



TOWN OF PORTOLA VALLEY
Finance Committee Meeting
October 18, 2022
3 PM

Lucy Neely, Chair
Stephen Cassani, Member
Ken Lavine, Member
Jason Pressman, Member
George Savage, Member
Michele Takei, Member
William Urban, Member

VIRTUAL MEETING

REMOTE MEETING COVID-19 MEETING ADVISORY: On September 16, 2021, the Governor signed AB 361, amending the Ralph M. Brown Act (Brown Act) to allow legislative bodies to continue to meet virtually during the present public health emergency. AB 361 is an urgency bill which goes into effect on October 1, 2021. The bill extends the teleconference procedures authorized in Executive Order N-29-20, which expired on September 30, 2021, during the current COVID-19 pandemic and allows future teleconference procedures under limited circumstances defined in the bill. Portola Valley Town Council and commission and committee public meetings are being conducted electronically to prevent imminent risks to the health or safety of attendees. COVID-19 is still a major health concern and virtual attendance to the Town Council meeting is encouraged, particularly during case increases.

ASSISTANCE FOR PEOPLE WITH DISABILITIES

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Town Clerk at (650) 851-1700 or by email at mthurman@portolavalley.net 48 hours prior to the meeting start time. Notification 48 hours prior to the meeting will enable the Town to make reasonable arrangements to ensure accessibility to this meeting.

VIRTUAL PARTICIPATION VIA ZOOM

To access the meeting by computer:

<https://us06web.zoom.us/j/83302939664?pwd=cXhZRk5LaXpzbWpyb2NFOW9ETTVIUT09>

Webinar ID: 833 0293 9664

Passcode: 765685

To access the meeting by phone:

1-669-900-6833 or

1. **CALL TO ORDER & ROLL CALL**, Icebreaker
2. **ORAL COMMUNICATIONS FOR ITEMS NOT ON THE AGENDA**
Speakers' time is limited to three minutes.
3. **ANNOUNCEMENTS and PRESENTATIONS:**
 - a. Review Receipt of Brown Act Training and Resources provided by Melissa Thurman
 - b. Acknowledge Backlog of FC Meeting Minutes Now Posted
4. **APPROVAL OF MINUTES:**
 - a. May 31, 2022
5. **NEW BUSINESS:**
 - a. Accept the Memo to Commissions and Committees Regarding Town Text/Email Policy
 - b. Reconfirm Finance Committee Calendar of 4-6 Meetings per year
 - c. Update from Town Staff on FY19-20 Audit Status
 - d. Update and Discussion of Finance Department Workload/Resource Balance
 - e. Discuss Inclusionary Housing Fund to Provide Guidance to Town Council
 - f. Receive Update on PV Investment Fund and Discuss and Decide Whether to Modify
 - g. Discuss Status of Other Post-Employment Benefits (OPEB) and Additional Retirement Benefits/Pension Funding
 - h. Discuss FY 23-24 Budget and Committee Workshop for the Town Council

- i. Discuss FY23-24 Budget Preparation, Revenue Needs, and Deficit Spending and Create Study Sessions and/or Subcommittee

6. OTHER BUSINESS:

- a. none

7. ADJOURNMENT

The next regularly scheduled meeting date will be determined within the next two weeks and based on a quarterly meeting schedule.

Finance Committee Minutes
Tuesday 5/31/22

1. Call to Order - the meeting was called at 300pm
2. Roll Call - Attendees
 - a. Lucy Neely – Committee Chair
 - b. George Savage – Committee Member
 - c. Sarah Wernikoff - Committee Member
 - d. Ken Lavine – Committee Member
 - e. Jason Pressman - Committee Member
 - f. Stephen Cassani - Committee Member
 - g. Michelle Takei – Committee Member
 - h. Jeremy Dennis – Town Manager (part of the meeting)
 - i. Cindy Rodas – Finance Director
 - j. Craig Hughes – Council Liaison
 - k. Jim Saco – Consultant to the Town Manager
3. Oral Communications - None
4. Approval of Minutes from October 19, 2021 – approved unanimously via roll call
5. Audit Status Update – Jeremy Dennis
 - a. Some delays in normal schedule due to COVID-related issues and a systems transition
6. Finance Committee Meeting Calendar
 - a. Discussion of intent to meet six times per year
7. Inclusionary Housing Fund
 - a. Update from Jeremy Dennis
8. FY 2022-23 Proposed Budget
 - a. Cindy Rodas and Jeremy Dennis presented an overview of the proposed budget
 - b. Topics discussed
 - i. Property tax increases – growth of 6%
 - ii. Staff increases to fill needed gaps
 - iii. Impacts of housing requirements on the planning department
 - c. Issues to Monitor/Consider Longer Term
 - i. Revenue impacts over time
 - ii. ERAF/VLF Shortfall – Impact on Property Tax
 - iii. Increased Wildfire Support
 - iv. Open Space Maintenance
 - v. Town Center Facility needs
 - vi. Library Donor funds
 - d. Meeting timelines
 - i. June/July – Review of FY 19-20 Audit
 - ii. Sept/Oct – Review of FY 20-21 Audit
 - iii. Budget Revision – September/August
 - e. Questions from the public and some discussion
9. Retirement Benefits/Pension Funding

- a. Brief discussion of
 - i. PV Investment Fund
 - ii. OPEB Funding
 - b. Follow up for next meeting to discuss in more depth obligations and current holdings
10. Adjournment at 500pm



MEMORANDUM

TOWN OF PORTOLA VALLEY

TO: All Town Commissions and Committees

CC: Jeremy Dennis, Town Manager

FROM: Cara Silver, Town Attorney

DATE: August 3, 2022

RE: New Policy Regarding Texting and Emailing During Public Meetings

On August 1, 2022, the Town Council adopted the attached policy prohibiting private email or text communications among commission and committee members during public meetings. (See the [August 1 Staff Report](#) for further background on this policy.) This policy also prevents commission and committee members from privately communicating with a third-party consultant employed by the Town during a public meeting. This policy does not prevent commission and committee members from communicating with Town staff or the Town Attorney during public meetings. This policy is directed at communications relating to the business of the legislative body. Thus, this policy is not intended to prevent commission and committee members from texting one another to report an internet connection problem during a remote meeting or to request a restroom break.

Below are some common examples of both prohibited and permitted communications.

Prohibited Communications (during public meetings):

- Text asking fellow committee member a clarifying question about an agenda item
- Text to a fellow committee member providing additional information on a pending agenda item
- Text to a fellow committee member forwarding a historic document relative to an item contained on the agenda, but not included in the agenda packet
- Text from a committee member to the chair asking if a member of the public could be recognized even though public comment time has ended

- Text from a committee chair asking an evacuation consultant who has made a presentation to the committee whether they can respond to a question raised by a member of the public
- Text from a committee chair to an evacuation consultant scheduled to make a presentation to the committee whether their schedule would be impacted if the committee re-arranged the agenda
- Email from chair to entire committee forwarding a power point slide deck for an agenda item

Permitted Communications (during public meeting)

- Text from a committee member asking the Town Manager to respond to a question from a member of the public
- Text from a committee member asking the Town Manager a clarifying or technical question regarding a matter on the agenda
- Text from a committee member to the Town Attorney asking whether a public member's summary of a new State law is accurate
- Text from a committee member to the chair informing them that their internet connection is unstable and they plan to exit and rejoin the meeting
- Text from a member of the public to the chair complaining about the disrespectful tone of one of the committee members (and responding text from chair)
- Text from a member of the public to a committee member stating that Town staff's summary of the resident comments received at a community meeting is inaccurate
- Text from a committee member to chair that the member must leave the remote meeting due to a family emergency
- Text from a committee member to chair requesting a restroom break

This new policy does not apply to communications outside a public meeting. The Brown Act prohibits direct or serial communications outside a meeting amongst a quorum of commission and committee members. To avoid an inadvertent serial Brown Act violation, a practical tip is to select a single "Brown Act buddy" and only communicate with that person. Commission and committee member may have different Brown Act buddies for different topics.

For more information on the Brown Act, see [Open & Public V: A Guide to the Ralph M. Brown Act](#). The Town Attorney and Town Clerk are available to provide additional Brown Act training to your commission and committee.

For more background on this new policy, see [August 1 Town Council Staff Report](#).

Attachment: Unconditional Commitment Letter



TOWN of PORTOLA VALLEY

Town Hall: 765 Portola Road, Portola Valley, CA 94028 - Tel: (650) 851-1700 Fax: (650) 851-4677

August 1, 2022

Lawrence A. Jacobson
Cohen and Jacobson LLP
Attorneys at Law
60 Bovet Road, Suite 285
San Mateo, CA 94402

Dear Mr. Jacobson:

The Town of Portola Valley, and its legislative body Wildfire Preparedness Committee (WPC), have received your "Cease and Desist" letter dated March 30, 2022, alleging that the following described past action of the legislative body violates the Ralph M. Brown Act:

The WPC held a publicly noticed, video-recorded meeting on March 1, 2022, starting at approximately 4:30 pm and concluding at approximately 7:20 pm. A portion of the video time-stamped 2:26:00 through 2:26:50 of the March 1, 2022, meeting shows Town Council Liaison and Vice Mayor Sarah Wernikoff communicating via text message with Committee Member Jennifer Youstra, Committee Chairman Michael Tomars, and Town Manager Jeremy Dennis. The text communications, which were disclosed to the public during the meeting through a screenshare, include:

1. A message exchanged with Committee Member Youstra at 6:01 pm relating to Committee business;
2. A message exchanged with Committee Chairman Tomars at 6:14 pm allegedly relating to Committee business; and
3. A message exchanged with Town Manager Dennis at 6:25 pm relating to Committee business.

Representatives or agents of the Town Council alleged to be attending the meeting included (a) the Vice Mayor attending and participating in this meeting as a member of the Town Council and as the Liaison of and for the Town Council, (b) Jeremy Dennis attending and participating as Town Manager, and (c) Cara Silver attending as Town Attorney.

The Cease and Desist letter further asserts that based upon the conduct described above further alleged violations may similarly have been committed by the other legislative bodies of the Town. The Cease and Desist Letter also contains a Public Records Act request for records reflecting such other communications.

Larry Jacobson
Page 2

In order to avoid unnecessary litigation and without admitting any violation of the Ralph M. Brown Act, the Town of Portola Valley (the "Town"), for itself and all legislative bodies thereof (the "Legislative Bodies" or, individually, a "Legislative Body"), hereby unconditionally commits that members of all Legislative Bodies will cease and desist from the following:

1. Non-public texting or emailing, or engaging in any other non-public communications, between or among members and/or third-party consultants (not including legal counsel), during any meeting that is subject to the Brown Act relating to business of the Legislative Body.
2. For the purposes of this letter, the prohibited texting, emailing and other forms of non-public communication shall mean and include all such communication between or among members participating in a meeting collectively or by serial communications constituting a meeting within the scope of the Brown Act which are not open and shared with the public.

The Town, for itself and all Legislative Bodies, may rescind this commitment only by a majority vote of its membership taken in open session at a regular meeting and noticed on its posted agenda as "Rescission of Brown Act Commitment." You will be provided with written notice, sent by any means or media you provide in response to this message, to whatever address or addresses you specify, of any intention to consider rescinding this commitment at least 30 days before any such regular meeting. In the event that this commitment is rescinded, you will have the right to commence legal action pursuant to [subdivision \(a\) of Section 54960 of the Government Code](#). That notice will be delivered to you by the same means as this commitment, or may be mailed to an address that you have designated in writing.

Very truly yours,



Craig Hughes
Mayor

**TOWN OF PORTOLA VALLEY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020**

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TOWN OF PORTOLA VALLEY
Basic Financial Statements
For the Year Ended June 30, 2020
Table of Contents

	<u>Page</u>
<i>Independent Auditor’s Report on Basic Financial Statements</i>	1
<i>Management’s Discussion and Analysis</i>	5
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities	17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.	22
Statement of Revenues, Expenditures, and Changes in Fund Balance	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in the Fund Balance of Governmental Funds to the Statement of Activities	26
Agency Funds:	
Statement of Net Position.....	28
Notes to Basic Financial Statements	29
 Required Supplementary Information:	
Pension Plan:	
Schedule of the Proportionate Share of Net Pension Liability.....	52
Schedule of Contributions.....	53
OPEB Plan:	
Schedule of Changes in the Total OPEB Liability and Related Ratios	54

TOWN OF PORTOLA VALLEY
Basic Financial Statements
For the Year Ended June 30, 2020
Table of Contents

	<u>Page</u>
Budgetary Comparison Schedules:	
Schedule of Revenues Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund.....	55
Open Space Restricted Special Revenue Fund.....	56
Measure A Special Revenue Fund.....	57
Notes to Required Supplementary Information.....	58
<i>Supplemental Information:</i>	
Non-major Governmental Funds:	
Combining Balance Sheet.....	62
Combining Statement of Revenues, Expenditures and Changes In Fund Balances	64
Schedule of Revenues, Expenditures and Changes In Fund Balances-Budget and Actual	66
Agency Funds:	
Statement of Changes in Assets and Liabilities – Agency Funds.....	70
<i>Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....</i>	
	73

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, California (Town) as of and for the year ended June 30, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Pleasant Hill, California
September 12, 2022

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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, liabilities and deferred inflows/outflows, 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 and Capital Projects 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.

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TOWN OF PORTOLA VALLEY

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 2020. 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, 2013 (Measure Q), 2018 (Measure T) and from private donations. Restricted for acquisition and support of open space within the Town. Private donations are generally in the form of tax-deductible checks or appreciated securities.

INCLUSIONARY-IN-LIEU

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

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

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.

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TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 Generally Accepted Accounting Principles (GAAP) as applied to governmental agencies. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing governmental accounting and financial reporting principles.

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.

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

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Open Space Restricted Fund is a major fund of the Town. Through the years, residents and others have raised funds to preserve some 100 acres of open space within the Town's boundaries. Several fund-raising committees have worked at various times to achieve this goal, culminating in today's Open Space Acquisition Fund (PVOSAF). This fund, overseen by the Town Council, is composed of monies accrued from a special 2% utility tax approved by the voters in 1997 and from private donations. Subsequent elections were re-authorizing the increase of the appropriations limits for 4 additional years. 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.

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.

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.

The Town also reports the following fund types:

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

D. Basis of Accounting

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

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

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.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. *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. The County makes annual adjustments as needed to current year revenues based on true-ups and prior year tax roll corrections to special districts related to Tax Equity Allocations.

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 August 31 and becomes delinquent on September 30.

F. *Implementation of Governmental Accounting Standards Board Statements*

The Town has implemented the requirements of the following GASB Pronouncements:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with retirement of tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognized a liabilities based on the guidance in this statement. This Statement had no impact on the Town's financial statement in fiscal year 2019-20.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 88 – *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement had no impact on the Town’s financial statement in fiscal year 2019-20.

G. *Compensated Absences*

Compensated absences represent the vested portion of accumulated vacation and compensation time. 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	\$94,438
Additions	90,419
Payments	<u>(67,407)</u>
Ending balance	<u>\$117,450</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.

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 separation, 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.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Use of Estimates

The preparation of financial statements in conformity with 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

K. Fair Value Measurements

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

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

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS

The Town maintains a cash and investment pool for all funds consistent with the Town’s investment policy and relevant governmental code.

A. Policies

The California Government Code requires California banks and savings and loan associations to secure the Town’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Town’s name.

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 Town’s total cash deposits, as collateral for these deposits. The Town may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Town, however, has not waived the collateralization requirements. 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 follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agent is credited directly to the related fund.

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 Position:	
Cash and investments	\$17,811,772
Restricted cash and investments	1,199,132
Cash and investments of the Town	19,010,904
Cash and investments in Agency Funds	703,531
Total cash and investments	\$19,714,435

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

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
California Local Agency Investment Fund	N/A	None	\$65 million
U.S. Treasury Obligations	5 years	None	None
US Government Agency Bonds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Negotiable Certificates of Deposits	5 years	30%	None
Money Market and Mutual funds *	Upon Demand	None	None

* For Funds investing over 80% of assets in either:

- 1) short to medium term corporate bonds holding an average credit not to exceed 30% of rating of "A" or better
- 2) short to medium term Federal Agency or U.S. Government sponsored enterprise obligations.

The Town does not enter into any 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, 2020, is provided by the following table:

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$12,298,234	\$12,298,234
Money Market Mutual Funds	4,721,146	4,721,146
Total Investments	<u>17,019,380</u>	17,019,380
Cash in Bank		2,693,555
Cash on Hand		1,500
Total Cash		<u>2,695,055</u>
Total cash and investments		<u>\$19,714,435</u>

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, United States Treasury Notes and Bills, and corporations. At June 30, 2020, these investments matured in an average of 191 days.

Money market mutual funds are available for withdrawal on demand and at June 30, 2020, had an average maturity date of 30 days.

E. Credit Risk

Credit Risk is the risk that an issuer will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) the California Government Code, the City's investment policy, and actual ratings as of June 30, 2020 for each investment type as provided by Moody's investment type rating system (as date of the purchase):

Investment Type	AAm/AAA	Not Rated	Total
California Local Agency Investment Fund		\$12,298,234	\$12,298,234
Money Market Mutual Funds	\$4,721,146		4,721,146
Total Investments	<u>\$4,721,146</u>	<u>\$12,298,234</u>	<u>\$17,019,380</u>

F. Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets.

The California Local Agency Investment Fund is reported at amortized cost, and is not subject to the fair value reporting requirements. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

G. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Significant investments in the securities of any individual issuers, other than U.S. Treasury securities or mutual funds would be subjected to this risk. As of June 30, 2019, no investments were subjected to custodial credit risk on the entity-wide level.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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, 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	50 years
Buildings	50 years
Buildings and Improvements	20 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, 2020

NOTE 3 - CAPITAL ASSETS (Continued)

A. Capital Assets

Capital assets activities during the fiscal year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Balance June 30, 2020
Governmental Activities			
Capital assets not being depreciated:			
Land	\$6,690,959		\$6,690,959
Construction in Progress	564,653		564,653
Total capital assets not being depreciated	<u>7,255,612</u>		<u>7,255,612</u>
Capital assets being depreciated:			
Infrastructure	10,769,254		10,769,254
Land improvements	3,070,430		3,070,430
Buildings and improvements	19,838,406		19,838,406
Equipment	462,688		462,688
Total capital assets being depreciated	<u>34,140,778</u>		<u>34,140,778</u>
Less accumulated depreciation for:			
Infrastructure	(3,757,497)	(458,800)	(4,216,297)
Land improvements	(1,146,901)	(83,183)	(1,230,084)
Buildings and improvements	(4,149,857)	(396,767)	(4,546,624)
Equipment	(308,663)	(28,406)	(337,069)
Total accumulated depreciation	<u>(9,362,918)</u>	<u>(967,156)</u>	<u>(10,330,074)</u>
Total depreciable assets, net	<u>24,777,860</u>	<u>(967,156)</u>	<u>23,810,704</u>
Capital assets, net	<u>\$32,033,472</u>	<u>(\$967,156)</u>	<u>\$31,066,316</u>

B. Depreciation Allocation

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

Governmental Activities	
General Government	\$5,842
Parks and Recreation	62,144
Town Center Facilities	432,621
Public Safety	7,749
Public Works	458,800
Total Governmental Activities	<u>\$967,156</u>

**TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 4 - INTERFUND TRANSACTIONS

A. Interfund Transfers

With Council approval, resources may be transferred from one Town fund to another, for the year of June 30, 2020, the Town did not have any Interfund Transfers.

B. 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, 2020 interfund balances were as follows:

Due From Other funds	Due To Other Funds	Total
General Fund	Non-Major Governmental Funds	\$86,573

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 an annual basis. As of June 30, 2020, the remaining balance of the loans is \$18,792.

NOTE 6 - NET POSITION AND FUND BALANCES

A. Net Position

Net Position is measured on the full accrual basis and is the excess 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.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - NET POSITION AND FUND BALANCES (Continued)

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.

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.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the Town's fund balances, as of June 30, 2020, are below:

	General Fund	Open Space Restricted Special Revenue Fund	Inclusionary In-lieu Special Revenue Fund	Measure A Special Revenue Fund	Other Governmental Funds	Total
Fund balances:						
Nonspendables:						
Loans receivable	\$18,792					\$18,792
Total nonspendable	18,792					18,792
Restricted for:						
Open space acquisition		\$6,871,193				6,871,193
Public safety COPS					\$125,547	125,547
Library fund					163,857	163,857
Park in-lieu					35,025	35,025
Grants					69,799	69,799
Inclusionary in-lieu			\$3,728,930			3,728,930
Measure A				\$386,608		386,608
Total restricted		6,871,193	3,728,930	386,608	394,228	11,380,959
Assigned to:						
Unfunded pension reserve	712,486					712,486
Equipment replacement	100,000					100,000
Capital replacement/repairs	1,400,000					1,400,000
OPEB	834,871					834,871
Legal contingency	100,000					100,000
Total assigned	3,147,357					3,147,357
Unassigned	2,659,021				30,494	2,689,515
Total fund balances	\$5,825,170	\$6,871,193	\$3,728,930	\$386,608	\$424,722	\$17,236,623

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, 2020 is as follows:

Fiscal 2020-21 Adopted Budget General Fund Operating Expenditures	\$5,663,113
Multiplied by 60%:	
Required minimum unrestricted General Fund fund balance	\$3,397,868
 General Fund unrestricted fund balance as of June 30, 2020	 \$5,806,378

D. Fund Balance Deficit

As of June 30, 2020, the Public Safety Special Revenue Fund and Measure M Special Revenue Fund had fund balance deficits of \$6,478 and \$82,906, respectively. The fund deficits are expected to be eliminated by future revenues.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Town’s separate Miscellaneous Employee Pension Rate Plans. The Town’s Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The Town sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	
	<u>Classic</u>	<u>PEPRA</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 67+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.426 - 2.418%	1.000 - 2.500%
Required employee contribution rates	6.902%	6.750%
Required employer contribution rates	9.680%	9.985%

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - PENSION PLAN (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis. The City's required contributions for the unfunded liability in the Miscellaneous Plan was \$71,743.

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

For the year ended June 30, 2020, the Town's contributions to the Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$205,746

B. Net Pension Liability

As of June 30, 2020, the Town reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$836,271

The Town's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.01778%
Proportion - June 30, 2019	0.02088%
Change - Increase (Decrease)	0.00310%

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - PENSION PLAN (Continued)

C. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Town recognized pension expense of \$153,873. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$205,746	
Differences between actual and expected experience	58,083	(\$4,500)
Changes of assumptions	39,877	(14,136)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(177,103)
Change in proportion	213,412	
Net differences between projected and actual earnings on plan investments		(14,621)
Total	\$517,118	(\$210,360)

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS' membership data for all funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance floor on purchasing power applies

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

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

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

The table below reflects the expected real rate of return by asset class.

Asset Class (a)	Current Target Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

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

(b) An expected inflation of 2.0% is used this period.

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

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$1,887,779
Current Discount Rate	7.15%
Net Pension Liability	\$836,271
1% Increase	8.15%
Net Pension Liability (Asset)	(\$31,675)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

The \$205,746 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>Amortization</u>
2021	75,396
2022	22,147
2023	515
2024	2,954
Total	\$101,012

**TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS

A. General Information about the Town's OPEB Plan

Plan Description

The Town's Post Employment Benefit Plan is a single-employer defined benefit OPEB plan. Permanent employees who retire under the Town's CalPERS retirement plan are, pursuant to their respective collective bargaining agreements, eligible to have certain portion of their medical insurance premiums paid by the Town. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

The Town contracts with CalPERS for this insured-benefit plan established under the state Public Employees' Medical and Hospital Care Act (PEMHCA). The plan offers employees and retirees three CalPERS' self-funded options, setup as insurance risk pools, or offers various third-party insured health plans. The plan's medical benefits and premium rates are established by CalPERS and the insurance providers. The Town contribution is established by Town resolution. Retirees and active employees pay the difference between the premium rate and the Town's contribution. Premiums and Town contributions are based on the plan and coverage selected by actives and retirees. A comprehensive annual financial report of CalPERS, inclusive of their benefit plans, is available at www.calpers.ca.gov. Eligibility and the Town contributions toward month premiums are as follows:

Benefits Provided

The following is a summary of Plan benefits by employee group as of June 30, 2020:

<i>Eligibility</i>	
Minimum age before retirement	50
Minimum required years of service:	5
<i>Health Benefit - Employer Contribution</i>	
<i>Monthly Premiums</i>	
BlueShield HMO medical, pharmacy	\$128
Kaiser medical, pharmacy coverage	\$128
PERSChoice medical, pharmacy coverage	\$128

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS (Continued)

Employees Covered by Benefit Terms

Membership in the plan consisted of the following at the measurement date of June 30, 2020:

Active employees	14
Inactive employees or beneficiaries currently receiving benefit payments	4
Total	18

B. Total OPEB Liability

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, after this initial year, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The ARC for the plan was determined as part of the actuarial valuation using the following methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Actuarial Assumptions:	
Discount Rate	2.15%
Payroll Growth	1.80%
Mortality Rate	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years
Amortization Period	20 years
Pre-Retirement Turnover	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System
Healthcare Trend Rates	4.9% descending to 4.3% over 10 years

The discount rate was based on the long-term expected rate of return on OPEB plan investments.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS (Continued)

C. Changes in Total OPEB Liability

The end of the year net OPEB obligation is determined as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019	\$1,119,863		\$1,119,863
Changes Recognized for the Measurement Period:			
Service cost	120,877		120,877
Interest on the total OPEB liability	29,825		29,825
Changes of benefit terms			
Differences between expected and actual experience			
Economic gains or losses	(62,829)		(62,829)
Changes of assumptions	56,159		56,159
Contributions from the employer		\$6,456	(6,456)
Benefit payments	(6,456)	(6,456)	
Net changes	137,576	0	137,576
Balance at June 30, 2020 (Measurement Date)	\$1,257,439	\$0	\$1,257,439

D. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.15%) or 1-percentage-point higher (3.15%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1% (1.15%)	Discount Rate (2.15%)	Discount Rate +1% (3.15%)
\$1,508,934	\$1,257,439	\$1,058,742

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates of 4.9%, descending to 4.3% over 10 years:

Total OPEB Liability/(Asset)		
Trend rate -1%	Current Healthcare Cost Trend Rates	Trend rate +1%
\$1,008,477	\$1,257,439	\$1,584,631

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - RISK MANAGEMENT

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

A. *Liability Coverage*

The Town, along with 28 other Bay Area governments, is a member of the of the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a joint powers insurance authority consisting of 28 member cities in the San Francisco Bay Area, a public-entity risk pool. PLAN JPA provides liability insurance coverage, claims management, risk management services and legal defense to its participating members. PLAN JPA is governed by a Board of Directors, which is comprised of officials appointed by each participating member. Premiums paid to PLAN JPA are subject to a possible refund based on the results of actuarial studies and approval by PLAN JPA's Board of Directors. In the opinion of the Town management, premiums made represent the best available estimate of the ultimate cost of the Town's participation in PLAN JPA and, accordingly, the accompanying basic financial statements of the Town include no provisions for possible refunds or additional assessments. Actual refunds and assessments arising from retrospective premium adjustments relating to prior loss years will be recorded in the Town's basic financial statements in the year they become known. During the fiscal year ended June 30, 2020, the Town contributed \$81,161 for current year coverage.

Prior to January 2018 the Town participated in ABAG Plan Corporation, a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. On January 16, 2018, ABAG Plan Corporation transitioned to PLAN JPA.

Audited financial information for the JPA may be obtained from PLAN JPA at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

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, 2020, the Town contributed \$ [REDACTED] 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, 2020 is believed by management to be de minimis based on the absence of any asserted claims.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 10 - 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, California, 94070. The Town's payments to C/CAG during the year totaled \$28,088. 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, at which the agreement shall terminate on June 30 of the following fiscal year. 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, CA 94402.

TOWN OF PORTOLA VALLEY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

A. *Outstanding Litigation*

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.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Town. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF PORTOLA VALLEY
Pension Plan
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Plan's proportion of the Net Pension Liability (Asset)	0.03873%	0.00301%	0.01508%	0.01807%	0.01778%	0.00310%
Plan's proportion share of the Net Pension Liability (Asset)	\$957,322	\$82,489	\$523,840	\$712,486	\$670,105	\$836,271
Plan's Covered Payroll	\$993,466	\$1,071,540	\$1,442,039	\$1,522,511	\$1,524,652	\$1,550,930
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	96.36%	7.70%	36.33%	46.80%	43.95%	53.92%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes in assumptions. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In 2018 and 2019, there were no changes. In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported are based on the 7.5% discount rate. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 and 2016 measurement dates.

* Fiscal year 2015 was the 1st year of implementation. Additional years will be displayed as they become available.

TOWN OF PORTOLA VALLEY
Pension Plan
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years*

<u>Fiscal Year Ended June 30</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Actuarially determined contribution	\$111,313	\$84,007	\$116,123	\$141,356	\$153,312	\$205,746
Contributions in relation to the actuarially determined contributions	(111,313)	(84,007)	(116,123)	(141,356)	(153,312)	(205,746)
Additional Contributions	(907,699)	-	-	-	-	-
Contribution deficiency (excess)	<u>(\$907,699)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Covered payroll	\$993,466	\$1,071,540	\$1,442,039	\$1,522,511	\$1,524,652	\$1,550,930
Contributions as a percentage of covered payroll	11.20%	7.84%	8.05%	9.28%	10.06%	13.27%

Notes to Schedule

Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll
Remaining amortization period	15 Years as of the Valuation Date
Asset valuation method	Market Value of Assets
Inflation	2.50%
Salary increase	Varies by Entry Age and Service
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019 and 7.25% for 2020, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study
Mortality	The probabilities of mortality are based on CalPERS Experience Study. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019 and 2020, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale-MP-2016 published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation. Additional years will be displayed as they become available.

TOWN OF PORTOLA VALLEY
OPEB Plan
SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 fiscal years*

Measurement Date	6/30/18	6/30/19	6/30/20
Total OPEB Liability (1)			
Service Cost	\$92,662	\$92,662	\$120,877
Interest		35,711	29,825
Changes of benefit terms			
Differences between expected and actual experience			
Economic gains or losses		(84,838)	(62,829)
Changes of assumptions		258,913	56,159
Benefit payments	(51,432)	(6,456)	(6,456)
Net change in total OPEB liability	41,230	295,992	137,576
Total OPEB liability - beginning	782,641	823,871	1,119,863
Total OPEB liability - ending (a)	\$823,871	\$1,119,863	\$1,257,439
Covered-employee payroll	\$1,522,511	\$1,524,652	\$1,550,930
Total OPEB liability as a percentage of covered-employee payroll	54.11%	73.45%	81.08%

Notes to Schedule:

(1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

* Fiscal year 2018 was the first year of implementation.

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REPLACE WITH:

- **GENERAL FUND B/A**
- **OPEN SPACE RESTRICTED SRF B/A**
- **MEASURE A SRF B/A**

(NOTE: DO NOT INCLUDE ANY CAPITAL PROJECT FUNDS)

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Note to Budgetary Schedules

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 an annual basis. If a capital project is not completed in a budget year, it is included in the subsequent budget year, if necessary. Inclusionary In-lieu Capital Project Fund was not budgeted.

SUPPLEMENTAL INFORMATION

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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 gasoline tax allocated by the state for street maintenance, repair and improvement.

PUBLIC SAFETY COPS (Citizens' Options for Public Safety)

Accounts for the Supplemental State law Enforcement Fund Service Account (SLESA) revenue for special law and traffic enforcement established by SB89.

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 motor vehicle registration fee revenue to be used for traffic congestion and water pollution mitigation programs.

MEASURE W

Accounts for amounts restricted for the Town's share of a one-half cent sales tax revenue for road repairs and construction.

CAPITAL PROJECTS FUNDS:

PARK IN-LIEU

Accounts for the subdivision developer's fee restricted for parks or recreational purposes.

GRANTS

Accounts for various grant activities.

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 following maintenance districts formed to maintain roads within the individual district boundaries with governance separate from the Town Council. The Town acts as a fiduciary custodian for the maintenance district assessment revenue collected and disbursed from the County:

CRESCENT MAINTENANCE DISTRICT

PORTOLA VALLEY RANCH MAINTENANCE DISTRICT

WAYSIDE ROAD I MAINTENANCE DISTRICT

WAYSIDE ROAD II MAINTENANCE DISTRICT

WOODSIDE HIGHLANDS MAINTENANCE DISTRICT

ARROWHEAD MEADOWS MAINTENANCE DISTRICT

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Town of Portola Valley, California (Town), as of and for the year ended June 30, 2020, and have issued our report thereon dated **DATE**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated **DATE** which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pleasant Hill, California

DATE

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TOWN OF PORTOLA VALLEY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$17,811,772
Restricted cash (Note 2)	1,199,132
Accounts and interest receivable	39,424
Loans receivable (Note 5)	18,792
Capital assets, net (Note 3)	
Nondepreciable	7,255,612
Depreciable, net of accumulated depreciation	23,810,704
Total Assets	50,135,436
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions (Note 7)	517,118
LIABILITIES	
Current liabilities:	
Accounts payable	628,907
Refundable customer deposits	1,203,590
Non-current liabilities:	
Accrued compensated absences (Note 1G)	117,450
Net Pension Liability (Note 7)	836,271
Net OPEB obligation (Note 8)	1,257,439
Total Liabilities	4,043,657
DEFERRED INFLOWS OF RESOURCES	
Related to pensions (Note 7)	210,360
NET POSITION (Note 6)	
Net investment in capital assets	31,066,316
Restricted for:	
Special Revenue Projects	11,276,135
Capital Projects	35,025
Unrestricted	4,021,061
Total Net Position	\$46,398,537

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Operating Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$3,841,246	\$564,266		\$570	(\$3,276,410)
Parks and recreation	283,571	54,040			(229,531)
Town center facilities	619,639	166,345			(453,294)
Public safety	1,244,971		171,113		(1,073,858)
Public works	706,700		454,119	5,000	(247,581)
Total governmental activities	<u>\$6,696,127</u>	<u>\$784,651</u>	<u>\$625,232</u>	<u>\$5,570</u>	<u>(5,280,674)</u>
General Revenues:					
Property tax revenues.....					3,158,836
Other governmental agencies revenues.....					449,377
Franchise fees.....					246,226
Utility user tax.....					939,261
Investment earnings.....					407,168
Miscellaneous revenue.....					12,932
Total general revenues					<u>5,213,800</u>
Change in net position					(66,874)
Net Position, beginning of year					<u>46,465,411</u>
Net Position, end of year					<u>\$46,398,537</u>

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	General	Open Space Restricted	Inclusionary In-Lieu
ASSETS			
Cash and investments (Note 2)	\$6,278,595	\$6,871,064	\$3,728,845
Restricted cash - customer deposits (Note 2)	1,199,132		
Accounts and interest receivable	38,903	129	85
Due from other funds (Note 4)	86,573		
Loans receivable (Note 5)	18,792		
Total Assets	\$7,621,995	\$6,871,193	\$3,728,930
LIABILITIES			
Accounts payable	\$593,235		
Refundable deposits	1,203,590		
Due to other funds (Note 4)			
Total Liabilities	1,796,825		
FUND BALANCES (Note 6)			
Nonspendable	18,792		
Restricted		6,871,193	\$3,728,930
Assigned	3,147,357		
Unassigned	2,659,021		
Total Fund Balances	5,825,170	6,871,193	3,728,930
Total Liabilities and Fund Balances	\$7,621,995	\$6,871,193	\$3,728,930

See accompanying notes to financial statements

Measure A	Other Governmental Funds	Total Governmental Funds
\$386,602	\$546,666	\$17,811,772
		1,199,132
6	301	39,424
		86,573
		18,792
<u>\$386,608</u>	<u>\$546,967</u>	<u>\$19,155,693</u>
	\$35,672	\$628,907
		1,203,590
	86,573	86,573
	122,245	1,919,070
		18,792
386,608	394,228	11,380,959
		3,147,357
	30,494	2,689,515
<u>386,608</u>	<u>424,722</u>	<u>17,236,623</u>
<u>\$386,608</u>	<u>\$546,967</u>	<u>\$19,155,693</u>

TOWN OF PORTOLA VALLEY
RECONCILIATION OF THE
GOVERNMENTAL FUNDS BALANCE SHEET
TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020

Fund Balances - Total Governmental Funds \$17,236,623

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	\$41,396,390	
Less: accumulated depreciation	(10,330,074)	31,066,316

Retirement contributions and changes in net pension liability subsequent to the measurement date are not recognized on the Fund Balance Sheets and taken into the Statement of Net Position:

Deferred outflows of resources - pension		517,118
Deferred inflows of resources - pension		(210,360)

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

Collective net pension liability		(836,271)
Net OPEB Liability		(1,257,439)
Compensated absences		(117,450)

Net Position of Governmental Activities \$46,398,537

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, 2020

	General Fund	Open Space Restricted	Inclusionary In-Lieu
REVENUES			
Taxes			
Property taxes	\$3,158,836		
Sales tax	191,109		
Utility users tax	658,037	\$281,224	
Gas tax			
Business license tax and other taxes	99,870		
Total taxes	<u>4,107,852</u>	<u>281,224</u>	
Agency revenues	11,806		
Grants			
Contributions		570	
Franchise fees	246,226		
Licenses and permits	503,103		
Service charges and fees	74,051		
Parks and recreation	213,928		
Investment and other revenues	155,229	158,324	\$87,879
Total Revenues	<u>5,312,195</u>	<u>440,118</u>	<u>87,879</u>
EXPENDITURES			
General government	3,520,942		
Parks and recreation	221,427		
Town center facilities	127,632		
Public safety	1,076,917		
Public works	13,723		
Capital improvement program	131,761		
Total Expenditures	<u>5,092,402</u>		
NET CHANGE IN FUND BALANCES	219,793	440,118	87,879
FUND BALANCES, BEGINNING OF YEAR	<u>5,605,377</u>	<u>6,431,075</u>	<u>3,641,051</u>
FUND BALANCES, END OF YEAR	<u><u>\$5,825,170</u></u>	<u><u>\$6,871,193</u></u>	<u><u>\$3,728,930</u></u>

See accompanying notes to financial statements

<u>Measure A</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$3,158,836
\$309,938	\$124,394	625,441
		939,261
	181,544	181,544
		99,870
<u>309,938</u>	<u>305,938</u>	<u>5,004,952</u>
		11,806
	160,948	160,948
		570
		246,226
		503,103
		74,051
		213,928
5,700	6,537	413,669
<u>315,638</u>	<u>473,423</u>	<u>6,629,253</u>
		3,520,942
		221,427
	59,386	187,018
	160,305	1,237,222
	102,416	116,139
		131,761
	<u>322,107</u>	<u>5,414,509</u>
315,638	151,316	1,214,744
70,970	273,406	16,021,879
<u>\$386,608</u>	<u>\$424,722</u>	<u>\$17,236,623</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, 2020

Net Change in Fund Balances - Total Governmental Funds \$1,214,744

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

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.

Capital outlay and other capitalized expenditures		
Depreciation expense	<u>(967,156)</u>	(967,156)

The amount below included in the Statement of Activities does not provide or (require) the use of current financial resources and therefore is not reported as revenue or expenditures in governmental funds (net change):

Pension expense		(153,874)
OPEB expense		(137,576)
Net change in compensated absences	<u>(23,012)</u>	<u>(23,012)</u>

Change in Net Position of Governmental Activities (\$66,874)

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
AGENCY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$703,531
Accounts and interest receivable	<u>11</u>
Total Assets	<u><u>\$703,542</u></u>
LIABILITIES	
Deposits and accrued liabilities	<u>\$703,542</u>
Total Liabilities	<u><u>\$703,542</u></u>

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$3,124,362	\$3,124,362	\$3,158,836	\$34,474
Sales tax	217,221	217,221	191,109	(26,112)
Business license tax and other taxes	105,000	105,000	99,870	(5,130)
Total Taxes	<u>3,446,583</u>	<u>3,446,583</u>	<u>3,449,815</u>	<u>3,232</u>
Franchise fees	320,112	320,112	246,226	(73,886)
Utility users tax	654,366	654,366	658,037	3,671
Agency revenues	9,700	9,700	11,806	2,106
Contributions				
Licenses and permits	638,750	638,750	503,103	(135,647)
Service charges and fees	245,075	245,075	74,051	(171,024)
Parks and recreation	273,108	273,108	213,928	(59,180)
Investment and other revenues	134,808	134,808	155,229	20,421
Total Revenues	<u>5,722,502</u>	<u>5,722,502</u>	<u>5,312,195</u>	<u>(410,307)</u>
EXPENDITURES				
General government	4,034,445	4,034,445	3,520,942	513,503
Parks and recreation	277,000	277,000	221,427	55,573
Town center facilities	207,993	207,993	127,632	80,361
Public safety	1,076,917	1,076,917	1,076,917	
Public works	6,000	6,000	13,723	(7,723)
Capital improvement program	729,015	729,015	131,761	597,254
Total Expenditures	<u>6,331,370</u>	<u>6,331,370</u>	<u>5,092,402</u>	<u>1,238,968</u>
Excess (Deficiency) of Revenues Over Expenses	<u>(608,868)</u>	<u>(608,868)</u>	<u>219,793</u>	<u>828,661</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(109,972)	(109,972)		109,972
Total Other Financing Sources (Uses)	<u>(109,972)</u>	<u>(109,972)</u>		<u>109,972</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$718,840)</u></u>	<u><u>(\$718,840)</u></u>	<u>219,793</u>	<u><u>\$938,633</u></u>
Fund balance at beginning of year			<u>5,605,377</u>	
Fund balance at end of year			<u><u>\$5,825,170</u></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, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Utility users tax	\$301,337	\$281,224	(\$20,113)
Contribution	1,000	570	(430)
Investment and other revenues		158,324	158,324
Total Revenues	302,337	440,118	137,781
EXPENDITURES			
Capital improvement program			
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenses	(446,200)	440,118	(886,318)
OTHER FINANCING SOURCES (USES)			
Transfers (in)			
Total Other Financing Sources (Uses)			
Net change in fund balance	<u>\$302,337</u>	440,118	<u>\$137,781</u>
Fund balance at beginning of year		<u>6,431,075</u>	
Fund balance at end of year		<u>\$6,871,193</u>	

TOWN OF PORTOLA VALLEY
 MEASURE A SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Sales tax	\$298,935	\$309,938	\$11,003
Investment and other revenues		<u>5,700</u>	<u>5,700</u>
Total Revenues	<u>298,935</u>	<u>315,638</u>	<u>16,703</u>
EXPENDITURES			
Capital improvement program	<u>298,935</u>		<u>298,935</u>
Total Expenditures	<u>298,935</u>		<u>298,935</u>
Net change in fund balance		<u>315,638</u>	<u>\$315,638</u>
Fund balance at beginning of year		<u>70,970</u>	
Fund balance at end of year		<u>\$386,608</u>	

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	Special Revenue Funds			
	Public Safety	Gas Tax	Public Safety COPS	Library Fund
ASSETS				
Cash and investments		\$39,663	\$125,544	\$167,406
Accounts and interest receivable		291	3	7
Total Assets		\$39,954	\$125,547	\$167,413
LIABILITIES				
Accounts payable		\$29,305		\$3,556
Due to other funds	\$6,478			
Total Liabilities	6,478	29,305		3,556
FUND BALANCES (DEFICIT)				
Restricted			\$125,547	163,857
Unassigned	(6,478)	10,649		
Total Fund Balance	(6,478)	10,649	125,547	163,857
Total Liabilities and Fund Balances		\$39,954	\$125,547	\$167,413

Special Revenue Funds		Capital Projects Funds		
Measure M	Measure W	Park In-Lieu	Grants	Totals
	\$109,229	\$35,025	\$69,799	\$546,666
				301
	\$109,229	\$35,025	\$69,799	\$546,967
\$2,811				\$35,672
80,095				86,573
82,906				122,245
(82,906)	\$109,229	\$35,025	\$69,799	394,228
				30,494
(82,906)	109,229	35,025	69,799	424,722
	\$109,229	\$35,025	\$69,799	\$546,967

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds			
	Public Safety	Gas Tax	Public Safety COPS	Library Fund
REVENUES				
Taxes:				
Sales tax	\$15,165			
Gas tax		\$181,544		
Total taxes	<u>15,165</u>	<u>181,544</u>		
Agency revenues				
Grants			\$155,948	
Investment and other revenues	(12)	(1,428)	2,126	\$5,026
Total Revenues	<u>15,153</u>	<u>180,116</u>	<u>158,074</u>	<u>5,026</u>
EXPENDITURES				
Town center facilities				59,386
Public safety	15,305		145,000	
Public works		89,006		
Capital improvement program				
Total Expenditures	<u>15,305</u>	<u>89,006</u>	<u>145,000</u>	<u>59,386</u>
OTHER FINANCING SOURCES				
Transfers in (Note 4)				
Transfers in (Note 4)				
Total other financing sources				
Net change in fund balances	(152)	91,110	13,074	(54,360)
Fund balances at beginning of year	<u>(6,326)</u>	<u>(80,461)</u>	<u>112,473</u>	<u>218,217</u>
Fund balances (deficit) at end of year	<u>(\$6,478)</u>	<u>\$10,649</u>	<u>\$125,547</u>	<u>\$163,857</u>

DRAFT

Special Revenue Funds		Capital Projects Funds		
Measure M	Measure W	Park In-Lieu	Grants	Totals
	\$109,229			\$124,394
				181,544
	\$109,229			305,938
			\$5,000	160,948
		\$825		6,537
	109,229	825	5,000	473,423
				59,386
\$11,809			1,601	160,305
				102,416
11,809			1,601	322,107
(11,809)	109,229	825	3,399	151,316
(71,097)		34,200	66,400	273,406
<u>(\$82,906)</u>	<u>\$109,229</u>	<u>\$35,025</u>	<u>\$69,799</u>	<u>\$424,722</u>

DRAFT

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Public Safety			Gas Tax			Public Safety COPS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes									
Sales tax	\$15,306	\$15,165	(\$141)						
Gas tax				\$210,390	\$181,544	(\$28,846)			
Total taxes	15,306	15,165	(141)	210,390	181,544	(28,846)			
Agency revenues									
Grants							\$145,000	\$155,948	\$10,948
Investment and other revenues		(12)	(12)	(5,263)	(1,428)	3,835	(2,614)	2,126	4,740
Total Revenues	15,306	15,153	(153)	205,127	180,116	(25,011)	142,386	158,074	15,688
EXPENDITURES									
Town center facilities									
Public safety	15,306	15,305	1				145,000	145,000	
Public works				247,625	89,006	158,619			
Capital improvement program				78,000		78,000			
Total Expenditures	15,306	15,305	1	325,625	89,006	236,619	145,000	145,000	
Excess (Deficiency) of Revenues									
Over Expenses		(152)	(154)	(120,498)	91,110	(261,630)	(2,614)	13,074	15,688
OTHER FINANCING SOURCES									
Transfers in				109,972		109,972			
Transfers out									
Total Other Financing Sources				109,972		109,972			
Net change in fund balances		(152)	(\$154)	(\$10,526)	91,110	(\$151,658)	(\$2,614)	13,074	\$15,688
Fund balances, beginning of Year		(6,326)			(80,461)			112,473	
Fund balances (deficit), end of Year		(\$6,478)			\$10,649			\$125,547	

Library Fund			Measure M			Measure W		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$132,860	\$109,229	
						132,860	109,229	
			\$80,227		(\$80,227)			
\$91,298	\$5,026	(\$86,272)	5,227		(5,227)			
91,298	5,026	(86,272)	85,454		(85,454)	132,860	109,229	
90,636	59,386	31,250						
			11,440	\$11,809	(369)			
			102,000		102,000	132,860		132,860
90,636	59,386	31,250	113,440	11,809	101,631	132,860		132,860
662	(54,360)	(117,522)	(27,986)	(11,809)	16,177		109,229	109,229
\$662	(54,360)	(\$117,522)	(\$27,986)	(11,809)	\$16,177		109,229	\$109,229
	218,217			(71,097)				
	\$163,857			(\$82,906)			\$109,229	
					(Continued)			(Continued)

TOWN OF PORTOLA VALLEY
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Park in Lieu			Grants		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Sales tax						
Gas tax						
Total taxes						
Agency revenues						
Grants				\$6,600	\$5,000	(\$1,600)
Investment and other revenues	(\$788)	\$825	\$1,613			
Total Revenues	(788)	825	1,613	6,600	5,000	(1,600)
EXPENDITURES						
Town center facilities						
Public safety						
Public works				6,600	1,601	4,999
Capital improvement program						
Total Expenditures				6,600	1,601	4,999
Excess (Deficiency) of Revenues						
Over Expenses	(788)	825	1,613		3,399	(6,599)
OTHER FINANCING SOURCES						
Transfers in						
Transfers out						
Total Other Financing Sources						
Net change in fund balances	(788)	825	\$1,613		3,399	(\$6,599)
Fund balances, beginning of Year		34,200			66,400	
Fund balances (deficit), end of Year		\$35,025			\$69,799	

TOWN OF PORTOLA VALLEY
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2020

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Crescent Maintenance District				
<u>Assets</u>				
Cash and investments	\$136,747	\$15,451	(\$789)	\$152,987
Accounts and interest receivable	791	(788)		3
Total assets	<u>\$137,538</u>	<u>\$14,663</u>	<u>(\$789)</u>	<u>\$152,990</u>
<u>Liabilities</u>				
Deposits and other liabilities	<u>\$137,538</u>	<u>\$14,663</u>	<u>(\$789)</u>	<u>\$152,990</u>
Portola Valley Ranch Maintenance District				
<u>Assets</u>				
Cash and investments	\$32,384	\$1,566	(\$179)	\$34,129
Accounts and interest receivable	179	(178)		1
Total assets	<u>\$32,563</u>	<u>\$1,388</u>	<u>(\$179)</u>	<u>\$34,130</u>
<u>Liabilities</u>				
Deposits and other liabilities	<u>\$32,563</u>	<u>\$1,388</u>	<u>(\$179)</u>	<u>\$34,130</u>
Wayside Road I Maintenance District				
<u>Assets</u>				
Cash and investments	\$7,457	\$181	(\$41)	\$7,679
Accounts and interest receivable	40	(40)		
Total assets	<u>\$7,497</u>	<u>\$141</u>	<u>(\$41)</u>	<u>\$7,679</u>
<u>Liabilities</u>				
Deposits and other liabilities	<u>\$7,497</u>	<u>\$141</u>	<u>(\$41)</u>	<u>\$7,679</u>

(Continued)

Wayside Road II Maintenance District

Assets

Cash and investments	\$87,335	\$25,796		\$113,131
Accounts and interest receivable	602	(601)		1
Total assets	<u>\$87,937</u>	<u>\$25,195</u>		<u>\$113,132</u>

Liabilities

Deposits and other liabilities	<u>\$87,937</u>	<u>\$25,195</u>		<u>\$113,132</u>
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Woodside Highlands Maintenance District

Assets

Cash and investments	\$336,989	\$56,630	(\$1,986)	\$395,605
Accounts and interest receivable	1,992	(1,986)		6
Total assets	<u>\$338,981</u>	<u>\$54,644</u>	<u>(\$1,986)</u>	<u>\$395,611</u>

Liabilities

Deposits and other liabilities	<u>\$338,981</u>	<u>\$54,644</u>	<u>(\$1,986)</u>	<u>\$395,611</u>
Total liabilities	<u>\$338,981</u>	<u>\$54,644</u>	<u>(\$1,986)</u>	<u>\$395,611</u>

Total Agency Funds

Assets

Cash and investments	\$600,912	\$99,624	(\$2,995)	\$703,531
Accounts and interest receivable	3,604	(3,593)		11
Total assets	<u>\$604,516</u>	<u>\$96,031</u>	<u>(\$2,995)</u>	<u>\$703,542</u>

Liabilities

Deposits and other liabilities	<u>\$604,516</u>	<u>\$96,031</u>	<u>(\$2,995)</u>	<u>\$703,542</u>
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How to spend Inclusionary Housing Fund resources?

Reorganization/consolidation of 6/19 discussion

FUNDING PRIORITIES

- Limit to housing for Low and Very Low income housing?
 - Yes.
 - Concessions, fee reduction, etc are a separate matter and should be available to all units that count toward rhna.
- Financial Assistance – Use up as direct aid vs. maintain ongoing program?
 - Maintaining the program is important so incentives can continue into the future.
 - Loans better than direct aid; repayment will re-fund the program.
 - Loans preferable to grants
 - Loan fees could grow the fund.
- A few larger vs many smaller projects?
 - Suggest language: No more than 33% of the total fund will be allocated to any 1 project.
- Support ADUs
 - Direct immediate support to ADU conversions and JADUs since those are the faster, lower cost projects.
 - Dedicated staff, streamlined process for all
 - Financial assistance for selected - criteria?
 - Prioritize JADUs and conversion of permitted accessory buildings that need only added kitchen or bath to become ADUs to count toward rhna.
- Consider use for Affiliated housing
 - Sequoias, Priory and Stanford are already partners.
 - Actively solicit additional affiliated housing partners.
- Require BMR contracts for rentals
 - Yes, for any projects receiving financial assistance.
 - Not for those just getting fee waivers, expedited approvals, etc.
 - Require this and must have monitoring structures in place before loans made.
 - Monitoring –confirm amortization schedule, loan payments, actually rented? Actually rented to low income?
- Income requirements to get aid? Should we be giving these funds to wealthy residents?
 - Needs further discussion and details.
- Use for hiring consultants?
 - No for hiring a consultant
 - Yes for dedicated staffing in the Planning Dept to streamline the process; perhaps hiring a dedicated staff member for (3) years.
 - Suggest looking at additional resources such as apprenticeships/internships
 - Corte Madera Apprenticeships?
 - Woodside Priory Internships?
 - Local college/university internships?

- Notice of Funding Availability? If using the HTF to assist nonprofits providing housing-related services, consider using a competitive process to award these funds
 - This is appropriate only with specific identified projects as planning begins.