001,953	
Fund Balance-Ending			\$ 1,329,077	

City of Morgan Hill
Housing Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Charges for services	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Funding from other governmental agencies	2,192,661	2,192,661		(2,192,661)
Investment income	93,345	93,345	331,099	237,754
Total Revenues	2,386,006	2,386,006	331,099	(2,054,907)
Expenditures:				
Current:				
Housing services	916,779	1,010,144	1,007,840	2,304
Capital Outlay		2,667,366	2,607,462	59,904
Total Expenditures	916,779	3,677,510	3,615,302	62,208
Excess (deficiency) of revenues over (under) expenditures	1,469,227	(1,291,504)	(3,284,203)	(1,992,699)
Other Financing Sources (Uses):				
Transfers (out)	(2,462)	(2,462)		2,462
Total other financing sources (uses)	(2,462)	(2,462)		2,462
Net change in fund balance	\$ 1,466,765	\$ (1,293,966)	(3,284,203)	\$ (1,990,237)
Fund Balance-Beginning			60,264,842	
Fund Balance-Ending			\$ 57,076,299	

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	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Total Pension Liability					
Service Cost	\$ 2,070,308	\$ 2,160,542	\$ 2,258,111	\$ 2,569,067	\$ 2,841,364
Interest	5,561,850	5,903,293	6,326,739	6,655,208	7,136,369
Differences between expected and actual experience	-	(556,276)	302,964	(1,017,186)	1,625,260
Changes in assumptions	-	(1,526,156)	-	5,785,611	(769,774)
Changes in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(2,431,338)</u>	<u>(2,739,905)</u>	<u>(3,020,203)</u>	<u>(3,242,574)</u>	<u>(3,730,215)</u>
Net change in total pension liability	5,200,820	3,241,498	5,867,611	10,750,126	7,103,004
Total pension liability - beginning	<u>74,338,507</u>	<u>79,539,327</u>	<u>82,780,825</u>	<u>88,648,436</u>	<u>99,398,292</u>
Total pension liability - ending (a)	<u>\$ 79,539,327</u>	<u>\$ 82,780,825</u>	<u>\$ 88,648,436</u>	<u>\$ 99,398,562</u>	<u>\$ 106,501,296</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,708,041	\$ 2,301,680	\$ 2,590,587	\$ 2,518,266	\$ 2,950,037
Contributions - employee	1,128,472	1,001,923	1,071,857	1,197,450	1,211,918
Net investment income	9,159,676	1,400,430	317,085	7,449,380	6,195,398
Administrative Expense	-	-	-	(95,969)	(113,485)
Other Miscellaneous Income	-	-	-	-	(215,693)
Benefit payments, including refunds of employee contributions	<u>(2,431,338)</u>	<u>(2,874,687)</u>	<u>(3,020,203)</u>	<u>(3,242,574)</u>	<u>(3,730,215)</u>
Net change in plan fiduciary net position	9,564,851	1,829,346	959,326	7,826,553	6,297,960
Plan fiduciary net position - beginning	<u>52,686,457</u>	<u>62,251,308</u>	<u>64,080,654</u>	<u>65,000,926</u>	<u>72,827,479</u>
Plan fiduciary net position - ending (b)	<u>\$ 62,251,308</u>	<u>\$ 64,080,654</u>	<u>\$ 65,039,980</u>	<u>\$ 72,827,479</u>	<u>\$ 79,125,439</u>
Net pension liability - ending (a)-(b)	<u>\$ 17,288,019</u>	<u>\$ 18,700,171</u>	<u>\$ 23,608,456</u>	<u>\$ 26,571,083</u>	<u>\$ 27,375,857</u>
Plan fiduciary net position as a percentage of the total pension liability	78.26%	77.41%	73.37%	73.27%	74.30%
Covered payroll	\$ 11,640,097	\$ 13,206,077	\$ 13,545,383	\$ 14,943,991	\$ 15,095,617
Net pension liability as percentage of covered-employee payroll	148.52%	141.60%	174.29%	177.80%	181.35%

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. 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, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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

Source: CalPERS Accounting Valuation

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

SCHEDULE OF CONTRIBUTIONS¹

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

Notes to Schedule

Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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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	Market Value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

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

Source: City's general ledger and CalPERS Actuarial Valuation

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

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

Measurement Period:	6/30/2014 ¹	6/30/2015 ¹	6/30/2016 ¹	6/30/2017 ¹	6/30/2018 ¹
Plan's proportion of the Net Pension Liability (Asset)	0.20078%	0.33056%	0.31681%	0.30948%	0.31556%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 12,493,165	\$ 13,620,561	\$ 16,408,464	\$ 18,492,131	\$ 18,515,708
Plan's Covered Payroll ²	\$ 4,913,429	\$ 4,622,181	\$ 4,622,181	\$ 4,622,181	\$ 5,685,714
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	254.27%	294.68%	354.99%	400.07%	325.65%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%

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

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

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

SCHEDULE OF CONTRIBUTIONS

Fiscal Year:	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Actuarially determined contribution	\$ 1,580,437	\$ 1,778,790	\$ 1,902,125	\$ 2,110,520	\$ 2,232,536
Contributions in relation to the actuarially determined contribution	<u>1,580,437</u>	<u>1,778,790</u>	<u>1,902,125</u>	<u>2,110,520</u>	<u>2,232,536</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 4,622,181	 \$ 4,622,181	 \$ 4,789,104	 \$ 5,685,714	 \$ 5,642,678
Contributions as a percentage of covered payroll	32.17%	38.48%	39.72%	37.12%	39.57%
 Notes to Schedule					
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry age Normal				
Amortization method	Level percentage of payroll				
Asset valuation method	5-year smoothed market				
Inflation	2.75%				
Salary increases	Varies by Entry Age and Service				
Investment rate of return	7.50%, net of pension plan investment expense, including inflation				
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2011				
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.				

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

**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
Total OPEB Liability (1)		
Service Cost	\$ 311,361	\$ 323,815
Interest	326,450	355,177
Differences between expected and actual experience	-	-
Benefit payments	(58,737)	(71,474)
Implicit rate subsidy fulfilled	(162,747)	(173,326)
Changes of assumptions	-	243,401
Net change in total OPEB liability	416,327	677,593
Total OPEB liability - beginning	4,821,696	5,238,023
Total OPEB liability - ending (a)	\$ 5,238,023	\$ 5,915,616
OPEB fiduciary net position		
Net investment income	\$ 70,468	\$ 65,740
Contributions:		
Employer - City's contribution	358,737	371,474
Employer - Implicit subsidy	162,747	173,326
Administrative expense	-	-
Implicit rate subsidy fulfilled	(162,747)	(173,326)
Benefit payments	(58,737)	(71,474)
Net change in plan fiduciary net position	370,468	365,740
Plan fiduciary net position - beginning	402,373	772,841
Plan fiduciary net position - ending (b)	\$ 772,841	\$ 1,138,581
Net OPEB liability - ending (a)-(b)	\$ 4,465,182	\$ 4,777,035
Plan fiduciary net position as a percentage of the total OPEB liability	14.75%	19.25%
Covered-employee payroll	\$ 19,380,617	\$ 20,058,939
Total OPEB liability as a percentage of covered-employee payroll	23.04%	23.81%

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

SCHEDULE OF CONTRIBUTIONS
 An Agent Multiple-employer OPEB Plan
 Last 10 fiscal years*

Fiscal Year Ended June 30,	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution (ADC)	\$ 623,755	\$ 652,198
Less: Contributions in Relation to the ADC	<u>(521,484)</u>	<u>(544,800)</u>
Contribution deficiency (excess)	<u><u>\$ 102,271</u></u>	<u><u>\$ 107,398</u></u>
Covered-employee payroll	\$ 19,380,617	\$ 20,058,939
Contributions as a percentage of Covered-employee payroll	2.69%	2.72%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation.

Assumptions and Methods

Actuarial Cost Method	Entry Age Normal cost, level percent of pay
Amortization Method	Closed period, level percent of pay
Amortization Period	20 years
Inflation	2.50%
Assumed Payroll Growth	3.50%
Healthcare Trend Rates	5.80%, trending down to 3.84%
Rate of Return on Assets	6.25%
Mortality & Retirement Rates	CalPERS Rates

**SCHEDULE OF INVESTMENT RETURNS
OTHER POST EMPLOYMENT BENEFITS
Last 10 Fiscal Years ¹**

Fiscal year ended June 30,	Annual money-weighted rate of return, net of investment expense
2017	10.30%
2018	12.76%
2019	7.12%

¹ This schedule is intended to show information for 10 years. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

1. BUDGETS AND BUDGETARY ACCOUNTING

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

2. ADJUSTMENTS TO GAAP BASIS FROM BUDGETARY BASIS

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



CITY OF MORGAN HILL

**Combining and Individual Fund
Financial Statements**



CITY OF MORGAN HILL

Non Major Funds



CITY OF MORGAN HILL

SPECIAL REVENUE FUND

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

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

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

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

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

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

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

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

Housing Development-This fund receives in-lieu funding from developers who compete in the City's Residential Development Control system (Measure P). Funds are used in providing shelter and other similar services.

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.

Environmental Remediation-This fund is used to account for activity related to any necessary environmental remediation activity for which the city is responsible.

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.

Police, Library and Fire Impact-These funds' revenues are derived from a fee charged to developers to cover the costs required for police and fire capital expansion projects to assist in providing service to new developments.

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

Capital Projects Funds (continued)

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

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

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

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

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 will account 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, 2019

	Special Revenue Funds			
	Street Maintenance	Supplemental Law Enforcement	General Plan Update	Community Dev Block Grant
Assets				
Pooled cash and investments	\$ 37,001	\$ 93,760	\$ 1,251,246	\$ 63,401
Cash with fiscal agents				
Receivables:				
Accrued interest	375	237	4,094	210
Other accounts receivable				
Loans receivable				
Advances receivable				
Total Assets	\$ 37,376	\$ 93,997	\$ 1,255,340	\$ 63,611
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities			7,152	
Due to other funds				13,299
Customer deposits/other liabilities				6,539
Advances payable				
Unearned revenue				
Total Liabilities			7,152	19,838
Fund Balances				
Restricted				
Community services			1,248,188	43,773
Parks and recreation				
Streets and highways	37,376			
Debt service				
Public safety		93,997		
Capital expansion projects				
Other purposes				
Unassigned				
Total Fund Balances	37,376	93,997	1,248,188	43,773
Total Liabilities and Fund Balances	\$ 37,376	\$ 93,997	\$ 1,255,340	\$ 63,611

City of Morgan Hill
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019

	Special Revenue Funds (continued)			
	Asset Seizure	Landscape and Lighting	Community Facilities	Environmental Programs
Assets				
Pooled cash and investments	\$ 129,741	\$ 164,666	\$ 112,701	\$ 345,134
Cash with fiscal agents				
Receivables:				
Accrued interest	469	347	73	979
Other accounts receivable				
Loans receivable				
Advances receivable				
Total Assets	\$ 130,210	\$ 165,013	\$ 112,774	\$ 346,113
Liabilities				
Accounts payable	\$ -	\$ 4,862	\$ -	\$ 2,058
Accrued liabilities		1,883	388	8,958
Due to other funds				
Customer deposits/other liabilities				
Advances payable				
Unearned revenue				
Total liabilities		6,745	388	11,016
Fund Balances				
Restricted				
Community services				335,097
Parks and recreation			112,386	
Streets and highways		158,268		
Debt service				
Public safety	130,210			
Capital expansion projects				
Other purposes				
Unassigned				
Total Fund Balances	130,210	158,268	112,386	335,097
Total Liabilities and Fund Balances	\$ 130,210	\$ 165,013	\$ 112,774	\$ 346,113

City of Morgan Hill
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019

	Special Revenue Funds (continued)			
	Mobile Home Park Rent Stabilization	Housing Development	Employee Assistance	Environmental Remediation
Assets				
Pooled cash and investments	\$ 52,295	\$ 2,793,308	\$ 51,817	\$ 135,778
Cash with fiscal agents				
Receivables:				
Accrued interest	173	8,713	173	440
Other accounts receivable				402
Loans receivable		9,734,205	11,236	
Advances receivable				
Total Assets	\$ 52,468	\$ 12,536,226	\$ 63,226	\$ 136,620
Liabilities				
Accounts payable	\$ -	\$ 41,515	\$ -	\$ 984
Accrued liabilities		11,662		
Due to other funds				
Customer deposits/other liabilities				
Advances payable				
Unearned revenue				
Total liabilities		53,177		984
Fund Balances				
Restricted				
Community services	52,468	12,483,049		
Parks and recreation				
Streets and highways				
Debt service				
Public safety				
Capital expansion projects				
Other purposes			63,226	135,636
Unassigned				
Total Fund Balances	52,468	12,483,049	63,226	135,636
Total Liabilities and Fund Balances	\$ 52,468	\$ 12,536,226	\$ 63,226	\$ 136,620

City of Morgan Hill
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019

	Capital Projects Funds			
	Park Impact	Park Maintenance	Drainage Impact	Open Space
Assets				
Pooled cash and investments	\$ 4,197,949	\$ 4,097,325	\$ 11,395,099	\$ 7,929,839
Cash with fiscal agents				
Receivables:				
Accrued interest	13,689	13,681	35,332	21,900
Other accounts receivable	45,313			
Loans receivable				
Advances receivable			2,250,000	
Total Assets	\$ 4,256,951	\$ 4,111,006	\$ 13,680,431	\$ 7,951,739
Liabilities				
Accounts payable	\$ 142,977	\$ 12,386	\$ -	\$ 675
Accrued liabilities	742	19,752		
Due to other funds				
Customer deposits/other liabilities	(2,834)			
Advances payable				
Unearned revenue				
Total liabilities	140,885	32,138		675
Fund Balances				
Restricted				
Community services				
Parks and recreation	4,116,066	4,078,868		
Streets and highways				
Debt service				
Public safety				
Capital expansion projects			13,680,431	7,951,064
Other purposes				
Unassigned				
Total Fund Balances	4,116,066	4,078,868	13,680,431	7,951,064
Total Liabilities and Fund Balances	\$ 4,256,951	\$ 4,111,006	\$ 13,680,431	\$ 7,951,739

City of Morgan Hill
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019

	Capital Projects Funds			
	Street CIP	Traffic Impact	Police Impact	Fire Impact
Assets				
Pooled cash and investments	\$ 3,220,251	\$ 1,019,993	\$ 52,271	\$ 3,809,845
Cash with fiscal agents				
Receivables:				
Accrued interest	10,121	7,613	300	13,369
Other accounts receivable	146,955	3,948		
Loans receivable		148,055		
Advances receivable				50,000
Total Assets	\$ 3,377,327	\$ 1,179,609	\$ 52,571	\$ 3,873,214
Liabilities				
Accounts payable	\$ 800	\$ 23,341	\$ -	\$ -
Accrued liabilities		18,111	106	16
Due to other funds				
Customer deposits/other liabilities	76,211			
Advances payable		2,250,000	693,362	
Unearned revenue	1,272	3,968		
Total liabilities	78,283	2,295,420	693,468	16
Fund Balances				
Restricted				
Community services				
Parks and recreation				
Streets and highways				
Debt service				
Public safety				
Capital expansion projects	3,299,044			3,873,198
Other purposes				
Unassigned		(1,115,811)	(640,897)	
Total Fund Balances	3,299,044	(1,115,811)	(640,897)	3,873,198
Total Liabilities and Fund Balances	\$ 3,377,327	\$ 1,179,609	\$ 52,571	\$ 3,873,214

City of Morgan Hill
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019

	Capital Projects Funds			
	Public Facilities	Library Impact	Under Grounding	School Pedestrian & Traffic Safety
Assets				
Pooled cash and investment	\$ 696,487	\$ 2,980,349	\$ 859,066	\$ 1,500,104
Cash with fiscal agents				
Receivables:				
Accrued interest	2,322	9,088	2,829	4,918
Other accounts receivable	13,202			
Loans receivable				
Advances receivable				
Total Assets	\$ 712,011	\$ 2,989,437	\$ 861,895	\$ 1,505,022
Liabilities				
Accounts payable	\$ 41,396	\$ 1,728	\$ -	\$ 23,536
Accrued liabilities	71	273		
Due to other funds	160,181			
Customer deposits/other liabilities				3,963
Advances payable				
Unearned revenue				
Total liabilities	201,648	2,001		27,499
Fund Balances				
Restricted				
Community services				
Parks and recreation				
Streets and highways				
Debt service				
Public safety				
Capital expansion projects	510,363	2,987,436	861,895	1,477,523
Other purposes				
Unassigned				
Total Fund Balances	510,363	2,987,436	861,895	1,477,523
Total Liabilities and Fund Balances	\$ 712,011	\$ 2,989,437	\$ 861,895	\$ 1,505,022

City of Morgan Hill
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019

	Capital Projects Funds	Debt Service Funds		Total Nonmajor Govt Funds
	Community/ Rec Center Impact Fund	Civic Center Debt Svs	Police Fac Bond Debt Svs	
Assets				
Pooled cash and investment	\$ 2,122,811	\$ 170,803	\$ 69,963	\$ 49,353,003
Cash with fiscal agents		81	103	184
Receivables:				
Accrued interest	6,832	467	147	158,891
Other accounts receivable				209,820
Loans receivable				9,893,496
Advances receivable				50,000
Total Assets	\$ 2,129,643	\$ 171,351	\$ 70,213	\$ 59,665,394
Liabilities				
Accounts payable	\$ 6,909	\$ -	\$ -	\$ 303,167
Accrued liabilities	506			69,620
Due to other funds				173,480
Customer deposits/other liabilities				83,879
Advances payable				693,362
Unearned revenue				5,240
Total liabilities	7,415			1,328,748
Fund Balances				
Restricted				
Community services				14,162,575
Parks and recreation				8,307,320
Streets and highways				195,644
Debt service		171,351	70,213	241,564
Public safety				224,207
Capital expansion projects	2,122,228			35,647,371
Other purposes				198,862
Unassigned				(640,897)
Total Fund Balances	2,122,228	171,351	70,213	58,336,646
Total Liabilities and Fund Balances	\$ 2,129,643	\$ 171,351	\$ 70,213	\$ 59,665,394



CITY OF MORGAN HILL

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	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	718,275	148,747		
Charges for current services			543,140	
Investment income	3,148	1,364	24,245	1,311
Other revenues			8,951	
Total Revenues	721,423	150,111	576,336	1,311
Expenditures:				
Current:				
General government				
Public safety		6,536		
Development services			597,225	4,956
Streets and highways	3,909			
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects				336
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	3,909	6,536	597,225	5,292
Excess (deficiency) of revenues over (under) expenditures	717,514	143,575	(20,889)	(3,981)
Other Financing Sources (Uses)				
Transfers in			110,016	
Transfers (out)	(738,968)	(100,000)	(1,488)	
Total other financing sources (uses)	(738,968)	(100,000)	108,528	
Net change in fund balances	(21,454)	43,575	87,639	(3,981)
Fund Balances-Beginning	58,830	50,422	1,160,549	47,754
Fund Balances-Ending	\$ 37,376	\$ 93,997	\$ 1,248,188	\$ 43,773

City of Morgan Hill
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

	Special Revenue Funds (continued)			
	Asset Seizure	Landscape and Lighting	Community Facilities	Environmental Programs
Revenues:				
Property taxes and special assessment	\$ -	\$ 180,975	\$ 43,923	\$ -
Funding from other governmental agencies				
Charges for current services	31,404			83,409
Investment income	2,725	2,484	11,160	5,456
Other revenues				
Total Revenues	34,129	183,459	55,083	88,865
Expenditures:				
Current:				
General government				
Public safety				
Development services				
Streets and highways				
Parks and recreation				
Other public services		183,016	24,900	388,268
Capital outlay:				
Construction projects				
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures		183,016	24,900	388,268
Excess (deficiency) of revenues over (under) expenditures	34,129	443	30,183	(299,403)
Other Financing Sources (Uses)				
Transfers in				390,768
Transfers (out)	(15,840)			
Total other financing sources (uses)	(15,840)			390,768
Net change in fund balances	18,289	443	30,183	91,365
Fund Balances-Beginning	111,921	157,825	82,203	243,732
Fund Balances-Ending	\$ 130,210	\$ 158,268	\$ 112,386	\$ 335,097

City of Morgan Hill
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

	Special Revenue Funds (continued)			
	Mobile Home Park Rent Stabilization	Housing Development	Employee Assistance	Environmental Remediation
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies				
Charges for current services		876,000		
Investment income	9,529	269,745	928	5,539
Other revenues		65,580		2,691
Total Revenues	9,529	1,211,325	928	8,230
Expenditures:				
Current:				
General government			936	6,484
Public safety				
Development services	405	818,793		
Streets and highways				
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects		262,482		
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	405	1,081,275	936	6,484
Excess (deficiency) of revenues over (under) expenditures	9,124	130,050	(8)	1,746
Other Financing Sources (Uses)				
Transfers in				
Transfers (out)		(7,704)		
Total other financing sources (uses)		(7,704)		
Net change in fund balances	9,124	122,346	(8)	1,746
Fund Balances-Beginning	43,344	12,360,703	63,234	133,890
Fund Balances-Ending	\$ 52,468	\$ 12,483,049	\$ 63,226	\$ 135,636

City of Morgan Hill
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

	<u>Capital Projects Funds</u>			
	<u>Park Impact</u>	<u>Park Maintenance</u>	<u>Drainage Impact</u>	<u>Open Space</u>
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	4,275			
Charges for current services	1,987,402	389,478	1,745,439	2,183,081
Investment income	75,745	174,406	226,573	129,859
Other revenues	22,800	35,000		24
Total Revenues	2,090,222	598,884	1,972,012	2,312,964
Expenditures:				
Current:				
General government				
Public safety				
Development services				
Streets and highways			11,223	65,924
Parks and recreation	59,339	1,081,315		
Other public services				
Capital outlay:				
Construction projects	669,419	54,512	88,031	1,297,354
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	728,758	1,135,827	99,254	1,363,278
Excess (deficiency) of revenues over (under) expenditures	1,361,464	(536,943)	1,872,758	949,686
Other Financing Sources (Uses)				
Transfers in	50,000	350,004		
Transfers (out)	(82,704)		(7,704)	(16,500)
Total other financing sources (uses)	(32,704)	350,004	(7,704)	(16,500)
Net change in fund balances	1,328,760	(186,939)	1,865,054	933,186
Fund Balances-Beginning	2,787,306	4,265,807	11,815,377	7,017,878
Fund Balances-Ending	\$ 4,116,066	\$ 4,078,868	\$ 13,680,431	\$ 7,951,064

City of Morgan Hill
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

	Capital Projects Funds (Continued)			
	Street CIP	Traffic Impact	Police Impact	Fire Impact
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies	1,070,369			
Charges for current services	721,243	724,473	297,080	48,663
Investment income	61,345	25,639	2,134	78,716
Other revenues		721		
Total Revenues	1,852,957	750,833	299,214	127,379
Expenditures:				
Current:				
General government				
Public safety			5,487	4,979
Development services				
Streets and highways	13,704	15,270		
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects	1,874,124	5,257,459		156,155
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	1,887,828	5,272,729	5,487	161,134
Excess (deficiency) of revenues over (under) expenditures	(34,871)	(4,521,896)	293,727	(33,755)
Other Financing Sources (Uses):				
Transfers in	999,996			
Transfers (out)		(31,896)	(197,692)	
Total other financing sources (Uses)	999,996	(31,896)	(197,692)	
Net change in fund balances	965,125	(4,553,792)	96,035	(33,755)
Fund Balances-Beginning	2,333,919	3,437,981	(736,932)	3,906,953
Fund Balances-Ending	\$ 3,299,044	\$ (1,115,811)	\$ (640,897)	\$ 3,873,198

City of Morgan Hill
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

	Capital Projects Funds (Continued)			
	Public Facilities	Library Impact	Under Grounding	School Pedestrian & Traffic Safety
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other governmental agencies				
Charges for current services	345,704	926,065	139,116	89,638
Investment income	15,872	52,020	16,594	29,608
Other revenues				
Total Revenues	361,576	978,085	155,710	119,246
Expenditures:				
Current:				
General government				
Public safety				
Development services				
Streets and highways			1,020	6,155
Parks and recreation				
Other public services	510,040	9,034		
Capital outlay:				
Construction projects	526,083	139,631		158,014
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	1,036,123	148,665	1,020	164,169
Excess (deficiency) of revenues over (under) expenditures	(674,547)	829,420	154,690	(44,923)
Other Financing Sources (Uses):				
Transfers in				20,004
Transfers (out)		(213,528)		
Total other financing sources (Uses)		(213,528)		20,004
Net change in fund balances	(674,547)	615,892	154,690	(24,919)
Fund Balances-Beginning	1,184,910	2,371,544	707,205	1,502,442
Fund Balances-Ending	\$ 510,363	\$ 2,987,436	\$ 861,895	\$ 1,477,523

City of Morgan Hill
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Capital Projects	Debt Service Funds		Total NonMajor Govt Funds
	Funds (Continued) Community/ Rec Center Impact	Civic Center Debt	Police Fac Bond Debt Svs	
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ 224,898
Funding from other governmental agencies				1,941,666
Charges for current services	1,091,702			12,223,037
Investment income	33,943	2,680		1,262,768
Other revenues				135,767
Total Revenues	1,125,645	2,680		15,788,136
Expenditures:				
Current:				
General government				7,420
Public safety				17,002
Development services				1,421,379
Streets and highways	4,349			121,554
Parks and recreation				1,140,654
Other public services				1,115,258
Capital outlay:				
Construction projects	112,731			10,596,331
Debt service:				
Principal		145,000	195,000	340,000
Interest and fiscal charges		154,567	191,477	346,044
Total Expenditures	117,080	299,567	386,477	15,105,642
Excess (deficiency) of revenues over (under) expenditures	1,008,565	(296,887)	(386,477)	682,494
Other Financing Sources (Uses):				
Transfers in		296,580	374,425	4,841,793
Transfers (out)				(3,664,024)
Total other financing sources (Uses)		296,580	374,425	1,177,769
Net change in fund balances	1,008,565	(307)	(12,052)	1,860,263
Fund Balances-Beginning	1,113,663	171,658	82,265	56,476,383
Fund Balances-Ending	\$ 2,122,228	\$ 171,351	\$ 70,213	\$ 58,336,646



CITY OF MORGAN HILL

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, 2019

	Special Revenue Funds			Variance with Final Budget Positive (Negative)
	Street Maintenance			
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies	751,089	751,089	718,275	(32,814)
Charges for current services				
Investment income			3,148	3,148
Fines, forfeitures, and other revenues				
Total Revenues	751,089	751,089	721,423	(29,666)
Expenditures:				
Current:				
General government				
Public safety				
Development services				
Streets and highways	3,909	3,909	3,909	
Other public services				
Capital outlay:				
Construction projects				
Total Expenditures	3,909	3,909	3,909	
Excess (deficiency) of revenues over (under) expenditures	747,180	747,180	717,514	(29,666)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)	(738,968)	(738,968)	(738,968)	
Total other financing sources (uses)	(738,968)	(738,968)	(738,968)	
Net change in fund balances	\$ 8,212	\$ 8,212	(21,454)	\$ (29,666)
Fund Balances-Beginning			58,830	
Fund Balances-Ending			\$ 37,376	

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, 2019

Special Revenue Funds (continued)				
Supplemental Law Enforcement				
	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	100,000	100,000	148,747	48,747
Investment income	202	202	1,364	1,162
Fines, forfeitures, and other revenues				
Total Revenues	100,202	100,202	150,111	49,909
Expenditures:				
Current:				
General government				
Public safety	6,536	6,536	6,536	
Development services				
Streets and highways				
Other public services				
Capital outlay:				
Construction projects				
Total Expenditures	6,536	6,536	6,536	
Excess (deficiency) of revenues over (under) expenditures	93,666	93,666	143,575	49,909
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)	(738,968)	(100,000)	(100,000)	
Total other financing sources (uses)	(738,968)	(100,000)	(100,000)	
Net change in fund balances	\$ (645,302)	\$ (6,334)	43,575	\$ 49,909
Fund Balances-Beginning			50,422	
Fund Balances-Ending			\$ 93,997	

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, 2019

	Special Revenue Funds (continued)			
	General Plan Update			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies				
Charges for current services	626,925	626,925	543,140	(83,785)
Investment income	4,969	4,969	24,245	19,276
Fines, forfeitures, and other revenues			8,951	8,951
Total Revenues	631,894	631,894	576,336	(55,558)
Expenditures:				
Current:				
General government				
Public safety				
Development services	812,267	1,379,475	597,225	782,250
Streets and highways				
Other public services				
Capital outlay:				
Construction projects				
Total Expenditures	812,267	1,379,475	597,225	782,250
Excess (deficiency) of revenues over (under) expenditures	(180,373)	(747,581)	(20,889)	726,692
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in	110,000	110,000	110,016	16
Transfers (out)	(4,406)	(4,406)	(1,488)	2,918
Total other financing sources (uses)	105,594	105,594	108,528	2,934
Net change in fund balances	\$ (74,779)	\$ (641,987)	87,639	\$ 729,626
Fund Balances-Beginning			1,160,549	
Fund Balances-Ending			\$ 1,248,188	

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, 2019

Special Revenue Funds (continued)				
Community Development Block Grant				
	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	2,821	2,821	1,311	(1,510)
Fines, forfeitures, and other revenues				
Total Revenues	2,821	2,821	1,311	(1,510)
Expenditures:				
Current:				
General government				
Public safety				
Development services	4,961	4,961	4,956	5
Streets and highways				
Other public services				
Capital outlay:				
Construction projects			336	(336)
Total Expenditures	4,961	4,961	5,292	(331)
Excess (deficiency) of revenues over (under) expenditures	(2,140)	(2,140)	(3,981)	(1,841)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	\$ (2,140)	\$ (2,140)	(3,981)	\$ (1,841)
Fund Balances-Beginning			47,754	
Fund Balances-Ending			\$ 43,773	

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, 2019

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			31,404	31,404
Investment income	1,670	1,670	2,725	1,055
Fines, forfeitures, and other revenues				
Total Revenues	1,670	1,670	34,129	32,459
Expenditures:				
Current:				
General government				
Public safety				
Development services				
Streets and highways				
Other public services				
Capital outlay:				
Construction projects				
Total Expenditures				
Excess (deficiency) of revenues over (under) expenditures	1,670	1,670	34,129	32,459
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)	(366)	(366)	(15,840)	(15,474)
Total other financing sources (uses)	(366)	(366)	(15,840)	(15,474)
Net change in fund balances	\$ 1,304	\$ 1,304	18,289	\$ 16,985
Fund Balances-Beginning			111,921	
Fund Balances-Ending			\$ 130,210	

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, 2019

Special Revenue Funds (continued)				
Landscape and Lighting				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and special assessment	\$ 186,190	\$ 186,190	\$ 180,975	\$ (5,215)
Funding from other govt agencies				
Charges for current services				
Investment income	2,401	2,401	2,484	83
Fines, forfeitures, and other revenues				
Total Revenues	188,591	188,591	183,459	(5,132)
Expenditures:				
Current:				
General government				
Public safety				
Development services				
Streets and highways				
Other public services	194,908	194,908	183,016	11,892
Capital outlay:				
Construction projects				
Total Expenditures	194,908	194,908	183,016	11,892
Excess (deficiency) of revenues over (under) expenditures	(6,317)	(6,317)	443	6,760
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)	(366)	(366)		366
Total other financing sources (uses)	(366)	(366)		366
Net change in fund balances	\$ (6,683)	\$ (6,683)	443	\$ 7,126
Fund Balances-Beginning			157,825	
Fund Balances-Ending			\$ 158,268	

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, 2019

Special Revenue Funds (continued)				
Community Facilities				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and special assessment	\$ 43,074	\$ 43,074	\$ 43,923	\$ 849
Funding from other govt agencies				
Charges for current services				
Investment income	1,124	1,124	11,160	10,036
Fines, forfeitures, and other revenues				
Total Revenues	44,198	44,198	55,083	10,885
Expenditures:				
Current:				
General government				
Public safety				
Development services				
Streets and highways				
Other public services	46,185	46,185	24,900	21,285
Capital outlay:				
Construction projects				
Total Expenditures	46,185	46,185	24,900	21,285
Excess (deficiency) of revenues over (under) expenditures	(1,987)	(1,987)	30,183	32,170
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	\$ (1,987)	\$ (1,987)	30,183	\$ 32,170
Fund Balances-Beginning			82,203	
Fund Balances-Ending			\$ 112,386	

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, 2019

Special Revenue Funds (continued)				
Environmental Programs				
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies				
Charges for current services			83,409	83,409
Investment income	3,401	3,401	5,456	2,055
Fines, forfeitures, and other revenues				
Total Revenues	3,401	3,401	88,865	85,464
Expenditures:				
Current:				
General government				
Public safety				
Development services				
Streets and highways				
Other public services	388,309	404,219	388,268	15,951
Capital outlay:				
Construction projects				
Total Expenditures	388,309	404,219	388,268	15,951
Excess (deficiency) of revenues over (under) expenditures	(384,908)	(400,818)	(299,403)	101,415
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in	390,756	390,756	390,768	12
Transfers (out)	(2,508)	(2,508)		2,508
Total other financing sources (uses)	388,248	388,248	390,768	2,520
Net change in fund balances	\$ 3,340	\$ (12,570)	91,365	\$ 103,935
Fund Balances-Beginning			243,732	
Fund Balances-Ending			\$ 335,097	

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Special Revenue Funds (continued)				
Mobile Home Park Rent Stabilization				
	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	661	661	9,529	8,868
Fines, forfeitures, and other revenues				
Total Revenues	661	661	9,529	8,868
Expenditures:				
Current:				
General government				
Public safety				
Development services	405	405	405	
Streets and highways				
Other public services				
Capital outlay:				
Construction projects				
Total Expenditures	405	405	405	
Excess (deficiency) of revenues over (under) expenditures	256	256	9,124	8,868
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	\$ 256	\$ 256	9,124	\$ 8,868
Fund Balances-Beginning			43,344	
Fund Balances-Ending			\$ 52,468	

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	Special Revenue Funds (continued)			
	Housing Development			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
Original	Final			
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies				
Charges for current services	1,571,400	1,571,400	876,000	(695,400)
Investment income	45,859	45,859	269,745	223,886
Fines, forfeitures, and other revenues			65,580	65,580
Total Revenues	1,617,259	1,617,259	1,211,325	(405,934)
Expenditures:				
Current:				
General government				
Public safety				
Development Services	2,283,759	2,309,729	818,793	1,490,936
Streets and highways				
Other public services				
Capital outlay:				
Construction projects		1,000,000	262,482	737,518
Total Expenditures	2,283,759	3,309,729	1,081,275	2,228,454
Excess (deficiency) of revenues over (under) expenditures	(666,500)	(1,692,470)	130,050	1,822,520
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)	(13,666)	(13,666)	(7,704)	5,962
Total other financing sources (uses)	(13,666)	(13,666)	(7,704)	5,962
Net change in fund balances	\$ (680,166)	\$ (1,706,136)	122,346	\$ 1,828,482
Fund Balances-Beginning			12,360,703	
Fund Balances-Ending			\$ 12,483,049	

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	Special Revenue Funds (continued)			
	Employee Assistance			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes and special assessment	\$ -	\$ -	\$ -	\$ -
Funding from other govt agencies				
Charges for current services	28,000	28,000		(28,000)
Investment income	949	949	928	(21)
Fines, forfeitures, and other revenues				
Total Revenues	28,949	28,949	928	(28,021)
Expenditures:				
Current:				
General government	28,430	28,430	936	27,494
Public safety				
Development services				
Streets and highways				
Other public services				
Capital outlay:				
Construction projects				
Total Expenditures	28,430	28,430	936	27,494
Excess (deficiency) of revenues over (under) expenditures	519	519	(8)	(527)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	\$ 519	\$ 519	(8)	\$ (527)
Fund Balances-Beginning			63,234	
Fund Balances-Ending			\$ 63,226	

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Special Revenue Funds (continued)				
Environmental Remediation				
	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	2,118	2,118	5,539	3,421
Fines, forfeitures, and other revenues			2,691	2,691
Total Revenues	2,118	2,118	8,230	6,112
Expenditures:				
Current:				
General government			6,484	(6,484)
Public safety				
Development services				
Streets and highways				
Other public services				
Capital outlay:				
Construction projects				
Total Expenditures			6,484	(6,484)
Excess (deficiency) of revenues over (under) expenditures	2,118	2,118	1,746	(372)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets				
Transfers in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	\$ 2,118	\$ 2,118	1,746	\$ (372)
Fund Balances-Beginning			133,890	
Fund Balances-Ending			\$ 135,636	

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Capital Project Funds (continued)				
Park Impact				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ 50,000	\$ 50,000	\$ 4,275	\$ (45,725)
Charges for current services	7,868,148	7,868,148	1,987,402	(5,880,746)
Investment income	40,865	40,865	75,745	34,880
Other revenues		23,000	22,800	(200)
Total Revenues	7,959,013	7,982,013	2,090,222	(5,891,791)
Expenditures:				
Current:				
Public safety				
Streets and highways				
Parks and recreation	55,182	57,302	59,339	(2,037)
Other public services				
Capital outlay:				
Construction projects	7,998,493	8,812,953	669,419	8,143,534
Total Expenditures	8,053,675	8,870,255	728,758	8,141,497
Excess (deficiency) of revenues over (under) expenditures	(94,662)	(888,242)	1,361,464	2,249,706
Other Financing Sources (Uses):				
Transfers in		50,000	50,000	
Transfers (out)	(82,700)	(82,700)	(82,704)	(4)
Total other financing sources (uses)	(82,700)	(32,700)	(32,704)	(4)
Net change in fund balances	\$ (177,362)	\$ (920,942)	1,328,760	\$ 2,249,702
Fund Balances-Beginning			2,787,306	
Fund Balances-Ending			\$ 4,116,066	

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Capital Project Funds (continued)				
Park Maintenance				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	778,800	778,800	389,478	(389,322)
Investment income	191,532	191,532	174,406	(17,126)
Other revenues			35,000	35,000
Total Revenues	970,332	970,332	598,884	(371,448)
Expenditures:				
Current:				
Public safety				
Streets and highways				
Parks and recreation	1,045,966	1,045,966	1,081,315	(35,349)
Other public services				
Capital outlay:				
Construction projects		197,917	54,512	143,405
Total Expenditures	1,045,966	1,243,883	1,135,827	108,056
Excess (deficiency) of revenues over (under) expenditures	(75,634)	(273,551)	(536,943)	(263,392)
Other Financing Sources (Uses):				
Transfers in	350,000	350,000	350,004	4
Transfers (out)	(5,058)	(5,058)		5,058
Total other financing sources (uses)	344,942	344,942	350,004	5,062
Net change in fund balances	\$ 269,308	\$ 71,391	(186,939)	\$ (258,330)
Fund Balances-Beginning			4,265,807	
Fund Balances-Ending			\$ 4,078,868	

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Capital Project Funds (continued)				
Drainage Impact				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,294,118	1,294,118	1,745,439	451,321
Investment income	181,345	181,345	226,573	45,228
Other revenues				
Total Revenues	1,475,463	1,475,463	1,972,012	496,549
Expenditures:				
Current:				
Public safety				
Streets and highways	12,169	14,289	11,223	3,066
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects	835,000	840,054	88,031	752,023
Total Expenditures	847,169	854,343	99,254	755,089
Excess (deficiency) of revenues over (under) expenditures	628,294	621,120	1,872,758	1,251,638
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)	(7,700)	(2,257,700)	(7,704)	2,249,996
Total other financing sources (uses)	(7,700)	(2,257,700)	(7,704)	2,249,996
Net change in fund balances	\$ 620,594	\$ (1,636,580)	1,865,054	\$ 3,501,634
Fund Balances-Beginning			11,815,377	
Fund Balances-Ending			\$ 13,680,431	

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Capital Project Funds (continued)				
Open Space				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	2,624,202	2,624,202	2,183,081	(441,121)
Investment income	28,336	28,336	129,859	101,523
Other revenues			24	24
Total Revenues	2,652,538	2,652,538	2,312,964	(339,574)
Expenditures:				
Current:				
Public safety				
Streets and highways	64,464	64,464	65,924	(1,460)
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects	1,700,000	6,402,090	1,297,354	5,104,736
Total Expenditures	1,764,464	6,466,554	1,363,278	5,103,276
Excess (deficiency) of revenues over (under) expenditures	888,074	(3,814,016)	949,686	4,763,702
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)	(2,016,500)	(2,016,500)	(16,500)	2,000,000
Total other financing sources (uses)	(2,016,500)	(2,016,500)	(16,500)	2,000,000
Net change in fund balances	\$ (1,128,426)	\$ (5,830,516)	933,186	\$ 6,763,702
Fund Balances-Beginning			7,017,878	
Fund Balances-Ending			\$ 7,951,064	

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Capital Project Funds (continued)				
Streets CIP				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ 2,548,210	\$ 2,548,210	\$ 1,070,369	\$ (1,477,841)
Charges for current services	253,439	253,439	721,243	467,804
Investment income	28,013	28,013	61,345	33,332
Other revenues	32,000	32,000		
Total Revenues	2,861,662	2,861,662	1,852,957	(1,008,705)
Expenditures:				
Current:				
Public safety				
Streets and highways	14,009	14,009	13,704	305
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects	3,700,000	5,378,567	1,874,124	3,504,443
Total Expenditures	3,714,009	5,392,576	1,887,828	3,504,748
Excess (deficiency) of revenues over (under) expenditures	(852,347)	(2,530,914)	(34,871)	2,496,043
Other Financing Sources (Uses):				
Transfers in	1,000,000	1,000,000	999,996	
Transfers (out)				
Total other financing sources (uses)	1,000,000	1,000,000	999,996	
Net change in fund balances	\$ 147,653	\$ (1,530,914)	965,125	\$ 2,496,043
Fund Balances-Beginning			2,333,919	
Fund Balances-Ending			\$ 3,299,044	

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Capital Project Funds (continued)				
Traffic Impact				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ 14,500,000	\$ 14,500,000	\$ -	\$ (14,500,000)
Charges for current services	729,813	729,813	724,473	(5,340)
Investment income	21,344	21,344	25,639	4,295
Other revenues			721	721
Total Revenues	15,251,157	15,251,157	750,833	(14,500,324)
Expenditures:				
Current:				
Public safety				
Streets and highways	12,492	14,612	15,270	(658)
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects	19,650,000	22,696,921	5,257,459	17,439,462
Total Expenditures	19,662,492	22,711,533	5,272,729	17,438,804
Excess (deficiency) of revenues over (under) expenditures	(4,411,335)	(7,460,376)	(4,521,896)	2,938,480
Other Financing Sources (Uses):				
Transfers in	2,000,000	4,250,000		(4,250,000)
Transfers (out)	(31,900)	(31,900)	(31,896)	4
Total other financing sources (uses)	1,968,100	4,218,100	(31,896)	(4,249,996)
Net change in fund balances	\$ (2,443,235)	\$ (3,242,276)	(4,553,792)	\$ (1,311,516)
Fund Balances-Beginning			3,437,981	
Fund Balances-Ending			\$ (1,115,811)	

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Capital Project Funds (continued)				
Police Impact				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	277,713	277,713	297,080	19,367
Investment income			2,134	2,134
Other revenues				
Total Revenues	277,713	277,713	299,214	21,501
Expenditures:				
Current:				
Public safety	3,280	5,400	5,487	(87)
Streets and highways				
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects				
Total Expenditures	3,280	5,400	5,487	(87)
Excess (deficiency) of revenues over (under) expenditures	274,433	272,313	293,727	21,414
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)	(222,696)	(222,696)	(197,692)	25,004
Total other financing sources (uses)	(222,696)	(222,696)	(197,692)	25,004
Net change in fund balances	\$ 51,737	\$ 49,617	96,035	\$ 46,418
Fund Balances-Beginning			(736,932)	
Fund Balances-Ending			\$ (640,897)	

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Capital Project Funds (continued)				
Fire Impact				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	48,872	48,872	48,663	(209)
Investment income	50,434	50,434	78,716	28,282
Other revenues				
Total Revenues	99,306	99,306	127,379	28,073
Expenditures:				
Current:				
Public safety	3,107	5,227	4,979	248
Streets and highways				
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects	167,000	167,000	156,155	10,845
Total Expenditures	170,107	172,227	161,134	11,093
Excess (deficiency) of revenues over (under) expenditures	(70,801)	(72,921)	(33,755)	39,166
Other Financing Sources (Uses):				
Transfers in	250,000	250,000		(250,000)
Transfers (out)				
Total other financing sources (uses)	250,000	250,000		(250,000)
Net change in fund balances	\$ 179,199	\$ 177,079	(33,755)	\$ (210,834)
Fund Balances-Beginning			3,906,953	
Fund Balances-Ending			\$ 3,873,198	

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Capital Project Funds (continued)				
Public Facilities				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	774,596	774,596	345,704	(428,892)
Investment income	14,835	14,835	15,872	1,037
Other revenues		70,740		(70,740)
Total Revenues	789,431	860,171	361,576	(498,595)
Expenditures:				
Current:				
Public safety				
Streets and highways				
Parks and recreation				
Other public services	10,720	12,840	510,040	(497,200)
Capital outlay:				
Construction projects	445,000	1,235,718	526,083	709,635
Total Expenditures	455,720	1,248,558	1,036,123	212,435
Excess (deficiency) of revenues over (under) expenditures	333,711	(388,387)	(674,547)	(286,160)
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	\$ 333,711	\$ (388,387)	(674,547)	\$ (286,160)
Fund Balances-Beginning			1,184,910	
Fund Balances-Ending			\$ 510,363	

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Capital Project Funds (continued)				
Library Impact				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	887,983	887,983	926,065	38,082
Investment income	21,582	21,582	52,020	30,438
Other revenues				
Total Revenues	909,565	909,565	978,085	68,520
Expenditures:				
Current:				
Public safety				
Streets and highways				
Parks and recreation				
Other public services	6,115	8,235	9,034	(799)
Capital outlay:				
Construction projects	3,265,364	3,378,202	139,631	3,238,571
Total Expenditures	3,271,479	3,386,437	148,665	3,237,772
Excess (deficiency) of revenues over (under) expenditures	(2,361,914)	(2,476,872)	829,420	3,306,292
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)	(463,525)	(463,525)	(213,528)	249,997
Total other financing sources (uses)	(463,525)	(463,525)	(213,528)	249,997
Net change in fund balances	\$ (2,825,439)	\$ (2,940,397)	615,892	\$ 3,556,289
Fund Balances-Beginning			2,371,544	
Fund Balances-Ending			\$ 2,987,436	

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Capital Project Funds (continued)				
Undergrounding				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	35,000	35,000	139,116	104,116
Investment income	10,800	10,800	16,594	5,794
Other revenues				
Total Revenues	45,800	45,800	155,710	109,910
Expenditures:				
Current:				
Public safety				
Streets and highways	1,024	1,024	1,020	4
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects		55,000		55,000
Total Expenditures	1,024	56,024	1,020	55,004
Excess (deficiency) of revenues over (under) expenditures	44,776	(10,224)	154,690	164,914
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	\$ 44,776	\$ (10,224)	154,690	\$ 164,914
Fund Balances-Beginning			707,205	
Fund Balances-Ending			\$ 861,895	

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Capital Project Funds (continued)				
School Pedestrian & Traffic Safety				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	649,100	714,200	89,638	(624,562)
Investment income	15,578	15,578	29,608	14,030
Other revenues				
Total Revenues	664,678	729,778	119,246	(610,532)
Expenditures:				
Current:				
Public safety				
Streets and highways	6,708	6,708	6,155	553
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects	1,800,000	1,824,032	158,014	1,666,018
Total Expenditures	1,806,708	1,830,740	164,169	1,666,571
Excess (deficiency) of revenues over (under) expenditures	(1,142,030)	(1,100,962)	(44,923)	1,056,039
Other Financing Sources (Uses):				
Transfers in	20,000	20,000	20,004	(4)
Transfers (out)				
Total other financing sources (uses)	20,000	20,000	20,004	(4)
Net change in fund balances	\$ (1,122,030)	\$ (1,080,962)	(24,919)	\$ 1,056,035
Fund Balances-Beginning			1,502,442	
Fund Balances-Ending			\$ 1,477,523	

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, 2019

Capital Project Funds (continued)				
Community/Rec Center Impact				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Funding from other govt agencies	\$ -	\$ -	\$ -	\$ -
Charges for current services	1,266,081	1,266,081	1,091,702	(174,379)
Investment income	8,929	8,929	33,943	25,014
Other revenues		140,250		(140,250)
Total Revenues	1,275,010	1,415,260	1,125,645	(289,615)
Expenditures:				
Current:				
Public safety				
Streets and highways	822	104,086	4,349	99,737
Parks and recreation				
Other public services				
Capital outlay:				
Construction projects	2,040,000	2,418,355	112,731	2,305,624
Total Expenditures	2,040,822	2,522,441	117,080	2,405,361
Excess (deficiency) of revenues over (under) expenditures	(765,812)	(1,107,181)	1,008,565	2,115,746
Other Financing Sources (Uses):				
Transfers in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	\$ (765,812)	\$ (1,107,181)	1,008,565	\$ 2,115,746
Fund Balances-Beginning			1,113,663	
Fund Balances-Ending			\$ 2,122,228	

City of Morgan Hill
 Nonmajor Governmental Funds
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances-Budget and Actual
 For the Year Ended June 30, 2019

	Debt Service Funds			Variance with Final Budget Positive (Negative)
	Civic Center Debt Service			
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Revenues:				
Charges for current services	\$ -	\$ -	\$ -	\$ -
Investment income	2,294	2,294	2,680	386
Total Revenues	2,294	2,294	2,680	386
Expenditures:				
Debt service:				
Principal	145,000	145,000	145,000	
Interest and fiscal charges	163,656	154,567	154,567	
Total Expenditures	308,656	299,567	299,567	
Excess (deficiency) of revenues over (under) expenditures	(306,362)	(297,273)	(296,887)	386
Other Financing Sources (Uses):				
Transfers in	296,562	296,562	296,580	18
Total other financing sources (uses)	296,562	296,562	296,580	18
Net change in fund balances	\$ (9,800)	\$ (711)	(307)	\$ 404
Fund Balances-Beginning			171,658	
Fund Balances-Ending			\$ 171,351	

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, 2019

Debt Service Funds, (continued)				
Police Facility Bond				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for current services	\$ -	\$ -	\$ -	\$ -
Investment income	1,339	1,339		(1,339)
Total Revenues	1,339	1,339		(1,339)
Expenditures:				
Debt service:				
Principal	195,000	195,000	195,000	
Interest and fiscal charges	185,313	191,477	191,477	
Total Expenditures	380,313	386,477	386,477	
Excess (deficiency) of revenues over (under) expenditures	(378,974)	(385,138)	(386,477)	(1,339)
Other Financing Sources (Uses):				
Transfers in	374,425	374,425	374,425	
Total other financing sources (uses)	374,425	374,425	374,425	
Net change in fund balances	\$ (4,549)	\$ (10,713)	(12,052)	\$ (1,339)
Fund Balances-Beginning			82,265	
Fund Balances-Ending			\$ 70,213	

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, 2019

	<u>Information Systems</u>	<u>Building Maintenance</u>	<u>Building Replacement</u>	<u>CIP Project Implementation</u>	<u>Unemployment Insurance</u>
Assets:					
Current assets					
Pooled cash and investment	\$ 955,013	\$ 222,385	\$ 2,590,644	\$ 98,245	\$ 142,037
Restricted pooled cash and investments					
Receivables:					
Accrued interest	2,878	536	8,317	71	477
Other accounts receivable	12,060	57			
Total current assets	<u>969,951</u>	<u>222,978</u>	<u>2,598,961</u>	<u>98,316</u>	<u>142,514</u>
Noncurrent assets					
Advance to other funds					
Depreciable Capital assets, net	189,892	874,953	1,880,976	3,165	
Total noncurrent assets	<u>189,892</u>	<u>874,953</u>	<u>1,880,976</u>	<u>3,165</u>	
Total Assets	<u>1,159,843</u>	<u>1,097,931</u>	<u>4,479,937</u>	<u>101,481</u>	<u>142,514</u>
Liabilities:					
Current liabilities					
Accounts payable	1,325	123,222	83,892	1,147	
Accrued liabilities	64,859	23,565		34,652	
Current obligations for:					
Energy efficiency loan		11,700			
Compensated absences					
Total current liabilities	<u>66,184</u>	<u>158,487</u>	<u>83,892</u>	<u>35,799</u>	
Noncurrent liabilities					
Long term obligations for:					
Advance from other funds					
Unearned revenue	1,442				
Energy efficiency loan		39,957			
Compensated absences					
Total noncurrent liabilities	<u>1,442</u>	<u>39,957</u>			
Total Liabilities	<u>67,626</u>	<u>198,444</u>	<u>83,892</u>	<u>35,799</u>	
Net Position:					
Net investment in capital assets	189,892	823,296	1,880,976	3,165	
Unrestricted	902,325	76,191	2,515,069	62,517	142,514
Total Net Position	<u>\$ 1,092,217</u>	<u>\$ 899,487</u>	<u>\$ 4,396,045</u>	<u>\$ 65,682</u>	<u>\$ 142,514</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Net Position
June 30, 2019

	<u>Workers'</u> <u>Compensation</u>	<u>Equipment</u> <u>Replacement</u>	<u>Employee</u> <u>Benefits</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Assets:					
Current assets					
Pooled cash and investment	\$ 1,979,657	\$ 5,281,680	\$ 396,658	\$ 1,647,166	\$ 13,313,485
Restricted pooled cash and investments	30,000				30,000
Receivables:					
Accrued interest	6,321	16,381	1,544	4,764	41,289
Other accounts receivable					12,117
Total current assets	<u>2,015,978</u>	<u>5,298,061</u>	<u>398,202</u>	<u>1,651,930</u>	<u>13,396,891</u>
Noncurrent assets					
Advance to other funds					
Depreciable Capital assets, net		1,729,308		34,138	4,712,432
Total noncurrent assets		<u>1,729,308</u>		<u>34,138</u>	<u>4,712,432</u>
Total Assets	<u>2,015,978</u>	<u>7,027,369</u>	<u>398,202</u>	<u>1,686,068</u>	<u>18,109,323</u>
Liabilities:					
Current liabilities					
Accounts payable		59,076		4,964	273,626
Accrued liabilities	1,131,000		8,608	267,369	1,530,053
Current obligations for:					
Energy efficiency loan					11,700
Compensated absences			622,793		622,793
Total current liabilities	<u>1,131,000</u>	<u>59,076</u>	<u>631,401</u>	<u>272,333</u>	<u>2,438,172</u>
Noncurrent liabilities					
Long term obligations for:					
Advance from other funds					
Unearned revenue					1,442
Energy efficiency loan					39,957
Compensated absences			1,993,499		1,993,499
Total noncurrent liabilities			<u>1,993,499</u>		<u>2,034,898</u>
Total Liabilities	<u>1,131,000</u>	<u>59,076</u>	<u>2,624,900</u>	<u>272,333</u>	<u>4,473,070</u>
Net Position:					
Net investment in capital assets					
Unrestricted	884,978	1,729,308	(2,226,698)	34,138	4,660,775
	5,238,985		1,379,597		8,975,478
Total Net Position	<u>\$ 884,978</u>	<u>\$ 6,968,293</u>	<u>\$ (2,226,698)</u>	<u>\$ 1,413,735</u>	<u>\$ 13,636,253</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
Operating Revenues:					
Charges for current services	\$ 1,878,945	\$ 3,285,339	\$ 704,003	\$ 1,500,171	\$ -
Other operating income	10,000	63,626			
Total Operating Revenues	<u>1,888,945</u>	<u>3,348,965</u>	<u>704,003</u>	<u>1,500,171</u>	
Operating Expenses:					
Salaries and benefits	1,190,647	729,122		1,184,798	
Claims and insurance premiums					12,910
Operations and maintenance	356,791	2,294,842	122,696	51,231	
Depreciation	142,910	241,911	357,322	2,202	
Administrative charges	44,076	199,692		256,872	
Total Operating Expenses (Loss)	<u>1,734,424</u>	<u>3,465,567</u>	<u>480,018</u>	<u>1,495,103</u>	<u>12,910</u>
Operating Income	<u>154,521</u>	<u>(116,602)</u>	<u>223,985</u>	<u>5,068</u>	<u>(12,910)</u>
Nonoperating revenues(expenses):					
Investment earnings	14,748	2,483	45,607	445	3,018
Interest (expense)		(46)			
Total nonoperating revenue (expenses)	<u>14,748</u>	<u>2,437</u>	<u>45,607</u>	<u>445</u>	<u>3,018</u>
Income (loss) before operating transfers	<u>169,269</u>	<u>(114,165)</u>	<u>269,592</u>	<u>5,513</u>	<u>(9,892)</u>
Transfers in			30,240		
Transfers out	(1,488)			(8,160)	
Total transfers	<u>(1,488)</u>		<u>30,240</u>	<u>(8,160)</u>	
Change in net position	167,781	(114,165)	299,832	(2,647)	(9,892)
Total net position-beginning	924,436	1,013,652	4,096,213	68,329	152,406
Total net position-ending	<u>\$ 1,092,217</u>	<u>\$ 899,487</u>	<u>\$ 4,396,045</u>	<u>\$ 65,682</u>	<u>\$ 142,514</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Operating Revenues:					
Charges for current services	\$ 783,262	\$ 1,244,624	\$ 753,563	\$ 1,037,244	\$ 11,187,151
Other operating income					73,626
Total Operating Revenues	<u>783,262</u>	<u>1,244,624</u>	<u>753,563</u>	<u>1,037,244</u>	<u>11,260,777</u>
Operating Expenses:					
Salaries and benefits			779,647	71,104	3,955,318
Claims and insurance premiums	637,284			910,588	1,560,782
Operations and maintenance	39,571	33,404		8,670	2,907,205
Depreciation		934,074			1,678,419
Administrative charges					500,640
Total Operating Expenses (Loss)	<u>676,855</u>	<u>967,478</u>	<u>779,647</u>	<u>990,362</u>	<u>10,602,364</u>
Operating Income	<u>106,407</u>	<u>277,146</u>	<u>(26,084)</u>	<u>46,882</u>	<u>658,413</u>
Nonoperating revenues(expenses):					
Investment earnings	34,393	96,451	7,846	25,797	230,788
Interest (expense)					(46)
Total nonoperating revenue (expenses)	<u>34,393</u>	<u>96,451</u>	<u>7,846</u>	<u>25,797</u>	<u>230,742</u>
Income (loss) before operating transfers	<u>140,800</u>	<u>373,597</u>	<u>(18,238)</u>	<u>72,679</u>	<u>889,155</u>
Transfers in		300,000			330,240
Transfers (out)					(9,648)
Total transfers		<u>300,000</u>			<u>320,592</u>
Change in net position	140,800	673,597	(18,238)	72,679	1,209,747
Total net position-beginning	744,178	6,294,696	(2,208,460)	1,341,056	12,426,506
Total net position-ending	<u>\$ 884,978</u>	<u>\$ 6,968,293</u>	<u>\$ (2,226,698)</u>	<u>\$ 1,413,735</u>	<u>\$ 13,636,253</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	Information Systems	Building Maintenance	Building Replacement	CIP Project Implementation	Unemployment Insurance
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,877,261	\$ 3,349,245	\$ 602,656	\$ 1,500,171	\$ -
Payment for supplies and services	(435,321)	(2,362,684)		(51,803)	(12,910)
Payments to employees for salaries and benefits	(1,130,236)	(717,095)	(1,471)	(1,150,429)	
Payments for interfund services	(44,076)	(199,692)		(256,872)	
Net cash provided (used) by operating activities	<u>267,628</u>	<u>69,774</u>	<u>601,185</u>	<u>41,067</u>	<u>(12,910)</u>
Cash Flows from NonCapital Financing Activities					
Interfund loans received (paid)		(8,422)			
Transfers (to)/from other funds	(1,488)		30,240	(8,160)	
Net cash provided (used) by noncapital financing activities	<u>(1,488)</u>	<u>(8,422)</u>	<u>30,240</u>	<u>(8,160)</u>	
Cash Flows from Capital and Related Financing Activities					
Interest paid		(46)			
Principal paid on capital debt		(11,687)			
Purchases of capital assets		(26,652)	(223,572)		
Net cash provided (used) by capital and related financing activities		<u>(38,385)</u>	<u>(223,572)</u>		
Cash Flows from Investing Activities					
Interest earnings	13,349	2,123	42,435	440	2,933
Net cash provided (used) by investing activities	<u>13,349</u>	<u>2,123</u>	<u>42,435</u>	<u>440</u>	<u>2,933</u>
Net increase (decrease) in cash and equivalents	279,489	25,090	450,288	33,347	(9,977)
Cash and equivalents at July 1	675,524	197,295	2,140,356	64,898	152,014
Cash and equivalents at June 30	<u>\$ 955,013</u>	<u>\$ 222,385</u>	<u>\$ 2,590,644</u>	<u>\$ 98,245</u>	<u>\$ 142,037</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 154,521	\$ (116,602)	\$ 223,985	\$ 5,068	\$ (12,910)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	142,910	241,911	357,322	2,202	
(Increase) decrease in receivables	(11,684)	280			
Increase (decrease) in accounts payable	(79,122)	(67,842)	21,349	(572)	
Increase (decrease) in accrued liabilities	60,411	12,027	(1,471)	34,369	
Increase (decrease) in unearned revenue	592				
Increase in compensated absences					
(Decrease) in OPEB payable					
Total adjustments	<u>113,107</u>	<u>186,376</u>	<u>377,200</u>	<u>35,999</u>	
Net cash provided (used) by operating activities	<u>\$ 267,628</u>	<u>\$ 69,774</u>	<u>\$ 601,185</u>	<u>\$ 41,067</u>	<u>\$ (12,910)</u>

City of Morgan Hill
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	Workers' Compensation	Equipment Replacement	Employee Benefits	General Liability	Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 783,262	\$ 1,325,279	\$ 753,563	\$ 1,037,244	\$ 11,228,681
Payment for supplies and services	(566,147)	(33,577)	8,608	(907,450)	(4,361,284)
Payments to employees for salaries and benefits			(586,103)	(71,104)	(3,656,438)
Payments for interfund services					(500,640)
Net cash provided (used) by operating activities	<u>217,115</u>	<u>1,291,702</u>	<u>176,068</u>	<u>58,690</u>	<u>2,710,319</u>
Cash Flows from NonCapital Financing Activities					
Interfund loans received (paid)		8,422			
Transfers (to)/from other funds		300,000			320,592
Net cash provided (used) by noncapital financing activities		<u>308,422</u>			<u>320,592</u>
Cash Flows from Capital and Related Financing Activities					
Interest paid					(46)
Principal paid on capital debt					(11,687)
Purchases of capital assets		(809,110)		(34,138)	(1,093,472)
Net cash provided (used) by capital and related financing activities		<u>(809,110)</u>		<u>(34,138)</u>	<u>(1,105,205)</u>
Cash Flows from Investing Activities					
Interest earnings	31,972	90,314	6,764	24,602	214,932
Net cash provided (used) by investing activities	<u>31,972</u>	<u>90,314</u>	<u>6,764</u>	<u>24,602</u>	<u>214,932</u>
Net increase (decrease) in cash and equivalents	249,087	881,328	182,832	49,154	2,140,638
Cash and equivalents at July 1	1,760,570	4,400,352	213,826	1,598,012	11,202,847
Cash and equivalents at June 30	<u>\$ 2,009,657</u>	<u>\$ 5,281,680</u>	<u>\$ 396,658</u>	<u>\$ 1,647,166</u>	<u>\$ 13,343,485</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 106,407	\$ 277,146	\$ (26,084)	\$ 46,882	\$ 658,413
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense		934,074			1,678,419
(Increase) decrease in receivables		46,531			35,127
Increase (decrease) in accounts payable	(1,292)	34,124		(7,762)	(101,117)
Increase (decrease) in accrued liabilities	112,000		8,608	19,570	245,514
Increase (decrease) in unearned revenue		(173)			419
Increase in compensated absences			193,544		193,544
(Decrease) in OPEB payable					
Total adjustments	<u>110,708</u>	<u>1,014,556</u>	<u>202,152</u>	<u>11,808</u>	<u>2,051,906</u>
Net cash provided(used) by operating activities	<u>\$ 217,115</u>	<u>\$ 1,291,702</u>	<u>\$ 176,068</u>	<u>\$ 58,690</u>	<u>\$ 2,710,319</u>



CITY OF MORGAN HILL

Fiduciary Funds

City of Morgan Hill
Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
<u>Special Deposits</u>				
<u>Assets:</u>				
Restricted pooled cash and investments	\$ 878,804	\$ 59,223	\$ 1,283	\$ 936,744
Accounts receivable	1,264	-	-	1,264
Total Assets	<u>\$ 880,068</u>	<u>\$ 59,223</u>	<u>\$ 1,283</u>	<u>\$ 938,008</u>
<u>Liabilities</u>				
Accounts payable	\$ 5,781	\$ -	\$ 1,283	\$ 4,498
Customer and other deposits	874,287	59,223	-	933,510
Total Liabilities	<u>\$ 880,068</u>	<u>\$ 59,223</u>	<u>\$ 1,283</u>	<u>\$ 938,008</u>
<u>Downtown MH PBID</u>				
<u>Assets:</u>				
Restricted pooled cash and investments	\$ 101,185	\$ 1,930	\$ -	\$ 103,115
Accounts receivable	239	102	-	341
Total Assets	<u>\$ 101,424</u>	<u>\$ 2,032</u>	<u>\$ -</u>	<u>\$ 103,456</u>
<u>Liabilities</u>				
Customer and other deposits	\$ 101,424	\$ 2,032	\$ -	\$ 103,456
Total Liabilities	<u>\$ 101,424</u>	<u>\$ 2,032</u>	<u>\$ -</u>	<u>\$ 103,456</u>
<u>Morgan Hill Business Ranch 1998</u>				
<u>Assets:</u>				
Restricted pooled cash and investments	\$ 649,138	\$ 8,723	\$ -	\$ 657,861
Cash with fiscal agents	572,713	9,912	-	582,625
Accounts receivable	922	190	-	1,112
Total Assets	<u>\$ 1,222,773</u>	<u>\$ 18,825</u>	<u>\$ -</u>	<u>\$ 1,241,598</u>
<u>Liabilities</u>				
Customer and other deposits	\$ 1,222,773	\$ 18,825	\$ -	\$ 1,241,598
Total Liabilities	<u>\$ 1,222,773</u>	<u>\$ 18,825</u>	<u>\$ -</u>	<u>\$ 1,241,598</u>
<u>Morgan Hill Business Ranch 2004</u>				
<u>Assets:</u>				
Restricted pooled cash and investments	\$ 39,978	\$ 763	\$ -	\$ 40,741
Accounts receivable	96	39	-	135
Total Assets	<u>\$ 40,074</u>	<u>\$ 802</u>	<u>\$ -</u>	<u>\$ 40,876</u>
<u>Liabilities</u>				
Customer and other deposits	\$ 40,074	\$ 802	\$ -	\$ 40,876
Total Liabilities	<u>\$ 40,074</u>	<u>\$ 802</u>	<u>\$ -</u>	<u>\$ 40,876</u>
<u>Tennant Business Park A.D.</u>				
<u>Assets:</u>				
Restricted pooled cash and investments	\$ 591,874	\$ 11,292	\$ -	\$ 603,166
Interest receivable	1,423	573	-	1,996
Total Assets	<u>\$ 593,297</u>	<u>\$ 11,865</u>	<u>\$ -</u>	<u>\$ 605,162</u>
<u>Liabilities</u>				
Customer and other deposits	\$ 593,297	\$ 11,865	\$ -	\$ 605,162
Total Liabilities	<u>\$ 593,297</u>	<u>\$ 11,865</u>	<u>\$ -</u>	<u>\$ 605,162</u>

City of Morgan Hill
Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
<u>Madrone Business Park A.D.</u>				
<u>Assets:</u>				
Restricted pooled cash and investments	\$ 689,032	\$ 49,355	\$ -	\$ 738,387
Cash with fiscal agents	567,489	-	24,741	542,748
Accounts receivable	-	-	-	-
Total Assets	<u>\$ 1,256,521</u>	<u>\$ 49,355</u>	<u>\$ 24,741</u>	<u>\$ 1,281,135</u>
<u>Liabilities</u>				
Customer and other deposits	\$ 1,256,521	\$ 49,355	\$ 24,741	\$ 1,281,135
Total Liabilities	<u>\$ 1,256,521</u>	<u>\$ 49,355</u>	<u>\$ 24,741</u>	<u>\$ 1,281,135</u>
<u>Police Donation Trust</u>				
Restricted pooled cash and investments	\$ 26,171	\$ 500	\$ -	\$ 26,671
Accounts receivable	63	25	-	88
Total Assets	<u>\$ 26,234</u>	<u>\$ 525</u>	<u>\$ -</u>	<u>\$ 26,759</u>
<u>Liabilities</u>				
Customer and other deposits	\$ 26,234	\$ 525	\$ -	\$ 26,759
Total Liabilities	<u>\$ 26,234</u>	<u>\$ 525</u>	<u>\$ -</u>	<u>\$ 26,759</u>
<u>Total Agency Funds</u>				
<u>Assets:</u>				
Restricted pooled cash and investments	\$ 2,976,182	\$ 131,786	\$ 1,283	\$ 3,106,685
Cash with fiscal agents	1,140,202	9,912	24,741	1,125,373
Accounts receivable	4,007	929	-	4,936
Total Assets	<u>\$ 4,120,391</u>	<u>\$ 142,627</u>	<u>\$ 26,024</u>	<u>\$ 4,236,994</u>
<u>Liabilities</u>				
Accounts payable	\$ 5,781.00	\$ -	\$ 1,283	\$ 4,498
Customer and other deposits	4,114,610	142,627	24,741	4,232,496
Total Liabilities	<u>\$ 4,120,391</u>	<u>\$ 142,627</u>	<u>\$ 26,024</u>	<u>\$ 4,236,994</u>



CITY OF MORGAN HILL

STATISTICAL SECTION



CITY OF MORGAN HILL

STATISTICAL SECTION

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

	2010	2011	2012	2013
<u>Governmental activities</u>				
Net investment in capital assets	\$ 144,747,662	\$ 154,973,003	\$ 204,525,131	\$ 243,502,678
Restricted	130,431,751	31,636,883	9,619,462	34,245,650
Unrestricted	157,606,137	164,406,578	121,969,718	93,778,744
Total governmental activities net position	<u>\$ 432,785,550</u>	<u>\$ 351,016,464</u>	<u>\$ 336,114,311</u>	<u>\$ 371,527,072</u>
 <u>Business-type activities</u>				
Net investment in capital assets	\$ 63,416,430	\$ 63,111,831	\$ 62,956,217	\$ 64,290,517
Restricted	21,011,955	20,074,671	20,374,278	22,194,353
Unrestricted	7,802,422	5,893,060	5,319,237	5,787,781
Total business-type activities net position	<u>\$ 92,230,807</u>	<u>\$ 89,079,562</u>	<u>\$ 88,649,732</u>	<u>\$ 92,272,651</u>
 <u>Primary government</u>				
Net investment in capital assets	\$ 208,164,092	\$ 218,084,834	\$ 267,481,348	\$ 307,793,195
Restricted	151,443,706	51,711,554	29,993,740	56,440,003
Unrestricted	165,408,559	170,299,638	127,288,955	99,566,525
Total primary government net position	<u>\$ 525,016,357</u>	<u>\$ 440,096,026</u>	<u>\$ 424,764,043</u>	<u>\$ 463,799,723</u>

Source: City of Morgan Hill Annual Financial Reports

2014	2015	2016	2017	2018	2019
\$ 243,272,964	\$ 212,704,540	\$ 247,387,770	\$ 255,440,265	\$ 261,192,662	\$ 270,716,404
38,526,702	41,403,713	29,985,864	32,099,094	35,645,795	37,004,746
102,514,658	67,076,890	83,047,293	80,663,122	69,792,792	72,727,331
<u>\$ 384,314,324</u>	<u>\$ 321,185,143</u>	<u>\$ 360,420,927</u>	<u>\$ 368,202,481</u>	<u>\$ 366,631,249</u>	<u>\$ 380,448,481</u>
\$ 53,811,487	\$ 59,973,693	\$ 66,841,902	\$ 74,296,295	\$ 75,398,340	\$ 75,944,603
26,762,669	22,200,202	18,635,222	17,655,169	19,634,698	22,966,985
14,656,166	10,015,654	10,092,674	6,561,396	7,811,265	12,275,045
<u>\$ 95,230,322</u>	<u>\$ 92,189,549</u>	<u>\$ 95,569,798</u>	<u>\$ 98,512,860</u>	<u>\$ 102,844,303</u>	<u>\$ 111,186,633</u>
\$ 297,084,451	\$ 272,678,233	\$ 314,229,672	\$ 329,736,560	\$ 336,591,002	\$ 346,661,007
65,289,371	63,603,915	48,621,086	49,754,263	55,280,493	59,971,731
117,170,824	77,092,544	93,139,967	87,224,518	77,604,057	85,002,376
<u>\$ 479,544,646</u>	<u>\$ 413,374,692</u>	<u>\$ 455,990,725</u>	<u>\$ 466,715,341</u>	<u>\$ 469,475,552</u>	<u>\$ 491,635,114</u>

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses				
Governmental activities:				
General Government	\$ 16,360,096	\$ 11,037,315	\$ 4,766,029	\$ 2,885,308
Public Safety	16,116,741	16,139,261	16,638,629	17,279,531
Community development	5,648,317	8,088,271	4,839,149	6,435,624
Public Works development	4,680,068	6,463,307	8,788,778	6,249,886
Recreation and culture	6,726,266	7,327,153	9,062,677	10,051,499
Interest on long term debt	1,606,032	1,570,816	885,105	574,134
Total governmental activities expenses	<u>51,137,520</u>	<u>50,626,123</u>	<u>44,980,367</u>	<u>43,475,982</u>
Business-type activities:				
Sewer	9,319,927	9,365,344	9,000,914	9,942,911
Water	9,790,197	9,981,476	9,645,196	10,438,233
Total Business-type activities expenses	<u>19,110,124</u>	<u>19,346,820</u>	<u>18,646,110</u>	<u>20,381,144</u>
Total primary government expenses	<u>\$ 70,247,644</u>	<u>\$ 69,972,943</u>	<u>\$ 63,626,477</u>	<u>\$ 63,857,126</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 2,733,726	\$ 2,815,111	\$ 2,624,813	\$ 2,034,479
Public Safety	932,391	605,624	527,037	583,799
Community development	1,693,674	3,724,059	3,426,873	2,817,569
Public Works development	166,202	160,390	166,805	149,794
Recreation and culture	4,248,023	4,591,037	5,003,708	5,640,640
Operating grants and contributions	1,219,140	1,990,487	6,149,144	3,227,567
Capital grants and contributions	5,687,684	4,271,069	5,575,964	12,024,593
Total governmental activities program revenues	<u>16,680,840</u>	<u>18,157,777</u>	<u>23,474,344</u>	<u>26,478,441</u>
Business-type activities:				
Charges for services:				
Sewer	7,948,974	9,234,177	9,497,789	12,524,768
Water	7,244,864	7,513,699	8,636,971	10,722,187
Operating grants and contributions				
Capital grants and contributions	64,070		587,287	1,399,261
Total business-type activities program revenues	<u>15,257,908</u>	<u>16,747,876</u>	<u>18,722,047</u>	<u>24,646,216</u>
Total primary government program revenues	<u>\$ 31,938,748</u>	<u>\$ 34,905,653</u>	<u>\$ 42,196,391</u>	<u>\$ 51,124,657</u>
Net(Expense)/Revenue				
Governmental activities	\$ (34,456,680)	\$ (32,468,346)	\$ (21,506,023)	\$ (16,997,541)
Business-type activities	(3,852,216)	(2,598,944)	75,937 0	4,265,072
Total primary government net expense	<u>\$ (38,308,896)</u>	<u>\$ (35,067,290)</u>	<u>\$ (21,430,086)</u>	<u>\$ (12,732,469)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 27,617,280	\$ 25,778,767	16,223,976	\$ 8,867,646
Sales taxes	4,514,936	5,604,863	6,638,381	7,766,996
Franchise taxes	2,504,462	2,604,868	2,893,942	3,359,018
Other general revenue taxes	1,052,510	1,073,963	928,469	858,724
Unrestricted investment earnings	2,861,158	3,599,520	1,640,975	1,424,940
Special item-transfer to Economic Development Corporation			(19,931,051)	
Special item- assets transfer from Successor Agency				
Extraordinary item-Loss on dissolution of the redevelopment agency			(1,617,196)	
Transfers	725,828	737,279	(703,201)	761,419
Total governmental activities	<u>39,276,174</u>	<u>39,399,260</u>	<u>6,074,295</u>	<u>23,038,743</u>

	2014	2015	2016	2017	2018	2019
\$	2,904,732	\$ 2,843,336	\$ 4,092,113	\$ 5,243,127	\$ 5,540,751	\$ 5,368,602
	17,670,163	19,950,164	17,737,431	20,618,190	24,086,862	25,033,126
	5,717,704	4,790,542	6,300,312	6,687,917	7,671,757	7,868,001
	6,516,103	3,166,946	6,544,763	8,727,478	10,903,897	10,223,756
	9,871,553	9,993,458	10,819,408	11,607,305	12,091,531	13,156,302
	511,693	558,971	643,763	474,499	549,201	531,464
	<u>43,191,948</u>	<u>41,303,417</u>	<u>46,137,790</u>	<u>53,358,516</u>	<u>60,843,999</u>	<u>62,181,251</u>
	9,642,194	9,887,909	10,098,803	10,597,987	10,942,326	11,054,950
	<u>10,851,273</u>	<u>10,527,296</u>	<u>13,642,270</u>	<u>10,933,406</u>	<u>12,708,481</u>	<u>13,485,448</u>
	<u>20,493,467</u>	<u>20,415,205</u>	<u>23,741,073</u>	<u>21,531,393</u>	<u>23,650,807</u>	<u>24,540,398</u>
\$	<u><u>63,685,415</u></u>	<u><u>61,718,622</u></u>	<u><u>69,878,863</u></u>	<u><u>74,889,909</u></u>	<u><u>84,494,806</u></u>	<u><u>86,721,649</u></u>
\$	1,927,610	\$ 1,771,476	\$ 1,688,575	\$ 1,744,657	\$ 1,916,569	\$ 2,357,831
	738,424	760,141	801,342	812,692	649,945	647,481
	6,719,080	5,801,869	4,301,337	4,909,182	4,909,128	5,514,980
	181,583	41,703	48,513	45,947	39,436	45,629
	5,834,679	6,477,163	6,747,293	8,546,080	8,821,942	8,836,944
	4,601,340	3,355,013	3,317,893	2,076,767	2,546,575	3,459,753
	10,942,471	7,272,503	11,837,394	13,726,076	11,751,424	11,929,521
	<u>30,945,187</u>	<u>25,479,868</u>	<u>28,742,347</u>	<u>31,861,401</u>	<u>30,635,019</u>	<u>32,792,139</u>
	13,927,768	10,561,028	10,506,697	10,755,875	10,852,957	16,875,779
	11,225,987	9,041,044	10,834,507	12,067,226	13,031,315	16,112,250
	946,507	3,734,586	6,408,502	2,275,118	5,223,111	
	<u>26,100,262</u>	<u>23,336,658</u>	<u>27,749,706</u>	<u>25,098,219</u>	<u>29,107,383</u>	<u>32,988,029</u>
\$	<u><u>57,045,449</u></u>	<u><u>48,816,526</u></u>	<u><u>56,492,053</u></u>	<u><u>56,959,620</u></u>	<u><u>59,742,402</u></u>	<u><u>65,780,168</u></u>
\$	(12,246,761)	\$ (15,823,549)	\$ (17,395,443)	\$ (21,497,115)	\$ (30,208,980)	\$ (29,389,112)
	5,606,795	2,921,453	4,008,633	3,566,826	5,456,576	8,447,631
\$	<u><u>(6,639,966)</u></u>	<u><u>(12,902,096)</u></u>	<u><u>(13,386,810)</u></u>	<u><u>(17,930,289)</u></u>	<u><u>(24,752,404)</u></u>	<u><u>(20,941,481)</u></u>
\$	8,933,340	\$ 9,380,677	\$ 10,245,679	\$ 10,908,334	\$ 11,582,252	\$ 12,986,475
	8,640,396	8,790,769	9,437,549	9,734,686	10,358,420	10,651,629
	3,786,751	4,232,789	4,585,883	5,198,405	5,478,690	5,764,566
	881,549	1,146,383	784,422	1,247,902	1,023,350	3,597,906
	2,494,499	713,844	1,035,927	1,211,374	1,253,089	5,441,878
			29,601,047			
	<u>775,682</u>	<u>813,033</u>	<u>938,735</u>	<u>977,968</u>	<u>983,673</u>	<u>918,444</u>
	<u>25,512,217</u>	<u>25,077,495</u>	<u>56,629,242</u>	<u>29,278,669</u>	<u>30,679,474</u>	<u>39,360,898</u>

(Continued)

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Business-type activities:				
Investment earnings	393,667	184,978	197,434	119,266
Transfers	<u>(725,828)</u>	<u>(737,279)</u>	<u>(703,201)</u>	<u>(761,419)</u>
Total business-type activities	<u>(332,161)</u>	<u>(552,301)</u>	<u>(505,767)</u>	<u>(642,153)</u>
 Total primary government	 <u>\$ 38,944,013</u>	 <u>\$ 38,846,959</u>	 <u>\$ 5,568,528</u>	 <u>\$ 22,396,590</u>
 Change in Net Position				
Governmental activities	\$ 4,819,494	\$ 6,930,914	\$ (15,431,728)	\$ 6,041,202
Business-type activities	<u>(4,184,377)</u>	<u>(3,151,245)</u>	<u>(429,830)</u>	<u>3,622,919</u>
Total primary government	<u>\$ 635,117</u>	<u>\$ 3,779,669</u>	<u>\$ (15,861,558)</u>	<u>\$ 9,664,121</u>

Source: City of Morgan Hill Annual Financial Reports

2014	2015	2016	2017	2018	2019
174,824	210,301	310,351	354,204	558,832	850,625
<u>(775,682)</u>	<u>(813,033)</u>	<u>(938,735)</u>	<u>(977,968)</u>	<u>(983,673)</u>	<u>(918,444)</u>
<u>(600,858)</u>	<u>(602,732)</u>	<u>(628,384)</u>	<u>(623,764)</u>	<u>(424,841)</u>	<u>(67,819)</u>
<u>\$ 24,911,359</u>	<u>\$ 24,474,763</u>	<u>\$ 56,000,858</u>	<u>\$ 28,654,905</u>	<u>\$ 30,254,633</u>	<u>\$ 39,293,079</u>
\$ 13,265,456	\$ 9,253,946	\$ 39,233,799	\$ 7,781,554	\$ 470,494	\$ 9,971,786
<u>5,005,937</u>	<u>2,318,721</u>	<u>3,380,249</u>	<u>2,943,062</u>	<u>5,031,735</u>	<u>8,379,812</u>
<u>\$ 18,271,393</u>	<u>\$ 11,572,667</u>	<u>\$ 42,614,048</u>	<u>\$ 10,724,616</u>	<u>\$ 5,502,229</u>	<u>\$ 18,351,598</u>

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

	2010	2011*	2012	2013
General Fund				
Reserved	\$ 178,137	\$ -	\$ -	\$ -
Unreserved	7,751,153			
Nonspendable		1,903,035	1,064,453	718,372
Restricted				
Unassigned		5,379,127	6,022,504	9,865,845
Total General Fund	<u>\$ 7,929,290</u>	<u>\$ 7,282,162</u>	<u>\$ 7,086,957</u>	<u>\$ 10,584,217</u>
All Other Governmental Funds				
Reserved	\$ 49,718,704	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	4,678,586			
Capital projects funds	70,047,659			
Nonspendable		12,863,046	808,950	
Restricted		93,672,686	44,489,941	48,587,517
Unassigned		(709,844)	(718,327)	(730,381)
Total all other governmental funds	<u>\$ 124,444,949</u>	<u>\$ 105,825,888</u>	<u>\$ 44,580,564</u>	<u>\$ 47,857,136</u>
 Total Governmental Funds	 <u>\$ 132,374,239</u>	 <u>\$ 113,108,050</u>	 <u>\$ 51,667,521</u>	 <u>\$ 58,441,353</u>

* GASB 54 was implemented FY 2010/11, prior years not restated

Source: City of Morgan Hill Annual Financial Reports

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
689,445	1,681,066	1,651,263	2,451,243	2,809,542	2,749,755
12,025,157	14,017,661	15,894,753	14,379,374	863,024	919,894
<u>\$ 12,714,602</u>	<u>\$ 15,698,727</u>	<u>\$ 17,546,016</u>	<u>\$ 16,830,617</u>	<u>\$ 18,388,385</u>	<u>\$ 22,420,657</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
500					16,667
56,701,605	119,292,842	119,738,718	120,547,789	119,480,110	117,366,252
(716,642)	(805,653)	(688,296)	(778,193)	(736,932)	(640,897)
<u>\$ 55,985,463</u>	<u>\$ 118,487,189</u>	<u>\$ 119,050,422</u>	<u>\$ 119,769,596</u>	<u>\$ 118,743,178</u>	<u>\$ 116,742,022</u>
<u>\$ 68,700,065</u>	<u>\$ 134,185,916</u>	<u>\$ 136,596,438</u>	<u>\$ 136,600,213</u>	<u>\$ 137,131,563</u>	<u>\$ 139,162,679</u>

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

	2010	2011	2012	2013
Revenues				
Property taxes	\$ 27,943,938	\$ 25,945,308	\$ 16,399,498	\$ 9,807,260
Sales taxes	4,514,936	5,604,863	6,638,381	7,766,996
Franchise, hotel and other taxes	2,504,462	2,604,868	2,893,942	3,359,018
Licenses and permits	163,657	165,451	162,164	166,257
Funding from other governmental agencies	2,310,043	2,369,187	4,434,670	2,137,551
Charges for current services	12,293,781	13,282,176	14,021,433	19,702,922
Investment income and rentals	2,816,008	1,917,890	1,522,122	716,840
Other revenues	923,295	1,672,421	1,439,652	2,402,060
Total Revenues	53,470,120	53,562,164	47,511,862	46,058,904
Expenditures				
General government	16,292,724	10,169,203	4,684,494	2,921,137
Public safety	15,609,126	15,692,997	16,193,066	16,688,342
Community development	3,646,059	4,306,819	4,290,003	5,745,943
Housing services	3,657,418	7,630,051	3,238,969	614,133
Streets and Highways	1,671,103	2,206,211	2,838,999	1,829,659
Parks and recreation	5,819,347	5,642,790	5,869,353	6,768,239
Other public services	773,855	456,664	661,125	489,920
Capital outlay*	18,413,241	18,754,074	15,122,565	8,717,393
Debt service:				
Interest	3,040,000	1,304,526	833,282	496,913
Principal	1,331,049	3,335,000	3,115,000	295,000
Total Expenditures	70,253,922	69,498,335	56,846,856	44,566,679
Excess of revenues over (under) expenditures	<u>(16,783,802)</u>	<u>(15,936,171)</u>	<u>(9,334,994)</u>	<u>1,492,225</u>
Other Financing Sources (Uses)				
Proceeds from loans/bonds/sale				
Transfers in	4,367,582	9,426,126	9,195,528	3,354,602
Transfers out	(3,696,550)	(12,756,144)	(8,320,898)	(2,692,325)
Issuance of long term debt				
Payment to refunded escrow agent				
Proceeds from sale of capital assets				
Proceeds from capital leases				5,500,210
Other financing use				
Total other financing sources (uses)	<u>671,032</u>	<u>(3,330,018)</u>	<u>874,630</u>	<u>6,162,487</u>
Special and Extraordinary Items				
Special item-transfer to Economic Development Corporation			(5,809,583)	
Extraordinary item-loss on dissolution of the redevelopment agency			(47,170,582)	
Total special and extraordinary items			<u>(52,980,165)</u>	<u>-</u>
Net change in fund balances	<u>\$ (16,112,770)</u>	<u>\$ (19,266,189)</u>	<u>\$ (61,440,529)</u>	<u>\$ 7,654,712</u>
Debt service as a percentage of non-capital expenditures	Not available	Not available	Not available	Not available

*Fiscal Years 2003 and 2004 included multiple land purchase agreements which were paid in full in 2004.

Source: City of Morgan Hill Annual Financial Reports

2014	2015	2016	2017	2018	2019
\$9,114,923	\$ 9,562,718	\$ 10,245,679	\$ 10,908,334	\$ 11,582,252	\$ 12,986,475
8,640,396	8,790,769	9,437,549	9,734,686	10,358,420	10,651,629
3,786,751	4,232,789	4,585,883	5,198,405	5,478,690	5,764,566
182,302	190,796	198,342	194,186	199,824	207,393
4,480,359	2,710,916	1,677,125	1,479,375	1,694,780	2,964,464
20,861,323	21,652,816	26,135,362	23,488,554	27,113,111	26,593,418
1,746,402	1,666,549	1,891,025	933,215	1,101,533	5,211,051
1,217,491	867,721	568,333	1,539,966	1,172,387	841,030
<u>50,029,947</u>	<u>\$ 49,675,074</u>	<u>\$ 54,739,298</u>	<u>\$ 53,476,721</u>	<u>\$ 58,700,997</u>	<u>\$ 65,220,026</u>
2,970,303	3,696,113	4,324,063	4,880,688	5,048,209	5,207,567
17,239,104	17,949,585	18,921,528	20,360,934	20,799,919	21,963,078
5,254,396	8,560,835	6,033,214	6,386,603	6,524,119	7,310,548
1,454,793	499,003	1,199,544	857,137	932,317	1,007,840
2,031,937	2,890,630	1,985,604	2,046,303	2,092,142	2,431,834
6,570,951	7,292,338	7,690,282	8,347,351	8,586,861	9,331,980
519,578	737,953	651,551	1,138,415	1,061,927	1,658,110
3,613,722	3,931,546	9,358,068	9,158,669	13,339,395	14,101,650
486,148	649,264	739,333	531,126	423,561	439,549
300,000	310,000	450,323	402,582	497,022	477,670
<u>40,440,932</u>	<u>46,517,267</u>	<u>51,353,510</u>	<u>54,109,808</u>	<u>59,305,472</u>	<u>63,929,826</u>
<u>9,589,015</u>	<u>3,157,807</u>	<u>3,385,788</u>	<u>(633,087)</u>	<u>(604,475)</u>	<u>1,290,200</u>
	695,626	9,921,411	525,000	71,000	143,064
3,946,729	3,573,463	3,939,487	4,002,983	3,981,873	4,220,357
(3,277,032)	(3,068,817)	(4,322,934)	(3,891,121)	(3,647,503)	(3,622,505)
		(10,515,215)			
<u>669,697</u>	<u>1,200,272</u>	<u>(977,251)</u>	<u>636,862</u>	<u>405,370</u>	<u>740,916</u>
<u>\$ 10,258,712</u>	<u>\$ 4,358,079</u>	<u>\$ 2,408,537</u>	<u>\$ 3,775</u>	<u>\$ (199,105)</u>	<u>\$ 2,031,116</u>
2.1%	2.5%	3.3%	2.1%	2.0%	1.9%

**City of Morgan Hill
Assessed and Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Residential Property	Industrial & Manufacturing	Retail Property	Office Property	Agricultural * Misc
2010	\$ 4,738,320,000	\$ 619,490,000	\$ 427,080,000	\$ 125,130,000	\$ 358,270,000
2011	4,433,150,460	558,011,467	430,523,811	110,443,961	353,667,109
2012	4,484,372,914	550,932,270	421,156,042	113,249,579	368,116,195
2013	4,507,614,537	539,717,016	421,320,064	117,463,292	352,093,930
2014	4,962,067,340	512,710,837	421,152,501	122,140,120	316,791,276
2015	5,574,226,679	513,579,704	422,977,007	114,132,142	310,190,203
2016	5,994,430,054	516,619,206	429,631,743	119,977,599	346,290,015
2017	6,532,653,616	538,100,408	437,279,917	122,061,211	335,160,931
2018	6,990,066,541	597,536,886	467,902,715	128,406,960	337,960,807
2019	7,478,188,299	656,273,198	496,730,736	139,290,008	349,898,664

Source: Santa Clara County Annual Assessor's Report

	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
\$	49,310,000	\$ 6,218,980,000	1.1417%
	49,494,200	5,836,302,608	1.1527%
	48,816,600	5,889,010,400	1.1590%
	48,455,400	5,889,753,439	1.1521%
	48,370,000	6,286,492,074	1.2069%
	48,746,600	6,886,359,135	1.2048%
	49,525,000	7,357,423,617	1.1610%
	50,008,000	7,915,248,083	1.1529%
	50,339,800	8,471,534,109	1.2090%
	50,531,600	9,069,849,305	1.1983%

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

Fiscal Year Ended June 30,	State Property Tax Rate Maximum Permitted by Prop 13	Voter-Approved Local Rates		State plus Voter-Approved Local Tax Rate
		County	Debt Service for Schools and Other Districts	
2010	1.00%	0.0412%	0.1005%	1.1417%
2011	1.00%	0.0412%	0.1115%	1.1527%
2012	1.00%	0.0463%	0.1127%	1.1590%
2013	1.00%	0.0463%	0.1058%	1.1521%
2014	1.00%	0.0447%	0.1622%	1.2069%
2015	1.00%	0.0503%	0.1545%	1.2048%
2016	1.00%	0.0412%	0.1198%	1.1610%
2017	1.00%	0.0412%	0.1117%	1.1529%
2018	1.00%	0.0412%	0.1678%	1.2090%
2019	1.00%	0.0412%	0.1571%	1.1983%

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>	<u>2019</u>		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Value</u>
Woodland Residents Inc	Housing	27,681,310	1	0.31%
Willowbrook California Props LLC	Industrial	26,197,834	2	0.29%
Jtj Apartment Investors LLC (16945 Del Monte)	Housing	26,024,073	3	0.29%
Morgan Hill Sr Living L P	Housing	25,144,834	4	0.28%
Madrone Parkway LLC	Commercial	22,888,800	5	0.25%
Diamond Creek Villa LLC (15680 Santorini Ln)	Housing	19,249,586	6	0.21%
Diamond Creek Villa (15675 Milan Ln)	Housing	18,897,825	7	0.21%
Morgan Hill LP	Commercial	18,323,133	8	0.20%
Jtj Apartment Investors LLC (16915 Del Monte)	Housing	17,910,970	9	0.20%
Safeway	Commercial	17,424,415	10	0.19%
		<u>\$ 219,742,780</u>		<u>2.42%</u>

Source: County of Santa Clara Metrosan

2010

Taxable Assessed Value	Rank	Percentage of Total Value
n/a	n/a	n/a
22,639,917	4	0.36%
n/a	n/a	n/a
na/	n/a	n/a
na/	n/a	n/a
n/a	n/a	n/a
23,017,795	6	0.37%
<u>\$ 45,657,712</u>		<u>0.73%</u>

**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
2010	\$ 6,865,673	\$ 6,865,673	100%	*City of Morgan Hill participates in the Teeter Plan		
2011	6,334,456	6,334,456	100%			
2012	6,361,401	6,361,401	100%			
2013	6,441,484	6,441,484	100%			
2014	7,207,535	7,207,535	100%			
2015	8,168,385	8,168,385	100%			
2016	9,851,539	9,851,539	100%			
2017	10,430,200	10,430,200	100%			
2018	11,359,893	11,359,893	100%			
2019	12,536,679	12,536,679	100%			

*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>				
	Revenue Bonds	Lease Revenue Bonds	Loans Payable	Capital Lease Payable	Special Assessment Bonds
2010	\$ 104,758,995	\$ 11,449,131	\$ 4,826,107	\$ -	\$ 335,000
2011	102,093,134	11,195,409	3,339,246	-	-
2012	-	10,939,327	1,114,951	-	-
2013	-	16,165,817	1,143,352	-	-
2014	-	10,843,867	-	5,150,845	-
2015	-	10,535,000	794,067	4,843,077	-
2016	-	9,878,725	687,099	4,524,793	-
2017	-	9,531,039	577,817	4,210,256	-
2018	-	9,163,354	467,559	3,870,521	-
2019	-	8,780,668	356,310	3,538,469	-

Source: City of Morgan Hill Annual Financial Reports

<u>Business-Type Activities</u>							
Water Facilities Loan	Water Certificates of Participation	Water Revenue Bonds	Sewer Capacity Rights	Wastewater Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 674,822	\$ 2,820,695	\$ 7,454,597	\$ 16,372,210	\$ -	\$ 148,691,557	0.07%	3,695
593,482	2,629,983	7,466,489	15,391,830	-	142,709,573	0.07%	3,725
507,406	2,429,269	7,478,381	14,376,449	-	36,845,783	0.27%	942
416,367	2,213,558	7,490,272	13,326,068	-	40,755,434	0.26%	1,017
-	-	21,975,000	13,483,660	-	51,453,372	0.18%	1,249
-	-	21,265,000	-	17,318,703	54,755,847	0.17%	1,311
-	-	20,470,000	-	17,241,146	52,801,763	0.19%	1,186
-	-	19,635,000	-	15,903,588	49,857,700	0.20%	1,120
-	-	18,770,000	-	14,511,031	46,782,465	0.22%	1,051
-	-	17,875,000	-	13,058,474	43,608,921	0.23%	980



CITY OF MORGAN HILL

**City of Morgan Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019**

2018-19 Assessed Valuation: \$ 9,451,519,593

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt 6/30/2019</u>	<u>% Applicable (1)</u>	<u>City's Share of Debt 6/30/2019</u>
Santa Clara County	\$ 947,220,000	1.957%	\$ 18,537,095
Gavilan Joint Community College District	126,735,000	28.455%	36,062,444.00
Morgan Hill Unified School District	135,540,000	65.945%	89,381,853.00
City of Morgan Hill 1915 Act Bonds	7,256,000	100%	7,256,000.00
Santa Clara Valley Water District Benefit Assessment District	73,570,000	1.957%	<u>1,439,765.00</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$152,677,157
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Clara County General Fund Obligations	987,719,120	1.957%	19,329,663
Santa Clara County Pension Obligations	352,378,882	1.957%	6,896,055
Santa Clara County Board of Education Certificates Of Participation	4,255,000	1.957%	83,270
Gavilan Joint Community College District Certificates of Participation	13,486,000	28.455%	3,837,441
Morgan Hill Unified School District Certificates of Participation	13,505,000	65.945%	8,905,872
Santa Clara County Vector Control Certificates of Participation	2,245,000	1.957%	43,935
City of Morgan Hill Lease Revenue Bonds	8,780,668	100%	8,780,668
City of Morgan Hill Capital Lease Obligation	3,538,469	100%	3,538,469
City of Morgan Hill Loans Payable	356,310	100%	<u>356,310</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$51,771,683
Less: Santa Clara County supported obligations			<u>\$6,298,966</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$45,472,717
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	 \$71,125,000	 100%	 \$71,125,000
 TOTAL DIRECT DEBT			 \$11,949,779
TOTAL GROSS OVERLAPPING DEBT			\$262,898,393
TOTAL NET OVERLAPPING DEBT			\$256,599,427
 GROSS COMBINED TOTAL DEBT			 \$274,848,172 (2)
NET COMBINED TOTAL DEBT			\$268,549,206

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

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

Ratios to 2018-19 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.62%
Total Direct Debt (\$11,949,779).....	0.13%
Gross Combined Total Debt.....	2.91%
Net Combined Total Debt.....	2.84%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$2,967,768,020):

Total Overlapping Tax Increment Debt.....	2.40%
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**City of Morgan Hill
 Legal Debt Margin Information
 Last Ten Fiscal Years (In thousands)**

	2010	2011	2012	2013	2014
Debt limit	\$ 932,847	\$ 875,445	\$ 883,352	\$ 883,463	\$ 942,974
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	\$ 932,847	\$ 875,445	\$ 883,352	\$ 883,463	\$ 942,974
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%

2015	2016	2017	2018	2019
\$ 1,032,954	\$ 1,103,614	\$ 1,187,287	\$ 1,270,730	\$ 1,360,477
-	-	-	-	-
<u>\$ 1,032,954</u>	<u>\$ 1,103,614</u>	<u>\$ 1,187,287</u>	<u>\$ 1,270,730</u>	<u>\$ 1,360,477</u>
0%	0%	0%	0%	0%

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

Sewer Bonds					
Fiscal Year Ended June 30,	Utility Services Charges		Less: Operating Costs		Net Available Revenue
2010	\$	8,235,801	\$	5,737,510	\$ 2,498,291
2011		9,370,444		5,756,237	3,614,207
2012		9,618,420		5,324,664	4,293,756
2013		12,524,768		6,215,680	6,309,088
2014		13,927,768		5,993,976	7,933,792
2015		13,694,418		5,958,745	7,735,673
2016		15,464,101		5,777,190	9,686,912
2017		12,512,784		6,034,500	6,478,284
2018		11,325,433		6,535,770	4,789,663
2019		16,875,779		7,092,390	9,783,389

Water Bonds					
Fiscal Year Ended June 30,	Utility Services Charges		Less: Operating Costs		Net Available Revenue
2010	\$	7,351,704	\$	6,875,846	\$ 475,858
2011		7,562,410		7,045,126	517,284
2012		8,713,774		6,699,127	2,014,647
2013		10,722,187		7,454,660	3,267,527
2014		11,225,987		7,636,802	3,589,185
2015		9,066,452		7,021,356	2,045,095
2016		10,181,073		7,728,531	2,452,542
2017		12,472,647		7,575,225	4,897,422
2018		14,036,049		8,990,718	5,045,331
2019		15,979,787		9,739,657	6,240,130

Source: City of Morgan Hill Annual Financial Report

Sewer Bonds

		Debt Service		
Principal		Interest		Coverage
\$	1,085,000	\$	849,631	1.29
	1,120,000		819,312	1.86
	1,155,000		655,156	2.37
	1,190,000		617,050	3.49
	1,235,000		576,100	4.38
	1,275,000		532,175	4.28
	-		528,074	18.34
	1,260,000		676,300	3.35
	1,315,000		624,800	2.47
	1,375,000		564,125	5.05

Water Bonds

		Debt Service		
Principal		Interest		Coverage
\$	322,223	\$	635,793	0.50
	336,722		512,780	0.61
	351,530		531,436	2.28
	371,525		515,629	3.68
	384,023		571,463	3.76
	710,000		892,734	1.28
	795,000		797,438	1.54
	835,000		767,625	3.06
	865,000		736,313	3.15
	895,000		703,875	3.90

**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
2010	40,246	97,957	3.490	28,068	11.4	36.3	9,096
2011	38,309	99,243	3.060	32,432	13.3	33.5	9,006
2012	39,127	99,464	3.040	32,718	7.9	36.8	8,763
2013	40,079	105,500	4.000	26,375	7.1	36.2	8,701
2014	41,197	94,238	3.010	31,308	6.8	38.4	8,528
2015	41,779	95,531	3.030	31,528	5.2	37.5	9,000
2016	43,645	94,319	3.060	30,823	4.1	38.3	9,135
2017	44,145	96,051	3.000	32,017	4.1	36.8	9,137
2018	44,513	100,900	2.980	33,859	3.0	37.9	9,133
2019	45,742	107,161	3.010	35,602	2.8	38.4	8,487

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

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



CITY OF MORGAN HILL

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

<u>Employer</u>	Fiscal Year 2019		
	Number of Employees	Rank	Percent of Total City Employment
MORGAN UNIFIED SCHOOL DISTRICT	900	1	5.39%
VELODYNE LIDAR, INC	453	2	2.71%
ANRITSU COMPANY	403	3	2.41%
PARAMIT CORPORATION	381	4	2.28%
MISSION BELL MFG, INC.	314	5	1.88%
LUSAMERICA FOODS, INC.	293	6	1.75%
SPECIALIZED BICYCLE COMPONENTS	280	7	1.68%
TORAY ADVANCED COMPOSITES USA	216	8	1.29%
CREE, INC.	203	9	1.21%
CITY OF MORGAN HILL	196	10	1.17%
Wal-Mart Supercenter #5766	186	11	1.11%
SHOE PALACE CORPORATION	158	12	0.95%
Target Store #T2252	156	13	0.93%
YOUNG'S MARKET COMPANY, LLC	150	14	0.90%
Pacific Hills Manor	147	15	0.88%
The Ford Store	140	16	0.84%
NEW PRODUCT INTEGRATION SOLUTIONS, INC.	134	17	0.80%
MARKI MICROWAVE, INC	128	18	0.77%
NxEDGE MH LLC	127	19	0.76%
The Home Depot #7572	126	20	0.75%
Safeway Inc. #1455			
PARAGON MECHANICAL, INC			
Sakata Seed America			
ANRITSU AMERICAS SALES COMPANY			
INFINEON TECHNOLOGIES NORTH AMERICA CORP			
FLEXTRONICS INTERNATIONAL USA, INC.			
HOSPIRA, INC.			
COMCAST OF CALIFORNIA II, LLC.			
INFINEON TECHNOLOGIES AMERICAS CORP			
Covenant Care MH LLC,dba:Pacific Hills Manor			
Del Monaco Specialty Foods, Inc.			
Safeway Inc. #1891			
Andpak, Inc			
Comcast Cable Communications			
E.D.O. Reconnaissance & Surveillance Systems Inc.			
Fox Racing			
Total	<u>5,091</u>		<u>30.46%</u>

*2009 collected data for top ten employers only

Fiscal Year 2018			Fiscal Year 2010*		
Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
800	1	4.79%	787	1	5.14%
516	2	3.09%			
455	3	2.72%	495	2	3.24%
340	4	2.03%	230	8	1.50%
233	9	1.39%			
282	6	1.69%	160	10	1.05%
282	7	1.69%	240	7	1.57%
212	13	1.27%			
194	15	1.16%			
			285	5	1.86%
227	12	1.36%			
158	17	0.95%			
129	19	0.77%			
253	8	1.51%			
129	18	0.77%			
128	20	0.77%			
228	11	1.36%	160	10	1.05%
304	5	1.82%			
230	10	1.38%	387	4	2.53%
194	14	1.16%			
175	16	1.05%			
			470	3	3.07%
			226	9	1.48%
			252	6	1.65%
<u>5,469</u>		<u>32.72%</u>	<u>3,692</u>		<u>24.14%</u>

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

	2010	2011	2012	2013	2014
City Council	5.00	5.00	5.30	5.00	5.00
City Manager	11.00	3.00	0.95	0.70	0.95
City Attorney	3.00	3.00	2.53	2.63	2.63
Administrative Services		18.00	15.95	16.30	18.25
Community Services	14.00	14.00	24.23	23.90	24.65
Police	58.00	59.00	52.96	55.50	56.50
Fire				0.25	0.25
Community Development	13.50	81.00	19.12	20.33	20.08
Public Works	60.00		34.24	31.79	31.79
Internal Services			13.57	13.10	13.90
Finance*	13.00				
Businesss Assistance & Housing Services*	9.50				
Council Srvs/Records Management*					
Information Services*					
Human Resources*					
City Clerk*					
Total City Government Employees	187.00	183.00	168.85	169.50	174.00

Source: City of Morgan Hill

* Effective 2011 onward, departments were consolidated with Administrative Services

2015	2016	2017	2018	2019
5.00	5.00	5.00	5.00	5.00
1.20	3.00	2.90	4.05	2.75
2.63	2.63	2.68	2.75	2.25
18.40	19.15	20.13	24.96	25.95
21.79	23.33	23.56	29.39	29.70
58.50	59.50	60.60	61.60	62.50
		0.10	0.10	-
22.67	19.87	21.77	26.17	27.71
32.29	43.10	45.10	40.98	40.14
19.52	11.92	11.66		
182.00	187.50	193.50	195.00	196.00

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

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Recreation and Community Services</u>				
Daily Visitors	282,617	331,400	378,913	373,591
Recreation Program Visits	94,327	96,381	99,863	78,596
RCS Facility Rental Reservation Hours	34,796	35,750	37,237	43,712
CRC/AC Memberships	3,350	3,910	4,379	4,620
% of expenditures for capital outlay	13.03%	0.17%	8.64%	0.00%
<u>Public Safety</u>				
Police				
Number of crimes reported	4,066	3,867	3,480	4,176
% of expenditures for capital outlay	2.52%	0.14%	0.21%	0.46%
Fire				
Fire and Life Safety Inspections				501
Public Education Attendees				1,009
% of expenditures for capital outlay				53%
<u>Public Works</u>				
Sewer Operations				
Sewer lines flushed (ft)	684,973	648,424	527,853	649,943
Sanitary Sewer Overflows (SSO)	6	3	5	6
% of expenditures for capital outlay	8.03%	1.23%	12.50%	0.66%
Water Operations				
Water production (thous gal)	2,392,682	2,405,758	2,592,366	2,742,031
Water meters installed	90	114	93	218
Water meters repaired or replaced	880	864	182	819
Water customer accounts	12,256	12,711	12,423	12,713
% of expenditures for capital outlay	9.47%	3.93%	8.34%	5.00%
Streets Maintenance				
New signs installed	4	6	10	11
Signs repaired/replaced	29	64	93	106
% of expenditures for capital outlay	43.87%	0.00%	0.00%	0.00%
<u>Community Development</u>				
Planning applications	128	126	130	182
Building permits issued	902	1,053	1,050	1,734
% of expenditures for capital outlay	2.64%	0.00%	0.00%	0.00%
<u>Housing Agency</u>				
Rehab loans	6	5	0	0
Below Market Rate home sales	4	9	2	25
% of expenditures for capital outlay	0%	0.00%	0.00%	0.00%
<u>Total City Government Employees</u>	187.0	183.0	168.9	169.5

Fire Services added January 1, 2013

Source: Departments of the City of Morgan Hill

2014	2015	2016	2017	2018	2019
327,313	349,844	402,342	314,149	321,079	807,746
96,879	77,451	84,519	95,602	86,392	87,807
48,600	53,775	373,733	44,238	47,439	44,913
4,697	4,737	4,703	4,903	4,944	4,895
1.46%	0.31%	0%	3.22%	3.22%	6.06%
3,388	3,725	3,863	4,113	4,137	3,811
0.32%	1.22%	0.76%	3.10%	3.22%	8.49%
1,214	1,375	1,074	1,359	1,133	1,062
2,223	2,536	3,370	3,417	3,242	3,391
0.36%	3.78%	0.19%	3.82%	1.61%	4.99%
372,834	587,687	445,843	363,622	649,668	452,703
10	10	5	14	5	10
0.00%	0.54%	0.66%	1.24%	1.78%	4.61%
2,808,225	2,217,117	1,884,822	2,123,958	2,372,393	2,344,062
258	271	348	195	469	186
1,087	1,409	780	286	585	780
12,857	13,274	13,647	13,841	13,953	14,368
8.72%	7.75%	5.75%	9.04%	5.51%	3.07%
19	19	10	23	107	154
130	164	63	100	132	77
0.00%	0.00%	0.00%	0.00%	5.49%	5.94%
216	210	171	185	160	181
1,966	2,105	2,204	2,197	2,191	1,828
22.92%	0.25%	4.71%	2.79%	0.60%	0.17%
0	0	0	9	35	0
21	10	24	7	20	10
0.00%	0.00%	0.00%	0.00%	0.00%	65.37%
174.0	182.0	187.5	193.5	195	196

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

<u>Function/Program</u>	2010	2011	2012	2013	2014
Community Services					
Parks & Open Space Acreage*	78	470	470	470	470
Parks*	11	22	22	22	22
Swimming Pools	4	4	4	4	4
Community and Recreation Centers	4	4	4	4	4
Streets					
Streets (miles)	118	143	143	148	149
Streetlights	3,498	3,600	3,600	3,649	3,689
Public Safety					
Police Stations	1	1	1	1	1
Patrol Units	19	19	19	20	22
Motorcycle Patrol Units	2	2	2	2	2
Fire Houses (new 2013)	-	-	-	2	2
Fire Apparatus (new 2013)	-	-	-	3	3
Fire Personnel Vehicles (new 2013)	-	-	-	3	3
Sewer					
Sewer lines (miles)	150	150	155	160	167
Storm drains (miles)	95	95	95	96	110
Maximum daily capacity (thousand gallons)	5,900	5,900	5,900	5,900	5,900
Water					
Water mains (miles)	175	175	182	182	185
Water wells	18	18	17	17	17
Maximum daily capacity (thousand gallons)	16,000	16,150	15,700	15,200	15,200

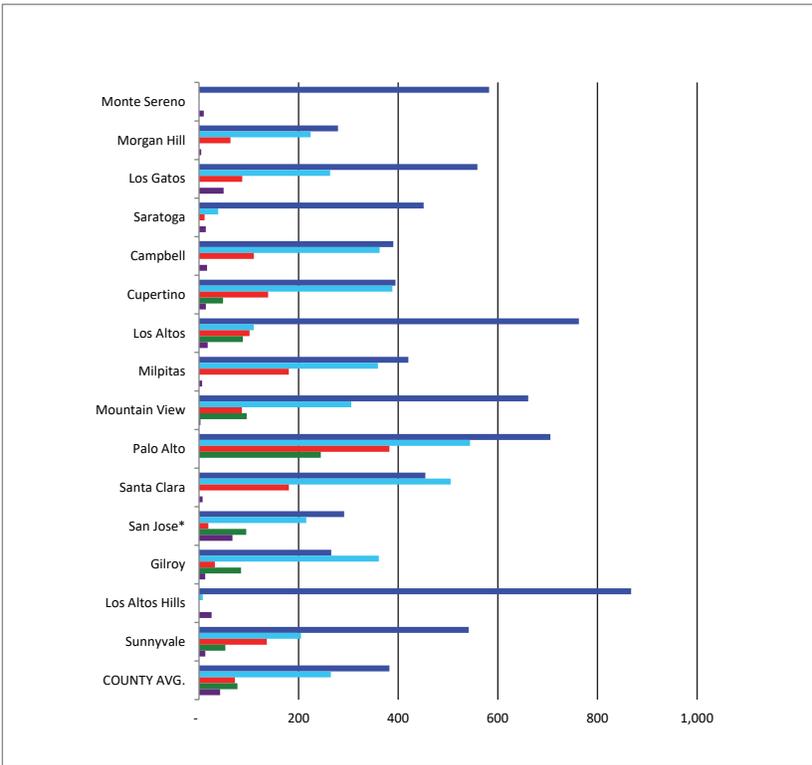
*Data prior to 2011 do not include Open Space Acreage nor Neighborhood parks

Source: Departments of the City of Morgan Hill

2015	2016	2017	2018	2019
492	492	492	498	495
23	22	22	22	25
4	4	4	4	4
4	4	4	4	4
149	n/a	127	127.31	128.42
4,161	n/a	n/a	n/a	n/a
1	1	1	1	1
22	22	24	28	28
2	4	4	4	4
2	2	2	2	2
3	4	4	4	4
3	3	3	3	3
165	161	162	166	169.59
111	114	114	116.3	116.03
5,900	n/a	6,600	7,200	7,200
185	189	186	192	192.45
17	17	17	17	15
15,500	n/a	13,500	14,820	16,612

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 - 2018-19

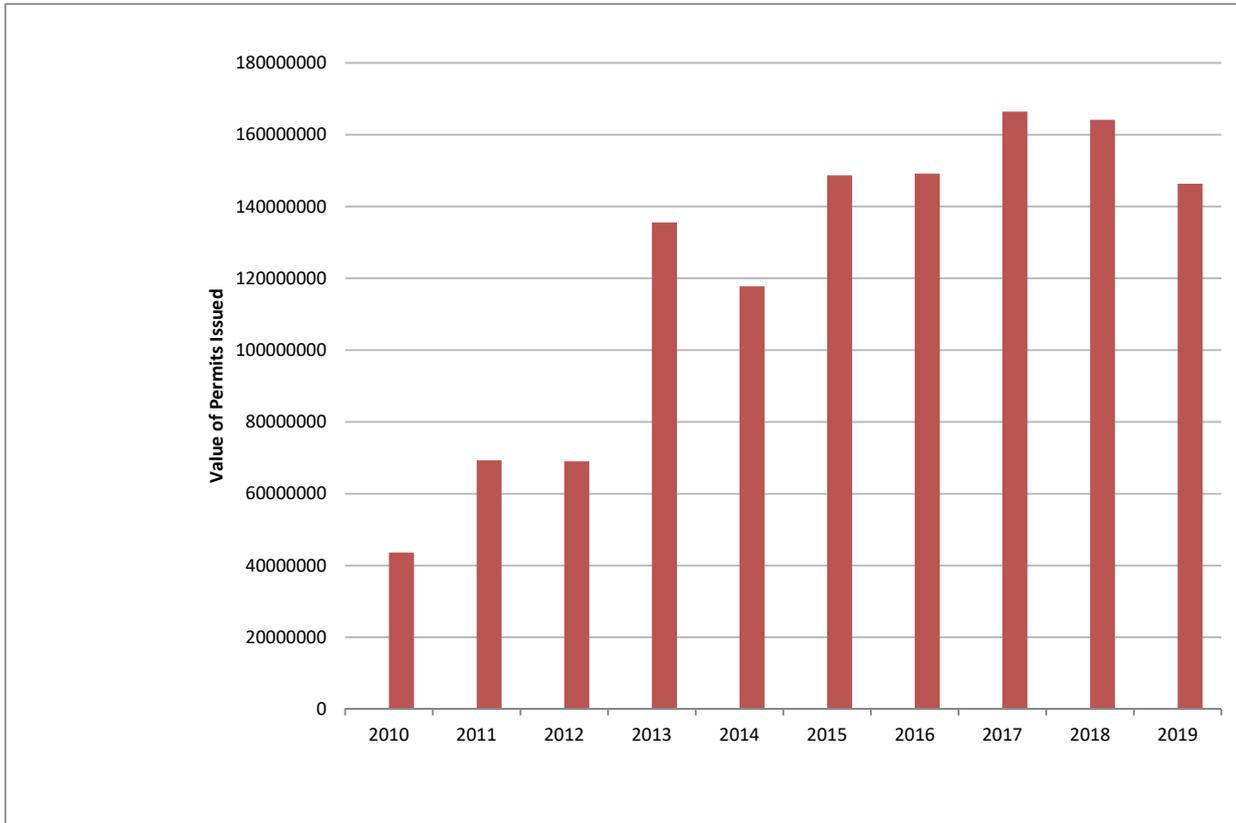


City	Population	Property Tax		Sales Tax		Transient Occupancy		Utility Tax		Business License	
		Amount	Per capita	Amount	Per capita	Amount	Per capita	Amount	Per capita	Amount	Per capita
Monte Sereno	3,500	2,038,501	582	1,743	0	-	-	-	-	33,580	10
Morgan Hill	45,742	12,761,577	279	10,247,494	224	2,893,113	63	-	-	201,762	4
Los Gatos	30,988	17,321,347	559	8,158,162	263	2,692,044	87	-	-	1,526,894	49
Saratoga	31,407	14,166,177	451	1,207,471	38	347,605	11	-	-	424,854	14
Campbell	43,250	16,877,568	390	15,684,222	363	4,768,870	110	-	-	693,263	16
Cupertino	64,127	25,301,094	395	24,901,779	388	8,901,337	139	3,089,921	48	876,601	14
Los Altos	31,190	23,791,531	763	3,427,203	110	3,166,067	102	2,743,570	88	540,262	17
Milpitas	80,430	33,811,009	420	28,889,785	359	14,502,735	180	-	-	500,339	6
Mountain View	81,992	54,183,866	661	25,057,747	306	7,050,530	86	7,849,641	96	230,981	3
Palo Alto	67,082	47,329,394	706	36,507,728	544	25,648,696	382	16,402,044	245	-	-
Santa Clara	128,717	58,501,737	454	65,036,080	505	23,228,956	180	-	-	928,545	7
San Jose*	1,051,316	306,222,332	291	226,336,942	215	19,530,772	19	99,753,107	95	70,673,106	67
Gilroy	55,928	14,848,765	265	20,186,105	361	1,771,882	32	4,721,529	84	693,758	12
Los Altos Hills	8,785	7,621,614	868	65,926	8	-	-	-	-	220,888	25
Sunnyvale	155,567	84,211,809	541	31,862,256	205	21,192,146	136	8,212,995	53	1,957,738	13
COUNTY AVG.	125,335	47,932,555	382	33,171,376	265	9,046,317	72	9,676,543	77	5,300,171	42

FY 18-19 Actuals
*17/18 Data

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			Bank Deposits	
		Total Building Permits Issued	Commercial	Residential		Total
2010	5,836,302,608	902	9,898,059	33,727,046	43,625,105	794,430,000
2011	5,889,010,400	1,053	15,985,102	53,316,931	69,302,033	801,868,000
2012	5,889,010,400	1,050	56,039,495	12,991,892	69,031,387	810,218,000
2013	5,889,753,439	1,734	9,440,434	126,140,682	135,581,116	na
2014	6,286,492,074	1,966	10,296,037	107,467,327	117,763,364	na
2015	6,886,359,135	2,105	29,977,231	118,711,385	148,688,616	na
2016	7,357,423,617	2,204	30,405,249	118,759,212	149,164,461	na
2017	7,965,256,083	2,197	44,534,477	121,894,120	166,428,597	na
2018	8,521,873,909	2,191	40,565,306	123,589,216	164,154,522	na
2019	9,120,380,905	1,828	27,610,533	118,714,198	146,324,731	na

Source: City of Morgan Hill Building Department
 Bank Deposits from Findley Reports service discontinued 2013

City of Morgan Hill, California

Miscellaneous Statistics - June 30, 2019

General Information

Date of Incorporation	October 1906
Form of Government	Council/Manager
Area	12.9 square miles
Number of Registered voters	22,403
Median household income for Morgan Hill	\$ 107,161
Elevation in feet	320
Building Permits Issued during year	1,828

Demographics:

Median Age	38.40
Median Persons per household	3.01
Population (consisting of)	45,742
White	49.5%
Hispanic	33.8%
Asian	10.9%
Black	2.0%
Native American	0.6%
Other, mixed	4.1%

Fire Protection:

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

Police Protection:

Number of stations	1
Number of reserves	4
Number of police cars/motorcycles	32

Municipal Water Services:

Number of Active Accounts	14,368
Average Daily Consumption (gallons)	5,724,698
Miles of Water Mains	192.45
Pumping Capacity (thousand gallons/day)	16,612

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	8,487

Health Facilities:

Dentists and Optometrists	37
Physicians/Surgeons	23
Chiropractors	13
Therapists	32
Medical Clinics	12
Veterinarians	4

Culture and Recreation:

Parks	22
Acres in parks	498
Libraries	1
Theaters	2
Churches	10
Reservoirs	11
Recreation Centers	4

Employees:

City Council	5.00
City Manager	2.25
City Attorney	2.75
Administrative Services	25.95
Community Services	29.70
Police/ Fire	62.50
Community Development	27.71
Public Works	40.14
Internal Services	
Total Employees	196.00

Sewer Services

Peak Flow (thousand gallons/day)	2,660
Miles of sewer lines	169.59

Sources: Various data records