

TOWN OF PORTOLA VALLEY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2010

This Page Left Intentionally Blank

TOWN OF PORTOLA VALLEY
Basic Financial Statements
For the Year Ended June 30, 2010
Table of Contents

| | <u>Page</u> |
|---|-------------|
| <i>Independent Auditor’s Report on Basic Financial Statements</i> | 1 |
| <i>Management’s Discussion and Analysis</i> | 3 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 10 |
| Statement of Activities..... | 11 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 14 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets..... | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance..... | 18 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in the Fund Balances of Governmental Funds to the Statement of Activities | 20 |
| Agency Funds: | |
| Statement of Agency Funds Net Assets | 22 |
| Notes to Financial Statements | 23 |
| Required Supplementary Information: | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual: | |
| General Fund | 38 |
| Open Space Restricted Special Revenue Fund | 39 |
| Road Impact Fees Special Revenue Fund | 40 |
| Measure A Special Revenue Fund | 41 |
| Notes to Required Supplementary Information | 42 |

TOWN OF PORTOLA VALLEY
Basic Financial Statements
For the Year Ended June 30, 2010
Table of Contents

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets..... 44

Combining Statements of Revenues, Expenditures and Changes
in Fund Balances 46

Combining Statements of Revenues, Expenditures and Changes
In Fund Balances-Budget and Actual 48

Agency Funds:

Statement of Changes in Assets and Liabilities – All Agency Funds..... 52

**INDEPENDENT AUDITOR'S REPORT
ON BASIC FINANCIAL STATEMENTS**

To the Honorable Mayor and Members of the Town Council
Portola Valley, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Portola Valley as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Portola Valley as of June 30, 2010, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Budget and Actual statements for the General Fund and each major special revenue fund are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maze & Associates

October 15, 2010

This Page Left Intentionally Blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

This analysis of the Town of Portola Valley's (Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the accompanying financial statements.

Financial Highlights

- The Town's net assets increased \$668,931 to \$38,240,745. *(pages 6 and 11)*
- The Town's total funds reported combined ending fund balances of \$7,226,397, a 1.7% decrease over the previous year. Of this amount, \$3.6 million is unreserved and undesignated, available to finance government operations in accordance with the funds' intended purposes. The balance is reserved and/or designated and therefore unavailable. *(pages 14-15 & 18-19)*
- The General Fund's fund balance decreased by \$290,426 to \$2,854,060. Tax-based revenues were negatively impacted by the economy and the State's Prop 1A property tax borrowing of \$137,000. In addition, the payment of several delayed final retentions for the Town Center project affected the General Fund expenditures for the year. As of June 30, \$1,934,515 is unreserved and undesignated in the General Fund, and therefore available for operations. *(pages 14-15)*
- The Town's total liabilities decreased by over 30% to \$1.3 million, of which \$846,057 is for accounts payable paid in July/August 2010. The remaining liability is related to refundable deposits and compensated absences. *(page 10)*
- The Town's capital assets increased by 2% to \$31.1 million, with zero related long-term liability. *(pages 8 and 10)*

Overview of the Financial Statements

With the implementation of Governmental Accounting Standards Board No. 34 (GASB 34), the Town's financial statements now include an additional set of financial statements. These government-wide financial statements provide both long-term and short-term information about the Town's overall financial status, and include the Town's capital assets and long-term debt and liabilities. The comparative condensed statements included in this discussion and analysis provide a helpful tool for "at-a-glance" analysis of the Town's financial performance.

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, that are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

Government-Wide Financial Statements

The government-wide financial statements present the financial picture of the Town and provide readers with a broad view of the Town's finances. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets (page 10) and the Statement of Activities (page 11) report information about the Town as a whole and about its activities. These statements include *all* assets, liabilities, revenues and expenses of the Town using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies.

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

Fund Financial Statements

The fund financial statements (pages 14-20) provide detailed information about the Town's major funds—not the Town as a whole. Some funds are required to be established by State law. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

The fund financial statements include statements for governmental funds only. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The 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 funds financial statements focus on current financial resources that emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the Town's near-term financial requirements.

In order to better understand the Town's long-term and short-term requirements, it is useful to compare the Town's governmental fund statements with the governmental activities in the government-wide financial statements. Reconciliations are provided for both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in fund balances to facilitate this comparison.

The General Fund, Open Space Restricted Fund, Road Impact Fees Fund, and Measure A Fund are considered major funds. They are reported in detail in the Governmental Funds financial statements. All other funds are non-major funds and

reported in the aggregate.

Notes to Basic Financial Statements

The notes (pages 23-36) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements, this report also presents certain Required Supplementary Information (pages 37-41) including the Town's budgetary comparison schedules for the General, Open Space Restricted, Road Impact Fee, and Measure A funds.

Supplementary Information

Supplementary schedules (pages 43-52) concerning balance sheets and changes in fund balances for all other funds are presented immediately following the Required Supplementary Information. Financial activity related to the Town's agency funds (maintenance districts and Portola Valley Community Fund) is also presented separately in this section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets are a good indicator of an agency's financial position. At the end of this fiscal year, net assets of the Town were \$38,240,745, an increase of \$668,931 from the prior year.

The following is the condensed Statement of Net Assets for the fiscal year ended 6/30/2010.

Town of Portola Valley
Condensed Statement of Net Assets

| | Fiscal Year Ended | | Change | |
|--|----------------------|----------------------|-------------------|---------------|
| | 6/30/2010 | 6/30/2009 | Amount | Percent |
| Assets: | | | | |
| Current Assets | \$ 8,565,424 | \$ 9,035,942 | \$ (470,518) | -5.2% |
| Capital Assets, Net | 31,105,563 | 30,500,477 | 605,086 | 2.0% |
| Total Assets | 39,670,987 | 39,536,419 | 134,568 | 0.3% |
| Liabilities: | | | | |
| Current Liabilities | 846,057 | 1,352,704 | (506,647) | -37.5% |
| Long-term Liabilities | 584,185 | 611,901 | (27,716) | -4.5% |
| Total Liabilities | 1,430,242 | 1,964,605 | (534,363) | -27.2% |
| Net Assets: | | | | |
| Invested in Capital Assets, Net of Related Debt | 31,105,563 | 30,308,770 | 796,793 | 2.6% |
| Restricted | 4,372,337 | 4,209,500 | 162,837 | 3.9% |
| Unrestricted | 2,762,845 | 3,053,544 | (290,699) | -9.5% |
| Total Net Assets | \$ 38,240,745 | \$ 37,571,814 | \$ 668,931 | 1.8% |

The Town's *Current Assets* of \$8.5 million represents readily available cash and the valuation of a stock donation. *Total Liabilities* of \$1.4 million represent 3.6% of the *Total Assets*.

The Town has \$4.37 million in restricted net assets that it cannot spend at its discretion because these funds are restricted by State law, municipal code and contractual obligation for public works and safety, open space, and the Town Hall construction project. Further information on these restricted assets is provided in the discussion of the fund financial statements. The \$2.7 million in unrestricted assets represents funds that are not restricted by law; however \$483,038 of these funds remain designated by the Town for special programs.

Statement of Activities

The following is the condensed Statement of Activities for the fiscal year ended 6/30/2010, along with comparative data for the previous fiscal year ending 6/30/2009.

Town of Portola Valley
Condensed Statement of Activities

| | Fiscal Year Ended | | Change | |
|--------------------------|----------------------|----------------------|--------------------|---------------|
| | 6/30/2010 | 6/30/2009 | Amount | Percent |
| Revenues | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$ 1,070,045 | \$ 831,713 | \$ 238,332 | 28.7% |
| Grants and Contributions | 698,651 | 4,105,294 | (3,406,643) | -83.0% |
| General Revenues: | | | | |
| Property Taxes | 1,771,411 | 2,050,541 | (279,130) | -13.6% |
| Agency Revenues | 539,024 | 656,206 | (117,182) | -17.9% |
| Franchise Fees | 225,498 | 220,390 | 5,108 | 2.3% |
| Utility Users Tax | 723,214 | 718,928 | 4,286 | 0.6% |
| Investment Earnings | 47,527 | 256,958 | (209,431) | -81.5% |
| Miscellaneous | 22,990 | 52,386 | (29,396) | -56.1% |
| Total Revenues | <u>5,098,360</u> | <u>8,892,416</u> | <u>(3,794,056)</u> | <u>-42.7%</u> |
| Expenses: | | | | |
| General Government | 2,639,615 | 2,899,646 | (260,031) | -9.0% |
| Parks and Recreation | 267,548 | 187,259 | 80,289 | 42.9% |
| Town Center Facilities | 326,339 | 385,375 | (59,036) | -15.3% |
| Public Safety | 725,643 | 663,120 | 62,523 | 9.4% |
| Road Impact Fees | 51,563 | 35,977 | 15,586 | 43.3% |
| Public Works | 418,721 | 340,716 | 78,005 | 22.9% |
| Total Expenses | <u>4,429,429</u> | <u>4,512,093</u> | <u>(82,664)</u> | <u>-1.8%</u> |
| Change in Net Assets | 668,931 | 4,380,323 | (3,711,392) | -84.7% |
| Net Assets - Beginning | 37,571,814 | 33,191,491 | 4,380,323 | 13.2% |
| Net Assets - Ending | <u>\$ 38,240,745</u> | <u>\$ 37,571,814</u> | <u>\$ 668,931</u> | <u>1.8%</u> |

As a result of operations the Town's net assets increased \$668,931. This year, 21% of the Town's revenues came from *Charges for Services*. Tax revenues of \$2.7 million (Property Taxes, Sales & Use Tax, Franchise Fees, Utility Users Tax) made up 53% of the Town's revenues, and Agency Revenues (intergovernmental revenues) made up 10%.

General Government expenses of \$2.6 million represent 60% of the Town's operating

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2010 the Town had \$31.1 million invested primarily in buildings and land, as summarized below. During the year the Town acquired over \$1.2 million in capital assets. This included design and construction expenditures for the annual road project and final expenditures relating to the Town Center and Sausal Creek projects. Additional information on the Town's capital assets can be found in Note 3 on pages 29-30 of this report.

Condensed Statement of Capital Assets

| | Fiscal Year Ended | | Change | |
|---------------------------------|----------------------|----------------------|-------------------|-----------|
| | 6/30/2010 | 6/30/2009 | Amount | Percent |
| Land | \$ 6,485,959 | \$ 6,485,959 | \$ - | 0% |
| Land improvements | 2,627,145 | 2,569,058 | 58,087 | 2% |
| Buildings | 19,752,463 | 19,538,869 | 213,594 | 1% |
| Equipment | 197,238 | 197,238 | - | 0% |
| Infrastructure | 3,892,902 | 2,884,984 | 1,007,918 | 35% |
| Total Capital Assets | 32,955,707 | 31,676,108 | 1,279,599 | 4% |
| Accumulated Depreciation | (1,850,144) | (1,175,631) | (674,513) | 57% |
| Total Net Capital Assets | \$ 31,105,563 | \$ 30,500,477 | \$ 605,086 | 2% |

Long-Term Debt

The Town has \$91,215 in the long-term liability of compensated absences, with no new debt incurred during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

With the passage of Proposition 22, we do not anticipate any new raids from the State on local revenues. While the property tax grab of \$137,000 in fiscal year 2009/2010 was less than anticipated, it remains to be seen if and when these funds will be returned to the Town by the State.

The passage of Measure M will provide a new revenue stream that will add an additional \$75,000 to annual revenues for the next 25 years. These funds are to be used for improvements to local streets and roads. As the Town does not anticipate any new capital construction projects other than improvements to infrastructure, this new revenue is welcome news.

A matter of concern for next year's budget will be whether the State will continue to fund COPS (Citizens' Options for Public Safety). This revenue stream provides the Town \$100,000 annually to help support funding of additional traffic patrols.

In summary, the Town continues to successfully navigate its way through the economic crisis. With continued careful fiscal management, it is anticipated that the immediate future will not require reductions to Town staffing or services.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or would like additional financial information, please contact the Town of Portola Valley, 765 Portola Road, Portola Valley, California 94028.

TOWN OF PORTOLA VALLEY

**STATEMENT OF NET ASSETS
AND STATEMENT OF ACTIVITIES**

The purpose of the Statement of Net Assets and the Statement of Activities is to summarize the Town's entire financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Town's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Town's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Town funds have been eliminated.

The Statement of Net Assets reports the difference between the Town's total assets and the Town's total liabilities, including all the Town's capital assets and all its long-term debt.

The Statement of Net Assets summarizes the financial position of all of the Town's Governmental Activities in a single column.

The Town's Governmental Activities include the activities of its General Fund along with all its Special Revenue Funds.

The Statement of Activities reports increases and decreases in the Town's net assets. It is also prepared on the full accrual basis, which means it includes all the Town'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 Town's expenses first, listed by program. 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 program. The Town's general revenues are then listed in the Governmental Activities column and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

TOWN OF PORTOLA VALLEY
STATEMENT OF NET ASSETS
JUNE 30, 2010

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and investments (Note 2) | \$7,336,942 |
| Restricted cash - customer deposits (Note 2) | 492,970 |
| Accounts and interest receivable | 618,005 |
| Loans receivable (Note 5) | 117,507 |
| Capital assets, net (Note 3) | |
| Nondepreciable | 6,485,959 |
| Depreciable, net of accumulated depreciation | 24,619,604 |
| Total Assets | 39,670,987 |
| LIABILITIES | |
| Accounts payable | 846,057 |
| Refundable customer deposits | 492,970 |
| Accrued compensated absences due within one year (Note 1F) | 91,215 |
| Total Liabilities | 1,430,242 |
| NET ASSETS (Note 6) | |
| Invested in capital assets | 31,105,563 |
| Restricted for: | |
| Special Revenue Projects | 4,372,337 |
| Unrestricted | 2,762,845 |
| Total Net Assets | \$38,240,745 |

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue | |
|-------------------------------|-----------------------|----------------------------|--|-----------------------------|--|
| | Operating Expenses | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Governmental Activities: | | | | | |
| General government | \$2,639,615 | \$471,731 | | \$38 | (\$2,167,846) |
| Parks and recreation | 267,548 | 154,997 | \$265,000 | | 152,449 |
| Town center facilities | 326,339 | 286,981 | | 156,130 | 116,772 |
| Public safety | 725,643 | | 101,083 | | (624,560) |
| Public works | 418,721 | | | 176,400 | (242,321) |
| Road impact fees | 51,563 | 156,336 | | | 104,773 |
| Total governmental activities | \$4,429,429 | \$1,070,045 | \$366,083 | \$332,568 | (2,660,733) |
| General Revenues: | | | | | |
| Property Tax Revenues | | | | | 1,771,411 |
| Agency Revenues | | | | | 539,024 |
| Franchise Fees | | | | | 225,498 |
| Utility User Tax | | | | | 723,214 |
| Investment Earnings | | | | | 47,527 |
| Miscellaneous Revenue | | | | | 22,990 |
| Total general revenues | | | | | 3,329,664 |
| Change in net assets | | | | | 668,931 |
| Net Assets, beginning of year | | | | | 37,571,814 |
| Net Assets, end of year | | | | | \$38,240,745 |

See accompanying notes to financial statements

This Page Left Intentionally Blank

FUND FINANCIAL STATEMENTS

The Fund Financial Statements present only individual major funds, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

TOWN OF PORTOLA VALLEY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

| | General | Open Space Restricted | Road Impact Fees | Measure A |
|--|--------------------|--------------------------|------------------------|------------------|
| ASSETS | | | | |
| Cash and investments (Note 2) | \$2,449,901 | \$2,693,032 | \$1,272,812 | \$171,432 |
| Restricted cash - customer deposits (Note 2) | 492,970 | | | |
| Accounts and interest receivable | 437,089 | 21,643 | 1,622 | 19,245 |
| Due from other funds (Note 4) | 19,600 | | | |
| Loans receivable (Note 5) | 117,507 | | | |
| Total Assets | \$3,517,067 | \$2,714,675 | \$1,274,434 | \$190,677 |
| LIABILITIES | | | | |
| Accounts payable | \$170,037 | | \$492,103 | \$177,750 |
| Refundable deposits | 492,970 | | | |
| Due to other funds (Note 4) | | | | |
| Total Liabilities | 663,007 | | 492,103 | 177,750 |
| FUND BALANCES (Note 6) | | | | |
| Reserved for: | | | | |
| Loans receivable | 117,507 | | | |
| Open space | | \$2,714,675 | | |
| Donated stock | 319,000 | | | |
| Unreserved, designated for: | | | | |
| Open space | 377,499 | | | |
| Children's theater | 2,660 | | | |
| Historic museum fund | 2,879 | | | |
| Designated for other | 100,000 | | | |
| Unreserved, undesignated reported in: | | | | |
| General fund | 1,934,515 | | | |
| Special revenue fund | | | 782,331 | 12,927 |
| Capital project fund | | | | |
| Total Fund Balances | 2,854,060 | 2,714,675 | 782,331 | 12,927 |
| Total Liabilities and Fund Balances | \$3,517,067 | \$2,714,675 | \$1,274,434 | \$190,677 |

See accompanying notes to financial statements

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$749,765 | \$7,336,942 |
| 138,406 | 492,970 |
| 138,406 | 618,005 |
| 138,406 | 19,600 |
| 138,406 | 117,507 |
| <u>\$888,171</u> | <u>\$8,585,024</u> |
| \$6,167 | \$846,057 |
| 19,600 | 492,970 |
| 19,600 | 19,600 |
| <u>25,767</u> | <u>1,358,627</u> |
| | 117,507 |
| | 2,714,675 |
| | 319,000 |
| | 377,499 |
| | 2,660 |
| | 2,879 |
| | 100,000 |
| | 1,934,515 |
| 718,379 | 1,513,637 |
| 144,025 | 144,025 |
| <u>862,404</u> | <u>7,226,397</u> |
| <u>\$888,171</u> | <u>\$8,585,024</u> |

TOWN OF PORTOLA VALLEY
RECONCILIATION OF THE
GOVERNMENTAL FUNDS BALANCE SHEET
TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund Balances - Total Governmental Funds **\$7,226,397**

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

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds:

| | | |
|--------------------------------|--------------------|------------|
| Governmental capital assets | \$32,955,707 | |
| Less: accumulated depreciation | <u>(1,850,144)</u> | 31,105,563 |

Long-term liabilities are not due
and payable in the current period
and therefore are not reported in the funds

| | | |
|----------------------|-----------------|-----------------|
| Compensated absences | <u>(91,215)</u> | <u>(91,215)</u> |
|----------------------|-----------------|-----------------|

Net Assets of Governmental Activities **\$38,240,745**

See accompanying notes to financial statements

This Page Left Intentionally Blank

TOWN OF PORTOLA VALLEY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

| | General Fund | Open Space Restricted | Road Impact Fees | Measure A |
|--|--------------------|--------------------------|---------------------|-----------------|
| REVENUES | | | | |
| Taxes | | | | |
| Property taxes | \$1,771,411 | | | |
| Sales tax | 97,825 | | | \$189,937 |
| Gas tax | | | | |
| Business license tax and other taxes | 97,756 | | | |
| Total taxes | <u>1,966,992</u> | | | <u>189,937</u> |
| Agency revenues | 18,975 | | | |
| Grants | | | | |
| Contributions | 39,036 | \$3,230 | | |
| Franchise fees | 225,498 | | | |
| Utility users tax | 500,684 | 222,530 | | |
| Licenses and permits | 370,561 | | | |
| Service charges and fees | 101,170 | | \$156,336 | |
| Parks and recreation | 345,485 | | | |
| Investment and other revenues | 250,347 | 17,345 | 8,267 | 740 |
| Total Revenues | <u>3,818,748</u> | <u>243,105</u> | <u>164,603</u> | <u>190,677</u> |
| EXPENDITURES | | | | |
| General government | 2,636,141 | | | |
| Parks and recreation | 235,810 | | | |
| Town center facilities | 78,085 | | | |
| Public safety | 611,804 | | | |
| Public works | 2,858 | | | |
| Road impact fees | | | 51,563 | |
| Capital improvement program | 362,086 | | 410,763 | 177,750 |
| Total Expenditures | <u>3,926,784</u> | | <u>462,326</u> | <u>177,750</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(108,036)</u> | <u>243,105</u> | <u>(297,723)</u> | <u>12,927</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in (Note 4) | | 89,495 | | |
| Transfers (out) (Note 4) | (182,390) | | | |
| Total Other Financing Sources (Uses) | <u>(182,390)</u> | <u>89,495</u> | | |
| NET CHANGE IN FUND BALANCES | <u>(290,426)</u> | <u>332,600</u> | <u>(297,723)</u> | <u>12,927</u> |
| FUND BALANCES, BEGINNING OF YEAR | <u>3,144,486</u> | <u>2,382,075</u> | <u>1,080,054</u> | |
| FUND BALANCES, END OF YEAR | <u>\$2,854,060</u> | <u>\$2,714,675</u> | <u>\$782,331</u> | <u>\$12,927</u> |

See accompanying notes to financial statements

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| | \$1,771,411 |
| \$9,742 | 297,504 |
| 124,789 | 124,789 |
| | 97,756 |
| <u>134,531</u> | <u>2,291,460</u> |
| | 18,975 |
| 277,483 | 277,483 |
| | 42,266 |
| | 225,498 |
| | 723,214 |
| | 370,561 |
| | 257,506 |
| | 345,485 |
| <u>269,213</u> | <u>545,912</u> |
| <u>681,227</u> | <u>5,098,360</u> |
| | 2,636,141 |
| | 235,810 |
| | 78,085 |
| 112,405 | 724,209 |
| 217,684 | 220,542 |
| | 51,563 |
| <u>329,000</u> | <u>1,279,599</u> |
| <u>659,089</u> | <u>5,225,949</u> |
| <u>22,138</u> | <u>(127,589)</u> |
| 92,895 | 182,390 |
| | (182,390) |
| <u>92,895</u> | |
| <u>115,033</u> | <u>(127,589)</u> |
| <u>747,371</u> | <u>7,353,986</u> |
| <u><u>\$862,404</u></u> | <u><u>\$7,226,397</u></u> |

TOWN OF PORTOLA VALLEY
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN THE FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

| | | |
|--|------------------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | | (\$127,589) |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | |
| <p>Capital outlay is an expenditure in the government funds financial statement, but the cost of those assets is allocated over their estimated useful lives as depreciation expense in the statement of activities.</p> | | |
| Capital outlay | \$1,279,599 | |
| Depreciation expense | <u>(674,513)</u> | 605,086 |
| Net change in retention payable | | 191,707 |
| Net change in compensated absences | | <u>(273)</u> |
| Change in Net Assets of Governmental Activities | | <u><u>\$668,931</u></u> |

See accompanying notes to financial statements

AGENCY FUNDS

Agency funds are used to account for assets held by the Town as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity – wide financial statements, but are presented in separate Agency Fund financial statements.

TOWN OF PORTOLA VALLEY
AGENCY FUNDS
STATEMENT OF AGENCY FUNDS NET ASSETS
JUNE 30, 2010

| | <u>Agency Funds</u> |
|----------------------------------|-------------------------|
| ASSETS | |
| Cash and investments (Note 2) | \$220,976 |
| Accounts and interest receivable | <u>29,519</u> |
| Total Assets | <u><u>\$250,495</u></u> |
| LIABILITIES | |
| Deposits and accrued liabilities | <u>\$250,495</u> |
| Total Liabilities | <u><u>\$250,495</u></u> |

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of accounting policies of the Town:

A. Reporting Entity

The Town of Portola Valley (the Town) was incorporated on July 14, 1964 under the laws of the State of California. Portola Valley operates under a Council-Manager form of government. The Town provides a full range of municipal services to its citizens including public safety, culture, recreation, public improvements, planning and zoning, and general administrative support. These financial statements present the financial status of the Town.

B. Basis of Presentation

The Town's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall Town government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Major Funds

The Town's major governmental funds are presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Town may also select other funds it believes should be presented as major funds.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reported the following major governmental funds in the accompanying financial statements:

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

Open Space Restricted Fund is a major fund of the Town. Through the years, residents and others have raised funds to preserve some 100 acres of open space within the Town's boundaries. Several fund-raising committees have worked at various times to achieve this goal, culminating in today's Open Space Acquisition Fund (PVOSAF). This fund, overseen by the Town Council, is composed of monies accrued from a special 2% utility tax approved by the voters in 1997, 2001, 2005, 2009 and from private donations. It can be used for the acquisition and support of open space within the Town. Private donations are generally in the form of tax-deductible checks or appreciated securities.

Road Impact Fees is used to account for the recovery of road repair costs from building permit applicants due to road wear and tear from construction vehicles. Collection of this fee was suspended in February 2010.

Measure A is used to account for the half-cent County sales tax revenue restricted for the improvement of local transportation, including streets and roads for the recovery of road repair costs from building permit applicants due to road wear and tear from construction vehicles.

The Town also reports the following fund types:

Fiduciary Funds. Agency Funds are used to account for assets held by the Town as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds financial statements are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 45 to 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Those revenues susceptible to accrual are property tax, sales tax, utility user tax, interest revenue and franchise fees. Fines, licenses and permits are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Town may fund programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

E. Property Taxes

County tax assessments include secured and unsecured property taxes. Unsecured taxes are taxes on personal property. Tax assessments are secured by liens on the property being taxed.

Revenue is recognized in the period for which the tax and assessment is levied. The County of San Mateo levies, bills and collects property taxes for the Town. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

Secured and unsecured property taxes are levied on January 1. Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

F. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation, compensation time and overtime. Upon termination, 100% of vacation leave will be paid. The Town records a liability for unpaid compensated absences.

The changes of the compensated absences are as follows:

| | |
|-------------------|------------------------|
| Beginning balance | \$90,942 |
| Additions | 88,258 |
| Payments | <u>(87,985)</u> |
| Ending balance | <u><u>\$91,215</u></u> |

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated sick leave benefits are not recognized as liabilities of the Town. The Town's policy is to record sick leave as an operation expense in the period taken since such benefits do not vest nor is payment probable.

For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

G. *Deferred Compensation Plan*

Town employees may defer a portion of their compensation under Town sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The laws governing deferred compensation plan assets required them to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the Town's property and are not subject to the Town control, they have been excluded from these financial statements.

H. *Expenditures in Excess of Budget*

The funds below incurred expenditures in excess of their budgets in the amounts below for the year ended June 30, 2010:

| | |
|------------------------------|----------|
| General Fund | \$51,493 |
| Gas Tax Special Revenue Fund | 166,684. |

NOTE 2 - CASH AND INVESTMENTS

The Town pools cash from all sources and all funds so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. *Policies*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Town's cash on deposit or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Town's name and places the Town ahead of general creditors of the institution.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 2 - CASH AND INVESTMENTS (Continued)

The Town's investments are carried at fair value, as required by the generally accepted accounting principles. The Town adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as follows:

| | |
|--|-------------|
| Statement of Net Assets: | |
| Cash and Investments | \$7,336,942 |
| Restricted cash and investments | 492,970 |
| Cash and investments of the Town | 7,829,912 |
| Cash and investments in Fiduciary Funds (separate statement) | 220,976 |
| Total cash and investments | \$8,050,888 |

C. Investments Authorized by the California Government Code and the Town's Investment Policy

The Town's Investment Policy and the California Government Code allow the Town to invest in the following, provided the credit ratings of the issuers are acceptable to the Town; and approved percentages and maturities are not exceeded.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|---|------------------|---------------------------------|----------------------------------|
| U.S. Treasury Obligations | 5 years | None | None |
| Negotiable Certificates of Deposits | 5 years | 30% | None |
| County Pooled Investment Funds | N/A | None | None |
| Joint Powers Authority Pool | N/A | None | None |
| California Local Agency Investment Fund | N/A | None | \$40 million |
| Town of Portola Valley Issued Bonds | 5 years | None | None |

The Town does not enter into repurchase or reverse repurchase agreements.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates will be.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 2 - CASH AND INVESTMENTS (Continued)

Information on the fair values of the Town's cash and investments at June 30, 2010, is provided by the following table:

| | Cash and Investments | Restricted Cash and Investments | Total |
|---|-------------------------|---------------------------------------|--------------------|
| California Local Agency Investment Fund | \$6,925,482 | \$492,970 | \$7,418,452 |
| Common stocks | 319,000 | | 319,000 |
| Cash in Bank | | | |
| Checking Account | 311,936 | | 311,936 |
| Cash on Hand | 1,500 | | 1,500 |
| | <u>\$7,557,918</u> | <u>\$492,970</u> | <u>\$8,050,888</u> |
| Total cash and investments | <u>\$7,557,918</u> | <u>\$492,970</u> | <u>\$8,050,888</u> |

As of June 30, 2010, the Town had recorded a total of \$319,000 of donated common stocks. The common stocks are traded over the counter. The value of the common stocks has been volatile with its price ranging from about \$2.11 per share to about \$6.07 per share over the last 52 weeks from October 2009 to October 2010. The Town receives monthly statements indicating the current value of the stocks and will attempt to liquidate when the stock reaches an appropriate value. At June 30, 2010, the Town has reserved fund balance for the amount of the donated common stock because the common stocks do not represent currently available, spendable resources.

The Town is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Town reports its investment in LAIF at the fair value amount provided by LAIF. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2010, these investments matured in an average of 203 days.

E. Credit Risk

Credit Risk is the risk that an issuer will not fulfill its obligation to the holder of the investment. The Town invests in the California Local Agency Investment Fund, which is not rated.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CAPITAL ASSETS

The Town defines capital assets as assets with an initial cost generally of \$5,000 or more and an estimated useful life in excess of two years except for land which is always capitalized and buildings, land improvements and infrastructure which have a \$25,000 capitalization threshold.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

The Town is required to record all its public domain (infrastructure) capital assets. The Town has elected to prospectively record its infrastructure placed into service beginning in fiscal year 2004, including roads, curbs and gutters, streets and sidewalks, and drainage systems.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Town has assigned the useful lives listed below to capital assets:

| <u>Asset Class</u> | <u>Useful Lives</u> |
|----------------------------|---------------------|
| Infrastructure | 50 years |
| Improvements other than | 35 years |
| Buildings and Improvements | 20 - 50 years |
| Equipment | 5 - 20 years |

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital asset activity during the fiscal year ended June 30, 2010 was as follows:

| | Balance <u>June 30, 2009</u> | <u>Additions</u> | Balance <u>June 30, 2010</u> |
|--|---------------------------------|------------------|---------------------------------|
| Governmental Activities | | | |
| Capital assets not being depreciated: | | | |
| Land | \$6,485,959 | | \$6,485,959 |
| Total capital assets not being depreciated | <u>6,485,959</u> | | <u>6,485,959</u> |
| Capital assets being depreciated: | | | |
| Infrastructure | 2,884,984 | \$1,007,918 | 3,892,902 |
| Land improvements | 2,569,058 | 58,087 | 2,627,145 |
| Buildings and improvements | 19,538,869 | 213,594 | 19,752,463 |
| Equipment | 197,238 | | 197,238 |
| Total capital assets being depreciated | <u>25,190,149</u> | <u>1,279,599</u> | <u>26,469,748</u> |
| Less accumulated depreciation for: | | | |
| Infrastructure | (461,551) | (198,179) | (659,730) |
| Land improvements | (381,323) | (72,984) | (454,307) |
| Buildings and improvements | (195,389) | (392,913) | (588,302) |
| Equipment | (137,368) | (10,437) | (147,805) |
| Total accumulated depreciation | <u>(1,175,631)</u> | <u>(674,513)</u> | <u>(1,850,144)</u> |
| Total depreciable assets, net | <u>24,014,518</u> | <u>\$605,086</u> | <u>24,619,604</u> |
| Capital assets, net | <u>\$30,500,477</u> | | <u>\$31,105,563</u> |

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program is as follows:

| | |
|--------------------------------|------------------|
| Governmental Activities | |
| General Government | \$3,201 |
| Parks and Recreation | 31,738 |
| Town Center Facilities | 439,961 |
| Public Safety | 1,434 |
| Public Works | <u>198,179</u> |
| Total Governmental Activities | <u>\$674,513</u> |

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. As of June 30, 2010, the Grants Special Revenue Fund owes the General Fund \$19,600.

B. Transfers

With Council approval, resources may be transferred from one Town fund to another. The purpose of the majority of transfers is to finance operations of the fund receiving the transfer. Less often, a transfer may be made to open or close a fund.

Transfers between individual funds during the fiscal year ended June 30, 2010 are shown below. These transfers were generally made to reimburse the receiving fund for expenditures made on behalf of the fund making the transfer.

| <u>Fund Making Transfers</u> | <u>Fund Receiving Transfers</u> | <u>Amount</u> |
|------------------------------|--|-------------------|
| General Fund | Open Space Restricted Special Revenue Fund | \$89,495 (A) |
| General Fund | Gas Tax Special Revenue Fund | <u>92,895 (B)</u> |
| | | <u>\$182,390</u> |

Purpose of transfer:

(A) General Fund transfer of revenue from the annual barbeque fundraising net proceeds

(B) Annual transfer from General Fund to Gas Tax Fund.

NOTE 5 – LOAN RECEIVABLE

In fiscal year 2007, the Town issued a loan to Wayside II Road Maintenance District for the amount of \$198,000 to maintain the private roads within the Wayside Road area of the Town. The loan was scheduled to be paid off before the end of fiscal year 2017. The District repays the Town on annual basis and the interest rate varies in each fiscal year based on quarterly LAIF statements. As of June 30, 2010, the remaining balance of the loan is \$117,507.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 6 – NET ASSETS AND FUND BALANCES

A. Net Assets

Net Assets are measured on the full accrual basis and are the excesses of all the Town’s assets over all its liabilities, regardless of fund. Net Assets are divided into three captions which are determined only at the Government-wide level, and are described below:

Invested in Capital Assets describes the portion of Net Assets which is represented by the current net book value of the Town’s capital assets, less the outstanding balance of any retention payables.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Town cannot unilaterally alter.

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

B. Fund Balances, Reserves and Designations

Governmental fund balance is measured on the modified accrual basis and represents the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. Reserves also reflect assets which are not spendable such as prepaids. The Town cannot modify or remove these restrictions or reserves.

Reserved for donated stock represents the portions of fund balance equivalent to the amount of donated stock that do not represent current available spendable resources, even though they are component of assets.

C. Fund Deficit

As of June 30, 2010 the following fund had a fund deficit, which is expected to be eliminated by future revenues:

| Fund | Amount |
|-----------------------------|----------|
| Grants Special Revenue Fund | \$19,600 |

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - PERS PENSION PLAN

CALPERS Miscellaneous Employees Plan

Substantially all Town employees are eligible to participate in the pension plan offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Town's employees participate in the Miscellaneous Employee Plan. Benefit provisions under the Plan are established by State statute and Town resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CALPERS; the Town must contribute these amounts. The Plan provisions and benefits in effect at June 30, 2010, are summarized as follows:

| | <u>Miscellaneous</u> |
|---|----------------------|
| Benefit vesting schedule | 5 years service |
| Benefit payments | Monthly for life |
| Retirement age | 55 |
| Monthly benefits, as a % of annual salary | 1.426% - 2.418% |
| Required employee contribution rates | 7% |
| Required employer contribution rates | 13.075% |

The Town pays employee contributions as well as its own.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Town's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The Town uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation rate at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - PERS PENSION PLAN (Continued)

The Town uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------|---------------------------|-------------------------------|------------------------|
| 2008 | \$189,875 | 100% | \$0 |
| 2009 | 223,691 | 100% | \$0 |
| 2010 | 222,739 | 100% | \$0 |

The latest available actuarial values of the above State-wide pools (which differs from market value) and funding progress were set forth as follow. The information presented below relates to the State-wide pools as a whole, of which the Town is one of the participating employers:

State-wide Pool Miscellaneous Plan:

| Actuarial | | | | | | |
|--------------------------|-----------------------------|-----------------|---------------------------------|--------------|------------------------|--|
| Actuarial Valuation Date | Entry Age Accrued Liability | Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | (Overfunded) Liability as % of Payroll |
| 2006 | \$2,754,396,608 | \$2,492,226,176 | \$262,170,432 | 90.5% | \$699,897,835 | 37.5% |
| 2007 | 2,611,746,790 | 2,391,434,447 | 220,312,343 | 91.6% | 665,522,859 | 33.1% |
| 2008 | 2,780,280,768 | 2,547,323,278 | 232,957,490 | 91.6% | 688,606,681 | 33.8% |

The City's Miscellaneous Plan represents approximately 0.14%, 0.13%, 0.11% of the State-wide pool for the years ended June 30, 2008, 2007, 2006, respectively, based on covered payroll of \$950,809, \$859,938, and \$735,581 for those years.

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 8 - RISK MANAGEMENT

The Town participates in the following public entity risk pools; other risks are covered by commercial insurance.

A. Liability Coverage

ABAG Plan Corporation (ABAG Plan) covers general liability claims in an amount of \$5,000,000 per occurrence. The Town has a deductible or uninsured liability of up to \$25,000 per claim. Once the Town's deductible is met, the ABAG Plan becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2010, the Town contributed \$33,325 for current year coverage.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 8 RISK MANAGEMENT (Continued)

ABAG Plan pool is governed by a board consisting of representatives from member municipalities. The board controls the operations, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board.

Financial statements for ABAG Plan may be obtained from ABAG, P.O. Box 2050, Oakland, California, 94604-2050.

B. *Workers Compensation Coverage*

The State Compensation Insurance Fund covers workers compensation claims up to \$200,000 for each claim and has coverage above that limit to a maximum of \$1,000,000. The Town has no deductible for these claims. During the fiscal year ended June 30, 2010, the Town contributed \$30,436 for current year coverage.

C. *Liability for Uninsured Claims*

The Town has retained the risk for the deductible or uninsured portion of general liability claims. The Town's liability for uninsured claims at June 30, 2010 is believed by management to be nil based on the absence of any asserted claims.

NOTE 9 - JOINT POWERS AGREEMENT

A. *C/CAG*

The Town participates in the City/County Association of Governments of San Mateo County (C/CAG), which is governed by a board consisting of a representative from each member. The board controls the operations of C/CAG, including selection of management and approval of operating budgets, independent of any influence by each member beyond member representation on the Board.

C/CAG was established under a 1990 Joint Exercise of Powers Agreement between the Town, San Mateo County and a majority of cities within San Mateo County for the purpose of developing State mandated plans such as an integrated waste management plan. The Town makes annual nonrefundable contributions to C/CAG which are used along with other member contributions to finance C/CAG operations. Audited financial statements may be obtained from the Town of San Carlos, 666 Elm Street, San Carlos, CA, 94070. The Town's payments to C/CAG during the year totaled \$11,637. The Town's share of year-end assets, liabilities, or fund equity has not been calculated by C/CAG.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2010

NOTE 9 - JOINT POWERS AGREEMENT (Continued)

B. San Mateo County Free Library Systems

The Town is a participant with the County of San Mateo in the San Mateo County Free Library System (the Library System), a joint powers agency created to provide extended library services to the residents of the Town and the County. The Agency is governed by a 12-member board made up of a representative from each participating City or Town. The Agency shall continue, uninterrupted, until two thirds of the members vote to terminate the Agency. However, an individual member can terminate its membership with a six-month notice. Upon individual member termination, the member would not be entitled to the return of any funds contributed to the Joint Powers Agency nor to the return in cash or in kind of any materials or supplies contributed. Upon full termination of the Joint Powers Agency the member would receive any surplus money on hand proportionate to its contribution to the joint Powers Agency. However, all property acquired by the Joint Powers Agency during the term of the agreement shall become the property of the County Free Library System. The Library System's financial statements can be obtained by contacting the San Mateo Library System, 25 Tower Road, San Mateo, California 94402.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town. Litigation outstanding in prior years has been settled without material cost to the Town.

| |
|---------------------------------|
| MAJOR GOVERNMENTAL FUNDS |
|---------------------------------|

The funds described below were determined to be Major Funds by the Town in fiscal year 2010. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

Accounts for all financial resources except those required to be accounted for in another fund.

OPEN SPACE RESTRICTED

Accounts for monies accrued from a special 2% utility tax approved by the voters in 1997, 2001, 2005, 2009 and from private donations. It can be used for the acquisition and support of open space within the Town. Private donations are generally in the form of tax-deductible checks or appreciated securities.

ROAD IMPACT FEES

Accounts for the recovery of road repair costs from building permit applicants due to road wear and tear from construction vehicles.

MEASURE A FUNDS

Accounts for the half-cent County sales tax revenue restricted for the improvement of local transportation, including streets and roads.

TOWN OF PORTOLA VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--|------------------------|---------------------|--------------------|------------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$1,814,650 | \$1,814,650 | \$1,771,411 | (\$43,239) |
| Sales tax | 158,700 | 158,700 | 97,825 | (60,875) |
| Business license tax and other taxes | 130,000 | 130,000 | 97,756 | (32,244) |
| Total Taxes | <u>2,103,350</u> | <u>2,103,350</u> | <u>1,966,992</u> | <u>(136,358)</u> |
| Franchise fees | 233,242 | 233,242 | 225,498 | (7,744) |
| Utility users tax | 555,810 | 555,810 | 500,684 | (55,126) |
| Agency revenues | 20,820 | 20,820 | 18,975 | (1,845) |
| Contributions | 103,000 | 103,000 | 39,036 | (63,964) |
| Licenses and permits | 276,317 | 276,317 | 370,561 | 94,244 |
| Service charges and fees | 55,970 | 55,970 | 101,170 | 45,200 |
| Parks and recreation | 311,000 | 311,000 | 345,485 | 34,485 |
| Investment and other revenues | 215,856 | 215,856 | 250,347 | 34,491 |
| Total Revenues | <u>3,875,365</u> | <u>3,875,365</u> | <u>3,818,748</u> | <u>(56,617)</u> |
| EXPENDITURES | | | | |
| General government | 2,684,594 | 2,677,229 | 2,636,141 | 41,088 |
| Parks and recreation | 185,158 | 185,158 | 235,810 | (50,652) |
| Town center facilities | 96,000 | 103,365 | 78,085 | 25,280 |
| Public safety | 610,939 | 610,939 | 611,804 | (865) |
| Public works | 8,600 | 8,600 | 2,858 | 5,742 |
| Capital improvement program | 290,000 | 290,000 | 362,086 | (72,086) |
| Total Expenditures | <u>3,875,291</u> | <u>3,875,291</u> | <u>3,926,784</u> | <u>(51,493)</u> |
| Excess (Deficiency) of Revenues Over Expenses | <u>74</u> | <u>74</u> | <u>(108,036)</u> | <u>(108,110)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | | | (182,390) | (182,390) |
| Total Other Financing Sources (Uses) | | | <u>(182,390)</u> | <u>(182,390)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$74</u> | <u>\$74</u> | <u>(290,426)</u> | <u>(\$290,500)</u> |
| Fund balance at beginning of year | | | <u>3,144,486</u> | |
| Fund balance at end of year | | | <u>\$2,854,060</u> | |

TOWN OF PORTOLA VALLEY
 OPEN SPACE RESTRICTED SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|--------------------------------------|--------------------|---|
| REVENUES | | | |
| Utility users tax | \$246,568 | \$222,530 | (\$24,038) |
| Contribution | 5,000 | 3,230 | (1,770) |
| Investment and other revenues | <u> </u> | <u>17,345</u> | <u>17,345</u> |
| Total Revenues | <u>251,568</u> | <u>243,105</u> | <u>(8,463)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | <u> </u> | <u>89,495</u> | <u>89,495</u> |
| Total Other Financing Sources | <u> </u> | <u>89,495</u> | <u>89,495</u> |
| Net change in fund balance | <u>\$251,568</u> | 332,600 | <u>\$81,032</u> |
| Fund balance at beginning of year | | <u>2,382,075</u> | |
| Fund balance at end of year | | <u>\$2,714,675</u> | |

TOWN OF PORTOLA VALLEY
ROAD IMPACT FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|----------------------------|-------------------------|------------------|---|
| REVENUES | | | | |
| Service charges and fees | \$155,031 | \$155,031 | \$156,336 | \$1,305 |
| Investment and other revenues | | | <u>8,267</u> | <u>8,267</u> |
| Total Revenues | <u>155,031</u> | <u>155,031</u> | <u>164,603</u> | <u>9,572</u> |
| EXPENDITURES | | | | |
| Road impact fees | | | 51,563 | (51,563) |
| Capital improvement program | <u>\$605,650</u> | <u>605,650</u> | <u>410,763</u> | <u>194,887</u> |
| Total Expenditures | <u>605,650</u> | <u>605,650</u> | <u>462,326</u> | <u>143,324</u> |
| Net change in fund balance | <u>(\$450,619)</u> | <u>(\$450,619)</u> | (297,723) | <u>\$152,896</u> |
| Fund balance at beginning of year | | | <u>1,080,054</u> | |
| Fund balance at end of year | | | <u>\$782,331</u> | |

TOWN OF PORTOLA VALLEY
 MEASURE A SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|--------------------|-----------------|-----------------|------------------------------------|
| REVENUES | | | | |
| Sales tax | \$177,750 | \$177,750 | \$189,937 | \$12,187 |
| Investment and other revenue | | | 740 | 740 |
| Total Revenues | <u>177,750</u> | <u>177,750</u> | <u>190,677</u> | <u>12,927</u> |
| EXPENDITURES | | | | |
| Capital improvement program | <u>\$177,750</u> | <u>177,750</u> | <u>177,750</u> | |
| Total Expenditures | <u>177,750</u> | <u>177,750</u> | <u>177,750</u> | |
| Net change in fund balance | | | <u>12,927</u> | <u>\$12,927</u> |
| Fund balance at beginning of year | | | | |
| Fund balance at end of year | | | <u>\$12,927</u> | |

TOWN OF PORTOLA VALLEY
Notes to Required Supplementary Information

The Town follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The Town Manager submits a proposed budget to the Finance Committee for review and approval.
2. The Town Manager then submits to the Town Council a recommended draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
3. The Town Council reviews the proposed budget at one of its regularly scheduled meetings which is open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
4. Prior to July 1, the budget is adopted through the passage of a resolution. All appropriations lapse at year end.
5. From the effective date of the budget, which is adopted and controlled by the Town Manager at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various Town activities. The Town Council may amend the budget by resolution during the fiscal year.
6. Capital Projects Funds are budgeted on a project length basis.

| |
|-------------------------------------|
| NON-MAJOR GOVERNMENTAL FUNDS |
|-------------------------------------|

SPECIAL REVENUE FUNDS:

PUBLIC SAFETY

Accounts for half-cent State sales tax revenue designated exclusively for local agency public safety services, (Sec. 35 of Art. XIII of California Constitution).

GAS TAX

Accounts for maintenance and repair for streets.

PUBLIC SAFETY COPS (Citizens' Options for Public Safety)

Accounts for the supplemental State law enforcement fund for special law and traffic enforcement.

LIBRARY FUND

Accounts for library service revenue from San Mateo County Library JPA that can only be used for library related activities.

CAPITAL PROJECTS FUNDS:

PARK-IN-LIEU

Accounts for the subdivision developer's fee that can only be used for parks or recreational purposes.

INCLUSIONARY-IN-LIEU

Accounts for the subdivision developer's fee, payable by fee or land that can only be used for affordable housing.

GRANTS

Accounts for grant activities.

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

| | Special Revenue Funds | | | |
|--------------------------------------|-----------------------|------------------|--------------------------|------------------|
| | Public Safety | Gas Tax | Public Safety COPS | Library Fund |
| ASSETS | | | | |
| Cash and investments | \$148,025 | 128,334 | \$28,899 | \$281,112 |
| Accounts and interest receivable | 982 | 11,833 | 9,965 | 115,396 |
| Total Assets | <u>\$149,007</u> | <u>\$140,167</u> | <u>\$38,864</u> | <u>\$396,508</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | | \$6,167 | | |
| Due to other funds | | | | |
| Total Liabilities | | <u>6,167</u> | | |
| FUND BALANCES | | | | |
| Unreserved, undesignated | <u>\$149,007</u> | <u>134,000</u> | <u>\$38,864</u> | <u>\$396,508</u> |
| Total Liabilities and Fund Balances | <u>\$149,007</u> | <u>\$140,167</u> | <u>\$38,864</u> | <u>\$396,508</u> |

Capital Projects Funds

| Park In-Lieu | Inclusionary In-Lieu | Grants | Totals |
|-----------------|-------------------------|-------------------|------------------|
| \$6,160 | \$157,235 | | \$749,765 |
| 9 | 221 | | 138,406 |
| <u>\$6,169</u> | <u>\$157,456</u> | | <u>888,171</u> |
| | | \$19,600 | \$6,167 |
| | | | 19,600 |
| | | 19,600 | 25,767 |
| <u>\$6,169</u> | <u>\$157,456</u> | <u>(\$19,600)</u> | <u>862,404</u> |
| <u>\$6,169</u> | <u>\$157,456</u> | | <u>\$888,171</u> |

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | Special Revenue Funds | | | |
|--|-----------------------|-----------|--------------------------|-----------------|
| | Public Safety | Gas Tax | Public Safety COPS | Library Fund |
| REVENUES | | | | |
| Taxes | | | | |
| Sales tax | \$9,742 | | | |
| Gas tax | | \$124,789 | | |
| Total taxes | 9,742 | 124,789 | | |
| Agency revenue | | | | |
| Grants | | | \$101,083 | |
| Investment and other revenues | 1,075 | | 59 | \$266,948 |
| Total Revenues | 10,817 | 124,789 | 101,142 | 266,948 |
| EXPENDITURES | | | | |
| General Government | | | | |
| Public safety | 13,269 | | 99,136 | |
| Public works | | 217,684 | | |
| Capital improvement program | | 133,000 | | |
| Total Expenditures | 13,269 | 350,684 | 99,136 | |
| Excess (Deficiency) of Revenues Over Expenses | (2,452) | (225,895) | 2,006 | 266,948 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | | 92,895 | | |
| Total Other Financing Sources (Uses) | | 92,895 | | |
| Net change in fund balances | (2,452) | (133,000) | 2,006 | 266,948 |
| Fund balances at beginning of year | 151,459 | 267,000 | 36,858 | 129,560 |
| Fund balances at end of year | \$149,007 | \$134,000 | \$38,864 | \$396,508 |

Capital Projects Funds

| <u>Park In-Lieu</u> | <u>Inclusionary In-Lieu</u> | <u>Grants</u> | <u>Totals</u> |
|-------------------------|---------------------------------|-------------------|------------------|
| | | | \$9,742 |
| | | | <u>124,789</u> |
| | | | <u>\$134,531</u> |
| | | \$176,400 | 277,483 |
| \$42 | \$1,089 | | <u>269,213</u> |
| 42 | 1,089 | 176,400 | <u>681,227</u> |
| | | | 112,405 |
| | | | 217,684 |
| | | 196,000 | <u>329,000</u> |
| | | 196,000 | <u>659,089</u> |
| 42 | 1,089 | (19,600) | <u>22,138</u> |
| | | | <u>92,895</u> |
| | | | <u>92,895</u> |
| 42 | 1,089 | (19,600) | 115,033 |
| 6,127 | 156,367 | | <u>747,371</u> |
| <u>\$6,169</u> | <u>\$157,456</u> | <u>(\$19,600)</u> | <u>\$862,404</u> |

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | PUBLIC SAFETY | | | GAS TAX | | |
|--|------------------|------------------|------------------------------------|-------------------|------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Taxes | | | | | | |
| Sales tax | \$10,600 | \$9,742 | (\$858) | | | |
| Gas tax | | | | \$90,205 | \$124,789 | \$34,584 |
| Total taxes | 10,600 | 9,742 | (858) | 90,205 | 124,789 | 34,584 |
| Agency revenue | | | | | | |
| Grants | | | | | | |
| Investment and other revenues | | 1,075 | 1,075 | | | |
| Total Revenues | 10,600 | 10,817 | 217 | 90,205 | 124,789 | 34,584 |
| EXPENDITURES | | | | | | |
| Public safety | 13,270 | 13,269 | 1 | | | |
| Public works | | | | 184,000 | 217,684 | (33,684) |
| Capital improvement program | | | | | 133,000 | (133,000) |
| Total Expenditures | 13,270 | 13,269 | 1 | 184,000 | 350,684 | (166,684) |
| Excess (Deficiency) of Revenues Over Expenses | (2,670) | (2,452) | 216 | (93,795) | (225,895) | 201,268 |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | | | | | 92,895 | |
| Total Other Financing Sources | | | | | 92,895 | |
| Net change in fund balances | <u>(\$2,670)</u> | <u>(2,452)</u> | <u>\$216</u> | <u>(\$93,795)</u> | <u>(133,000)</u> | <u>\$201,268</u> |
| Fund balances, beginning of Year | | 151,459 | | | 267,000 | |
| Fund balances, end of Year | | <u>\$149,007</u> | | | <u>\$134,000</u> | |

| PUBLIC SAFETY COPS | | | LIBRARY FUND | | | GRANTS | | |
|--------------------|-----------------|------------------------------|--------------|-----------|------------------------------|-----------|------------|------------------------------|
| Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| | | | | | | | | |
| \$100,000 | \$101,083 59 | \$1,083 59 | \$168,000 | \$266,948 | \$98,948 | \$196,000 | \$176,400 | (\$19,600) |
| 100,000 | 101,142 | 1,142 | 168,000 | 266,948 | 98,948 | 196,000 | 176,400 | (19,600) |
| 100,000 | 99,136 | 864 | | | | 196,000 | 196,000 | |
| 100,000 | 99,136 | 864 | | | | 196,000 | 196,000 | |
| | 2,006 | 278 | 168,000 | 266,948 | 98,948 | | (19,600) | (19,600) |
| | | | | | | | | |
| | 2,006 | \$278 | \$168,000 | 266,948 | \$98,948 | | (19,600) | (\$19,600) |
| | 36,858 | | | 129,560 | | | | |
| | \$38,864 | | | \$396,508 | | | (\$19,600) | |

This Page Left Intentionally Blank

| |
|---------------------|
| AGENCY FUNDS |
|---------------------|

Agency Funds are presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the Town as agent for individuals, governmental entities, and non-public organizations.

MAINTENANCE DISTRICTS

Accounts for all revenues and expenditures related to the maintenance districts.

PORTOLA VALLEY COMMUNITY FUND

This is a restricted fund for the sole purpose of receipt and expenditure of funds from the Portola Valley Community Fund, via the Peninsula Community Foundation (PVCF). Funds can only be spent for the fundraising expenses of the PVCF and the design, development and construction costs of the Town Center Project.

TOWN OF PORTOLA VALLEY
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | Balance June 30, 2009 | Additions | Deductions | Balance June 30, 2010 |
|--------------------------------------|--------------------------|------------------|------------------|--------------------------|
| <u>Maintenance Districts</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and investments | \$275,902 | \$85,870 | \$114,085 | \$247,687 |
| Accounts and interest receivable | 3,772 | | 964 | 2,808 |
| Total assets | <u>\$279,674</u> | <u>\$85,870</u> | <u>\$115,049</u> | <u>\$250,495</u> |
| <u>Liabilities</u> | | | | |
| Deposits and other liabilities | <u>\$279,674</u> | <u>\$85,870</u> | <u>\$115,049</u> | <u>\$250,495</u> |
| <u>Portola Valley Community Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and investments | \$155,191 | | \$181,902 | (\$26,711) |
| Accounts receivable | | \$26,711 | | 26,711 |
| Total assets | <u>\$155,191</u> | <u>\$26,711</u> | <u>\$181,902</u> | |
| <u>Liabilities</u> | | | | |
| Deposits and other liabilities | <u>\$155,191</u> | | <u>\$155,191</u> | |
| Total liabilities | <u>\$155,191</u> | | <u>\$155,191</u> | |
| <u>Total Agency Funds</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and investments | \$431,093 | \$85,870 | \$295,987 | \$220,976 |
| Accounts and interest receivable | 3,772 | 26,711 | 964 | 29,519 |
| Total assets | <u>\$434,865</u> | <u>\$112,581</u> | <u>\$296,951</u> | <u>\$250,495</u> |
| <u>Liabilities</u> | | | | |
| Deposits and other liabilities | <u>\$434,865</u> | <u>\$85,870</u> | <u>\$270,240</u> | <u>\$250,495</u> |