

TOWN OF PORTOLA VALLEY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013

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TOWN OF PORTOLA VALLEY
Basic Financial Statements
For the Year Ended June 30, 2013
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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 and required certain format changes in the financial statements and certain nomenclature revisions in the footnotes accompanying the financial statements:

Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. See note 1E to the financial statements for relevant disclosures.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Mare & Associates

Pleasant Hill, California
October 3, 2013

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, 2013. Please read it in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS:

- The Town's net assets increased by \$4,232,490 (or 11%) to \$43,259,005. (page 13)
- The General Fund's total fund balance increased by \$1,429,995 (or 57%) to \$3,956,573. This significant increase is primarily due to the County's disbursement of recalculated prior and current year Tax Equity Allocation (TEA) disbursements and a sales & use tax disbursement from a one-time purchase. (page 19)
- The Town's total funds reported combined ending fund balances of \$10,962,125, an increase of \$4,285,485 (or 64%) over the prior year. Of this amount, \$47,694 is considered *non-spendable* in that it is a loan receivable. Approximately \$2.7 million of the increase is attributed to sale of the below market rate housing lots owned by the Town in the Blue Oaks subdivision. The amount of the sale (less the associated costs to sell the land) increased the net assets of the Inclusionary Housing Fund at year-end. The remaining funds are composed of *restricted, assigned, and unassigned* funds and are therefore available to finance government operations in accordance with the funds' intended purposes. (page 17)
- The Town's total liabilities increased by \$158,324 (or 16%) to \$1,168,902 of which \$474,231 is for accounts payable paid in July/August 2013 for goods and services received prior to June 30, 2013. The remaining liability is related to refundable deposits and compensated absences. (page 12)
- The Town's capital assets decreased by \$48,917 to \$32,359,129 with zero related long-term liability. The slight decrease is the net effect of the fiscal year's additions less annual depreciation and the \$1 million retirement of the original four Blue Oaks lots. (page 33)

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 provides 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 Position (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 Position 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 16-21) provide detailed information about the Town's major funds—not the Town as a whole. Some funds are required to be established by State law. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

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

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

The General Fund, Open Space Restricted Fund, Road Impact Fees Fund and Inclusionary-in-Lieu 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 43-47) including the Town's budgetary comparison schedules for the General, Open Space Restricted, Inclusionary-in-Lieu and Road Impact Fee funds.

Supplementary Information

Supplementary schedules (pages 50-62) 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 Position

Formerly titled the Statement of Net Assets, the Net Position is a good indicator of an agency's financial position. At the end of this fiscal year, the Town's net position increased by \$4.2 million to \$43,259,005, representing a 10.8% increase over the prior year.

The following is the condensed Statement of Net Assets for the fiscal year ended 6/30/2013.

	Fiscal Year Ended		Change	
	6/30/2013	6/30/2012	Amount	Percent
Assets:				
Current Assets	\$ 12,068,779	\$ 7,629,048	\$ 4,439,731	58.2%
Capital Assets, Net	32,359,128	32,408,045	(48,917)	-0.2%
Total Assets	44,427,907	40,037,093	4,390,814	11.0%
Liabilities:				
Current Liabilities	474,231	462,911	11,320	2.4%
Long-term Liabilities	694,671	547,667	147,004	26.8%
Total Liabilities	1,168,902	1,010,578	158,324	15.7%
Net Position:				
Invested in Capital Assets, Net of Related Debt	32,359,128	32,408,045	(48,917)	-0.2%
Restricted	7,026,229	4,150,062	2,876,167	69.3%
Unrestricted	3,873,648	2,468,408	1,405,240	56.9%
Total Net Position	\$ 43,259,005	\$ 39,026,515	\$ 4,232,490	10.8%

The Town's *Current Assets* of \$12 million represent readily available cash, accounts receivable and a loan receivable. The increase of 58% is primarily related to the sale of the Blue Oaks lots, disbursement of recalculated property tax revenues, and an inflated sales tax disbursement for a one-time purchase.

The Town's *Total Liabilities* of \$1.1 million represent 2.6% of the *Total Assets*.

The Town has \$7 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 \$3.9 million in unrestricted assets that represents funds that are not restricted by law; however \$483,050 of these funds remain assigned by the Town for special programs.

Statement of Activities

The following is the condensed Statement of Activities for the fiscal year ended 6/30/2013, along with comparative data for the previous fiscal year ending 6/30/2012.

	Fiscal Year Ended		Change	
	6/30/2013	6/30/2012	Amount	Percent
Revenues				
Program Revenues:				
Charges for Services	\$ 1,162,889	\$ 807,125	\$ 355,764	44.1%
Grants and Contributions	1,962,542	1,759,756	202,786	11.5%
General Revenues:				
Property Taxes	2,657,794	1,955,891	701,903	35.9%
Agency Revenues	542,243	315,621	226,622	71.8%
Franchise Fees	257,626	251,260	6,366	2.5%
Utility Users Tax	787,883	775,585	12,298	1.6%
Investment Earnings	31,179	7,810	23,369	299.2%
Miscellaneous	19,784	51,043	(31,259)	-61.2%
Gain on Sale of Land	1,761,296	-	1,761,296	0.0%
Total Revenues	9,183,236	5,924,091	3,259,145	55.0%
Expenses:				
General Government	2,667,042	2,970,979	(303,937)	-10.2%
Parks and Recreation	205,346	230,481	(25,135)	-10.9%
Town Center Facilities	539,032	540,086	(1,054)	-0.2%
Public Safety	905,143	875,398	29,745	3.4%
Road Impact Fees	-	46,495	(46,495)	0.0%
Public Works	553,677	430,085	123,592	28.7%
Miscellaneous Expenses	80,506	-	80,506	0.0%
Total Expenses	4,950,746	5,093,524	(142,778)	-2.8%
Change in Net Assets	4,232,490	830,567	3,401,923	409.6%
Net Position - Beginning	39,026,515	38,195,948	830,567	2.2%
Net Position - Ending	\$ 43,259,005	\$ 39,026,515	\$ 4,232,490	10.8%

Revenues increased by 55% over the prior fiscal year due primarily to a \$1.76 million net *Gain of Sale of Land*. The county's disbursement of recalculated prior and current year Tax Equity Allocation (TEA) disbursements increased *Property Taxes* by nearly 36% over the prior year's revenues, and the new building and permit fees combined with increased activity resulted in a 44% increase in revenues for *Charges for Services*. A one-time transaction that was subject to use tax increased *Agency Revenues* by nearly 72%. Finally, *Grants and Contributions* reflect revenues related to the completion of the Ford Field fundraising campaign and the value of the Buck Meadow parcel that was donated to the Town for protection as open space.

Expenses decreased by 2.8% from the prior year, with the 10.2% decrease in *General Government* primarily due to the prior year's payoff of almost \$320,000 for the PERS pension side fund. *Parks & Recreation* also decreased by nearly 11% due to reduced maintenance expenditures. The increase of nearly 29% for *Public Works* reflects the new bio-maintenance costs on the new C-1 (Dwight Crowder) Trail, increased budgets for road maintenance and engineering consulting support, and depreciation for infrastructure.

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 \$10,962,125. The following fund balances can only be used for their specified purpose *within the General Fund*; however, the assigned fund balances can be reassigned at the Council's discretion:

- Nonspendable (loan receivable) \$ 47,694
- Assigned for open space acquisition 377,499
- Assigned for other purposes 105,551

The Town has at its discretion \$10.9 million for future use. Of this amount \$3.4 million is unassigned within the General Fund and therefore available for any purpose. The remainder of \$7 million in restricted funds can only be used for projects within the intended purpose of the funds.

As of June 30, 2013, the Town has assigned \$50,000 to fund the estimated \$1.055 million unfunded pension liability that CalPERS disclosed to the Town in their actuarial valuation as of June 30, 2011, the most recent information available to the Town.

Additional detail on specific fund balances can be found at Note 7.

Fund Budgetary Highlights

The Town's overall adopted budget for 2012-13 was \$5.8 million, with the General Fund portion of the budget \$4.4 million. In August 2013, the Council approved staff's recommended General Fund budget amendments totaling just over \$700,000 that allowed for additional property tax, sales & use tax, and C/CAG revenues.

In May 2013, the Council approved budget amendments to allow for revenue for the sale of the Blue Oaks lots (Inclusionary Fund), and expenditures related to ongoing storm damage repairs to Alpine Road (Storm Damage Fund), which will ultimately be reimbursed by federal and state agencies.

In total, actual General Fund revenues of \$5,409,973 were 2.2% over the amended budget of \$5,295,485. Revenue budgetary highlights include the following:

- The improvement of the economy along with implementation of the new fee schedule resulted in actual building and fee-related revenues at 50% over budgeted amounts.
- As mentioned before, the County recalculated all prior year disbursements of Tax Equity Allocation (TEA) funds, which along with the recalculated current year's allocation, resulted in an additional \$443,000 in property tax revenues.
- A one-time transaction that was subject to use tax increased sales & use tax remittance by over \$255,000 late in the fiscal year.
- A code violation fine of \$75,000 that was levied due to unauthorized tree removal in a Town right-of-way was received by the Town.

Total expenditures for the General Fund were nearly \$500,000 less than the budget of \$4,466,282, with actual expenditures less than budgeted in every category.

- With staffing fluctuations during the fiscal year and reduced expenditures for consultants, services and supplies, actual expenditures for General Government were \$46,032 less than budgeted.
- Additional savings of nearly \$60,000 were realized through reduced maintenance-related expenditures for the Town Center buildings and grounds.
- The re-design and subsequent re-bid process of the Ford Field renovation project resulted in a delay of the construction process, therefore the bulk of this budgeted capital project's expenditures were incurred in the subsequent 2013-14 fiscal year.
- Capital improvements to be made to the Dwight Crowder Trail (C-1) were also carried forward to the 2013-14 fiscal year.

In summary, due to the above-referenced increased revenues and reduced expenditures over budgeted amounts, the General Fund increased over \$600,000 in fund balance during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the Town had \$32.4 million invested primarily in buildings and land, as summarized below. During the year the Town acquired nearly \$1.8 million in capital assets. This included donation of a parcel of land for open space, the annual road project, and equipment purchases of a new tractor and the AM radio station equipment. Additional information on the Town's capital assets can be found in Note 3.

	6/30/2013	6/30/2012	Amount	Percent
Land	\$ 6,690,959	\$ 6,485,959	\$ 205,000	3%
Construction in Progress	146,214	33,796	112,418	
Land improvements	2,627,145	2,627,145	-	0%
Buildings	19,752,463	19,752,463	-	0%
Equipment	280,965	229,414	51,551	22%
Infrastructure	<u>7,011,218</u>	<u>6,611,926</u>	<u>399,292</u>	6%
Total Capital Assets	36,508,964	35,740,703	768,261	2%
Accumulated Depreciation	<u>(4,149,836)</u>	<u>(3,332,658)</u>	<u>(817,178)</u>	25%
Total Net Capital Assets	<u>\$ 32,359,128</u>	<u>\$ 32,408,045</u>	<u>\$ (48,917)</u>	0%

Long-Term Debt

The Town has \$62,248 in the long-term liability of compensated absences, with no new debt incurred during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The factors that most significantly impact the Town and its budget are driven by property values, building activity, and labor costs. The local real estate market remained steady during the recession and housing demand in the region is very high. These two factors directly impact property taxes, which are the Town's largest revenue source. Strong demand for housing and a stronger regional economy has also resulted in greater private investment in the existing housing stock. This has, in turn, resulted in greater demand for the Town's planning and building services, which are fee-based and experienced a decrease during the recession.

Finally, as the single largest expenditure for the Town, labor costs will continue to be an area of attention for the Town. In 2013-14, the Town will revisit the structure of employee medical benefits in an effort to introduce long-term expenditure predictability through premium cost-sharing with employees. The Town will also consider an aggressive plan to fund the Town's unfunded pension liability of \$1.055 million (as of the most current PERS actuarial report dated June 30, 2011).

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 POSITION
AND STATEMENT OF ACTIVITIES**

The purpose of the Statement of Net Position 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 Position reports the difference between the Town's total assets and deferred outflows of resources, if any; and the Town's total liabilities and deferred inflows of resources, if any, including all the Town's capital assets and all its long-term debt.

The Statement of Net Position 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 position. 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 Position is computed and reconciled with the Statement of Net Position.

TOWN OF PORTOLA VALLEY
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$10,057,341
Restricted cash - customer deposits (Note 2)	632,423
Accounts and interest receivable	1,331,321
Loans receivable (Note 5)	47,694
Capital assets, net (Note 3)	
Nondepreciable	6,837,173
Depreciable, net of accumulated depreciation	25,521,955
Total Assets	44,427,907
LIABILITIES	
Accounts payable	474,231
Refundable customer deposits	632,423
Accrued compensated absences due within one year (Note 1G)	62,248
Total Liabilities	1,168,902
NET POSITION (Note 6)	
Net Investment in capital assets	32,359,128
Restricted for:	
Special Revenue Projects	4,136,031
Capital Projects	2,890,198
Unrestricted	3,873,648
Total Net Position	\$43,259,005

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Operating Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
General government	\$2,667,042	\$801,905		\$1,233,100	(\$632,037)
Parks and recreation	205,346	123,422		233,157	151,233
Town center facilities	539,032	237,562			(301,470)
Public safety	905,143		103,592		(801,551)
Public works	553,677		325,646	67,047	(160,984)
Miscellaneous expenses	80,506				(80,506)
Total governmental activities	<u>\$4,950,746</u>	<u>\$1,162,889</u>	<u>\$429,238</u>	<u>\$1,533,304</u>	<u>(1,825,315)</u>
General Revenues:					
Property Tax Revenues.....					2,657,794
Agency Revenues.....					542,243
Franchise Fees.....					257,626
Utility User Tax.....					787,883
Investment Earnings.....					31,179
Miscellaneous Revenue.....					19,784
Gain on Sale of Land.....					1,761,296
Total general revenues					<u>6,057,805</u>
Change in net position					4,232,490
Net Position, beginning of year					<u>39,026,515</u>
Net Position, end of year					<u>\$43,259,005</u>

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.

The funds described below were determined to be Major Funds by the Town in fiscal year 2013. 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.

INCLUSIONARY-IN-LIEU

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

TOWN OF PORTOLA VALLEY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General	Open Space Restricted	Road Impact Fees
ASSETS			
Cash and investments (Note 2)	\$2,868,556	\$3,557,576	\$161,907
Restricted cash - customer deposits (Note 2)	632,423		
Accounts and interest receivable	1,219,326	24,716	86
Due from other funds (Note 4)	48,683		
Loans receivable (Note 5)	47,694		
	<u>47,694</u>	<u> </u>	<u> </u>
Total Assets	<u>\$4,816,682</u>	<u>\$3,582,292</u>	<u>\$161,993</u>
LIABILITIES			
Accounts payable	\$227,686	\$800	\$121,009
Refundable deposits	632,423		
Due to other funds (Note 4)			
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>860,109</u>	<u>800</u>	<u>121,009</u>
FUND BALANCES (Note 6)			
Nonspendable	47,694		
Restricted		3,581,492	40,984
Assigned	483,050		
Unassigned	3,425,829		
	<u>3,425,829</u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,956,573</u>	<u>3,581,492</u>	<u>40,984</u>
Total Liabilities and Fund Balances	<u>\$4,816,682</u>	<u>\$3,582,292</u>	<u>\$161,993</u>

See accompanying notes to financial statements

Inclusionary In-Lieu	Other Governmental Funds	Total Governmental Funds
\$2,875,006	\$594,296	\$10,057,341
		632,423
1,778	85,415	1,331,321
		48,683
		47,694
<u>\$2,876,784</u>	<u>\$679,711</u>	<u>\$12,117,462</u>
\$2,792	\$121,944	\$474,231
		632,423
	48,683	48,683
<u>2,792</u>	<u>170,627</u>	<u>1,155,337</u>
2,873,992	529,761	47,694
		7,026,229
		483,050
	(20,677)	3,405,152
<u>2,873,992</u>	<u>509,084</u>	<u>10,962,125</u>
<u>\$2,876,784</u>	<u>\$679,711</u>	<u>\$12,117,462</u>

TOWN OF PORTOLA VALLEY
RECONCILIATION OF THE
GOVERNMENTAL FUNDS BALANCE SHEET
TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013

Fund Balances - Total Governmental Funds \$10,962,125

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

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

Governmental capital assets	36,508,964	
Less: accumulated depreciation	<u>(4,149,836)</u>	32,359,128

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

Compensated absences	<u>(62,248)</u>	<u>(62,248)</u>
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Net Position of Governmental Activities \$43,259,005

See accompanying notes to financial statements

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TOWN OF PORTOLA VALLEY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Open Space Restricted	Road Impact Fees
REVENUES			
Taxes			
Property taxes	\$2,657,794		
Sales tax	414,914		
Utility users tax	545,456	\$242,427	
Gas tax			
Business license tax and other taxes	78,399		
Total taxes	3,696,563	242,427	
Agency revenues	7,838		
Grants			
Contributions	233,257	7,274	
Franchise fees	257,626		
Licenses and permits	639,876		
Service charges and fees	162,029		
Parks and recreation	279,441		
Investment and other revenues	133,343	10,240	\$430
Total Revenues	5,409,973	259,941	430
EXPENDITURES			
General government	2,659,763		
Parks and recreation	173,745		
Town center facilities	82,850		
Public safety	804,196		
Public works	19,961		
Capital improvement program	184,032	1,016	97,926
Miscellaneous expenses		800	
Total Expenditures	3,924,547	1,816	97,926
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,485,426	258,125	(97,496)
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 4)		24,875	
Transfers (out) (Note 4)	(55,431)		
Sale of land			
Total Other Financing Sources (Uses)	(55,431)	24,875	
NET CHANGE IN FUND BALANCES	1,429,995	283,000	(97,496)
FUND BALANCES, BEGINNING OF YEAR	2,526,578	3,298,492	138,480
FUND BALANCES, END OF YEAR	\$3,956,573	\$3,581,492	\$40,984

See accompanying notes to financial statements

<u>Inclusionary In-Lieu</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$2,657,794
	\$254,312	669,226
		787,883
	118,125	118,125
		78,399
	<u>372,437</u>	<u>4,311,427</u>
	40,960	48,798
	97,893	97,893
		240,531
		257,626
		639,876
		162,029
		279,441
<u>\$33,500</u>	<u>1,806</u>	<u>179,319</u>
<u>33,500</u>	<u>513,096</u>	<u>6,216,940</u>
		2,659,763
		173,745
	9,838	92,688
	100,000	904,196
	198,632	218,593
	280,286	563,260
<u>79,706</u>		<u>80,506</u>
<u>79,706</u>	<u>588,756</u>	<u>4,692,751</u>
<u>(46,206)</u>	<u>(75,660)</u>	<u>1,524,189</u>
	72,918	97,793
	(42,362)	(97,793)
<u>2,761,296</u>		<u>2,761,296</u>
<u>2,761,296</u>	<u>30,556</u>	<u>2,761,296</u>
2,715,090	(45,104)	4,285,485
<u>158,902</u>	<u>554,188</u>	<u>6,676,640</u>
<u>\$2,873,992</u>	<u>\$509,084</u>	<u>\$10,962,125</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, 2013

Net Change in Fund Balances - Total Governmental Funds		\$4,285,485
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital contributions		1,205,000
<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>		
Sale of land		(1,000,000)
Capital outlay and other capitalized expenditures	\$563,261	
Depreciation expense	<u>(817,178)</u>	(253,917)
Net change in compensated absences		<u>(4,078)</u>
Change in Net Position of Governmental Activities		<u><u>\$4,232,490</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 NET POSITION
JUNE 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$245,565
Accounts and interest receivable	<u>252</u>
Total Assets	<u><u>\$245,817</u></u>
LIABILITIES	
Deposits and accrued liabilities	<u>\$245,817</u>
Total Liabilities	<u><u>\$245,817</u></u>

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 Position 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, 2013

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.

Inclusionary-In-Lieu is used to account for the subdivision developer's fee, payable by fee or land that can only be used for affordable housing.

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, 2013

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 position 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. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 63 – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The pronouncement required a format change in certain financial statements and certain nomenclature revisions in the footnotes accompanying the financial statements.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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	\$58,170
Additions	74,221
Payments	<u>(70,143)</u>
Ending balance	<u><u>\$62,248</u></u>

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 that have matured are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

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.

**TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. 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, 2013:

Inclusionary In-Lieu Capital Projects Fund	\$7,792
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J. 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.

K. Reactivated Fund

In fiscal year 2013 the Town reactivated the Storm Damage Capital Projects Fund.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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	\$10,057,341
Restricted cash and investments	632,423
Cash and investments of the Town	10,689,764
Cash and investments in Fiduciary Funds (separate statement)	245,565
Total cash and investments	\$10,935,329

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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013, is provided by the following table:

	Cash and Investments	Restricted Cash and Investments	Total
California Local Agency Investment Fund	\$9,906,498	\$632,423	\$10,538,921
Cash in Bank			
Checking Account	394,908		394,908
Cash on Hand	1,500		1,500
	<u>\$10,302,906</u>	<u>\$632,423</u>	<u>\$10,935,329</u>
Total cash and investments			

During the fiscal year, the Town sold its donated stock.

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, 2013, these investments matured in an average of 278 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, 2013

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, sidewalks, trails, paths 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	20 - 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, 2013

NOTE 3 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital asset activity during the fiscal year ended June 30, 2013 was as follows:

	Balance <u>June 30, 2012</u>	Additions	Retirements	Balance <u>June 30, 2013</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$6,485,959	\$1,205,000	(\$1,000,000)	\$6,690,959
Construction in Progress	<u>33,796</u>	<u>112,418</u>		<u>146,214</u>
Total capital assets not being depreciated	<u>6,519,755</u>	<u>1,317,418</u>	<u>(1,000,000)</u>	<u>6,837,173</u>
Capital assets being depreciated:				
Infrastructure	6,611,926	399,292		7,011,218
Land improvements	2,627,145			2,627,145
Buildings and improvements	19,752,463			19,752,463
Equipment	<u>229,414</u>	<u>51,551</u>		<u>280,965</u>
Total capital assets being depreciated	<u>29,220,948</u>	<u>450,843</u>		<u>29,671,791</u>
Less accumulated depreciation for:				
Infrastructure	(1,185,341)	(335,084)		(1,520,425)
Land improvements	(601,437)	(73,565)		(675,002)
Buildings and improvements	(1,378,400)	(395,049)		(1,773,449)
Equipment	<u>(167,480)</u>	<u>(13,480)</u>		<u>(180,960)</u>
Total accumulated depreciation	<u>(3,332,658)</u>	<u>(817,178)</u>		<u>(4,149,836)</u>
Total depreciable assets, net	<u>25,888,290</u>	<u>(\$366,335)</u>	<u>(\$1,000,000)</u>	<u>25,521,955</u>
Capital assets, net	<u><u>\$32,408,045</u></u>			<u><u>\$32,359,128</u></u>

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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	31,601
Town Center Facilities	446,345
Public Safety	947
Public Works	<u>335,084</u>
Total Governmental Activities	<u><u>\$817,178</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, 2013, the Public Safety COPS Special Revenue Fund, the Measure M Special Revenue Fund, and the Storm Damage Capital Projects Fund owe the General Fund \$3,439; \$41,253, and \$3,991 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, 2013 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	\$24,875 (A)
	Non Major Governmental Funds	30,556 (B)
Non Major Governmental Funds	Non Major Governmental Funds	<u>42,362 (B)</u>
		<u><u>\$97,793</u></u>

Purpose of transfer:

(A) General Fund transfer of proceeds from Blues & BBQ to the Town's Open Space Fund

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

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013, the remaining balance of the loan is \$47,694.

NOTE 6 – NET POSITION AND FUND BALANCES

A. Net Position

Net Position is measured on the full accrual basis and are the excesses of all the Town's assets and deferred outflows of resources over all its liabilities, and deferred inflows of resources. Net Position is divided into three captions which are determined only at the Government-wide level, and are described below:

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

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

Unrestricted describes the portion of Net Position 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, 2013

NOTE 6 – NET POSITION 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, 2013, are below:

	General Fund	Major Special Revenue Funds		Capital Project Fund	Other Governmental Funds	Total
		Open Space Restricted	Road Impact Fee	Inclusionary In-lieu		
Fund balances:						
Nonspendables:						
Loans receivable	\$47,694					\$47,694
Restricted for:						
Open space acquisition		\$3,581,492				3,581,492
Road impact fees			\$40,984			40,984
Public safety					\$20,676	20,676
Gas Tax						
Public safety COPS					17,427	17,427
Library fund					475,452	475,452
Park in-lieu					6,245	6,245
Inclusionary in-lieu				\$2,873,992		2,873,992
Grants					9,961	9,961
Assigned to:						
Open space acquisition	377,499					377,499
Children's theater	2,660					2,660
Historic museum fund	2,891					2,891
Legal contingency	100,000					100,000
Unassigned	3,425,829				(20,677)	3,405,152
Total fund balances	\$3,956,573	\$3,581,492	\$40,984	\$2,873,992	\$509,084	\$10,962,125

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 6 – NET POSITION AND FUND BALANCES (Continued)

C. 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, 2013 is as follows:

Fiscal 2013-14 Adopted Budget General Fund Operating Expenditures	\$3,951,870
Multiplied by 60%:	
Required minimum unrestricted General Fund fund balance	<u>\$2,371,122</u>
 General Fund unrestricted fund balance as of June 30, 2013	<u>\$3,908,879</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, 2013, are summarized as follows:

	Prior to January 1, 2013 Miscellaneous	After January 1, 2013 Miscellaneous
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits, as a % of annual salary	1.426% - 2.418%	2%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	9.716%	6.25%

The Town pays employee contributions as well as its own for employees hired prior to January 1, 2013. The town does not pay employee contributions for employees hired after January 1, 2013.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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 7.5% is assumed, including inflation rate at 2.75%. 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
2011	\$232,343	100%	\$0
2012	225,434	100%	0
2013	171,218	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
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%
2011	3,619,835,876	3,203,214,899	416,620,977	88.5%	759,263,518	54.9%

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 7 - PERS PENSION PLAN (Continued)

As required by new State law, effective July 1, 2005, the City's Miscellaneous Plan was terminated, and the employees in that plan were required by CALPERS to join new State-wide pools. One of the conditions of entry to this pool was that the City true-up any unfunded liabilities in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The Town satisfied its Miscellaneous Plan's unfunded liability at July 1, 2012 by making a lump sum contribution of \$319,066 on June 26, 2012.

The Town's Miscellaneous Plan represents approximately 0.15%, 0.15%, 0.14% of the State-wide pool for the years ended June 30, 2011, 2010, 2009, respectively, based on covered payroll of \$1,154,924, \$1,177,344, and \$1,068,566 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, 2013, the Town contributed \$47,656 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, 2013, the Town contributed \$40,181 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, 2013 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, 2013

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.

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF PORTOLA VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$2,156,150	\$2,599,177	\$2,657,794	\$58,617
Sales tax	174,000	412,914	414,914	2,000
Business license tax and other taxes	104,000	104,000	78,399	(25,601)
Total Taxes	<u>2,434,150</u>	<u>3,116,091</u>	<u>3,151,107</u>	<u>35,016</u>
Franchise fees	247,452	247,452	257,626	10,174
Utility users tax	558,598	558,598	545,456	(13,142)
Agency revenues	5,000	5,000	7,838	2,838
Contributions	407,500	407,500	233,257	(174,243)
Licenses and permits	430,268	430,268	639,876	209,608
Service charges and fees	54,501	54,501	162,029	107,528
Parks and recreation	338,550	338,550	279,441	(59,109)
Investment and other revenues	112,570	137,525	133,343	(4,182)
Total Revenues	<u>4,588,589</u>	<u>5,295,485</u>	<u>5,409,973</u>	<u>114,488</u>
EXPENDITURES				
General government	2,705,795	2,705,795	2,659,763	46,032
Parks and recreation	196,950	196,950	173,745	23,205
Town center facilities	118,841	118,841	82,850	35,991
Public safety	804,196	804,196	804,196	
Public works	23,000	23,000	19,961	3,039
Capital improvement program	520,500	520,500	184,032	336,468
Total Expenditures	<u>4,369,282</u>	<u>4,369,282</u>	<u>3,924,547</u>	<u>444,735</u>
Excess (Deficiency) of Revenues Over Expenses	<u>219,307</u>	<u>926,203</u>	<u>1,485,426</u>	<u>559,223</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(97,000)	(97,000)	(55,431)	41,569
Total Other Financing Sources (Uses)	<u>(97,000)</u>	<u>(97,000)</u>	<u>(55,431)</u>	<u>41,569</u>
NET CHANGE IN FUND BALANCE	<u>\$122,307</u>	<u>\$829,203</u>	<u>1,429,995</u>	<u>\$600,792</u>
Fund balance at beginning of year			<u>2,526,578</u>	
Fund balance at end of year			<u>\$3,956,573</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, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Utility users tax	\$247,931	\$242,427	(\$5,504)
Contribution	5,000	7,274	2,274
Investment and other revenues	<u> </u>	<u>10,240</u>	<u>10,240</u>
Total Revenues	<u>252,931</u>	<u>259,941</u>	<u>7,010</u>
EXPENDITURES			
Capital improvement program	90,705	1,016	89,689
Miscellaneous expense	<u> </u>	<u>800</u>	<u>(800)</u>
Total Expenditures	<u>90,705</u>	<u>1,816</u>	<u>88,889</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>50,000</u>	<u>24,875</u>	<u>(25,125)</u>
Total Other Financing Sources	<u>50,000</u>	<u>24,875</u>	<u>(25,125)</u>
Net change in fund balance	<u>\$302,931</u>	283,000	<u>(\$19,931)</u>
Fund balance at beginning of year	<u> </u>	<u>3,298,492</u>	<u> </u>
Fund balance at end of year	<u> </u>	<u>\$3,581,492</u>	<u> </u>

TOWN OF PORTOLA VALLEY
ROAD IMPACT FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Investment and other revenues			\$430	\$430
Total Revenues			430	430
EXPENDITURES				
Capital improvement program	\$143,000	\$143,000	97,926	45,074
Total Expenditures	143,000	143,000	97,926	45,074
Net change in fund balance	<u>(\$143,000)</u>	<u>(\$143,000)</u>	(97,496)	<u>\$45,504</u>
Fund balance at beginning of year			<u>138,480</u>	
Fund balance at end of year			<u><u>\$40,984</u></u>	

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<p style="text-align: center;">TOWN OF PORTOLA VALLEY Notes to Required Supplementary Information</p>

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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OTHER SUPPLEMENTAL INFORMATION

TOWN OF PORTOLA VALLEY
 INCLUSIONARY IN-LIEU CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment and other revenues	<u>\$28,800</u>	<u>\$33,500</u>	<u>\$4,700</u>
Total Revenues	<u>28,800</u>	<u>33,500</u>	<u>4,700</u>
EXPENDITURES			
Miscellaneous expenses	<u>71,914</u>	<u>79,706</u>	<u>(7,792)</u>
Total Expenditures	<u>71,914</u>	<u>79,706</u>	<u>(7,792)</u>
Excess (Deficiency) of Revenues Over Expenses	<u>(43,114)</u>	<u>(46,206)</u>	<u>(3,092)</u>
OTHER FINANCING SOURCES (USES)			
Sale of land	<u>2,761,296</u>	<u>2,761,296</u>	<u></u>
Net change in fund balance	<u>\$2,718,182</u>	<u>2,715,090</u>	<u>(\$3,092)</u>
Fund balance at beginning of year		<u>158,902</u>	
Fund balance at end of year		<u>\$2,873,992</u>	

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:

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.

PARK-IN-LIEU

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

GRANTS

Accounts for grant activities.

STORM DAMAGE

This fund is used as necessary to track federal or state-reimbursed storm-related road repairs.

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	Special Revenue Funds			
	Public Safety	Gas Tax	Public Safety COPS	Library Fund
ASSETS				
Cash and investments	\$19,711	\$62,276		\$478,388
Accounts and interest receivable	965		\$20,866	297
Total Assets	\$20,676	\$62,276	\$20,866	\$478,685
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable		\$62,276		\$3,233
Due to other funds			\$3,439	
Total Liabilities		62,276	3,439	3,233
FUND BALANCES (DEFICIT)				
Restricted	\$20,676		17,427	475,452
Unassigned				
Total Fund Balance	20,676		17,427	475,452
Total Liabilities and Fund Balances	\$20,676	\$62,276	\$20,866	\$478,685

Special Revenue Fund	Capital Projects Funds				
Measure M	Measure A	Park In-Lieu	Grants	Storm Damage	Totals
	\$17,719	\$6,241	\$9,961		\$594,296
\$40,960	22,323	4			85,415
<u>\$40,960</u>	<u>\$40,042</u>	<u>\$6,245</u>	<u>\$9,961</u>		<u>\$679,711</u>
	\$40,042			\$16,393	\$121,944
\$41,253				3,991	48,683
<u>41,253</u>	<u>40,042</u>			<u>20,384</u>	<u>170,627</u>
		\$6,245	\$9,961		\$529,761
(293)				(20,384)	(20,677)
<u>(293)</u>		<u>6,245</u>	<u>9,961</u>	<u>(20,384)</u>	<u>509,084</u>
<u>\$40,960</u>	<u>\$40,042</u>	<u>\$6,245</u>	<u>\$9,961</u>		<u>\$679,711</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, 2013

	Special Revenue Funds			
	Public Safety	Gas Tax	Public Safety COPS	Library Fund
REVENUES				
Taxes				
Sales tax	\$12,301			
Gas tax		\$118,125		
Total taxes	12,301	118,125		
Agency revenues				
Grants			\$91,291	
Investment and other revenues	42		19	\$1,452
Total Revenues	12,343	118,125	91,310	1,452
EXPENDITURES				
Town center facilities				9,838
Public safety			100,000	
Public works		192,030		
Capital improvement program			18,942	
Total Expenditures		192,030	118,942	9,838
Excess (Deficiency) of Revenues Over Expenses	12,343	(73,905)	(27,632)	(8,386)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)		72,918		
Transfers out (Note 4)				
Total Other Financing Sources (Uses)		72,918		
Net change in fund balances	12,343	(987)	(27,632)	(8,386)
Fund balances at beginning of year	8,333	987	45,059	483,838
Fund balances (deficit) at end of year	\$20,676	\$987	\$17,427	\$475,452

Special Revenue Fund	Capital Projects Funds				
Measure M	Measure A	Park In-Lieu	Grants	Storm Damage	Totals
	\$242,011				\$254,312 118,125
	242,011				372,437
\$40,960			\$6,602		40,960 97,893 1,806
	\$274	\$19			1,806
40,960	242,285	19	6,602		513,096
					9,838 100,000 198,632 280,286
40,960	200,000		6,602	\$20,384	280,286
40,960	200,000		6,602	20,384	588,756
	42,285	19		(20,384)	(75,660)
	(42,362)				72,918 (42,362)
	(42,362)				30,556
	(77)	19		(20,384)	(45,104)
(293)	77	6,226	9,961		554,188
(\$293)		\$6,245	\$9,961	(\$20,384)	\$509,084

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, 2013

	PUBLIC SAFETY			GAS TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Sales tax	\$11,679	\$12,301	\$622			
Gas tax				\$127,977	\$118,125	(\$9,852)
Total taxes	<u>11,679</u>	<u>12,301</u>	<u>622</u>	<u>127,977</u>	<u>118,125</u>	<u>(9,852)</u>
Agency revenues						
Grants						
Investment and other revenues		42	42			
Total Revenues	<u>11,679</u>	<u>12,343</u>	<u>664</u>	<u>127,977</u>	<u>118,125</u>	<u>(9,852)</u>
EXPENDITURES						
Town center facilities						
Public safety						
Public works				204,730	192,030	12,700
Capital improvement program						
Total Expenditures				<u>204,730</u>	<u>192,030</u>	<u>12,700</u>
Excess (Deficiency) of Revenues Over Expenses	<u>11,679</u>	<u>12,343</u>	<u>664</u>	<u>(76,753)</u>	<u>(73,905)</u>	<u>(22,552)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				77,000	72,918	
Transfers (out)						
Total Other Financing Sources				<u>77,000</u>	<u>72,918</u>	
Net change in fund balances	<u>\$11,679</u>	<u>12,343</u>	<u></u>	<u>\$247</u>	<u>(987)</u>	<u>(\$22,552)</u>
Fund balances, beginning of Year		<u>8,333</u>			<u>987</u>	
Fund balances, (deficit) end of Year		<u>\$20,676</u>				

PUBLIC SAFETY COPS			LIBRARY FUND			MEASURE M		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$75,000	\$40,960	(\$34,040)
\$100,000	\$91,291	(\$8,709)		\$1,452	\$1,452			
	19	19						
100,000	91,310	(8,690)		1,452	1,452	75,000	40,960	(34,040)
			\$10,000	9,838	162			
100,000	100,000							
30,000	18,942	11,058				75,000	40,960	34,040
130,000	118,942	11,058	10,000	9,838	162	75,000	40,960	34,040
(30,000)	(27,632)	(19,748)	(10,000)	(8,386)	1,290			(68,080)
<u>(\$30,000)</u>	<u>(27,632)</u>	<u>(\$19,748)</u>	<u>(\$10,000)</u>	<u>(8,386)</u>	<u>\$1,290</u>			<u>(\$68,080)</u>
	45,059			483,838			(293)	
	<u>\$17,427</u>			<u>\$475,452</u>			<u>(\$293)</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 YEAR ENDED JUNE 30, 2013

	MEASURE A			GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Sales tax	\$230,720	\$242,011	\$11,291			
Gas tax						
Total taxes	<u>230,720</u>	<u>242,011</u>	<u>11,291</u>			
Agency revenues						
Grants				\$252,000	\$6,602	(\$245,398)
Investment and other revenues		274	274			
Total Revenues	<u>230,720</u>	<u>242,285</u>	<u>11,565</u>	<u>252,000</u>	<u>6,602</u>	<u>(245,398)</u>
EXPENDITURES						
Town center facilities						
Public safety						
Public works				20,000	6,602	13,398
Capital improvement program	200,000	200,000		232,000		232,000
Total Expenditures	<u>200,000</u>	<u>200,000</u>		<u>252,000</u>	<u>6,602</u>	<u>245,398</u>
Excess (Deficiency) of Revenues Over Expenses	<u>30,720</u>	<u>42,285</u>	<u>11,565</u>			<u>(490,796)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(30,000)	(42,362)	(12,362)			
Total Other Financing Sources	<u>(30,000)</u>	<u>(42,362)</u>	<u>(12,362)</u>			
Net change in fund balances	<u>\$720</u>	<u>(77)</u>	<u>(\$797)</u>			<u>(\$490,796)</u>
Fund balances, beginning of Year		<u>77</u>			<u>9,961</u>	
Fund balances, end of Year					<u>\$9,961</u>	

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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, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<u>Maintenance Districts</u>				
<u>Assets</u>				
Cash and investments	\$273,228	\$99,550	\$127,213	\$245,565
Accounts and interest receivable	176	76		252
Total assets	<u>\$273,404</u>	<u>\$99,626</u>	<u>\$127,213</u>	<u>\$245,817</u>
<u>Liabilities</u>				
Deposits and other liabilities	<u>\$273,404</u>	<u>\$99,626</u>	<u>\$127,213</u>	<u>\$245,817</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Cash and investments	\$273,228	\$99,550	\$127,213	\$245,565
Accounts and interest receivable	176	76		252
Total assets	<u>\$273,404</u>	<u>\$99,626</u>	<u>\$127,213</u>	<u>\$245,817</u>
<u>Liabilities</u>				
Deposits and other liabilities	<u>\$273,404</u>	<u>\$99,626</u>	<u>\$127,213</u>	<u>\$245,817</u>