

TOWN OF PORTOLA VALLEY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012

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TOWN OF PORTOLA VALLEY
Basic Financial Statements
For the Year Ended June 30, 2012
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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, 2012, 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, 2012, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Town's financial statements as a whole. The Introductory Section and Supplemental Information are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mare & Associates

September 7, 2012

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, 2012. Please read it in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS:

- The Town's net assets increased by \$830,567 (or 2.2%) to \$39,026,515. (pages 6 and 13)
- The General Fund's total fund balance decreased by \$180,950 (or -6.7%) to \$2,526,578. Without the impact of the decision to pay off the Town's side fund liability with PERS (\$319,066) in order to realize long-term cost savings, the General Fund's total fund balance would have increased by 5.1% over the prior year, and the unassigned fund balance would have increased by 8%. (page 16 and 20)
- The Town's total funds reported combined ending fund balances of \$6,676,640, a decrease of \$156,141 (or -2.5%) over the prior year. Of this amount, \$147,085 is considered *non-spendable* in that it is made up of a stock donation and a loan receivable. The balance of \$6.5 million is composed of *restricted, assigned, and unassigned* funds and is therefore available to finance government operations in accordance with the funds' intended purposes. (page 16-17 and 20-21)
- The Town's total liabilities decreased by \$1.1 million (or -54%) to \$1 million. This decrease reflects a draw down of the deposit provided by Stanford University in 2011 to provide for trail improvements on the Dwight Crowder (C-1) trail. (page 12)
- The Town's capital assets increased by \$952,301 (or 3%) to \$32.4 million, with zero related long-term liability. (page 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 25-40) 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 41-45) including the Town's budgetary comparison schedules for the General, Open Space Restricted, and Road Impact Fee funds.

Supplementary Information

Supplementary schedules (pages 49-58) 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, the Town's net assets increased by \$830,567 to \$39,026,515, representing a 2.2% increase over the prior year.

The following is the condensed Statement of Net Assets for the fiscal year ended 6/30/2012.

	Fiscal Year Ended		Change	
	6/30/2012	6/30/2011	Amount	Percent
Assets:				
Current Assets	\$ 7,629,048	\$ 8,947,316	\$ (1,318,268)	-14.7%
Capital Assets, Net	32,408,045	31,455,744	952,301	3.0%
Total Assets	40,037,093	40,403,060	(365,967)	-0.9%
Liabilities:				
Current Liabilities	462,911	432,395	30,516	7.1%
Long-term Liabilities	547,667	1,774,717	(1,227,050)	-69.1%
Total Liabilities	1,010,578	2,207,112	(1,196,534)	-54.2%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	32,408,045	31,455,744	952,301	3.0%
Restricted	4,150,062	4,125,253	24,809	0.6%
Unrestricted	2,468,408	2,614,951	(146,543)	-5.6%
Total Net Assets	\$ 39,026,515	\$ 38,195,948	\$ 830,567	2.2%

The Town's *Current Assets* of \$7.6 million represent readily available cash, a loan receivable, and the valuation of a stock donation. The decrease of -14.7% is partially related to the payoff of the PERS side fund, which reduced cash by \$319,066. Of greater impact was the large deposit received from Stanford in the prior fiscal year in advance of the current year's construction expenditures related to the C-1 trail.

As the Town's restricted customer deposits are included among the assets and liabilities, the current year's expenditure of the Stanford deposit therefore resulted in the substantial reductions to both assets (-14.7%) and liabilities (-69.1%) on the Statement of Net Assets. Overall, the Town's *Total Liabilities* of \$1 million represent 2.5% 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. Additional information on these restricted assets is provided in the discussion of the fund financial statements.

The Town has \$2.5 million in unrestricted assets that represents funds that are not restricted by law; however \$483,038 of these funds remain assigned by the Town for special programs. The decrease of -5.6% to the unrestricted assets is due to the Town's payoff (\$319,066) of the PERS side fund.

Statement of Activities

The following is the condensed Statement of Activities for the fiscal year ended 6/30/2012, along with comparative data for the previous fiscal year ending 6/30/2011.

	Fiscal Year Ended		Change	
	6/30/2012	6/30/2011	Amount	Percent
Revenues				
Program Revenues:				
Charges for Services	\$ 807,125	\$ 793,344	\$ 13,781	1.7%
Grants and Contributions	1,759,756	665,372	1,094,384	164.5%
General Revenues:				
Property Taxes	1,955,891	1,915,773	40,118	2.1%
Agency Revenues	315,621	305,720	9,901	3.2%
Franchise Fees	251,260	238,848	12,412	5.2%
Utility Users Tax	775,585	753,927	21,658	2.9%
Investment Earnings	7,810	(203,138)	210,948	-103.8%
Miscellaneous	51,043	129,518	(78,475)	-60.6%
Total Revenues	5,924,091	4,599,364	1,324,727	28.8%
Expenses:				
General Government	2,970,979	2,623,184	347,795	13.3%
Parks and Recreation	230,481	241,792	(11,311)	-4.7%
Town Center Facilities	540,086	573,718	(33,632)	-5.9%
Public Safety	875,398	797,972	77,426	9.7%
Road Impact Fees	46,495	5,550	40,945	737.7%
Public Works	430,085	401,945	28,140	7.0%
Total Expenses	5,093,524	4,644,161	449,363	9.7%
Change in Net Assets	830,567	(44,797)	875,364	-1954.1%
Net Assets - Beginning	38,195,948	38,240,745	(44,797)	-0.1%
Net Assets - Ending	\$ 39,026,515	\$ 38,195,948	\$ 830,567	2.2%

As a result of operations, the Town's net assets increased \$830,567 (or 2.2%) to \$39,026,515, with 13.6% of the Town's revenues came from *Charges for Services*. Tax revenues of \$2.9 million (Property Taxes, Franchise Fees, Utility Users' Tax) made up 50.3% of the Town's revenues, and Agency Revenues (intergovernmental revenues) made up 5.3%.

The recording of revenue related to the construction of the C-1 Trail resulted in the notable increase to the Town's *Grants & Contributions* revenue. Also impacting this amount was the realization of the new county-based Measure M revenues for road-related expenditures reimbursement and increases to library and miscellaneous grants revenues.

In the *Investment Earnings* category, the stock donation was substantially less volatile than the prior year, with a comparatively minor net loss of \$20,000 during the course of the fiscal year. The Town's funds on deposit with LAIF earned just under \$28,000.

While the prior year's unanticipated \$100,000 contribution to the Town's Open Space fund inflated the Town's *Miscellaneous* revenues, the current year's decrease of -60.6% actually represents a return to typical revenues.

General Government expenses of \$3 million represent 58% of the Town's operating expenses, with *Public Safety* the second largest expense at 17% of total expenses. The payoff to the PERS side fund is reflected in the 13.3% increase in this category. The substantial increase to *Road Impact Fees* is due to a significant building permit cancellation.

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 \$6,676,640. 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:

- | | |
|---|-----------|
| • Nonspendables (stock/loan receivable) | \$147,085 |
| • Assigned for open space acquisition | 377,499 |
| • Assigned for other purposes | 105,539 |

The Town has at its discretion \$6.5 million for future use. Of this amount \$1.9 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. Additional detail on specific fund balances can be found at Note 6.

Fund Budgetary Highlights

The Town's overall adopted budget for 2011-12 was \$6.6 million, with the General Fund portion of the budget \$3.8 million. In June 2012, the Council approved staff's recommendation to perform a budget amendment to pay off the PERS side fund of \$319,066.

In total, General Fund revenues of \$3,841,678 were less than half of one-percent less than budgeted, or \$18,843. As in the prior year, Sales Tax revenues continue to be strong at 14% over budget, and the Town's licenses, permits, service charges, and fees were 5.7% over budget. While the County predicted a 4% growth in property tax revenue, the actual revenues reflected a more modest 2.5% growth over the prior year. Business license revenue was budgeted at \$100,000, with actual revenues 25% less than budgeted, a significant drop from the prior year and a continuation of the trending decline this revenue has shown since the start of the recession. Finally, the State's 11th-hour

legislation in late 2011 to continue COPS funding essentially eliminated motor vehicle fees revenue for local governments, which translated into a loss of over \$12,000 in General Fund revenues in 2011-12.

Total expenditures for the General Fund were \$164,821 less than the final budget of \$4,178,667, with actual expenditures less than budgeted in every category. With multiple staffing fluctuations during the fiscal year and reduced expenditures for consultants, services and supplies, actual expenditures for General Government were over \$100,000 less than budgeted. Additional savings of nearly \$41,000 were realized through reduced maintenance-related expenditures for the Town Center buildings and grounds. Lastly, the testing and inspection expenditures of \$20,078 for the annual Road Improvement project were nearly \$10,000 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the Town had \$32.4 million invested primarily in buildings and land, as summarized below. During the year the Town acquired nearly \$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.

Condensed Statement of Capital Assets

	Fiscal Year Ended		Change	
	6/30/2012	6/30/2011	Amount	Percent
Land	\$ 6,485,959	\$ 6,485,959	\$ -	0%
Construction in Progress	33,796	200,238	(166,442)	
Land improvements	2,627,145	2,627,145	-	0%
Buildings	19,752,463	19,752,463	-	0%
Equipment	229,414	197,238	32,176	16%
Infrastructure	6,611,926	4,756,792	1,855,134	39%
Total Capital Assets	35,740,703	34,019,835	1,720,868	5%
Accumulated Depreciation	(3,332,658)	(2,564,091)	(768,567)	30%
Total Net Capital Assets	\$ 32,408,045	\$ 31,455,744	\$ 952,301	3%

Long-Term Debt

The Town has \$61,389 in the long-term liability of compensated absences, with no new debt incurred during the fiscal year. This 34% reduction over the prior fiscal year's long-term liability is due to the retirement of the former Town Manager and subsequent cashout of unused vacation hours.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The cost of employee benefits is a critical issue that all agencies in the public sector are facing, and the Town continues to evaluate its own costs in accordance with current standards, economic indicators and most recently, state legislation. The Town is in a much better position than most municipal agencies because it does not have the liability of retiree health costs. However, it may likely be an ongoing challenge to provide existing and future employees with a competitive compensation package.

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, 2012

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$6,391,007
Restricted cash - customer deposits (Note 2)	489,497
Accounts and interest receivable	664,459
Loans receivable (Note 5)	84,085
Capital assets, net (Note 3)	
Nondepreciable	6,519,755
Depreciable, net of accumulated depreciation	25,888,290
Total Assets	40,037,093
LIABILITIES	
Accounts payable	462,911
Refundable customer deposits	489,497
Accrued compensated absences due within one year (Note 1F)	58,170
Total Liabilities	1,010,578
NET ASSETS (Note 6)	
Invested in capital assets	32,408,045
Restricted for:	
Special Revenue Projects	3,974,973
Capital Projects	175,089
Unrestricted	2,468,408
Total Net Assets	\$39,026,515

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Operating Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$2,970,979	\$440,942	\$50,982		(\$2,479,055)
Parks and recreation	230,481	96,939			(133,542)
Town center facilities	540,086	269,244	69,967	\$32,176	(168,699)
Public safety	875,398		120,693		(754,705)
Public works	430,085		391,001	1,094,937	1,055,853
Road impact fees	46,495				(46,495)
Total governmental activities	\$5,093,524	\$807,125	\$632,643	\$1,127,113	(2,526,643)
General Revenues:					
Property Tax Revenues.....					1,955,891
Agency Revenues.....					315,621
Franchise Fees.....					251,260
Utility User Tax.....					775,585
Investment Earnings.....					7,810
Miscellaneous Revenue.....					51,043
Total general revenues					3,357,210
Change in net assets					830,567
Net Assets, beginning of year					38,195,948
Net Assets, end of year					\$39,026,515

See accompanying notes to financial statements

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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, 2012

	General	Open Space Restricted	Road Impact Fees
ASSETS			
Cash and investments (Note 2)	\$2,075,756	\$3,273,984	\$280,279
Restricted cash - customer deposits (Note 2)	489,497		
Accounts and interest receivable	441,610	24,508	289
Due from other funds (Note 4)	94,862		
Loans receivable (Note 5)	84,085		
Total Assets	\$3,185,810	\$3,298,492	\$280,568
LIABILITIES			
Accounts payable	\$169,735		\$142,088
Refundable deposits	489,497		
Due to other funds (Note 4)			
Total Liabilities	659,232		142,088
FUND BALANCES (Note 6)			
Nonspendable	147,085		
Restricted		\$3,298,492	138,480
Assigned	483,038		
Unassigned	1,896,455		
Total Fund Balances	2,526,578	3,298,492	138,480
Total Liabilities and Fund Balances	\$3,185,810	\$3,298,492	\$280,568

See accompanying notes to financial statements

<u>Measure A</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$82,695	\$678,293	\$6,391,007
		489,497
22,800	175,252	664,459
		94,862
		84,085
<u>\$105,495</u>	<u>\$853,545</u>	<u>\$7,723,910</u>
\$105,418	\$45,670	\$462,911
		489,497
	94,862	94,862
<u>105,418</u>	<u>140,532</u>	<u>1,047,270</u>
		147,085
77	713,013	4,150,062
		483,038
		1,896,455
<u>77</u>	<u>713,013</u>	<u>6,676,640</u>
<u>\$105,495</u>	<u>\$853,545</u>	<u>\$7,723,910</u>

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TOWN OF PORTOLA VALLEY
RECONCILIATION OF THE
GOVERNMENTAL FUNDS BALANCE SHEET
TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund Balances - Total Governmental Funds		\$6,676,640
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>		
Governmental capital assets	\$35,740,703	
Less: accumulated depreciation	<u>(3,332,658)</u>	32,408,045
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds</p>		
Compensated absences	<u>(58,170)</u>	<u>(58,170)</u>
Net Assets of Governmental Activities		<u><u>\$39,026,515</u></u>

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, 2012

	General Fund	Open Space Restricted	Road Impact Fees
REVENUES			
Taxes			
Property taxes	\$1,955,891		
Sales tax	166,885		
Gas tax			
Business license tax and other taxes	84,890		
Total taxes	<u>2,207,666</u>		
Agency revenues	7,705		
Grants			
Contributions	30,386	\$9,894	
Franchise fees	251,260		
Utility users tax	536,888	238,697	
Licenses and permits	372,437		
Service charges and fees	68,505		
Parks and recreation	263,990		
Investment and other revenues	102,841	13,320	\$1,448
Total Revenues	<u>3,841,678</u>	<u>261,911</u>	<u>1,448</u>
EXPENDITURES			
General government	2,949,505		
Parks and recreation	199,398		
Town center facilities	80,666		
Public safety	664,219		
Public works	1,796		
Road impact fees			46,495
Capital improvement program	118,262	8,414	162,108
Total Expenditures	<u>4,013,846</u>	<u>8,414</u>	<u>208,603</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(172,168)</u>	<u>253,497</u>	<u>(207,155)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 4)		242	
Transfers (out) (Note 4)	(8,782)		
Total Other Financing Sources (Uses)	<u>(8,782)</u>	<u>242</u>	
NET CHANGE IN FUND BALANCES	<u>(180,950)</u>	<u>253,739</u>	<u>(207,155)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,707,528</u>	<u>3,044,753</u>	<u>345,635</u>
FUND BALANCES, END OF YEAR	<u>\$2,526,578</u>	<u>\$3,298,492</u>	<u>\$138,480</u>

See accompanying notes to financial statements

Measure A	Other Governmental Funds	Total Governmental Funds
		\$1,955,891
\$225,655	\$11,304	403,844
	139,280	139,280
		84,890
<u>225,655</u>	<u>150,584</u>	<u>2,583,905</u>
	82,207	89,912
	1,255,308	1,255,308
		40,280
		251,260
		775,585
		372,437
		68,505
		263,990
<u>282</u>	<u>72,842</u>	<u>190,733</u>
<u>225,937</u>	<u>1,560,941</u>	<u>5,891,915</u>
	52,680	3,002,185
		199,398
	3,204	83,870
	211,179	875,398
	138,293	140,089
		46,495
<u>234,400</u>	<u>1,177,437</u>	<u>1,700,621</u>
<u>234,400</u>	<u>1,582,793</u>	<u>6,048,056</u>
<u>(8,463)</u>	<u>(21,852)</u>	<u>(156,141)</u>
8,540		8,782
		(8,782)
<u>8,540</u>		
<u>77</u>	<u>(21,852)</u>	<u>(156,141)</u>
	734,865	6,832,781
<u>\$77</u>	<u>\$713,013</u>	<u>\$6,676,640</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, 2012

Net Change in Fund Balances - Total Governmental Funds		(\$156,141)
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital contributions		32,176
<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	\$1,688,692	
Depreciation expense	<u>(768,567)</u>	920,125
Net change in compensated absences		<u>34,407</u>
Change in Net Assets of Governmental Activities		<u><u>\$830,567</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, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$273,228
Accounts and interest receivable	<u>176</u>
Total Assets	<u><u>\$273,404</u></u>
LIABILITIES	
Deposits and accrued liabilities	<u>\$273,404</u>
Total Liabilities	<u><u>\$273,404</u></u>

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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, 2012

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.

Measure A Special Revenue Fund is used to 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.

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.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*.

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.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	\$92,577
Additions	65,889
Payments	<u>(100,296)</u>
Ending balance	<u><u>\$58,170</u></u>

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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, 2012:

Road Impact Fees	\$5,523
Public Safety COPS	1,179
Grants Capital Projects Fund	1,123,653

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.

J. *New Fund*

The Town established Measure M Special Revenue Fund in fiscal year 2012.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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	\$6,391,007
Restricted cash and investments	489,497
Cash and investments of the Town	6,880,504
Cash and investments in Fiduciary Funds (separate statement)	273,228
Total cash and investments	\$7,153,732

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, 2012

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, 2012, is provided by the following table:

	Cash and Investments	Restricted Cash and Investments	Total
California Local Agency Investment Fund	\$6,474,636	\$489,497	\$6,964,133
Common stocks	63,000		63,000
Cash in Bank			
Checking Account	125,099		125,099
Cash on Hand	1,500		1,500
Total cash and investments	\$6,664,235	\$489,497	\$7,153,732

As of June 30, 2012, the Town had recorded a total of \$63,000 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 \$0.41 per share to about \$1.25 per share over the last 52 weeks from September 2011 to September 2012. 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, 2012, 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, 2012, 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, 2012

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	25 - 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, 2012

NOTE 3 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital asset activity during the fiscal year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Transfers	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated:				
Land	\$6,485,959			\$6,485,959
Construction in Progress	\$200,238	\$8,415	(\$174,857)	33,796
Total capital assets not being depreciated	<u>6,686,197</u>	<u>8,415</u>		<u>6,519,755</u>
Capital assets being depreciated:				
Infrastructure	4,756,792	1,680,277	174,857	6,611,926
Land improvements	2,627,145			2,627,145
Buildings and improvements	19,752,463			19,752,463
Equipment	197,238	32,176		229,414
Total capital assets being depreciated	<u>27,333,638</u>	<u>1,712,453</u>	<u>174,857</u>	<u>29,220,948</u>
Less accumulated depreciation for:				
Infrastructure	(895,345)	(289,996)		(1,185,341)
Land improvements	(527,872)	(73,565)		(601,437)
Buildings and improvements	(983,351)	(395,049)		(1,378,400)
Equipment	(157,523)	(9,957)		(167,480)
Total accumulated depreciation	<u>(2,564,091)</u>	<u>(768,567)</u>		<u>(3,332,658)</u>
Total depreciable assets, net	<u>24,769,547</u>	<u>\$943,886</u>	<u>174,857</u>	<u>25,888,290</u>
Capital assets, net	<u>\$31,455,744</u>			<u>\$32,408,045</u>

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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:

Governmental Activities	
General Government	\$3,201
Parks and Recreation	31,083
Town Center Facilities	444,287
Public Works	<u>289,996</u>
Total Governmental Activities	<u><u>\$768,567</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, 2012, the Grants Special Revenue Fund and the Measure M Special Revenue Fund owe the General Fund \$12,362 and \$82,500 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, 2012 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	\$242 (A)
	Measure A Special Revenue Fund	<u>8,540 (B)</u>
		<u><u>\$8,782</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 transfer from General Fund to Measure A Fund

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 5 – LOANS RECEIVABLE

The Town issued loans to Wayside II Road Maintenance District to maintain the private roads within the Wayside Road area of the Town. 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, 2012, the remaining balance of the loan is \$84,805.

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, 2012

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, 2012, are below:

	General Fund	Major Special Revenue Funds			Other Governmental Funds	Total
		Open Space Restricted	Road Impact Fees	Measure A		
Fund balances:						
Nonspendables:						
Loans receivable	\$84,085					\$84,085
Common stocks	63,000					63,000
Restricted for:						
Open space acquisition		\$3,298,492				3,298,492
Road impact fees			\$138,480			138,480
Public safety					\$8,333	8,333
Gas Tax					987	987
Public safety COPS					45,059	45,059
Library fund					483,838	483,838
Park in-lieu					6,226	6,226
Inclusionary in-lieu					158,902	158,902
Measure A				\$77		77
Grants					9,961	9,961
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	1,896,455				(293)	1,896,162
Total fund balances	2,526,578	\$3,298,492	\$138,480	\$77	\$713,013	\$6,676,640

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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, 2012 is as follows:

Fiscal 2012-13 Adopted Budget General Fund Expenditures	\$3,859,601
Multiplied by 60%	
Required minimum unrestricted General Fund fund balance	<u>2,315,761</u>
 General Fund unrestricted fund balance as of June 30, 2012	<u>\$2,379,493</u>

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, 2012, 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	13.845%

The Town pays employee contributions as well as its own.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 7 - PERS PENSION PLAN (Continued)

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.

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
2010	\$222,739	100%	\$0
2011	232,343	100%	\$0
2012	225,434	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
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%
2010	3,309,064,934	2,946,408,106	362,656,828	89.0%	748,401,352	48.5%

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 7 - PERS PENSION PLAN (Continued)

The Town's Miscellaneous Plan represents approximately 0.15%, 0.14%, 0.14% of the State-wide pool for the years ended June 30, 2010, 2009, 2008, respectively, based on covered payroll of \$1,177,344, \$1,068,566, and \$950,809 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) 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, 2012, the Town contributed \$40,183 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, 2012, the Town contributed \$33,823 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, 2012 is believed by management to be nil based on the absence of any asserted claims.

TOWN OF PORTOLA VALLEY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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.

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 2012. 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

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.

TOWN OF PORTOLA VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property taxes	\$1,986,756	\$1,986,756	\$1,955,891	(\$30,865)
Sales tax	146,000	146,000	166,885	20,885
Business license tax and other taxes	<u>108,000</u>	<u>108,000</u>	<u>84,890</u>	<u>(23,110)</u>
Total Taxes	<u>2,240,756</u>	<u>2,240,756</u>	<u>2,207,666</u>	<u>(33,090)</u>
Franchise fees	257,095	257,095	251,260	(5,835)
Utility users tax	551,050	551,050	536,888	(14,162)
Agency revenues	19,500	19,500	7,705	(11,795)
Contributions	3,000	3,000	30,386	27,386
Licenses and permits	365,230	365,230	372,437	7,207
Service charges and fees	51,820	51,820	68,505	16,685
Parks and recreation	264,070	264,070	263,990	(80)
Investment and other revenues	<u>108,000</u>	<u>108,000</u>	<u>102,841</u>	<u>(5,159)</u>
Total Revenues	<u>3,860,521</u>	<u>3,860,521</u>	<u>3,841,678</u>	<u>(18,843)</u>
EXPENDITURES				
General government	2,732,178	3,051,244	2,949,505	101,739
Parks and recreation	203,070	203,070	199,398	3,672
Town center facilities	121,630	121,630	80,666	40,964
Public safety	664,223	664,223	664,219	4
Public works	3,000	3,000	1,796	1,204
Capital improvement program	<u>135,500</u>	<u>135,500</u>	<u>118,262</u>	<u>17,238</u>
Total Expenditures	<u>3,859,601</u>	<u>4,178,667</u>	<u>4,013,846</u>	<u>164,821</u>
Excess (Deficiency) of Revenues Over Expenses	<u>920</u>	<u>(318,146)</u>	<u>(172,168)</u>	<u>145,978</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)			<u>(8,782)</u>	<u>(8,782)</u>
Total Other Financing Sources (Uses)			<u>(8,782)</u>	<u>(8,782)</u>
NET CHANGE IN FUND BALANCE	<u>\$920</u>	<u>(\$318,146)</u>	<u>(180,950)</u>	<u>\$137,196</u>
Fund balance at beginning of year			<u>2,707,528</u>	
Fund balance at end of year			<u>\$2,526,578</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, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Utility users tax	\$245,480	\$238,697	(\$6,783)
Contribution	5,000	9,894	4,894
Investment and other revenues	<u> </u>	<u>13,320</u>	<u>13,320</u>
Total Revenues	250,480	261,911	11,431
EXPENDITURES			
Capital improvement program	<u>75,000</u>	<u>8,414</u>	<u>66,586</u>
Total Expenditures	75,000	8,414	66,586
OTHER FINANCING SOURCES (USES)			
Transfers in	<u> </u>	<u>242</u>	<u>242</u>
Total Other Financing Sources	<u> </u>	<u>242</u>	<u>242</u>
Net change in fund balance	<u>\$250,480</u>	253,739	<u>\$3,259</u>
Fund balance at beginning of year		<u>3,044,753</u>	
Fund balance at end of year		<u>\$3,298,492</u>	

TOWN OF PORTOLA VALLEY
ROAD IMPACT FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Investment and other revenues			\$1,448	\$1,448
Total Revenues			<u>1,448</u>	<u>1,448</u>
EXPENDITURES				
Road impact fees			46,495	(46,495)
Capital improvement program	<u>\$203,080</u>	<u>\$203,080</u>	<u>162,108</u>	<u>40,972</u>
Total Expenditures	<u>203,080</u>	<u>203,080</u>	<u>208,603</u>	<u>(5,523)</u>
Net change in fund balance	<u>(\$203,080)</u>	<u>(\$203,080)</u>	(207,155)	<u>(\$4,075)</u>
Fund balance at beginning of year			<u>345,635</u>	
Fund balance at end of year			<u>\$138,480</u>	

TOWN OF PORTOLA VALLEY
 MEASURE A SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes			
Sales tax	<u>\$234,400</u>	<u>\$225,655</u>	<u>(\$8,745)</u>
Total Taxes	<u>234,400</u>	<u>225,655</u>	<u>(8,745)</u>
Investment and other revenues	<u> </u>	<u>282</u>	<u>282</u>
Total Revenues	<u>234,400</u>	<u>225,937</u>	<u>(8,463)</u>
EXPENDITURES			
Capital improvement program	<u>234,400</u>	<u>234,400</u>	<u> </u>
Total Expenditures	<u>234,400</u>	<u>234,400</u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>8,540</u>	<u>8,540</u>	<u> </u>
Total Other Financing Sources	<u>8,540</u>	<u>8,540</u>	<u> </u>
Net change in fund balance	<u><u>\$8,540</u></u>	<u>\$77</u>	<u><u>(\$8,463)</u></u>
Fund balance at beginning of year		<u> </u>	
Fund balance at end of year		<u><u>\$77</u></u>	

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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.

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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.

MEASURE M

Accounts for County-generated vehicle registration revenue to be used for local streets and roads for congestion mitigation and water pollution prevention programs.

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, 2012

	Special Revenue Funds		
	Public Safety	Gas Tax	Public Safety COPS
ASSETS			
Cash and investments	\$7,406	\$46,657	\$45,028
Accounts and interest receivable	927		31
Total Assets	\$8,333	\$46,657	\$45,059
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable		\$45,670	
Due to other funds			
Total Liabilities		45,670	
FUND BALANCES (DEFICIT)			
Restricted	\$8,333	987	\$45,059
Total Liabilities and Fund Balances	\$8,333	\$46,657	\$45,059

Capital Projects Funds					
Library Fund	Measure M	Park In-Lieu	Inclusionary In-Lieu	Grants	Totals
\$413,477		\$6,220	\$158,751	\$754	\$678,293
70,361	\$82,207	6	151	21,569	175,252
<u>\$483,838</u>	<u>\$82,207</u>	<u>\$6,226</u>	<u>\$158,902</u>	<u>\$22,323</u>	<u>\$853,545</u>
					\$45,670
	\$82,500			\$12,362	94,862
	82,500			12,362	140,532
\$483,838	(293)	\$6,226	\$158,902	9,961	713,013
<u>\$483,838</u>	<u>\$82,207</u>	<u>\$6,226</u>	<u>\$158,902</u>	<u>\$22,323</u>	<u>\$853,545</u>

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds		
	Public Safety	Gas Tax	Public Safety COPS
REVENUES			
Taxes			
Sales tax	\$11,304		
Gas tax		\$139,280	
Total taxes	11,304	139,280	
Agency revenues			
Grants			\$109,389
Investment and other revenues	338		86
Total Revenues	11,642	139,280	109,475
EXPENDITURES			
General government			
Town center facilities			
Public safety	110,000		101,179
Public works		138,293	
Capital improvement program			
Total Expenditures	110,000	138,293	101,179
Excess (Deficiency) of Revenues Over Expenses	(98,358)	987	8,296
Net change in fund balances	(98,358)	987	8,296
Fund balances at beginning of year	106,691		36,763
Fund balances (deficit) at end of year	<u>\$8,333</u>	<u>\$987</u>	<u>\$45,059</u>

Capital Projects Funds					
Library Fund	Measure M	Park In-Lieu	Inclusionary In-Lieu	Grants	Totals
					\$11,304
					139,280
					150,584
	\$82,207				82,207
\$71,721		\$27	\$670	\$1,145,919	1,255,308
71,721	82,207	27	670	1,145,919	1,560,941
				52,680	52,680
3,204					3,204
					211,179
					138,293
	82,500			1,094,937	1,177,437
3,204	82,500			1,147,617	1,582,793
68,517	(293)	27	670	(1,698)	(21,852)
68,517	(293)	27	670	(1,698)	(21,852)
415,321		6,199	158,232	11,659	734,865
\$483,838	(\$293)	\$6,226	\$158,902	\$9,961	\$713,013

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	PUBLIC SAFETY			GAS TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Sales tax	\$11,170	\$11,304	\$134			
Gas tax				\$133,505	\$139,280	\$5,775
Total taxes	11,170	11,304	134	133,505	139,280	5,775
Agency revenues						
Grants						
Investment and other revenues		338	338			
Total Revenues	11,170	11,642	472	133,505	139,280	5,775
EXPENDITURES						
General government						
Town center facilities						
Public safety	110,000	110,000				
Public works				172,000	138,293	33,707
Capital improvement program						
Total Expenditures	110,000	110,000		172,000	138,293	33,707
Excess (Deficiency) of Revenues Over Expenses	(98,830)	(98,358)	472	(38,495)	987	(27,932)
OTHER FINANCING SOURCES						
Transfers in						
Transfers (out)						
Total Other Financing Sources						
Net change in fund balances	<u>(\$98,830)</u>	<u>(98,358)</u>	<u>472</u>	<u>(\$38,495)</u>	<u>987</u>	<u>(\$27,932)</u>
Fund balances, beginning of Year		106,691				
Fund balances, (deficit) end of Year		<u>\$8,333</u>			<u>\$987</u>	

PUBLIC SAFETY COPS			LIBRARY FUND			MEASURE M		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$82,521	\$82,207	(\$314)
\$100,000	\$109,389	\$9,389	\$90,000	\$71,721	(\$18,279)			
	86	86						
100,000	109,475	9,475	90,000	71,721	(18,279)	82,521	82,207	(314)
			10,000	3,204	6,796			
100,000	101,179	(1,179)				82,521	82,500	21
100,000	101,179	(1,179)	10,000	3,204	6,796	82,521	82,500	21
	8,296	10,654	80,000	68,517	(25,075)		(293)	(335)
	8,296	\$10,654	\$80,000	68,517	(\$25,075)		(293)	(\$335)
	36,763			415,321				
	\$45,059			\$483,838			(\$293)	(Continued)

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	GRANTS		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes			
Sales tax			
Gas tax			
Total taxes			
Agency revenues			
Grants	\$11,982	\$1,145,919	\$1,133,937
Investment and other revenues			
Total Revenues	11,982	1,145,919	1,133,937
EXPENDITURES			
General Government	23,964	52,680	(28,716)
Public safety			
Public works			
Capital improvement program		1,094,937	(1,094,937)
Total Expenditures	23,964	1,147,617	(1,123,653)
Excess (Deficiency) of Revenues Over Expenses	(11,982)	(1,698)	2,257,590
OTHER FINANCING SOURCES			
Transfers in			
Transfers (out)			
Total Other Financing Sources			
Net change in fund balances	(\$11,982)	(1,698)	\$2,257,590
Fund balances, beginning of Year		11,659	
Fund balances, end of Year		\$9,961	

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.

TOWN OF PORTOLA VALLEY
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>Maintenance Districts</u>				
<u>Assets</u>				
Cash and investments	\$276,303	\$87,410	\$90,485	\$273,228
Accounts and interest receivable	2,880		2,704	176
Total assets	\$279,183	\$87,410	\$93,189	\$273,404
<u>Liabilities</u>				
Deposits and other liabilities	\$279,183	\$87,410	\$93,189	\$273,404
<u>Total Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$276,303	\$87,410	\$90,485	\$273,228
Accounts and interest receivable	2,880		2,704	176
Total assets	\$279,183	\$87,410	\$93,189	\$273,404
<u>Liabilities</u>				
Deposits and other liabilities	\$279,183	\$87,410	\$93,189	\$273,404