

**TOWN OF PORTOLA VALLEY**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2011**

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**TOWN OF PORTOLA VALLEY**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2011**  
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**Basic Financial Statements**  
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**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, 2011, 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, 2011, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6, the Town implemented the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

September 9, 2011

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## **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, 2011. Please read it in conjunction with the accompanying financial statements.

### **FINANCIAL HIGHLIGHTS:**

- The Town's net assets decreased by less than 0.1% to \$38,195,948. This was due entirely to the continued devaluation of the stock donation received by the Town in 2008. As of September 30, 2011 and as recorded in these financial statements, the stock was valued at \$83,000, which is a \$236,000 drop from the prior fiscal year's valuation of \$319,000. (pages 6 and 13)
- The General Fund's *unassigned* fund balance (formerly classified as *unreserved and undesignated*) increased by 6% to \$2,051,317. However, the devaluated stock ultimately resulted in a net decrease to the General Fund of \$146,532, with an ending fund balance of \$2,707,528. (pages 17 and 20)
- The Town's total funds reported combined ending fund balances of \$6,832,781, a 5.5% decrease over the previous year. Per new GASB-54 classification guidelines, \$173,173 of this amount is considered *non-spendable* in that it is made up of a stock donation and a loan receivable. The balance of \$6.6 million is composed of *restricted, assigned, and unassigned* funds and is therefore available to finance government operations in accordance with the funds' intended purposes. (pages 16-17 and 20-22)
- The Town's total liabilities increased by 54% to \$2.2 million. This increase is due entirely to the large refundable deposit held on account by the Town for payment of expenditures related to the Stanford C-1 trail. (page 12)
- The Town's capital assets increased by 1% to \$31.5 million, with zero related long-term liability. (pages 9 and 12)

### **OVERVIEW OF THE FINANCIAL STATEMENTS:**

With the implementation of Governmental Accounting Standards Board No. 34 (GASB 34), the Town's financial statements 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 12) and the Statement of Activities (page 13) 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 16 and 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, and Road Impact Fees 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. With the implementation of GASB-54 in 2011, the usefulness of fund balance information has been enhanced by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In the case of the Town's statements, fund balances within the General Fund that were formerly classified as "designated" by the Council are now reclassified as "assigned" fund balances. In the case of the Town's loan receivable and the stock donation, these have now been reclassified as "nonspendable" fund balance.

### **Notes to Basic Financial Statements**

The notes (pages 25-39) 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 41-44) including the Town's budgetary comparison schedules for the General, Open Space Restricted, and Road Impact Fee funds.

### **Supplementary Information**

Supplementary schedules (pages 47-56) 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) 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 \$38,195,948, a decrease of \$44,797 from the prior year.

The following is the condensed Statement of Net Assets for the fiscal year ended 6/30/2011.

Town of Portola Valley  
 Condensed Statement of Net Assets

	Fiscal Year Ended		Change	
	6/30/2011	6/30/2010	Amount	Percent
<b>Assets:</b>				
Current Assets	\$ 8,947,316	\$ 8,565,424	\$ 381,892	4.5%
Capital Assets, Net	31,455,744	31,105,563	350,181	1.1%
<b>Total Assets</b>	<b>40,403,060</b>	<b>39,670,987</b>	<b>732,073</b>	<b>1.8%</b>
<b>Liabilities:</b>				
Current Liabilities	432,395	846,057	(413,662)	-48.9%
Long-term Liabilities	1,774,717	584,185	1,190,532	203.8%
<b>Total Liabilities</b>	<b>2,207,112</b>	<b>1,430,242</b>	<b>776,870</b>	<b>54.3%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	31,455,744	31,105,563	350,181	1.1%
Restricted	4,125,253	4,372,337	(247,084)	-5.7%
Unrestricted	2,614,951	2,762,845	(147,894)	-5.4%
<b>Total Net Assets</b>	<b>\$ 38,195,948</b>	<b>\$ 38,240,745</b>	<b>\$ (44,797)</b>	<b>-0.1%</b>

The Town's *Current Assets* of \$8.9 million represents readily available cash, a loan receivable, and the valuation of a stock donation. *Total Liabilities* of \$2.2 million represent 5.5% of the *Total Assets*.

The Town has \$4.1 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, safety and open space. Further information on these restricted assets is provided in the discussion of the fund financial statements. The \$2.6 million in unrestricted assets represents funds that are not restricted by law; however \$483,038 of these funds remain assigned by the Town for special programs.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (cont.)

### Statement of Activities

The following is the condensed Statement of Activities for the fiscal year ended 6/30/2011, along with comparative data for the previous fiscal year ending 6/30/2010.

Town of Portola Valley  
 Condensed Statement of Activities

	Fiscal Year Ended		Change	
	6/30/2011	6/30/2010	Amount	Percent
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 793,344	\$ 1,070,045	\$ (276,701)	-25.9%
Grants and Contributions	369,787	698,651	(328,864)	-47.1%
General Revenues:				
Property Taxes	1,915,773	1,771,411	144,362	8.1%
Agency Revenues	601,305	539,024	62,281	11.6%
Franchise Fees	238,848	225,498	13,350	5.9%
Utility Users Tax	753,927	723,214	30,713	4.2%
Investment Earnings	(203,138)	47,527	(250,665)	-527.4%
Miscellaneous	129,518	22,990	106,528	463.4%
Total Revenues	<u>4,599,364</u>	<u>5,098,360</u>	<u>(498,996)</u>	-9.8%
<b>Expenses:</b>				
General Government	2,623,184	2,639,615	(16,431)	-0.6%
Parks and Recreation	241,792	267,548	(25,756)	-9.6%
Town Center Facilities	573,718	326,339	247,379	75.8%
Public Safety	797,972	725,643	72,329	10.0%
Road Impact Fees	5,550	51,563	(46,013)	-89.2%
Public Works	401,945	418,721	(16,776)	-4.0%
Total Expenses	<u>4,644,161</u>	<u>4,429,429</u>	<u>214,732</u>	4.8%
Change in Net Assets	(44,797)	668,931	(713,728)	-106.7%
Net Assets - Beginning	<u>38,240,745</u>	<u>37,571,814</u>	<u>668,931</u>	1.8%
Net Assets - Ending	<u>\$ 38,195,948</u>	<u>\$ 38,240,745</u>	<u>\$ (44,797)</u>	-0.1%

This year, the Town's net assets decreased slightly to \$38,195,948. The primary reason for this decrease is the continued devaluation of the stock donation, with a net loss of \$236,000 during the fiscal year.

This year, 17% of the Town's revenues came from *Charges for Services*. Tax revenues of \$2.8 million (Property Taxes, Franchise Fees, Utility Users' Tax) made up 63% of the Town's revenues, and Agency Revenues (intergovernmental revenues) made up 13%.

*General Government* expenses of \$2.6 million represent 56% of the Town's operating expenses, with *Public Safety* the second largest expense at 17% of total expenses.

## FUND FINANCIAL STATEMENT ANALYSIS

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

At year-end the Town's governmental funds reported combined fund balances of \$6,832,781. The following fund balances can only be used for their specified purpose *within the General Fund*; the assigned fund balances can be reassigned at the Council's discretion:

- Assigned for open space acquisition \$ 377,499
- Assigned for other purposes 105,539
- Stock donation (non-spendable) 83,000

The Town has at its discretion \$6.7 million for future use. Of this amount \$2.1 million is unassigned within the General Fund and therefore available for any purpose. The remainder of \$4.1 million in restricted funds can only be used for projects within the intended purpose of the funds.

### Fund Budgetary Highlights

The Town's overall adopted budget for 2010-11 was balanced at \$6.1 million, with the General Fund portion of the budget balanced at \$3.8 million.

Due to the continued decline in the stock donation's valuation and the cancellation of the Blues & Barbecue event, General Fund revenues were \$304,912 less than the final budget estimate. However, it is noteworthy that tax-based revenues were 2% over budget, with sales tax revenues a remarkable 45% over budget. Another positive indicator is that the Town's licenses, permits, service charges and fees were also 14% higher than budgeted.

Total expenditures for the General Fund were \$183,538 less than the original budget, with actual expenditures less than the adopted and final budgets in every category. Due to the cancellation of both Blues & Barbecue and the Town Picnic, expenditures in *Committees and Commissions* were \$50,000 less than budgeted. Expenditures for the Town Attorney and the ongoing Permits & Fees Study contributed to expenditures being \$78,000 less than budgeted in the *Consultants Services* category.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2011, the Town had \$31.4 million invested primarily in buildings and land, as summarized below. During the year the Town acquired over \$1 million in capital assets. This included design and construction expenditures for the C-1 trail and the annual road project. Additional information on the Town's capital assets can be found in Note 3 on pages 31-33 of this report.

Condensed Statement of Capital Assets

	Fiscal Year Ended		Change	
	6/30/2011	6/30/2010	Amount	Percent
Land	\$ 6,485,959	\$ 6,485,959	\$ -	0%
Construction in Progress	\$ 200,238	\$ -	200,238	
Land improvements	2,627,145	2,627,145	-	0%
Buildings	19,752,463	19,752,463	-	0%
Equipment	197,238	197,238	-	0%
Infrastructure	4,756,792	3,892,902	863,890	22%
<b>Total Capital Assets</b>	<b>34,019,835</b>	<b>32,955,707</b>	<b>1,064,128</b>	<b>3%</b>
Accumulated Depreciation	(2,564,091)	(1,850,144)	(713,947)	39%
<b>Total Net Capital Assets</b>	<b>\$ 31,455,744</b>	<b>\$ 31,105,563</b>	<b>\$ 350,181</b>	<b>1%</b>

### Long-Term Debt

The Town has \$92,577 in the long-term liability of compensated absences, with no new debt incurred during the fiscal year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As these financial statements were being prepared, California counties received their distribution of COPS (Citizens' Options for Public Safety) funding from the State. NOTE: The funding of this program was in unresolved jeopardy throughout the State's budget process and was therefore omitted from the Town's 2011-12 budget. A budget amendment has since been completed to restore this funding to the Town's adopted budget.

In addition to the \$100,000 annual COPS grant, the Town continues to use funds from the General Fund and Public Safety funds to supplement the cost of *Additional Traffic Patrols*. As the cost for this service continue to rise and additional reserve funds from the Public Safety fund are tapped to meet this expenditure, future budgets will have to address the continuation and method of funding for these additional traffic patrols.

With the pending completion of an analysis of the Town's fees & permits, it is anticipated that an adjustment to the Town's fee structure will result in a modest and appropriate increase in this category's revenues for the 2012-13 budget. By way of reminder, the last fee study was conducted in 1999. In addition, the Town will include the anticipated revenue of its State-appropriated property tax revenue from the 2009-10 fiscal year.

The cost of employee benefits is a critical issue that all agencies in the public sector are facing, and the Town will continue to evaluate its own costs in comparison with current standards and economic indicators. Current evaluations indicate that the staff's overall benefits package remains lower than the average employee package in neighboring municipalities. No reductions to Town staffing or services are anticipated in the foreseeable future.

## **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, 2011

	Governmental Activities
<b>ASSETS</b>	
Cash and investments (Note 2)	\$6,638,120
Restricted cash - customer deposits (Note 2)	1,682,140
Accounts and interest receivable	536,883
Loans receivable (Note 5)	90,173
Capital assets, net (Note 3)	
Nondepreciable	6,686,197
Depreciable, net of accumulated depreciation	24,769,547
Total Assets	40,403,060
<b>LIABILITIES</b>	
Accounts payable	432,395
Refundable customer deposits	1,682,140
Accrued compensated absences due within one year (Note 1F)	92,577
Total Liabilities	2,207,112
<b>NET ASSETS (Note 6)</b>	
Invested in capital assets	31,455,744
Restricted for:	
Special Revenue Projects	3,949,163
Capital Projects	176,090
Unrestricted	2,614,951
Total Net Assets	\$38,195,948

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue	
	Operating Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities:</b>					
General government	\$2,623,184	\$445,518	\$11,982		(\$2,165,684)
Parks and recreation	241,792	90,817	16,853		(134,122)
Town center facilities	573,718	257,009		\$48,188	(268,521)
Public safety	797,972		98,307		(699,665)
Public works	401,945			194,457	(207,488)
Road impact fees	5,550				(5,550)
<b>Total governmental activities</b>	<b>\$4,644,161</b>	<b>\$793,344</b>	<b>\$127,142</b>	<b>\$242,645</b>	<b>(3,481,030)</b>
<b>General Revenues:</b>					
Property Tax Revenues					1,915,773
Agency Revenues					601,305
Franchise Fees					238,848
Utility User Tax					753,927
Investment Earnings					(203,138)
Miscellaneous Revenue					129,518
<b>Total general revenues</b>					<b>3,436,233</b>
Change in net assets					(44,797)
Net Assets, beginning of year					38,240,745
Net Assets, end of year					<b>\$38,195,948</b>

See accompanying notes to financial statements

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<b>FUND FINANCIAL STATEMENTS</b>
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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, 2011

	General	Open Space Restricted	Road Impact Fees
<b>ASSETS</b>			
Cash and investments (Note 2)	\$2,310,836	\$3,011,003	\$594,153
Restricted cash - customer deposits (Note 2)	1,682,140		
Accounts and interest receivable	472,397	36,449	871
Due from other funds (Note 4)	9,900		
Loans receivable (Note 5)	90,173		
<b>Total Assets</b>	<b>\$4,565,446</b>	<b>\$3,047,452</b>	<b>\$595,024</b>
<b>LIABILITIES</b>			
Accounts payable	\$175,778	\$2,699	\$249,389
Refundable deposits	1,682,140		
Due to other funds (Note 4)			
<b>Total Liabilities</b>	<b>1,857,918</b>	<b>2,699</b>	<b>249,389</b>
<b>FUND BALANCES (Note 6)</b>			
Nonspendable	173,173		
Restricted		3,044,753	345,635
Assigned	483,038		
Unassigned	2,051,317		
<b>Total Fund Balances</b>	<b>2,707,528</b>	<b>3,044,753</b>	<b>345,635</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$4,565,446</b>	<b>\$3,047,452</b>	<b>\$595,024</b>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$722,128	\$6,638,120
	1,682,140
27,166	536,883
	9,900
	90,173
<u>\$749,294</u>	<u>\$8,957,216</u>
\$4,529	\$432,395
	1,682,140
9,900	9,900
<u>14,429</u>	<u>2,124,435</u>
	173,173
734,865	4,125,253
	483,038
	2,051,317
<u>734,865</u>	<u>6,832,781</u>
<u>\$749,294</u>	<u>\$8,957,216</u>

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TOWN OF PORTOLA VALLEY  
RECONCILIATION OF THE  
GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

**Fund Balances - Total Governmental Funds** \$6,832,781

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	\$34,019,835	
Less: accumulated depreciation	<u>(2,564,091)</u>	31,455,744

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

Compensated absences	<u>(92,577)</u>	<u>(92,577)</u>
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**Net Assets of Governmental Activities** \$38,195,948

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Open Space Restricted	Road Impact Fees
<b>REVENUES</b>			
Taxes			
Property taxes	\$1,915,773		
Sales tax	135,485		
Gas tax			
Business license tax and other taxes	103,406		
<b>Total taxes</b>	<b>2,154,664</b>		
Agency revenues	26,889		
Grants			
Contributions	49,689	\$109,230	
Franchise fees	238,848		
Utility users tax	521,950	231,977	
Licenses and permits	393,234		
Service charges and fees	52,284		
Parks and recreation	260,574		
Investment and other revenues	(119,044)	14,152	3,926
<b>Total Revenues</b>	<b>3,579,088</b>	<b>355,359</b>	<b>3,926</b>
<b>EXPENDITURES</b>			
General government	2,618,298		
Parks and recreation	210,054		
Town center facilities	110,980		
Public safety	643,510		
Public works	2,470		
Road impact fees			5,550
Capital improvement program	116,288	25,381	435,072
<b>Total Expenditures</b>	<b>3,701,600</b>	<b>25,381</b>	<b>440,622</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(122,512)</b>	<b>329,978</b>	<b>(436,696)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (Note 4)		100	
Transfers (out) (Note 4)	(24,020)		
<b>Total Other Financing Sources (Uses)</b>	<b>(24,020)</b>	<b>100</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>(146,532)</b>	<b>330,078</b>	<b>(436,696)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>2,854,060</b>	<b>2,714,675</b>	<b>782,331</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$2,707,528</b>	<b>\$3,044,753</b>	<b>\$345,635</b>

See accompanying notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$1,915,773
\$218,128	353,613
117,397	117,397
	103,406
<u>335,525</u>	<u>2,490,189</u>
	26,889
304,746	304,746
	158,919
	238,848
	753,927
	393,234
	52,284
	260,574
20,720	(80,246)
<u>660,991</u>	<u>4,599,364</u>
	2,618,621
323	210,054
	110,980
153,747	797,257
163,860	166,330
	5,550
507,447	1,084,188
<u>825,377</u>	<u>4,992,980</u>
<u>(164,386)</u>	<u>(393,616)</u>
46,463	46,563
<u>(22,543)</u>	<u>(46,563)</u>
<u>23,920</u>	
<u>(140,466)</u>	<u>(393,616)</u>
<u>875,331</u>	<u>7,226,397</u>
<u>\$734,865</u>	<u>\$6,832,781</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, 2011

<b>Net Change in Fund Balances - Total Governmental Funds</b>		(\$393,616)
<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 and other capitalized expenditures	\$1,064,128	
Depreciation expense	<u>(713,947)</u>	350,181
Net change in compensated absences		<u>(1,362)</u>
<b>Change in Net Assets of Governmental Activities</b>		<u><u>(\$44,797)</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, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$276,303
Accounts and interest receivable	<u>2,880</u>
Total Assets	<u><u>\$279,183</u></u>
LIABILITIES	
Deposits and accrued liabilities	<u>\$279,183</u>
Total Liabilities	<u><u>\$279,183</u></u>

See accompanying notes to financial statements

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**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.

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

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, 2011**

**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	\$91,215
Additions	88,681
Payments	<u>(87,319)</u>
Ending balance	<u><u>\$92,577</u></u>

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**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, 2011:

Public Safety COPS Special Revenue Fund	\$468
Grants Capital Projects Fund	323

**I. *Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**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.

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	\$6,638,120
Restricted cash and investments	1,682,140
Cash and investments of the Town	8,320,260
Cash and investments in Fiduciary Funds (separate statement)	276,303
Total cash and investments	\$8,596,563

**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

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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.

Information on the fair values of the Town's cash and investments at June 30, 2011, is provided by the following table:

	Cash and Investments	Restricted Cash and Investments	Total
California Local Agency Investment Fund	\$6,666,171	\$1,682,140	\$8,348,311
Common stocks	83,000		83,000
Cash in Bank			
Checking Account	163,752		163,752
Cash on Hand	1,500		1,500
	<u>\$6,914,423</u>	<u>\$1,682,140</u>	<u>\$8,596,563</u>
Total cash and investments	<u>\$6,914,423</u>	<u>\$1,682,140</u>	<u>\$8,596,563</u>

As of June 30, 2011, the Town had recorded a total of \$83,000 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 \$0.71 per share to about \$3.97 per share over the last 52 weeks from September 2010 to September 2011. 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, 2011, the Town has classified the fund balance as non spendable 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, 2011, these investments matured in an average of 237 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, 2011**

**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 Buildings	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, 2011**

**NOTE 3 - CAPITAL ASSETS (Continued)**

*A. Capital Asset Additions and Retirements*

Capital asset activity during the fiscal year ended June 30, 2011 was as follows:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	Balance <u>June 30, 2011</u>
<b>Governmental Activities</b>			
Capital assets not being depreciated:			
Land	\$6,485,959		\$6,485,959
Construction in Progress		\$200,238	200,238
	<u>6,485,959</u>	<u>200,238</u>	<u>6,686,197</u>
Capital assets being depreciated:			
Infrastructure	3,892,902	863,890	4,756,792
Land improvements	2,627,145		2,627,145
Buildings and improvements	19,752,463		19,752,463
Equipment	197,238		197,238
	<u>26,469,748</u>	<u>863,890</u>	<u>27,333,638</u>
Less accumulated depreciation for:			
Infrastructure	(659,730)	(235,615)	(895,345)
Land improvements	(454,307)	(73,565)	(527,872)
Buildings and improvements	(588,302)	(395,049)	(983,351)
Equipment	(147,805)	(9,718)	(157,523)
	<u>(1,850,144)</u>	<u>(713,947)</u>	<u>(2,564,091)</u>
Total depreciable assets, net	<u>24,619,604</u>	<u>\$149,943</u>	<u>24,769,547</u>
Capital assets, net	<u>\$31,105,563</u>		<u>\$31,455,744</u>

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 3 - CAPITAL ASSETS (Continued)**

**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:

<b>Governmental Activities</b>	
General Government	\$3,201
Parks and Recreation	31,738
Town Center Facilities	442,678
Public Safety	715
Public Works	<u>235,615</u>
Total Governmental Activities	<u><u>\$713,947</u></u>

**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, 2011, the Measure A and the Gas Tax Special Revenue Funds owe the General Fund \$86 and \$9,814 correspondingly.

**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, 2011 are shown below. These transfers were generally made to reimburse the receiving fund for expenditures made on behalf of the fund making the transfer.

Fund Making Transfers	Fund Receiving Transfers	Amount
General Fund	Open Space Restricted Special Revenue Fund	\$100 (A)
	Gas Tax Special Revenue Fund	23,920 (B)
Measure A Special Revenue Fund	Gas Tax Special Revenue Fund	<u>22,543 (B)</u>
		<u><u>\$46,563</u></u>

Purpose of transfer:

(A) General Fund transfer of a donation from the Teen Committee to the Town's open space fund

(B) Annual transfers from Measure A Fund and General Fund to Gas Tax Fund

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**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, 2011, the remaining balance of the loan is \$90,173.

**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**

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The Town's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the Town to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Town prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned.

Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendable* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Assets not expected to be converted to cash, such as prepaids and notes receivable are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 6 – NET ASSETS AND FUND BALANCES (Continued)**

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the Town Council which may be altered only by formal action of the Town Council. Nonspendable amounts subject to council commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the Town's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Town Council and may be changed at the discretion of the Town Council. This category includes *nonspendables*, when it is the Town's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the Town's fund balances, as of June 30, 2011, are below:

	General Fund	Major Special Revenue Funds		Other Governmental Funds	Total
		Open Space Restricted	Road Impact Fees		
Fund balances:					
Nonspendables:					
Loans receivable	\$90,173				\$90,173
Common stocks	83,000				83,000
Restricted for:					
Open space acquisition		\$3,044,753			3,044,753
Road impact fees			\$345,635		345,635
Public safety				\$106,691	106,691
Public safety COPS				36,763	36,763
Library fund				415,321	415,321
Park in-lieu				6,199	6,199
Inclusionary in-lieu				158,232	158,232
Grants				11,659	11,659
Assigned to:					
Open space acquisition	377,499				377,499
Children's theater	2,660				2,660
Historic museum fund	2,879				2,879
Legal contingency	100,000				100,000
Unassigned:					
General fund	2,051,317				2,051,317
Total fund balances	<u>\$2,707,528</u>	<u>\$3,044,753</u>	<u>\$345,635</u>	<u>\$734,865</u>	<u>\$6,832,781</u>

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 6 – NET ASSETS AND FUND BALANCES (Continued)**

**B. General Fund Minimum Fund Balance Policy**

Town is required to maintain a minimum of 60% of its annual budgeted operating expenditures (excluding capital improvement expenditures) within the General Fund’s unrestricted fund balance. This amount is to be calculated annually via the adopted budget for the next fiscal year. The General Fund unrestricted fund at June 30, 2011 is as follows:

Fiscal 2011-12 Adopted Budget General Fund Expenditures	\$3,724,101
Multiplied by 60%	
Required minimum unrestricted General Fund fund balance	\$2,234,461
 General Fund unrestricted fund balance as of June 30, 2011	 2,534,355

**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, 2011, 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	13.326%

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.

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 7 - PERS PENSION PLAN (Continued)**

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.

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
2009	223,691	100%	\$0
2010	222,739	100%	\$0
2011	232,343	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
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%
2009	3,104,798,222	2,758,511,101	346,287,121	88.8%	742,981,488	46.6%

The City's Miscellaneous Plan represents approximately 0.14%, 0.14%, 0.13% of the State-wide pool for the years ended June 30, 2009, 2008, 2007, respectively, based on covered payroll of \$1,068,566, \$950,809, and \$859,938 for those years.

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

**TOWN OF PORTOLA VALLEY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**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) provides the first \$5 million of general liability coverage. If a general liability claim exceeds \$5 million, the excess liability would kick in. As a member of ABAG Plan, the Town has \$20 million in excess liability limits, for total liability limits of \$25 million. The Town has a deductible or uninsured liability of up to \$25,000 per claim. During the fiscal year ended June 30, 2011, the Town contributed \$36,373 for current year coverage.

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, 2011, the Town contributed \$24,139 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, 2011 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, 2011**

**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.

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## MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the Town in fiscal year 2011. 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.

TOWN OF PORTOLA VALLEY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property taxes	\$1,894,260	\$1,894,260	\$1,915,773	\$21,513
Sales tax	94,340	94,340	135,485	41,145
Business license tax and other taxes	128,000	128,000	103,406	(24,594)
<b>Total Taxes</b>	<b>2,116,600</b>	<b>2,116,600</b>	<b>2,154,664</b>	<b>38,064</b>
Franchise fees	243,380	243,380	238,848	(4,532)
Utility users tax	555,190	555,190	521,950	(33,240)
Agency revenues	40,400	40,400	26,889	(13,511)
Contributions	23,000	23,000	49,689	26,689
Licenses and permits	345,300	345,300	393,234	47,934
Service charges and fees	62,900	62,900	52,284	(10,616)
Parks and recreation	367,230	367,230	260,574	(106,656)
Investment and other revenues	130,000	130,000	(119,044)	(249,044)
<b>Total Revenues</b>	<b>3,884,000</b>	<b>3,884,000</b>	<b>3,579,088</b>	<b>(304,912)</b>
<b>EXPENDITURES</b>				
General government	2,729,508	2,716,108	2,618,298	97,810
Parks and recreation	228,140	228,140	210,054	18,086
Town center facilities	132,980	132,980	110,980	22,000
Public safety	643,510	643,510	643,510	
Public works	4,000	4,000	2,470	1,530
Capital improvement program	147,000	147,000	116,288	30,712
<b>Total Expenditures</b>	<b>3,885,138</b>	<b>3,871,738</b>	<b>3,701,600</b>	<b>170,138</b>
Excess (Deficiency) of Revenues Over Expenses	(1,138)	12,262	(122,512)	(134,774)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)			(24,020)	(24,020)
<b>Total Other Financing Sources (Uses)</b>			<b>(24,020)</b>	<b>(24,020)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$1,138)</b>	<b>\$12,262</b>	<b>(146,532)</b>	<b>(\$158,794)</b>
Fund balance at beginning of year			2,854,060	
Fund balance at end of year			<b>\$2,707,528</b>	

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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Utility users tax	\$247,540	\$231,977	(\$15,563)
Contribution	5,000	109,230	104,230
Investment and other revenues	<u>                    </u>	<u>14,152</u>	<u>14,152</u>
Total Revenues	252,540	355,359	102,819
<b>EXPENDITURES</b>			
Capital improvement program	<u>75,000</u>	<u>25,381</u>	<u>49,619</u>
Total Expenditures	75,000	25,381	49,619
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>                    </u>	<u>100</u>	<u>100</u>
Total Other Financing Sources	<u>                    </u>	<u>100</u>	<u>100</u>
Net change in fund balance	<u>\$252,540</u>	330,078	<u>\$77,538</u>
Fund balance at beginning of year		<u>2,714,675</u>	
Fund balance at end of year		<u>\$3,044,753</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Investment and other revenues			\$3,926	\$3,926
Total Revenues			<u>3,926</u>	<u>3,926</u>
<b>EXPENDITURES</b>				
Road impact fees			5,550	(5,550)
Capital improvement program	<u>\$501,410</u>	<u>\$501,410</u>	<u>435,072</u>	<u>66,338</u>
Total Expenditures	<u>501,410</u>	<u>501,410</u>	<u>440,622</u>	<u>60,788</u>
Net change in fund balance	<u>(\$501,410)</u>	<u>(\$501,410)</u>	<u>(436,696)</u>	<u>\$64,714</u>
Fund balance at beginning of year			<u>782,331</u>	
Fund balance at end of year			<u>\$345,635</u>	

<b>TOWN OF PORTOLA VALLEY</b> <b>Notes to Required Supplementary Information</b>
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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.

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<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**SPECIAL REVENUE FUNDS:**

**MEASURE A**

Accounts 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.

**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, 2011

	Special Revenue Funds		
Measure A	Public Safety	Gas Tax	Public Safety COPS
<b>ASSETS</b>			
Cash and investments	\$105,717		\$25,373
Accounts and interest receivable	\$86	974	14,002
	\$86	\$106,691	\$14,002
<b>Total Assets</b>	<b>\$86</b>	<b>\$106,691</b>	<b>\$14,002</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable			\$4,188
Due to other funds	\$86		9,814
	86		14,002
<b>Total Liabilities</b>	<b>86</b>		<b>14,002</b>
<b>FUND BALANCES</b>			
Restricted		\$106,691	\$36,763
	\$86	\$106,691	\$14,002
<b>Total Liabilities and Fund Balances</b>	<b>\$86</b>	<b>\$106,691</b>	<b>\$14,002</b>

Capital Projects Funds

Library Fund	Park In-Lieu	Inclusionary In-Lieu	Grants	Totals
\$414,813	\$6,192	\$158,033	\$12,000	\$722,128
508	7	199		27,166
<u>\$415,321</u>	<u>\$6,199</u>	<u>\$158,232</u>	<u>\$12,000</u>	<u>\$749,294</u>
			341	\$4,529
				9,900
			341	14,429
<u>\$415,321</u>	<u>\$6,199</u>	<u>\$158,232</u>	<u>\$11,659</u>	<u>734,865</u>
<u>\$415,321</u>	<u>\$6,199</u>	<u>\$158,232</u>	<u>\$12,000</u>	<u>\$749,294</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, 2011

	Special Revenue Funds			Public Safety COPS
	Measure A	Public Safety	Gas Tax	
<b>REVENUES</b>				
Taxes				
Sales tax	\$207,820	\$10,308		
Gas tax			\$117,397	
Total taxes	<u>207,820</u>	<u>10,308</u>	<u>117,397</u>	
Grants				\$98,307
Investment and other revenues	386	655		60
Total Revenues	<u>208,206</u>	<u>10,963</u>	<u>117,397</u>	<u>98,367</u>
<b>EXPENDITURES</b>				
General Government				
Public safety		53,279		100,468
Public works			163,860	
Capital improvement program	198,590		134,000	
Total Expenditures	<u>198,590</u>	<u>53,279</u>	<u>297,860</u>	<u>100,468</u>
Excess (Deficiency) of Revenues Over Expenses	<u>9,616</u>	<u>(42,316)</u>	<u>(180,463)</u>	<u>(2,101)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in			46,463	
Transfers (out)	(22,543)			
Total Other Financing Sources (Uses)	<u>(22,543)</u>		<u>46,463</u>	
Net change in fund balances	(12,927)	(42,316)	(134,000)	(2,101)
Fund balances at beginning of year	<u>12,927</u>	<u>149,007</u>	<u>134,000</u>	<u>38,864</u>
Fund balances at end of year		<u>\$106,691</u>		<u>\$36,763</u>

Capital Projects Funds				
Library Fund	Park In-Lieu	Inclusionary In-Lieu	Grants	Totals
				\$218,128
				117,397
				\$335,525
			\$206,439	304,746
\$18,813	\$30	\$776		20,720
18,813	30	776	206,439	660,991
			323	323
				153,747
				163,860
			174,857	507,447
			175,180	825,377
18,813	30	776	31,259	(164,386)
				46,463
				(22,543)
				23,920
18,813	30	776	31,259	(140,466)
396,508	6,169	157,456	(19,600)	875,331
\$415,321	\$6,199	\$158,232	\$11,659	\$734,865

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, 2011

	MEASURE A			PUBLIC SAFETY		
	Final Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Sales tax	\$198,590	\$207,820	\$9,230	\$11,240	\$10,308	(\$932)
Gas tax						
Total taxes	<u>198,590</u>	<u>207,820</u>	<u>9,230</u>	<u>11,240</u>	<u>10,308</u>	<u>(932)</u>
Grants						
Investment and other revenues		386	386		655	655
Total Revenues	<u>198,590</u>	<u>208,206</u>	<u>9,616</u>	<u>11,240</u>	<u>10,963</u>	<u>(277)</u>
<b>EXPENDITURES</b>						
General Government						
Public safety				53,279	53,279	
Public works						
Capital improvement program	198,590	198,590				
Total Expenditures	<u>198,590</u>	<u>198,590</u>		<u>53,279</u>	<u>53,279</u>	
Excess (Deficiency) of Revenues Over Expenses	<u>(42,039)</u>	<u>(42,316)</u>	<u>(277)</u>			
<b>OTHER FINANCING SOURCES</b>						
Transfers in						
Transfers (out)		(22,543)	(22,543)			
Total Other Financing Sources		<u>(22,543)</u>	<u>(22,543)</u>			
Net change in fund balances	<u></u>	<u>(12,927)</u>	<u>(\$12,927)</u>	<u>(\$42,039)</u>	<u>(42,316)</u>	<u>(\$277)</u>
Fund balances, beginning of Year		<u>12,927</u>			<u>149,007</u>	
Fund balances, end of Year		<u></u>			<u>\$106,691</u>	

GAS TAX			PUBLIC SAFETY COPS			LIBRARY FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$127,310	\$117,397	(\$9,913)						
127,310	117,397	(9,913)						
			\$100,000	\$98,307 60	(\$1,693) 60	\$120,000	\$18,813	(\$101,187)
127,310	117,397	(9,913)	100,000	98,367	(1,633)	120,000	18,813	(101,187)
			100,000	100,468	(468)			
182,400	163,860	18,540						
133,000	134,000	(1,000)						
315,400	297,860	17,540	100,000	100,468	(468)			
(188,090)	(180,463)	(27,453)		(2,101)	(1,165)	120,000	18,813	(101,187)
	46,463							
	46,463							
<u>(\$188,090)</u>	<u>(134,000)</u>	<u>(\$27,453)</u>	<u></u>	<u>(2,101)</u>	<u>(\$1,165)</u>	<u>\$120,000</u>	<u>18,813</u>	<u>(\$101,187)</u>
	<u>134,000</u>			<u>38,864</u>			<u>396,508</u>	
				<u>\$36,763</u>			<u>\$415,321</u>	(Continued)

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, 2011

	GRANTS		Variance Positive (Negative)
	Budget	Actual	
<b>REVENUES</b>			
Taxes			
Sales tax			
Gas tax			
Total taxes			
Grants			
Investment and other revenues		\$206,439	\$206,439
Total Revenues		206,439	206,439
<b>EXPENDITURES</b>			
General Government			
Public safety		323	(323)
Public works			
Capital improvement program			
Total Expenditures		174,857	(174,857)
Excess (Deficiency) of Revenues Over Expenses		175,180	(175,180)
OTHER FINANCING SOURCES		31,259	381,619
Transfers in			
Transfers (out)			
Total Other Financing Sources			
Net change in fund balances		31,259	\$381,619
Fund balances, beginning of Year		(19,600)	
Fund balances, end of Year		\$11,659	

<b>AGENCY FUNDS</b>
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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, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>Maintenance Districts</u>				
<u>Assets</u>				
Cash and investments	\$247,687	\$86,595	\$57,979	\$276,303
Accounts and interest receivable	2,808	72		2,880
Total assets	<u>\$250,495</u>	<u>\$86,667</u>	<u>\$57,979</u>	<u>\$279,183</u>
<u>Liabilities</u>				
Deposits and other liabilities	<u>\$250,495</u>	<u>\$86,667</u>	<u>\$57,979</u>	<u>\$279,183</u>
<u>Portola Valley Community Fund</u>				
<u>Assets</u>				
Cash and investments	(\$26,711)	\$26,711		
Accounts receivable	\$26,711		\$26,711	
Total assets		<u>\$26,711</u>	<u>\$26,711</u>	
<u>Liabilities</u>				
Deposits and other liabilities				
Total liabilities				
<u>Total Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$220,976	\$113,306	\$57,979	\$276,303
Accounts and interest receivable	29,519	72	26,711	2,880
Total assets	<u>\$250,495</u>	<u>\$113,378</u>	<u>\$84,690</u>	<u>\$279,183</u>
<u>Liabilities</u>				
Deposits and other liabilities	<u>\$250,495</u>	<u>\$86,667</u>	<u>\$57,979</u>	<u>\$279,183</u>