

**TOWN OF PORTOLA VALLEY**  
**Finance Committee Meeting**  
**Monday, November 4, 2024**  
**4:00 PM**

**George Savage**, Chair  
**Stephen Cassani**, Member  
**Kenneth Lavine**, Member  
**Chris Rittler**, Member  
**Michele Takei**, Member  
**William Urban**, Member  
**Mark Waissar**, Member

**SPECIAL MEETING**

**HISTORIC SCHOOLHOUSE– 765 PORTOLA RD. – PORTOLA VALLEY, CA**

**REMOTE MEETING ADVISORY:** On March 1, 2023, all committees in Portola Valley will return to conducting in-person meetings. A Zoom link will be provided for members of the public to participate remotely; however, the Town cannot guarantee there will be no technical issues with the software during the meeting. For best public participation results, attending the meeting in-person is advised.

**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 towncenter@portolavalley.net. 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/85054061598?pwd=tfqjKvzXb3zexkltrqza6QUqfbK41P.1>

**Webinar ID:** 850 5406 1598

**Passcode:** 428046

**To access the meeting by phone:**

1-669-900-6833 or 1-888-788-0099 (toll-free)

*Mute/Unmute – Press \*6 / Raise Hand – Press \*9*

- 1. CALL TO ORDER & ROLL CALL**
- 2. ORAL COMMUNICATIONS FOR ITEMS NOT ON THE AGENDA**  
*Speakers' time is limited to three minutes.*
- 3. ANNOUNCEMENTS AND PRESENTATIONS**
- 4. APPROVAL OF MINUTES**
  - a. Minutes of October 15, 2024 meeting
- 5. NEW BUSINESS**
  - a. Discussion of FY20-21 Management Discussion & Analysis (MDA) and Memorandum of Internal Control (MOIC)
  - b. Town financial status update
- 6. OTHER BUSINESS**
- 7. ADJOURNMENT** *This meeting body meets on an as-needed basis.*

**Land Acknowledgement:**

The Town of Portola Valley acknowledges the colonial history of this land we dwell upon—the unceded territory of the Ramaytush (rah-my-toosh) Ohlone, Tamien Nation, and Muwekma (mah-WEK-mah) Ohlone, who endured a human and cultural genocide that included removal from their lands and their sacred relationship to the land. Portola Valley recognizes that we profit from the commodification of land seized from indigenous peoples and now bear the ecological consequences. We seek to understand the impact of these legacies on all beings and to find ways to make repair.

## Finance and Audit Committee Meeting Minutes – 10-15-24

### **Attendees:**

George Savage – Chair  
Stephen Cassani, Member and Acting Secretary  
Bill Urban, Member  
Ken Lavine, Member  
Michele Take, Member  
Mark Waissar, Member  
Chris Rittler, Member

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Tony McFarlane, Finance Director

**Oral Communications not on Agenda:** No Comments

**Announcements and Presentations:** None

**Approval of Minutes:** The Minutes from the October 1, 2024 were approved.

### **New Business:**

George Savage began by mentioning that our fiscal crisis is the result of Revenue increasing by 37% over the 5-year period through this fiscal year, but total spending increasing by 52% over the same period. This implies a 6.5% CAGR for revenue, but 8.8% for expenses, and this seemingly small 2.3% difference, compounded over time, has resulted in the large deficit we currently face.

George also proposed that the Town consider reimbursing the General Fund for the consulting and legal expenses incurred relating to the housing element process, using cash from the Inclusionary Housing fund. Given that the housing element goal is to provide more housing, including affordable housing, this would be an appropriate use of the Inclusionary Housing Fund. This could help bridge the Town until a longer-term solution, such as a ballot initiative to generate additional tax revenue, can take place.

Tony McFarlane, Finance Director then gave an overview. The situation has not changed materially since our last meeting, as he reviews the numbers for the next Council meeting on 10/23. He stressed that proposed expenditures could still change.

Tony shared the fiscal forecast spreadsheet. Some highlights include that current projections show that the General Fund balance which at at year-end '24/25 of \$694K, would go negative in '28-29.

'24/25 Reset Revenues are projected to be \$7.3 mm due in part to an increase in property estimated property tax revenue from Coren & Cone.

The estimated \$7.8 million in total expenses includes Salaries of \$2.3 million that may increase as the Town recruits a new Town Manager, Town Clerk and Engineer. The cost of Benefits will also change as the Salary level changes.

Initially, '24/25 budget assumed 20 FTEs but the Reset assumes 18, with 4 or 5 vacant positions. The '25/26 budget will likely assume 15 FTEs. Going forward, the budget assumes annual growth rates of 3% for salaries and 7% for benefits (next year there is an 11% increase in healthcare premiums).

Tony thought that Supplies and Services can see an additional \$300K in reductions. There was some discussion about how the S&S line item is quite large and that it would be helpful to provide more granularity to the residents regarding what is included in this bucket.

Going forward, both Krisch and Company and our audit fees will be reduced by about \$100K from current.

We will be deferring \$900K of capital projects.

Legal fees have increased dramatically in recent years due to the housing element process, hitting \$434K in '23/24. These will decline meaningfully going forward. Similarly, Consultants relating to the housing element which were \$83K in '20/21, peaked at \$423K in '23/24, for a total of \$1.2 million over that time span.

The Sheriff contract was also discussed, with the cost increasing from \$1.5 million in '22/23, to \$1.9 million in '24/25 and \$2.1 million in '25/26 (including COP funds). This includes a credit from the County for the current year. The Sheriff contract has cost the Town \$6 million in total cost from '20/21 through '23/24, with \$5.3 million of that charged to the General Fund. \$400K or ARPA funds was used in '23/24 which masked the impact to the cost increase.

We either need to negotiate another credit or reduce service level going forward unless we decide we can pay more.

Bill Urban – Proposed a joint meeting with FC and Town Council given the urgency of the fiscal situation and the need to make decisions. We have only until 12/6 to get something on the ballot if that's the route we decide to take, leaving little time for further discussion.

George discussed how a temporary UUT diversion from Open Space to the General Fund is the most realistic incremental funding option given the challenges to increasing other taxes. If our longer-term goal is a transfer tax, the reimbursement of Housing Element

process expenses using Inclusionary Housing Fund cash potentially provides a viable bridge. There was general consensus among the Committee for this approach. General discussion among the committee ensued with various members mentioning that a balanced budget, with no new revenue sources, that forces the Town to make decisions on priorities, should be a requirement. Need to move quickly so that we can make decisions for ourselves, rather than have the county or state determine our future. Then we can ramp up services over time when the budget/revenue allow.

Another comment was that UUT can potentially be charged on internet service, something we don't currently do. Such a change would only require a 50% plus 1 vote.

If we do implement a transfer tax in 2027, the Town Council can reduce the UUT down to zero if the Transfer tax provides sufficient funding. This could provide additional incentive for residents to approve the transfer tax.

We also discussed how passing the 2/3 threshold for a parcel tax or other tax would be a challenge and perhaps unlikely. Members expressed that shifting the 2% UUT from Open Space to General Fund is the most likely to be approved. If a parcel tax is pursued, the likelihood of its passage could be enhanced by requiring that the proceeds must be used only for public safety.

There was also discussion about how a balanced budget will not build back the reserve balance, and that an annual surplus would be required. Some members expressed that reserves should be minimal, thus requiring more discipline with respect to the budget process and expenses. For example, if we did not have such a large GF 3 years ago, we would have had to solve our fiscal challenges well before now. There seemed to be consensus that the current 60% of expenses reserve level is much too high, and that a range with a floor or approximately 20% would be more appropriate and would address the discipline, or moral hazard, issue described above.

Craig Taylor shared that what council is looking for is a short-term fix (which he defined as 5 years) to bridge to a structural longer-term fix. He asked that the Finance Committee prepare a summary of options, with pros and cons, that we can share with the Town Council in advance of a joint meeting between the Finance Committee and Town Council.

Public comment included both support for and against new taxes, support for meaningful, but not excessive reserves, and support for use of the Inclusionary Housing funds to reimburse for Housing Element consulting and legal costs. There was also support expressed for a balanced budget without assuming new revenue sources, particularly given the difficulty of asking residents for a tax increase when our financial reporting is so delinquent. Another resident asked if a fund-raising campaign should be considered, similar to the PV Schools Foundation annual campaign.

Other comments related to Alpine Inn taxes and potential to raise the rent for the parking spaces they lease from the Town.

Mayor Sarah Wernikoff shared that over the past few FC meetings, in addition to Council member Craig Taylor attending in person, she and at least one other Council member have also joined the meetings. They are therefore familiar with the topics discussed.

Finally, the members discussed the logistics and details around preparing the summary of options and pros/cons that would be shared with the Town Council. George Savage, Chris Rittler and Stephen Cassani volunteered to prepare the summary. The Goal is to get something to Tony McFarlane by Thursday so that it can be shared with the Council/Community in time for the next Council meeting. The joint meeting can either take place as part of a regularly scheduled meeting, or a special session.

Options may include the following:

- Prepare a balanced budget with no new revenue sources, indicating which services are prioritized
- Utilize Inclusionary Housing funds to reimburse the General Fund for past and future Housing Element-related costs
- Ballot measure to allow for the 2% of UUT that currently goes to Open Space to go instead to the General Fund
- Parcel Tax
- Charter Town to allow a transfer tax
- No new tax sources should be pursued, rather expenses should be reduced to match revenue going forward.
- Consider whether PV should cease being an incorporated town
- Potential for a community fund raising effort

Tony will be making recommendations to the Council, based on the FC input, but will include other options as well, and may not include 100% of our recommendations or consensus positions.

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During the meeting, committee member Mark Waissar walked through a presentation he prepared to provide more visibility into our tax base, revenue relative to other cities/towns in San Mateo county, and other observations and recommendations. He stressed that the FC's primary role is to review and recommend the annual budget. [The presentation is attached], but a few key takeaways include:

- We should use the lower (i.e., more conservative) Levy letter property tax revenue projection for the budget, rather than the Coren and Cone estimate which was recently revised upward.

- Supplies and Services is a large line item, and he encourages Town Council and residents to review the detail, which Tony can provide
- PV receives substantially less in Property Taxes per resident than Woodside, but that may be due to when the allocations were set relative to Prop-13.
- It's unlikely that PV would be successful in arguing for a larger share of our total property taxes from the County.

**Other Business:** Given the late hour, the Chair decided to adjourn and move any other discussion to the next meeting.

**Adjournment:** Meeting was adjourned at approximately 6:30pm.

**TOWN OF PORTOLA VALLEY  
BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2021**

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**TOWN OF PORTOLA VALLEY**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2021**  
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## 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, 2021, 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, 2021, 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.

### ***Change in Accounting Principles***

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities*, which became effective during the year ended June 30, 2021 and established the new fund type, Custodial Funds, and eliminated the fund type of Agency Funds as discussed in Note 5 to the financial statements.

### ***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 Supplementary 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 Supplementary 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 Supplementary 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 April 15, 2024 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  
April 15, 2024

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal Year Ended June 30, 2021

This section of the Town of Portola Valley's annual Financial Report provides a narrative overview of the Town's financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements

#### **FINANCIAL HIGHLIGHTS:**

- The Town's Net Position, an indicator of its overall financial state, increased by \$430,363 to \$46.8 million
- Total revenues increased by \$587,978 to \$7.22 million and total expenses increased by \$90,742 to \$6.79 million
- General Fund revenues increased by \$553,699 to \$5.87 million and expenditures increased by \$1.46 million to \$6.55 million
- The General Fund unrestricted fund balance decreased by \$684,292 to \$5.14 million

#### **Government-Wide Financial Statement Highlights:**

*Net Position* - The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2021, by \$46.83 million, up 0.93% from prior year. Of this amount, \$3.90 million was reported as "unrestricted net position" and may be used to meet ongoing obligations.

*Changes in Net Position* – The Town's total net position increased by \$430,363 in fiscal year 2020–21. Net position of governmental activities increased by 0.93 percent, which is due in large part to an increase in cash and investments by \$445,399 and deferred outflow of resources.

The Town has taken active steps to reduce the GASB 75 Other Post-Employment Benefits (OPEB) liability by establishing a trust account through the California Employers' Benefit Trust CalPERS (CERBT), a Section 115 trust maintained by the California Public Employees' Retirement System (CalPERS). The Town Council approved and authorized the trust agreement on August 12, 2020.

The total liabilities and deferred inflows or resources decreased 13.64% to \$3.67 million, primarily due to decreased customer deposits by \$263 thousand and OPEB obligation by \$965 thousand dollars.

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

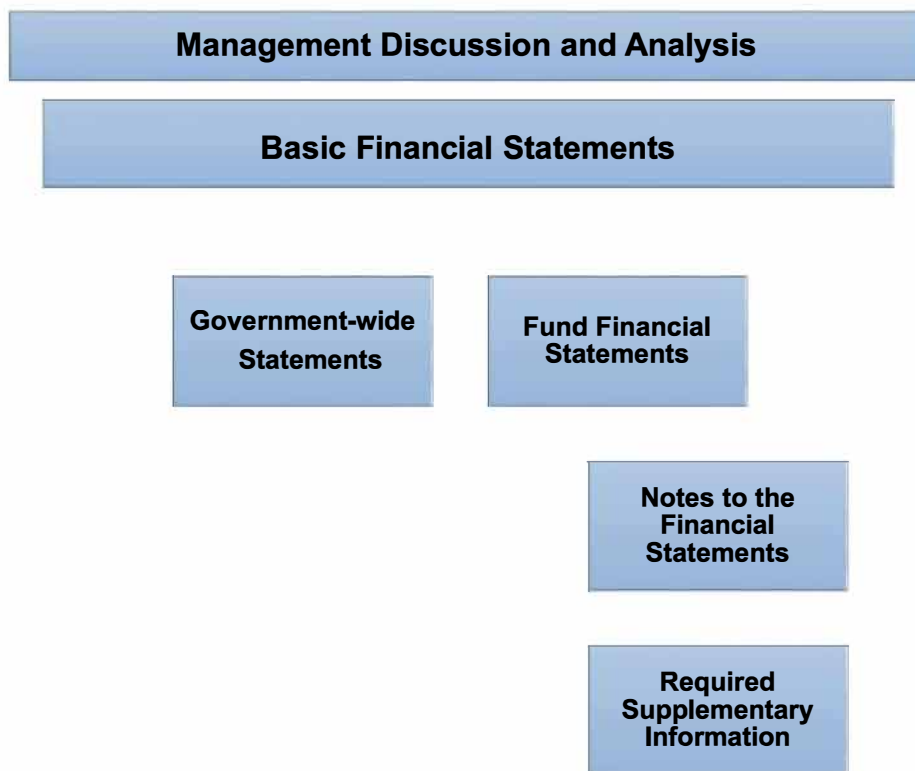
This discussion and analysis serves as an introduction to the Town's basic financial statements that are comprised of three components:

1. Government-Wide Financial Statements - Provides both *short-term and long-term* information about the Town's overall financial status.
2. Fund Financial Statements - Focuses on *individual parts* of the Town's financial information – reporting these operations in *more detail* than the government-wide financial statements.

- The *governmental funds statements* and the *agency funds statements* tell how basic services such as operations, administration, and restricted funds were financed in the short-term as well as what remains for future spending.
3. Notes to Basic Financial Statements – Provides explanation of the information contained in the basic financial statements.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data analysis. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Organization of the Town of Portola Valley's Financial Report**



**Government-Wide Financial Statements:**

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

The first of the government-wide statements is the *Statement of Net Position*. The *Statement of Net Position* reports the difference between the Town's total assets and total liabilities and includes all the Town's capital assets and all its long-term debt.



Although the *Statement of Net Position* reports a total net position of \$46.8 million, the Town has restrictions over the use of these funds. The investment in land, buildings, and equipment (capital assets, net of related debt) is necessary for the successful operation of the Town. Governmental laws segregate funds and place restrictions on spending. This should be considered when reviewing the report.

The second of the government-wide financial statements is the *Statement of Activities*. This statement shows the result of operations that caused net position to change from the prior year to the amount reported on the *Statement of Net Position* as of June 30, 2021. This change in net position is important because it tells the financial statement user whether the financial position has improved or diminished for the Town. The causes of this change may be the result of many factors. To assess the Town's overall health, consideration should be given to additional non-financial factors such as building and land improvements, governmental mandates and staffing levels.

The *Statement of Activities* classifies expenses by functional area. The report also shows corresponding charges for services and restricted grants for each function that help support the expenses. The resulting Net Revenue/(Expenses) and Changes in Net Position for OPEB, Pension, Fund Balance, Capital and other assets shows the remaining expenses not supported by charges for services and restricted grants. General revenues are then applied to the remaining expenses resulting in the total change in net position.

#### **Fund Financial Statements:**

The fund financial statements provide detailed information about the Town's major funds, defined as funds having significant activities and balances in the current year. Non-major funds are combined in a single column, referenced in the Supplemental section of this report.

Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs. These are not reflective of the Town as a whole. It is important to note that:

- Some funds are required to be established by State law.
- The Town establishes other funds to help it control and manage money for specific purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

The fund financial statements include statements for governmental funds only. These are considered major funds and include:

- The General Fund – Most of the Town's basic services and financial resources are contained in this fund.
- Open Space Restricted Fund – This fund accounts for monies accrued from special voter-approved utility tax. It is used to support services for open space within the Town.
- Inclusionary-in-Lieu Fund – This fund accounts for fees that can only be used for affordable housing.
- Measure A Fund – This fund accounts for sales revenue that is restricted for the improvement of local transportation and road maintenance services.

The governmental funds statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the future to finance the Town's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations are provided for both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in fund balances to facilitate this comparison.

**Fund Financial Statement Highlights:**

*Governmental Funds* – As of the close of fiscal year 2020–21, the Town's governmental funds reported a combined ending fund balance of \$17.89 million. This is a \$658 thousand increased from the prior year, which is primarily the result of an increase in cash and investments.

The total combined balance for governmental funds as of June 30, 2021, \$17.89 million, is classified into four categories of fund balance (nonspendable, restricted, assigned, and unassigned) to provide the reader of these financial statements with a better understanding of the City's available resources as well as its plans to ensure fiscal stability in the near term. A detailed explanation of these categories can be found in Note 5 to the financial statements. Of the total, \$0.13 thousand is categorized as "nonspendable", \$12.84 million is "restricted", \$3.15 million is "assigned" and the remaining \$1.90 million is "unrestricted".

The Town's largest and most active government fund is the General Fund which decreased in fiscal year 2020–21 by \$684 thousand compared to prior year. General Fund revenues, transfers-in, and extraordinary gains totaled \$5.87 million and expenditures/transfers out totaled \$6.55 million. This increase is due to the transfers out to capital project fund of \$512,379 and overall increases in cost to carry out the maintenance and operations of the Town. General Fund revenues and expenditures for the reporting period will be discussed in more detail later in the MD&A.

With the implementation of GASB-54 in 2011, the usefulness of fund balance information has been enhanced by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In the case of the Town's statements, fund balances within the General Fund that were formerly classified as "designated" by the Council are now reclassified as "assigned" fund balances. In the case of the Town's loan receivable, these have now been reclassified as "non-spendable" fund balance.

**Notes to Basic Financial Statements:**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information:**

In addition to the basic financial statements, this report also presents certain Required Supplementary Information including the Town's budgetary comparison schedules for the General, Open Space Restricted, Inclusionary-in-Lieu and Road Impact Fee funds.

**Other Supplementary Information:**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS:**

**Statement of Net Position:**

The Town's net position has remained stable as of June 30, 2021 compared to prior year, increased by 0.93% from \$46.4 million to \$46.8 million. The following are major components of the Town's net position:

<b>Portola Valley Town's Net Position</b>				
	<b>Governmental Activities</b>			
	<u>2020-21</u>	<u>2019-20</u>	<u>Variance</u>	<u>Percent</u>
<b>Other Assets</b>	\$ 19,902,656	\$ 19,069,120	\$ 833,536	4.37%
<b>Capital Assets, net</b>	<u>30,078,648</u>	<u>31,066,316</u>	<u>(987,668)</u>	<u>-3.18%</u>
<b>Total Assets</b>	<u>49,981,304</u>	<u>50,135,436</u>	<u>(154,132)</u>	<u>-0.31%</u>
<b>Deferred Outflows of Resources</b>	<u>521,285</u>	<u>517,118</u>	<u>4,167</u>	<u>0.81%</u>
<b>Current Liabilities</b>	2,008,154	1,832,497	\$ 175,657	9.59%
<b>Noncurrent Liabilities</b>	<u>1,481,241</u>	<u>2,211,160</u>	<u>(729,919)</u>	<u>-33.0%</u>
<b>Total Liabilities</b>	<u>3,489,395</u>	<u>4,043,657</u>	<u>(554,262)</u>	<u>-13.71%</u>
<b>Deferred Inflows of Resources</b>	<u>184,294</u>	<u>210,360</u>	<u>(26,066)</u>	<u>-12.4%</u>
<b>Net Investments in Capital Assets</b>	30,078,648	31,066,316	(987,668)	-3.18%
<b>Nonspendable</b>	12,528	-	12,528	
<b>Restricted</b>	12,836,376	11,311,160	1,525,216	13.48%
<b>Unrestricted</b>	<u>3,901,348</u>	<u>4,021,061</u>	<u>(119,713)</u>	<u>-2.98%</u>
<b>Total Net Position</b>	<u>\$ 46,828,900</u>	<u>\$ 46,398,537</u>	<u>\$ 430,363</u>	<u>0.93%</u>

The Town's net position of \$46.8 million consists of \$30.1 million net investment in capital assets, \$12.5 thousand dollars is nonspendable, \$12.8 million in restricted net assets, and \$3.9 million in unrestricted assets. Restricted net assets are restricted by State law, municipal code and contractual obligation to be utilized for public works, safety and open space. Unrestricted assets are not restricted by law; however, \$3.1 million of these funds remain assigned by the Town for special programs.

The decrease in Long-Term Liabilities is primarily due to decreases of \$965,433 in OPEB obligation. OPEB liabilities should decline as the Town begins to fund the CalPERS OPEB trust.

The Town uses capital assets to provide services to the Town's populace; consequently, these assets are not available for future spending.

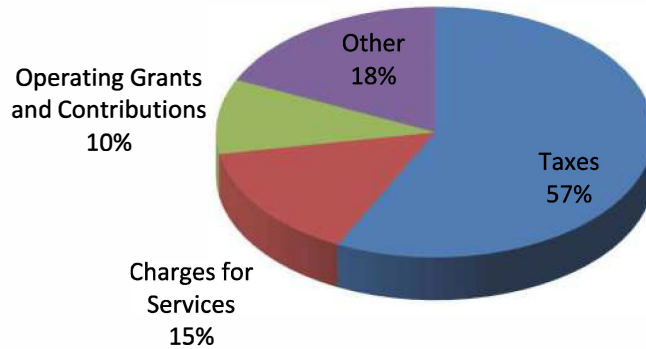
**Statement of Activities:**

The Town's total overall revenues for FY 2021 increased by \$587,978 (or 8.87%) from the prior year. The expenses increased by \$90,741 (or 1.36%), which included adjustments for capital depreciation of \$1,031,932 and adjustments to OPEB and pension liabilities totaling \$991,399. These are offset by an increase in Fund Balance of \$657,879. Taken together these adjustments result in a small increase in the Town's Net Position of \$430,363 (or 0.93%).

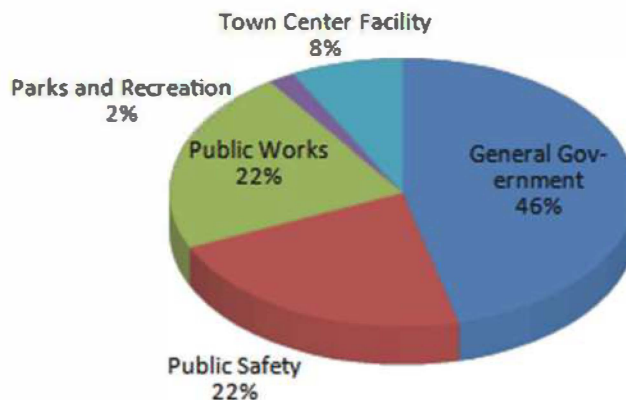
<b>Portola Valley Changes in Net Position</b>				
	Governmental Activities		Variance	Percent
	2020-21	2019-20		
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for Services	\$ 1,075,416	\$ 784,651	\$ 290,765	37.06%
Operating Grants and Contributions	693,402	625,232	68,170	10.90%
Capital Grants & contributions	3,552	5,570	(2,018)	-36.23%
<b>General Revenue:</b>				
Property Taxes	3,027,545	3,158,836	(131,291)	-4.16%
Agency Revenues	916,929	449,377	467,552	104.04%
Franchise Fess	215,894	246,226	(30,332)	-12.32%
Utility User Tax	1,110,440	939,261	171,179	18.22%
Investment Earnings	153,992	407,168	(253,176)	-62.18%
Miscellaneous	20,061	12,932	7,129	55.13%
<b>Total Revenues</b>	<b>7,217,231</b>	<b>6,629,253</b>	<b>587,978</b>	<b>8.87%</b>
<b>Expenses:</b>				
General Government	3,131,169	3,841,246	(710,077)	-18.49%
Public Safety	1,504,622	1,244,971	259,651	20.86%
Public Works	1,498,825	706,700	792,125	112.09%
Parks and Recreation	122,790	283,571	(160,781)	-56.70%
Town center Facilities	529,462	619,639	(90,177)	-14.55%
<b>Total Expenses</b>	<b>6,786,868</b>	<b>6,696,127</b>	<b>90,741</b>	<b>1.36%</b>
<b>Changes in Net Position</b>	<b>430,363</b>	<b>(66,874)</b>	<b>497,237</b>	<b>-743.54%</b>
<b>Net Position - Beginning of the Year</b>	<b>46,398,537</b>	<b>46,465,411</b>	<b>(66,874)</b>	<b>-0.14%</b>
<b>Net Position - End of the Year</b>	<b>\$ 46,828,900</b>	<b>\$ 46,398,537</b>	<b>\$ 430,363</b>	<b>0.93%</b>

	2020-21	2019-20	Variance	Percent
Change in OPEB Liability	\$ (965,433)	\$ (137,576)	\$ (827,857)	601.75%
Change in Pension Liability	193,434	166,166	27,268	16.41%
Change in Fund Balance	657,879	1,214,744	(576,865)	-47.49%
Change in Capital Assets	(987,668)	(967,156)	120,512	2.12%
Change in Other Assets	833,536	(10,720)	844,156	7,874.59%
Net Position - Beginning	46,398,537	46,465,411	1,933,126	4.35%
Net Position - Ending	\$ 46,828,900	\$ 46,398,537	\$ 430,363	0.93%

### Governmental Revenue by Source



### Governmental Expense by Activity



#### Observations for 2021:

The most significant variances in revenue occurred in Grants and Contributions, Agency Revenues, Charges for Services, Franchise Fees and Investment Earnings.

- Grants and Contributions increased by 10.90% due to increase in contribution to the Open Space Fund, Public Safety COPS grant of \$167,436, various grants totaling \$60,283 for special projects.

- Agency Revenues increased by 104.04% due to the increase in allocation of Measure W Half-Cent Sales Tax proceeds of \$126,871 for road improvements, and Measure M of \$9,773.
- Charges for Services increased by 37.06% primarily due to increase in services, including Town Planning Fees, Building Permits, Plan Check Fees, Inspection Fees, and Class Fees.
- Franchise Fees decreased by 12.32% as budgeted revenues from California Water Service Company of \$45,000 and Comcast of \$25,000, actual revenues received were less than anticipated.
- Investment earnings decreased by 62.18% due to the Town's investment in Schwab securities coupled with less returns (lower interest rates) than in prior fiscal year and also on funds invested in the Local Agency Investment Fund (LAIF).

The most significant variances in expenditures occurred in Public Safety, and Public Works.

- General Government decreased by 18.49% primarily due to staff turnover created some vacancies in the department.
- Parks and Recreation decreased by 56.70% due to the continuation of Covid-19 lockdown, which resulted in lower expenditures for Class Instructors and Parks & Field Maintenance.
- Public Works (which includes Capital Improvement Projects-CIP) increased by 111.66% due to the allocation of change in capital assets, which is annual depreciation expense net any new capital purchases or CIP projects completed during the fiscal year. There were capital purchases and CIP projects totaling \$732,136 in FY 2018-19, none in FY 2019-20 and FY 2020-21 totaling \$192,511, resulting in a significant year-over-year change. Expenditures for Public Works and CIP actually increased by \$789,125 in FY 2020-21.

### FUND FINANCIAL STATEMENT ANALYSIS

As the Town completed the year, its governmental funds (General Fund, Open Space Restricted Fund, Inclusionary-in-Lieu Fund, Measure A Fund, and Other Governmental Funds) reported combined fund balances of \$17.9 million, an increase of \$657,879 from last year's ending fund balances of \$17.2 million. The increase is attributable to revenues in excess of expenditures. Revenues for the year totaled \$7.2 million, while expenditures including transfers out were \$7.1 million.

<u>Governmental Fund Balances</u>	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>	<u>Positive</u> <u>(Negative)</u> <u>Change</u>
General Fund	\$ 5,140,878	\$ 5,825,170	\$ (684,292)
Open Space	7,277,792	6,871,193	406,599
Inclusionary In-Lieu	3,762,726	3,728,930	33,796
Measure A	703,451	386,608	316,843
Other Governmental Funds	<u>1,009,655</u>	<u>424,722</u>	<u>584,933</u>
<b>TOTAL</b>	<u><u>\$ 17,894,502</u></u>	<u><u>\$ 17,236,623</u></u>	<u><u>\$ 657,879</u></u>

The following assigned fund balances, totaling \$3.1 million, can be used for their specific purposes within the General Fund; however, these funds can be reassigned at the Council's discretion. These assignments are consistent with prior years:

- Assigned for unfunded pension reserve \$712,486
- Assigned for OPEB 834,871
- Assigned for emergency capital reserve 1,400,000
- Assigned for equipment replacement 100,000
- Assigned for legal contingency 100,000

The General Fund had unassigned fund balance of \$2.0 million at fiscal year-end. The remaining \$12.8 million in restricted funds can only be used for projects within the intended purpose of the funds.

Additional detail on specific fund balances can be found in the notes to the financial statements.

### **Fund Budgetary Highlights:**

The General Fund for FY 2020-21 actual revenues were over budget by \$170,005. Even with the Covid-19 pandemic lockdown which took effect March 16, 2020 revenues were still more in comparison to prior fiscal year by \$553,699 or 10.42%. Some of the increases in revenue sources include property taxes of \$107,416, sales tax of \$147,280, charges for services of \$344,827 and a decrease in franchise fee of (\$245,101) when compared to prior fiscal year. There were also items appropriated but not realized during FY 2020-21. Measure A Fund actual revenues was \$315,960 and increased fund balance to \$702,568 or 81.7%. The Open Space revenues decreased by (\$33,519) from the prior fiscal year. Gas Tax Fund actual revenues for fiscal year 2020-21 of \$205,949, an increase of \$23,173. The Library Fund has a surplus and an agreement was reached with the Library to reimburse the Town for maintenance and janitorial services on a pay-as-go basis once the surplus is exhausted. Measure M is a reimbursement program based on completed road related eligible expenditures. The unrealized Measure M revenue was due to no completed CIP projects in FY 20-21.

The General Fund expenditures were over than budgeted amount by \$555,219. The General Government actual expenditures was over than budget by \$944,673.while Parks & Recreation, Town center Facilities, Public Safety, Public Works and Capital Improvement Program stayed within the their respective approved budget. At the end of fiscal year 2020-21, however, expenditures including transfers exceeded revenues resulting in an operating deficit of \$684,292 and reducing the fund balance to \$5.14 million. The actual expenditures for Open Space was \$406,599 under the budgeted amount by \$75,761. The Library Fund expenditure's budgeted amount of \$94,550 while expenditures was \$37,240 under the approved budget. Measure M, Public Safety, Gas Tax and Capital Improvement Program well stayed under their respective approved budget during the fiscal year 2020-21.



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets:

As of the end of fiscal year 2021, the Town had invested \$30.1 million (net of depreciation) in a broad range of capital assets including buildings, land and technology upgrades. The Town's gross capital assets decreased by \$987,668, which was entirely due to depreciation expense for the year. Depreciation expense is allocated to the fund and category in which the capital asset has been recorded. Most of the decrease can be credited to construction in progress, buildings and improvement assets.

Additional information on the Town's capital assets can be found in Note 3.

<b>Town of Portola Valley - Capital Assets (Net of Accumulated Depreciation)</b>				
	Governmental Activities		Variance	Percent
	2020-21	2019-20		
Land	\$ 6,690,959	\$ 6,690,959	\$ -	
Land improvement	1,757,163	1,840,346	(83,183)	-4.52%
Construction in progress	16,406	564,653	(548,247)	-97.09%
Buildings and improvement	14,895,013	15,291,782	(396,769)	-2.59%
Equipment	162,216	125,619	36,597	29.13%
Infrastructure	6,556,891	6,552,957	3,934	0.06%
Total	\$ <u>30,078,648</u>	\$ <u>31,066,316</u>	\$ <u>(987,668)</u>	<u>-3.18%</u>

### Long-Term Debt:

The Town's long-term liabilities is made up of three components: Net Pension Liability of \$1,029,705 Net OPEB obligations of \$292,006, and compensated balances (unpaid vacation leave) of \$159,530. No new debt was incurred during the fiscal year.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET:

The Town's financial outlook remains sound despite the difficulties brought on by the novel coronavirus and the ensuing public health emergency and economic crisis. Property values remain high and, at 56 percent of total General Fund revenue, remain a reliable resource to support City operations. While other revenue sources, including licenses and permits, and investment and other revenues, have seen dramatic declines due to the pandemic, the swift but painful action taken by the Council to align service levels with structural resources allows the Town to maintain very strong levels of reserves and can look toward restoration of services in future periods as supporting resources return.



Staff will continue to monitor the long-term budget situation, both locally and at the State level, to keep the Town Council informed of critical economic events that may impact the sustainability of the Town's spending plan. Further, staff will continue to be proactive in developing plans to promote economic development in the Town, aggressively pursue grant funding for significant infrastructure improvements, and continually assess the Town's operations and service delivery models to achieve efficiencies where possible.

While in an enviable financial position considering the ongoing economic uncertainty, the Town must continue to focus its efforts on priority fiscal initiatives such as adequate funding of infrastructure, careful comprehensive planning, and optimization of business and residential development opportunities. Further, as new long-term needs are identified, the appropriate resources to meet those needs must also be identified. And finally, the Town must maintain financial flexibility to ensure it is able to continue to quickly respond changes in the economy and major revenue sources as evidenced by the current uncertain and unprecedented situation.

The factors that most significantly impact the Town and its budget are driven by property values, building activity, and labor costs. The local real estate market and housing demand in the region remained steady. These two factors directly impact property taxes, which are the Town's largest revenue source.

The Town entered into an agreement with CalPERS in December 2020 for OPEB trust services. Future obligations should decline as the Town begins to fund the CalPERS OPEB trust.

The Town is also evaluating the impact of GASB 87, issued during June 2017. The pronouncement seeks to increase the usefulness of governments' financial statements by requiring the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision in the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this pronouncement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This pronouncement is effective for fiscal years beginning after December 15, 2019. Staff anticipates that the impact should be negligible given the Town's current lease agreements.

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT:**

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

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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.

TOWN OF PORTOLA VALLEY  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Activities
<b>ASSETS</b>	
Cash and investments (Note 2)	\$18,514,853
Restricted cash (Note 2)	941,452
Accounts and interest receivable	433,823
Loans receivable (Note 5)	12,528
Capital assets, net (Note 3)	
Nondepreciable	6,707,365
Depreciable, net of accumulated depreciation	23,371,283
Total Assets	49,981,304
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions (Note 6)	521,285
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,067,752
Refundable customer deposits	940,402
Non-current liabilities:	
Accrued compensated absences (Note 1G)	159,530
Net Pension Liability (Note 6)	1,029,705
Net OPEB obligation (Note 7)	292,006
Total Liabilities	3,489,395
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions (Note 6)	184,294
<b>NET POSITION (Note 5)</b>	
Net investment in capital assets	30,078,648
Nonspendable	12,528
Restricted for:	
Special Revenue Projects	12,455,647
Capital Projects	380,729
Unrestricted	3,901,348
Total Net Position	\$46,828,900

See accompanying notes to financial statements

TOWN OF PORTOLA VALLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Operating Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General government	\$3,131,169	\$1,067,100	\$61,883	\$3,552	(\$1,998,634)
Parks and recreation	122,790	8,316			(114,474)
Town center facilities	529,462				(529,462)
Public safety	1,504,622		183,525		(1,321,097)
Public works	1,498,825		447,994		(1,050,831)
<b>Total governmental activities</b>	<b>\$6,786,868</b>	<b>\$1,075,416</b>	<b>\$693,402</b>	<b>\$3,552</b>	<b>(5,014,498)</b>
<b>General Revenues:</b>					
Property tax revenues.....					3,027,545
Other governmental agencies revenues.....					916,929
Franchise fees.....					215,894
Utility user tax.....					1,110,440
Investment earnings.....					153,992
Miscellaneous revenue.....					20,061
<b>Total general revenues</b>					<b>5,444,861</b>
Change in net position					430,363
Net Position, beginning of year					46,398,537
Net Position, end of year					<b>\$46,828,900</b>

See accompanying notes to financial statements

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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 2021. 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  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2021

	<u>General</u>	<u>Open Space Restricted</u>	<u>Inclusionary In-Lieu</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$5,512,121	\$7,277,797	\$3,760,730
Restricted cash - customer deposits (Note 2)	941,452		
Accounts and interest receivable	411,727	3,864	1,996
Due from other funds (Note 4)	81,738		
Loans receivable	12,528		
	<u>12,528</u>		
<b>Total Assets</b>	<u><u>\$6,959,566</u></u>	<u><u>\$7,281,661</u></u>	<u><u>\$3,762,726</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$878,286	\$3,869	
Refundable deposits	940,402		
Due to other funds (Note 4)			
	<u>1,818,688</u>	<u>3,869</u>	
<b>Total Liabilities</b>	<u><u>1,818,688</u></u>	<u><u>3,869</u></u>	
<b>FUND BALANCES (Note 5)</b>			
Nonspendable	12,528		
Restricted		7,277,792	\$3,762,726
Assigned	3,147,357		
Unassigned	1,980,993		
	<u>5,140,878</u>	<u>7,277,792</u>	<u>3,762,726</u>
<b>Total Fund Balances</b>	<u><u>5,140,878</u></u>	<u><u>7,277,792</u></u>	<u><u>3,762,726</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$6,959,566</u></u>	<u><u>\$7,281,661</u></u>	<u><u>\$3,762,726</u></u>

See accompanying notes to financial statements



<u>Measure A</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$703,077	\$1,261,128	\$18,514,853
374	15,862	941,452
		433,823
		81,738
		12,528
<u>\$703,451</u>	<u>\$1,276,990</u>	<u>\$19,984,394</u>
	\$185,597	\$1,067,752
	81,738	940,402
		81,738
	267,335	2,089,892
\$703,451	1,092,407	12,528
	(82,752)	12,836,376
		3,147,357
		1,898,241
<u>703,451</u>	<u>1,009,655</u>	<u>17,894,502</u>
<u>\$703,451</u>	<u>\$1,276,990</u>	<u>\$19,984,394</u>

TOWN OF PORTOLA VALLEY  
RECONCILIATION OF THE  
GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2021

**Fund Balances - Total Governmental Funds** \$17,894,502

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	\$41,440,654	
Less: accumulated depreciation	<u>(11,362,006)</u>	30,078,648

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		521,285
Deferred inflows of resources - pension		(184,294)

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

Collective net pension liability		(1,029,705)
Net OPEB Liability		(292,006)
Compensated absences		<u>(159,530)</u>

**Net Position of Governmental Activities** \$46,828,900

See accompanying notes to financial statements

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TOWN OF PORTOLA VALLEY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Open Space Restricted	Inclusionary In-Lieu
<b>REVENUES</b>			
Taxes			
Property taxes	\$3,266,252		
Sales tax	338,389		
Utility users tax	767,928	\$342,512	
Gas tax			
Business license tax and other taxes	125,446		
<b>Total taxes</b>	<b>4,498,015</b>	<b>342,512</b>	
Agency revenues	3,379		
Grants			
Contributions		3,552	
Franchise fees	427,962		
Licenses and permits	258,002		
Service charges and fees	632,806		
Investment and other revenues	45,730	64,405	\$33,796
<b>Total Revenues</b>	<b>5,865,894</b>	<b>410,469</b>	<b>33,796</b>
<b>EXPENDITURES</b>			
General government	3,736,747		
Parks and recreation	60,646		
Town center facilities	39,529		
Public safety	1,343,198		
Public works	840,482		
Capital improvement program	17,205	3,870	
<b>Total Expenditures</b>	<b>6,037,807</b>	<b>3,870</b>	
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (Note 4)			
Transfers (out) (Note 4)	(512,379)		
<b>Total other financing sources (uses)</b>	<b>(512,379)</b>		
<b>NET CHANGE IN FUND BALANCES</b>	<b>(684,292)</b>	<b>406,599</b>	<b>33,796</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>5,825,170</b>	<b>6,871,193</b>	<b>3,728,930</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$5,140,878</b>	<b>\$7,277,792</b>	<b>\$3,762,726</b>

See accompanying notes to financial statements

<u>Measure A</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$3,266,252
\$311,346	\$142,957	792,692
	204,217	1,110,440
		204,217
		125,446
<u>311,346</u>	<u>347,174</u>	<u>5,499,047</u>
	9,773	13,152
	227,719	227,719
	1,000	4,552
		427,962
		258,002
		632,806
<u>5,497</u>	<u>4,563</u>	<u>153,991</u>
<u>316,843</u>	<u>590,229</u>	<u>7,217,231</u>
		3,736,747
		60,646
	57,310	96,839
	153,675	1,496,873
	135,254	975,736
	171,436	192,511
	<u>517,675</u>	<u>6,559,352</u>
	512,379	512,379
		(512,379)
	<u>512,379</u>	
316,843	584,933	657,879
<u>386,608</u>	<u>424,722</u>	<u>17,236,623</u>
<u>\$703,451</u>	<u>\$1,009,655</u>	<u>\$17,894,502</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, 2021

**Net Change in Fund Balances - Total Governmental Funds** \$657,879

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	\$44,264	
Depreciation expense	<u>(1,031,932)</u>	(987,668)

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		(163,201)
OPEB expense		965,433
Net change in compensated absences		<u>(42,080)</u>

**Change in Net Position of Governmental Activities** \$430,363

See accompanying notes to financial statements

**TOWN OF PORTOLA VALLEY**

**FIDUCIARY FUNDS**

Fiduciary 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 Fiduciary Fund financial statements.

TOWN OF PORTOLA VALLEY  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2021

	Custodial Funds
<b>ASSETS</b>	
Cash and investments (Note 2)	\$843,716
Accounts and interest receivable	2,192
Total Assets	\$845,908
<b>LIABILITIES</b>	
Deposits and accrued liabilities	\$845,908
Total Liabilities	\$845,908
<b>NET POSITION (Note 6)</b>	
Restricted for:	
Maintenance Districts	_____
Total Net Position	_____

See accompanying notes to financial statements



TOWN OF PORTOLA VALLEY  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 JUNE 30, 2021

	Custodial Funds
<b>ADDITIONS</b>	
Fee Collection	\$140,380
Total Additions	\$140,380
<b>DEDUCTIONS</b>	
Distributions to districts	133,307
Total Deductions	133,307
Net increase (decrease) in fiduciary net position	
Net Position, beginning of the year, as restated (Note 5E)	(7,073)
Net Postion, end of the year	_____

See accompanying notes to financial statements

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**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**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, 2021**

**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:

**Custodial Funds** account for assets held by the Town in a purely custodial capacity. Since custodial funds are custodial in nature, they do not involve measuring the results of operations and are not presented in the government-wide financial statements. There are five custodial funds, account for fees collected for the following maintenance districts: Crescent Road, Portola Valley Ranch, Wayside Road I, Wayside Road II and Woodside Highlands Road.

**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, 2021**

**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 Pronouncement:

GASB Statement No. 84 – In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The provisions of this Statement were implemented during fiscal year 2021. See details in Note 5E.

**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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

**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	\$117,450
Additions	545,745
Payments	<u>(503,665)</u>
Ending balance	<u><u>\$159,530</u></u>

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

For all governmental funds, amounts that have matured are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

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

**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.

**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.

**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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

**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, 2021**

**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	\$18,514,853
Restricted cash and investments	941,452
Cash and investments of the Town	19,456,305
Cash and investments in Agency Funds	843,716
Total cash and investments	\$20,300,021



**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**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	\$75 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 surplus funds, 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, 2021, is provided by the following table:

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$12,402,411	\$12,402,411
Money Market Mutual Funds	4,774,806	4,774,806
Total Investments	<u>\$17,177,217</u>	17,177,217
Cash in Bank		3,121,304
Cash on Hand		1,500
Total Cash		<u>3,122,804</u>
Total cash and investments		<u>\$20,300,021</u>

**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**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, 2021, these investments matured in an average of 291 days.

Money market mutual funds are available for withdrawal on demand and at June 30, 2021, 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, 2021 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		\$12,402,411	\$12,402,411
Money Market Mutual Funds	\$4,774,806		4,774,806
Total Investments	<u>\$4,774,806</u>	<u>\$12,402,411</u>	<u>\$17,177,217</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, 2021, 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, 2021**

**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, 2021**

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

**A. Capital Assets**

Capital assets activities during the fiscal year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Transfers & Adjustment	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$6,690,959			\$6,690,959
Construction in Progress	564,653	\$16,407	(\$564,654)	16,406
Total capital assets not being depreciated	<u>7,255,612</u>	<u>16,407</u>	<u>(564,654)</u>	<u>6,707,365</u>
Capital assets being depreciated:				
Infrastructure	10,769,254		527,023	11,296,277
Land improvements	3,070,430			3,070,430
Buildings and improvements	19,838,406			19,838,406
Equipment	462,688	65,488		528,176
Total capital assets being depreciated	<u>34,140,778</u>	<u>65,488</u>	<u>527,023</u>	<u>34,733,289</u>
Less accumulated depreciation for:				
Infrastructure	(4,216,297)	(523,089)		(4,739,386)
Land improvements	(1,230,084)	(83,183)		(1,313,267)
Buildings and improvements	(4,546,624)	(396,769)		(4,943,393)
Equipment	(337,069)	(28,891)		(365,960)
Total accumulated depreciation	<u>(10,330,074)</u>	<u>(1,031,932)</u>		<u>(11,362,006)</u>
Total depreciable assets, net	<u>23,810,704</u>	<u>(966,444)</u>	<u>527,023</u>	<u>23,371,283</u>
Capital assets, net	<u>\$31,066,316</u>	<u>(\$950,037)</u>	<u>(\$37,631)</u>	<u>\$30,078,648</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:

<b>Governmental Activities</b>	
General Government	\$6,327
Parks and Recreation	62,144
Town Center Facilities	432,623
Public Safety	7,749
Public Works	523,089
Total Governmental Activities	<u>\$1,031,932</u>

**TOWN OF PORTOLA VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

With Council approval, resources may be transferred from one Town fund to another, Interfund transfers for the year of June 30, 2021, were as follows:

Transfers in	Transfers Out	Total
Non-Major Governmental Funds	General Fund	\$512,379

**B. Current Interfund Balances**

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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, 2021 interfund balances were as follows:

Due From Other fund	Due To Other Fund	Total
General Fund	Non-Major Governmental Funds	\$81,738

**NOTE 5 - 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, 2021**

**NOTE 5 - 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, 2021**

**NOTE 5 - NET POSITION AND FUND BALANCES (Continued)**

Detailed classifications of the Town's fund balances, as of June 30, 2021, 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:						
<b>Nonspendables:</b>						
Loans receivable	\$12,528					\$12,528
<b>Total nonspendable</b>	<b>12,528</b>					<b>12,528</b>
<b>Restricted for:</b>						
Open space acquisition		\$7,277,792				7,277,792
Public safety					\$939	939
Gas tax					216,602	216,602
Public safety COPS					149,258	149,258
Library fund					108,779	108,779
Park in-lieu					35,343	35,343
Grants					130,082	130,082
Capital projects					215,304	215,304
Inclusionary in-lieu			\$3,762,726			3,762,726
Measure A				\$703,451		703,451
Measure W					236,100	236,100
<b>Total restricted</b>		<b>7,277,792</b>	<b>3,762,726</b>	<b>703,451</b>	<b>1,092,407</b>	<b>12,600,276</b>
<b>Assigned to:</b>						
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
<b>Total assigned</b>	<b>3,147,357</b>					<b>3,147,357</b>
<b>Unassigned</b>	<b>1,980,993</b>				<b>(82,752)</b>	<b>1,898,241</b>
<b>Total fund balances</b>	<b>\$5,140,878</b>	<b>\$7,277,792</b>	<b>\$3,762,726</b>	<b>\$703,451</b>	<b>\$1,009,655</b>	<b>\$17,658,402</b>

**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, 2021 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, 2021	\$5,128,350

**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 5 - NET POSITION AND FUND BALANCES (Continued)**

**D. Fund Balance Deficit**

As of June 30, 2021, Measure M Special Revenue Fund had fund balance deficits of \$82,752. The fund deficits are expected to be eliminated by future revenues.

**E. Restatement and Closure of Agency Funds:**

The Town implemented the provisions of Governmental Accounting Standards Board Statement No. 84 – Fiduciary Activities during the year ended June 30, 2021.

The activities of the former agency funds are now reported as custodial funds. As a result, the beginning net position of the custodial funds was also restated and decreased by \$5,347.

**NOTE 6 - 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.



**TOWN OF PORTOLA VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

**NOTE 6 - PENSION PLAN (Continued)**

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Miscellaneous</u>	
	<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	6.908%	6.750%
Required employer contribution rates	10.484%	7.732%

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 \$80,250.

**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, 2021, the Town's contributions to the Plan were as follows:

Contributions - employer	<u>Miscellaneous</u> \$232,527
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**B. Net Pension Liability**

As of June 30, 2021, the Town reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

Miscellaneous	<u>Proportionate Share of Net Pension Liability</u> \$1,029,705
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**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 6 - PENSION PLAN (Continued)**

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2019 and 2020 was as follows:

	Miscellaneous
Proportion - June 30, 2019	0.02088%
Proportion - June 30, 2020	0.02441%
Change - Increase (Decrease)	0.00353%

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

For the year ended June 30, 2021, the Town recognized pension expense of \$395,728. On June 30, 2021, 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	\$232,527	
Differences between actual and expected experience	53,064	
Changes of assumptions		(\$7,344)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(176,950)
Change in proportion	205,105	
Net differences between projected and actual earnings on plan investments	30,589	
Total	\$521,285	(\$184,294)

The \$232,527 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2022	\$42,695
2023	23,365
2024	23,732
2025	14,672
Total	\$104,464

**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 6 - PENSION PLAN (Continued)**

*Actuarial Assumptions* – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS' membership data for all funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) Depending on age, service and type of employment.

(2) Net of pension plan investment expenses, including inflation.

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements 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, 2019 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.

**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.

**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 6 - PENSION PLAN (Continued)**

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 and forecasted information for 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 rates 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 Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Asset 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.

***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	\$2,141,083
Current Discount Rate	7.15%
Net Pension Liability	\$1,029,705
1% Increase	8.15%
Net Pension Liability (Asset)	\$111,408

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

**TOWN OF PORTOLA VALLEY  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

**NOTE 7 - 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](http://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, 2021:

***Eligibility***

Minimum age before retirement	50
Minimum required years of service:	5

***Health Benefit - Employer Contribution***

***Monthly Premiums***

BlueShield HMO medical, pharmacy	\$143
Kaiser medical, pharmacy coverage	\$143
PERSChoice medical, pharmacy coverage	\$143

***Employees Covered by Benefit Terms***

Membership in the plan consisted of the following at the measurement date of June 30, 2021:

Active employees	15
Inactive employees or beneficiaries currently receiving benefit payments	4
Total	19

**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS (Continued)**

**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:

	<u>Actuarial Assumptions</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Actuarial Assumptions:	
Discount Rate	4.57%
Payroll Growth	3.20%
Mortality Rate	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years
Amortization Period	20 years 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
Pre-Retirement Turnover	
Healthcare Trend Rates	4.7% descending to 4.2% 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, 2021**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS (Continued)**

**C. Changes in Total OPEB Liability**

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

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
Balance at June 30, 2020	\$1,257,439		\$1,257,439
Changes Recognized for the Measurement Period:			
Service cost	108,443		108,443
Interest on the total OPEB liability	29,294		29,294
Changes of benefit terms			
Differences between expected and actual experience			
Economic gains or losses	(85,347)		(85,347)
Changes of assumptions	(451,120)		(451,120)
Contributions from the employer		\$566,703	(566,703)
Benefit payments	(6,768)	(6,768)	
Net changes	(405,498)	559,935	(965,433)
Balance at June 30, 2021 (Measurement Date)	\$851,941	\$559,935	\$292,006

**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 (3.569%) or 1-percentage-point higher (5.569%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(3.569%)	(4.569%)	(5.569%)
\$447,925	\$292,006	\$167,388

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 4.7%, descending to 4.2% over 10 years:

Total OPEB Liability/(Asset)		
Trend rate -1%	Current Healthcare Cost Trend Rates	Trend rate +1%
\$155,021	\$292,006	\$464,792

**TOWN OF PORTOLA VALLEY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

**NOTE 8 - 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, 2021, the Town contributed \$100,649 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, 2021, the Town contributed \$29,873 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, 2021 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, 2021**

**NOTE 9 - JOINT POWERS AGREEMENT**

**A. C/CAG**

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

C/CAG was established under a 1990 Joint Exercise of Powers Agreement between the Town, San Mateo County and a majority of cities within San Mateo County for the purpose of developing State mandated plans such as an integrated waste management plan. The Town makes annual nonrefundable contributions to C/CAG which are used along with other member contributions to finance C/CAG operations. Audited financial statements may be obtained from the Town of San Carlos, 666 Elm Street, San Carlos, California, 94070. The Town's payments to C/CAG during the year totaled \$15,099. 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.

**NOTE 10 - 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

<b>Measurement Date</b>	<b>6/30/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>
Plan's proportion of the Net Pension Liability (Asset)	0.03873%	0.00301%	0.01508%	0.01807%	0.01778%	0.00310%	0.00353%
Plan's proportion share of the Net Pension Liability (Asset)	\$957,322	\$82,489	\$523,840	\$712,486	\$670,105	\$836,271	\$1,029,705
Plan's Covered Payroll	\$993,466	\$1,071,540	\$1,442,039	\$1,522,511	\$1,524,652	\$1,550,930	\$1,628,561
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%	63.23%
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%	75.10%

**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. From 2018 to 2020, 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\***

<b>Fiscal Year Ended June 30</b>	<b>6/30/2015</b>	<b>6/30/2016</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2020</b>	<b>6/30/2021</b>
Actuarially determined contribution	\$111,313	\$84,007	\$116,123	\$141,356	\$153,312	\$205,746	\$232,527
Contributions in relation to the actuarially determined contributions	(111,313)	(84,007)	(116,123)	(141,356)	(153,312)	(205,746)	(232,527)
Additional Contributions	<u>(907,699)</u>						
Contribution deficiency (excess)	<u>(\$907,699)</u>	<u>\$0</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	\$1,628,561
Contributions as a percentage of covered payroll	11.20%	7.84%	8.05%	9.28%	10.06%	13.27%	14.28%
<b>Notes to Schedule</b>							
Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018

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, 7.25% for 2020, and 7.00% for 2021, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are 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 to 2021, 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	<u>6/30/18</u>	<u>6/30/19</u>	<u>6/30/2020</u>	<u>6/30/21</u>
<b>Total OPEB Liability (1)</b>				
Service Cost	\$92,662	\$92,662	\$120,877	\$108,443
Interest		35,711	29,825	29,294
Changes of benefit terms				
Differences between expected and actual experience				
Economic gains or losses		(84,838)	(62,829)	(85,347)
Changes of assumptions		258,913	56,159	(451,120)
Contribution from employer				(566,703)
Benefit payments	(51,432)	(6,456)	(6,456)	0
<b>Net change in total OPEB liability</b>	<u>41,230</u>	<u>295,992</u>	<u>137,576</u>	<u>(965,433)</u>
<b>Total OPEB liability - beginning</b>	<u>782,641</u>	<u>823,871</u>	<u>1,119,863</u>	<u>1,257,439</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$823,871</u></u>	<u><u>\$1,119,863</u></u>	<u><u>\$1,257,439</u></u>	<u><u>\$292,006</u></u>
Covered-employee payroll	<u>\$1,522,511</u>	<u>\$1,524,652</u>	<u>\$1,550,930</u>	<u>\$1,628,561</u>
Total OPEB liability as a percentage of covered-employee payroll	54.11%	73.45%	81.08%	17.93%

**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.

TOWN OF PORTOLA VALLEY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
Property taxes	(\$3,269,350)	\$3,269,350	\$3,266,252	(\$3,098)
Sales tax	(215,000)	215,000	338,389	123,389
Business license tax and other taxes	<u>(125,000)</u>	<u>125,000</u>	<u>125,446</u>	<u>446</u>
Total Taxes	<u>(3,609,350)</u>	<u>3,609,350</u>	<u>3,730,087</u>	<u>120,737</u>
Franchise fees	(362,795)	362,795	427,962	65,167
Utility users tax	(732,890)	732,890	767,928	35,038
Agency revenues	(3,625)	3,625	3,379	(246)
Licenses and permits	(256,141)	256,141	258,002	1,861
Service charges and fees	(610,932)	610,932	632,806	21,874
Investment and other revenues	<u>120,156</u>	<u>120,156</u>	<u>45,730</u>	<u>(74,426)</u>
Total Revenues	<u>(5,455,577)</u>	<u>5,695,889</u>	<u>5,865,894</u>	<u>170,005</u>
<b>EXPENDITURES</b>				
General government	2,792,074	2,792,074	3,736,747	(944,673)
Parks and recreation	86,000	86,000	60,646	25,354
Town center facilities	58,075	58,075	39,529	18,546
Public safety	1,399,276	1,399,276	1,343,198	56,078
Public works	933,558	933,558	840,482	93,076
Capital improvement program	<u>43,600</u>	<u>43,600</u>	<u>17,205</u>	<u>26,395</u>
Total Expenditures	<u>5,312,583</u>	<u>5,312,583</u>	<u>6,037,807</u>	<u>(725,224)</u>
Excess (Deficiency) of Revenues Over Expenses	<u>(10,768,160)</u>	<u>383,306</u>	<u>(171,913)</u>	<u>(555,219)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	<u>(512,379)</u>	<u>(512,379)</u>	<u>(512,379)</u>	
Total Other Financing Sources (Uses)	<u>(512,379)</u>	<u>(512,379)</u>	<u>(512,379)</u>	
NET CHANGE IN FUND BALANCE	<u>(\$11,280,539)</u>	<u>(\$129,073)</u>	(684,292)	<u>(\$555,219)</u>
Fund balance at beginning of year			<u>5,825,170</u>	
Fund balance at end of year			<u>\$5,140,878</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, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Utility users tax	\$337,497	\$342,512	\$5,015
Contribution	1,000	3,552	2,552
Investment and other revenues	<u>143,863</u>	<u>64,405</u>	<u>(79,458)</u>
Total Revenues	<u>482,360</u>	<u>410,469</u>	<u>(71,891)</u>
<b>EXPENDITURES</b>			
Capital improvement program	<u>                    </u>	<u>3,870</u>	<u>(3,870)</u>
Total Expenditures	<u>                    </u>	<u>3,870</u>	<u>(3,870)</u>
Excess (Deficiency) of Revenues Over Expenses	<u>482,360</u>	<u>406,599</u>	<u>75,761</u>
Net change in fund balance	<u><u>\$482,360</u></u>	<u>406,599</u>	<u><u>(\$75,761)</u></u>
Fund balance at beginning of year		<u>6,871,193</u>	
Fund balance at end of year		<u><u>\$7,277,792</u></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, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Sales tax		\$311,346	\$311,346
Investment and other revenues		5,497	5,497
		<u>316,843</u>	<u>316,843</u>
<b>EXPENDITURES</b>			
Capital improvement program			
Total Expenditures			
Net change in fund balance		316,843	<u>\$316,843</u>
Fund balance at beginning of year		<u>386,608</u>	
Fund balance at end of year		<u>\$703,451</u>	

## **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.

## **SUPPLEMENTARY 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 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.

#### **CAPITAL PROJECTS**

Accounts for federal or state-reimbursed storm-related road repairs as needed.

TOWN OF PORTOLA VALLEY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2021

	<u>Special Revenue Funds</u>			
	<u>Public Safety</u>	<u>Gas Tax</u>	<u>Public Safety COPS</u>	<u>Library Fund</u>
<b>ASSETS</b>				
Cash and investments	\$938	\$263,515	\$149,179	\$111,282
Accounts and interest receivable	1	15,704	79	59
<b>Total Assets</b>	<b><u>\$939</u></b>	<b><u>\$279,219</u></b>	<b><u>\$149,258</u></b>	<b><u>\$111,341</u></b>
<b>LIABILITIES</b>				
Accounts payable		\$62,617		\$2,562
Due to other funds				
<b>Total Liabilities</b>		<b><u>62,617</u></b>		<b><u>2,562</u></b>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted	\$939	216,602	\$149,258	108,779
Unassigned				
<b>Total Fund Balance</b>	<b><u>939</u></b>	<b><u>216,602</u></b>	<b><u>149,258</u></b>	<b><u>108,779</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$939</u></b>	<b><u>\$279,219</u></b>	<b><u>\$149,258</u></b>	<b><u>\$111,341</u></b>

Special Revenue Funds		Capital Projects Funds			
Measure M	Measure W	Park In-Lieu	Grants	Capital Projects	Totals
	\$236,100	\$35,324	\$130,082	\$334,708	\$1,261,128
		19			15,862
	\$236,100	\$35,343	\$130,082	\$334,708	\$1,276,990
\$1,014				\$119,404	\$185,597
81,738					81,738
82,752				119,404	267,335
(82,752)	\$236,100	\$35,343	\$130,082	215,304	1,092,407
(82,752)	236,100	35,343	130,082	215,304	(82,752)
	236,100	35,343	130,082	215,304	1,009,655
	\$236,100	\$35,343	\$130,082	\$334,708	\$1,276,990

TOWN OF PORTOLA VALLEY  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			
	Public Safety	Gas Tax	Public Safety COPS	Library Fund
<b>REVENUES</b>				
Taxes:				
Sales tax	\$16,086			
Gas tax		\$204,217		
Total taxes	<u>16,086</u>	<u>204,217</u>		
Agency revenues				
Grants			\$167,436	
Contributions				\$1,000
Investment and other revenues	6	1,732	1,275	1,232
Total Revenues	<u>16,092</u>	<u>205,949</u>	<u>168,711</u>	<u>2,232</u>
<b>EXPENDITURES</b>				
Town center facilities				57,310
Public safety	8,675		145,000	
Public works		125,635		
Capital improvement program				
Total Expenditures	<u>8,675</u>	<u>125,635</u>	<u>145,000</u>	<u>57,310</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in		125,639		
Total other financing sources		<u>125,639</u>		
Net change in fund balances	7,417	205,953	23,711	(55,078)
Fund balances at beginning of year	<u>(6,478)</u>	<u>10,649</u>	<u>125,547</u>	<u>163,857</u>
Fund balances (deficit) at end of year	<u>\$939</u>	<u>\$216,602</u>	<u>\$149,258</u>	<u>\$108,779</u>



Special Revenue Funds		Capital Projects Funds			
Measure M	Measure W	Park In-Lieu	Grants	Capital Projects	Totals
	\$126,871				\$142,957
					204,217
	126,871				347,174
\$9,773					9,773
			\$60,283		227,719
		\$318			1,000
					4,563
9,773	126,871	318	60,283		590,229
					57,310
					153,675
9,619					135,254
				\$171,436	171,436
9,619				171,436	517,675
				386,740	512,379
				386,740	512,379
154	126,871	318	60,283	215,304	584,933
(82,906)	109,229	35,025	69,799		424,722
<u>(\$82,752)</u>	<u>\$236,100</u>	<u>\$35,343</u>	<u>\$130,082</u>	<u>\$215,304</u>	<u>\$1,009,655</u>

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, 2021

	Public Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Sales tax	\$15,000	\$16,086	\$1,086			
Gas tax				\$197,203	\$204,217	\$7,014
Total taxes	<u>15,000</u>	<u>16,086</u>	<u>1,086</u>	<u>197,203</u>	<u>204,217</u>	<u>7,014</u>
Agency revenues						
Grants						
Contributions						
Investment and other revenues		6	6	5,263	1,732	(3,531)
Total Revenues	<u>15,000</u>	<u>16,092</u>	<u>1,092</u>	<u>202,466</u>	<u>205,949</u>	<u>3,483</u>
<b>EXPENDITURES</b>						
Town center facilities						
Public safety	15,000	8,675	6,325			
Public works				208,032	125,635	82,397
Capital improvement program						
Total Expenditures	<u>15,000</u>	<u>8,675</u>	<u>6,325</u>	<u>208,032</u>	<u>125,635</u>	<u>82,397</u>
Excess (Deficiency) of Revenues Over Expenses		<u>7,417</u>	<u>7,417</u>	<u>(5,566)</u>	<u>80,314</u>	<u>85,880</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in				125,639	125,639	
Transfers out						
Total Other Financing Sources				<u>125,639</u>	<u>125,639</u>	
Net change in fund balances		<u>7,417</u>	<u>\$7,417</u>	<u>\$120,073</u>	205,953	<u>\$85,880</u>
Fund balances, beginning of Year		<u>(6,478)</u>			<u>10,649</u>	
Fund balances (deficit), end of Year		<u>\$939</u>			<u>\$216,602</u>	

Public Safety COPS			Library Fund			Measure M		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
							\$9,773	\$9,773
\$145,000	\$167,436	\$22,436	\$87,855	\$1,000	(\$86,855)			
2,614	1,275	(1,339)	6,695	1,232	(\$5,463)			
147,614	168,711	21,097	94,550	2,232	(92,318)		9,773	9,773
145,000	145,000		94,550	57,310	37,240			
						13,167	\$9,619	3,548
145,000	145,000		94,550	57,310	37,240	13,167	9,619	3,548
2,614	23,711	21,097		(55,078)	(55,078)	(13,167)	154	13,321
<u>\$2,614</u>	23,711	<u>\$21,097</u>		(55,078)	<u>(\$55,078)</u>	<u>(\$13,167)</u>	154	<u>\$13,321</u>
	<u>125,547</u>			<u>163,857</u>			<u>(82,906)</u>	
	<u>\$149,258</u>			<u>\$108,779</u>			<u>(\$82,752)</u>	

(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, 2021

	Measure W			Park in Lieu		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Sales tax	\$132,860	\$126,871	(\$5,989)			
Gas tax						
Total taxes	<u>132,860</u>	<u>126,871</u>	<u>(5,989)</u>			
Agency revenues						
Grants						
Contributions						
Investment and other revenues				\$788	\$318	(\$470)
Total Revenues	<u>132,860</u>	<u>126,871</u>	<u>(5,989)</u>	<u>788</u>	<u>318</u>	<u>(470)</u>
<b>EXPENDITURES</b>						
Town center facilities						
Public safety						
Public works						
Capital improvement program						
Total Expenditures						
Excess (Deficiency) of Revenues Over Expenses	<u>132,860</u>	<u>126,871</u>	<u>(5,989)</u>	<u>788</u>	<u>318</u>	<u>(470)</u>
<b>OTHER FINANCING SOURCES</b>						
Transfers in						
Transfers out						
Total Other Financing Sources						
Net change in fund balances	<u>\$132,860</u>	126,871	<u>(\$5,989)</u>	<u>\$788</u>	318	<u>(\$470)</u>
Fund balances, beginning of Year		<u>109,229</u>			<u>35,025</u>	
Fund balances (deficit), end of Year		<u>\$236,100</u>			<u>\$35,343</u>	

Grants			Capital Projects		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,600	\$60,283	\$58,683			
1,600	60,283	58,683			
			\$376,740	\$171,436	\$205,304
			376,740	171,436	205,304
1,600	60,283	58,683	(376,740)	(171,436)	205,304
			386,740	386,740	
			386,740	386,740	
<u>\$1,600</u>	60,283	<u>\$58,683</u>	<u>\$10,000</u>	215,304	<u>\$205,304</u>
	69,799				
	<u>\$130,082</u>			<u>\$215,304</u>	

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<b>CUSTODIAL FUNDS</b>
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Custodial Funds are presented separately from the Government-wide and Fund financial statements.

Custodial 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**

TOWN OF PORTOLA VALLEY  
 COMBINING STATEMENT OF NET POSITION  
 CUSTODIAL FUNDS  
 JUNE 30, 2021

	Custodial Funds		
	Crescent Maintenance District	Portola Valley Ranch Maintenance District	Wayside Road I Maintenance District
<b>ASSETS</b>			
Cash and investments	\$166,965	\$35,241	\$7,744
Accounts and interest receivable	262	30	4
<b>Total Assets</b>	<b>167,227</b>	<b>35,271</b>	<b>7,748</b>
<b>LIABILITIES</b>			
Deposits and other liabilities	167,227	35,271	7,748
<b>Total Liabilities</b>	<b>167,227</b>	<b>35,271</b>	<b>7,748</b>
<b>NET POSITION</b>			
Restricted for: Maintenance Districts			
<b>Total Net Position</b>			



Custodial Funds

<u>Wayside Road II Maintenance District</u>	<u>Wayside Highlands Maintenance District</u>	<u>Total</u>
\$175,287	\$458,479	\$843,716
<u>926</u>	<u>970</u>	<u>2,192</u>
<u>176,213</u>	<u>459,449</u>	<u>845,908</u>
<u>176,213</u>	<u>459,449</u>	<u>845,908</u>
<u>176,213</u>	<u>459,449</u>	<u>845,908</u>

TOWN OF PORTOLA VALLEY  
 COMBINING STATEMENT OF CHANGES IN NET POSITION  
 CUSTODIAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Custodial Funds		
	Crescent Maintenance District	Portola Valley Ranch Maintenance District	Wayside Road I Maintenance District
ADDITIONS			
Fee Collection	\$14,240	\$1,142	\$70
Total Additions	14,240	1,142	70
DEDUCTIONS			
Distributions to districts			
Total Deductions			
Net increase (decrease) in fiduciary net position	14,240	1,142	70
Net Position, beginning of the year, as restated	(14,240)	(1,142)	(70)
Net Postion, end of the year			

<u>Custodial Funds</u>		
<u>Wayside Road II Maintenance District</u>	<u>Wayside Highlands Maintenance District</u>	<u>Total</u>
<u>\$53,176</u>	<u>\$71,752</u>	<u>\$140,380</u>
<u>53,176</u>	<u>71,752</u>	<u>140,380</u>
<u>2,620</u>	<u>130,687</u>	<u>133,307</u>
<u>2,620</u>	<u>130,687</u>	<u>133,307</u>
<u>50,556</u>	<u>(58,935)</u>	<u>7,073</u>
<u>(50,556)</u>	<u>58,935</u>	<u>(7,073)</u>
<u>          </u>	<u>          </u>	<u>          </u>

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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, 2021, and have issued our report thereon dated April 15, 2024.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control that we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated April 15, 2024, which is an integral part of our audit and should be read in conjunction with this report.

## **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 April 15, 2024, 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  
April 15, 2024

**TOWN OF PORTOLA VALLEY**  
**MEMORANDUM ON INTERNAL CONTROL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**TOWN OF PORTOLA VALLEY**  
**MEMORANDUM ON INTERNAL CONTROL**  
**For The Year Ended June 30, 2021**

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## MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the Town as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies in internal control included on the Schedule of Significant Deficiencies to be significant deficiencies.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Town Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California  
April 15, 2024

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**TOWN OF PORTOLA VALLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF SIGNIFICANT DEFICIENCY**

**2021-01            Segregation of Duties**

**Criteria:** Effective internal control must be maintained at any organization, regardless of size and intricacy. Good internal controls require that employees with access to the assets not have access to the accounting records for the same assets. Reconciliations of any accounts should be performed by separate individuals to ensure segregation of duties.

**Condition:** During our review of internal controls, we noted areas in which controls need to be improved, and employee access and/or duties should be revised:

- a) The payroll run was reviewed by the same employee who processes payroll. There was no evidence of a separate employee reviewing the payroll register. The same employee also prepared and input the payroll journal entries into the general ledger without a separate employee review. In addition, there is no evidence of documentation of the preparer and reviewer for the payroll register.
  
- b) The vendor database is managed by the same staff who was also involved in processing accounts payable

**Cause:** Due to the Town's staff turnover, financial system upgrade, and impacts from the pandemic, the Town did not have enough finance staff to ensure sufficient segregation of duties in various transaction cycles. The tight labor market during the pandemic year further delayed recruitment. The staff shortage delayed the finance department from preparing and reconciling financial activities for the audit in a timely manner.

**Potential Effect:** Assets or accounts recorded and reviewed by the same staff do not permit good checks, transparency, accuracy, or segregation of duties and increase the likelihood that material misstatement in the financial statement will not be prevented or detected and corrected on a timely basis.

**Recommendation:** Good internal control dictates that the same employee with access to physical assets should not also have access to updating account records for the same assets. A different employee should be involved in the records or assets to provide a good check and balance. The Town should analyze staff resources to ensure proper review and segregation of duties.

***Management's Response:***

The Town recognizes and agrees with the above findings and is actively working on  
\_\_\_\_\_  
\_\_\_\_\_

**TOWN OF PORTOLA VALLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF SIGNIFICANT DEFICIENCY**

**2021-02          Journal Entry Reviews, Approvals, and Timeliness**

**Criteria:** Journal entries (JE) are an important transaction cycle affecting all accounting and financial reporting aspects. Prudent internal control concepts dictate that:

1. No single employee should process a transaction without the involvement of another employee.
2. A second employee should review and approve the entry prepared by the first employee, with evidence of signing and dating for the approval.
3. The JE should be prepared, reviewed, and posted within 30-45 days of the event's occurrence.

**Condition:** We sample-tested the Town's JE and noted the following:

- c) The JEs tested showed no separate reviewer other than the preparer.
- d) Five JEs had reviewed and posted dates six months later than the original preparation dates:

**Cause:** Due to the Town's staff turnover, financial system upgrade, and impacts from the pandemic, the Town did not have enough finance staff to ensure sufficient segregation of duties in various transaction cycles. The tight labor market during the pandemic year further delayed recruitment. The staff shortage delayed the finance department from preparing and reconciling financial activities for the audit in a timely manner.

**Potential Effect:** Journal entry preparation and reviewing by the same staff does not permit good checks, transparency, accuracy, or segregation of duties and increase the likelihood that material misstatement in the financial statement will not be prevented or detected and corrected on a timely basis.

When journal entries are not posted in a timely manner, there is an increased risk that transactions are not posted in the correct period, and accounting errors, misstatements, or unauthorized transactions may not be identified or corrected in a timely manner.

**Recommendation:** We recommend that the Town implement a park and place function that allows someone to create entries and then alerts and allows the authorized employees to review and approve the entry before posting. We also recommended that the town work on submitting journal entries in a timely manner.

***Management's Response:***

The Town recognizes and agrees with the above findings and is actively working on

**TOWN OF PORTOLA VALLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF SIGNIFICANT DEFICIENCY**

**2021-03            Timely Bank Reconciliations**

**Criteria:** Bank account reconciliations are one of the most important internal controls. To be effective, bank reconciliations and the associated review should be completed in their entirety as soon as reasonably possible after each month's end, usually within 30-45 days of the bank statement date. Additionally, reconciliations should be dated and signed off by the preparer and reviewer to leave an audit trail.

**Condition:** We noted that the bank reconciliation for fiscal year 2021, was not completed and reviewed until the fiscal year of 2024, more than three years later.

**Cause:** Due to the Town's staff turnover, financial system upgrade, and impacts from the pandemic, the Town did not have enough finance staff to ensure timely preparation and review of the financials in various transaction cycles. The tight labor market during the pandemic year further delayed recruitment. The staff shortage delayed the finance department from preparing and reconciling financial activities for the audit in a timely manner.

**Potential Effect:** Without timely preparation and review for the bank reconciliation, there is an increased risk that misstatements or unauthorized transactions will not be prevented, detected, and corrected on a timely basis.

**Recommendation:** We recommend that the Town maintain adequate qualified staff to ensure that bank reconciliations are prepared and reviewed promptly, ideally within 30-45 days of the close of a given month. Also, the preparer and reviewer should date and sign off reconciliations to maintain proper audit trail.

***Management's Response:***

The Town recognizes and agrees with the above findings and is actively working on

**TOWN OF PORTOLA VALLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**2021-04                      Reconciliation of Payroll Journal Entries with the Payroll Register**

**Criteria:** The payroll journal entries prepared by one employee should be reconciled with the payroll register and reviewed by a separate employee before posting to the general ledger.

**Condition:** During the payroll testing, we noted that the payroll journal entries for the pay period ending on March 31, 2021, were not reconciled with the payroll register and were not reviewed before posting them to the general ledger.

**Potential Effect:** The above condition does not promote good checks and balances for payroll processing. Without proper reconciliation of the payroll journal entries with the payroll register and separate review, there is an increased risk that misstatements or unauthorized transactions will not be prevented, detected, and corrected on a timely basis.

**Cause:** Due to the Town's staff turnover, financial system upgrade, and impacts from the pandemic, the Town did not have enough finance staff to ensure sufficient segregation of duties and timely preparation and review of the financials in various transaction cycles. The tight labor market during the pandemic year further delayed recruitment. The staff shortage delayed the finance department from preparing and reconciling financial activities for the audit in a timely manner.

**Recommendation:** We recommend that the City establish procedures for an employee who does not have edit rights in the City's payroll system to review the payroll register after every payroll run. If this is deemed impossible under the current staffing situation, cross-review should be performed by the two employees who have access to the payroll module.

In addition, the payroll JE prepared should be reconciled with the payroll register and reviewed properly before posting to the general ledger.

***Management's Response:***

The Town recognizes and agrees with the above findings and is actively working on  
\_\_\_\_\_  
\_\_\_\_\_



**TOWN OF PORTOLA VALLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**2021-05                      Outstanding Checks**

**Criteria:**        The town’s policy is to follow up every six months on checks that have been outstanding for over a year.

**Condition:**     We noted that of all the outstanding checklists accompanying the June 2021 Bank Reconciliation, twenty-five outstanding checks were over a year old.

**Cause:**        Due to the town's staff turnover, financial system upgrades, and impacts from the pandemic, the town did not have enough finance staff to follow up on the outstanding checks in a timely manner.

**Potential Effect:** This practice does not promote proper internal control over disbursements.

**Recommendation:**     We recommend that the Town follow up and clear the stale check timely.

***Management’s Response:***

The Town recognizes and agrees with the above findings and is actively working on  
[Redacted]

**2021-06                      Out of compliance with the Investment Policy**

**Criteria:**        The Town’s Investment Policy stated that it shall be adopted by resolution and reviewed as a part of the annual budget process with any amendments to be approved by the council.

**Condition:**     It appeared that the council did not review the Investment Police as part of the annual budget process.

**Potential Effect:** The Town is out of compliance with its own Investment Policy.

**Cause:**        The Town’s investment policy has not changed since 2012. Hence the review process was overlooked.

**Recommendation:** We recommend that the Town to review the investment policy annually alongside the annual budget process.

***Management’s Response:***

The Town recognizes and agrees with the above findings and is actively working on  
[Redacted]

**TOWN OF PORTOLA VALLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

**NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE**

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments.

**Effective in fiscal year 2020-21:**

**GASB 84 – *Fiduciary Activities***

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

**GASB 90 – *Majority Equity Interests—(an amendment of GASB Statements No. 14 and No. 61)***

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

**TOWN OF PORTOLA VALLEY  
MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

Effective in fiscal year 2021-22:

**GASB 87 – Leases**

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period**

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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**TOWN OF PORTOLA VALLEY  
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCY**

**2020-01            Timeliness for the Completion of Audit**

**Criteria:** Well-managed organizations should develop a plan to ensure that adequate resources will remain available in the event of employee departures and the potential impact of unexpected events. Part of that is ensuring there are resources available to be utilized on short notice to fill gaps in key positions, especially in the Finance Department. These resources need to be in place throughout the fiscal year to ensure accounting processes and procedures continue and allow time for the analysis of account balances and activities.

**Condition:** The Town's basic financial statements for the year ended June 30, 2020, were not completed until October 2022.

**Cause:** Due to the Town's staff turnover, financial system upgrade, and impacts from the pandemic, the Town's staff were not able to prepare and complete recording financial activities for the audit timely.

**Effect:** As a result, there were significant delays in the completion of the audit, which increases the risk that errors or misstatements may go undetected by staff and corrections may not be made in a timely manner. Audit effort was substantially increased due to the delay and coordination.

**Recommendation:** The Town should analyze staff resources for backup plans to ensure that the financial data is processed properly and timely during staffing transitions and unexpected events.

**Current Status:**

The Town's basic financial statements audit for the year ended June 30, 2021, were not completed until April 2024.

**Management's Response to Current Status:**

The Town recognizes and agrees with the above findings and is actively working on

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<b>Short-term Options</b>	<b>Council Direction</b>
1 Balanced budget	Yes
2 Charge Housing Element expenses to Affordable Housing Fund	No
3 Charge Open Space maintenance work to Open Space Fund	Yes
4 Redirect UUT from Open Space fund to General Fund	No
5 Parcel Tax	No
6 Lease-leaseback with SMC	TBD
7 Whites fees to Affordable Housing fund	Yes
8 Declaration of Fiscal Emergency	No

**Long-term Options**

1 Become a Charter Town	Yes
2 Negotiate higher property tax allocation from SMC	
3 Renegotiate with SMC Sheriff	
4 Private fundraising	
5 Modernize Telephone UUT Ordinance	FC
6 Shared services/Merger - Town of Woodside	FC
7 Annexation	FC
8 Reserve levels	FC

FY	Contract	Percent	Credit		Paid	Percent	Funds			
	Amount	Increase	SMCSO	SMC	Amount	Increase	PSAF	COPS	ARPA	General
18-19	1,058,278	0.00%	-	-	1,058,278	0.00%	-	-	-	1,058,278
19-20	1,153,523	9.00%	-	-	1,153,523	9.00%	-	-	-	1,153,523
20-21	1,257,340	9.00%	-	-	1,257,340	9.00%	15,000	145,000	-	1,097,340
21-22	1,370,500	9.00%	-	-	1,370,500	9.00%	15,000	145,000	-	1,210,500
22-23	1,493,845	9.00%	-	-	1,493,845	9.00%	15,000	145,000	-	1,333,845
23-24	2,346,584	57.08%	(426,369)	-	1,920,215	28.54%	15,000	145,000	404,963	1,781,621
24-25	2,382,817	1.54%	-	(423,000)	1,959,817	2.06%	15,000	250,000	-	2,117,817
25-26	2,621,099	10.00%	-	(211,000)	2,410,099	22.98%	15,000	250,000	-	2,356,099
26-27	2,883,209	10.00%	-	-	2,883,209	19.63%	15,000	250,000	-	2,618,209



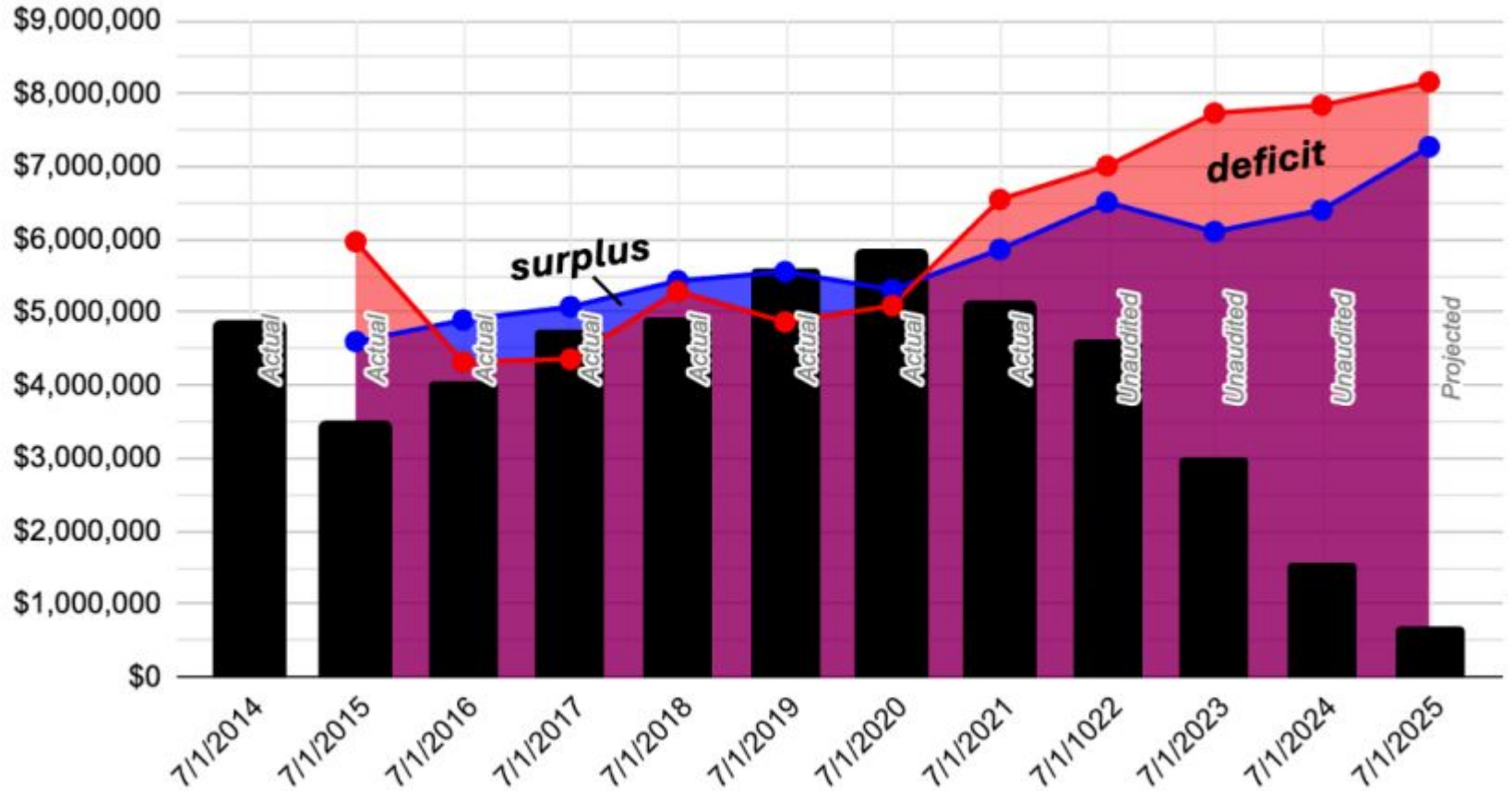
# Portola Valley Finance and Audit Committee

Mark Waissar

October 15, 2024

The Committee reviews and recommends for adoption the Town's annual budget and its annual Financial Statements. This committee also advises staff and the Town Council on any other Town financial matters as the need arises.

General Fund balance
  Revenue
  Expenses+Transfers



	Actual	Unaudited			Proposed - June	Reset - October
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2024-25
<b>Revenues</b>						
<b>Taxes</b>						
Property	\$ 3,266,252	\$ 3,588,737	\$ 3,935,665	\$ 3,470,756	\$ 3,695,328	\$ 3,875,150
Sales	338,389	358,582	328,676	328,406	350,000	350,000
Business License	125,446	92,734	-	143,938	125,000	125,000
UUT	767,928	781,252	808,889	1,014,272	945,000	945,000
<b>Franchise Fees</b>	427,962	396,080	311,680	246,054	405,000	405,000
<b>Permits</b>	258,002	312,875	185,242	254,618	284,800	284,800
<b>Fees</b>	605,821	799,138	460,850	783,291	835,200	835,200
<b>Recreation</b>	(389)	98,775	41,414	129,276	151,130	151,130
<b>Agency</b>	27,374	61,666	31,134	34,554	3,600	10,600
<b>Contributions</b>	3,379	19,641	4,689	-	-	-
<b>Investments</b>	45,730	3,153	-	-	289,000	289,000
<b>Total Revenue</b>	<b>\$ 5,865,894</b>	<b>\$ 6,512,633</b>	<b>\$ 6,108,239</b>	<b>\$ 6,405,165</b>	<b>\$ 7,084,058</b>	<b>\$ 7,270,880</b>
<b>Expenses</b>						
<b>Salaries</b>	\$ 1,727,983	\$ 2,034,498	\$ 1,894,448	\$ 2,195,606	\$ 2,896,510	\$ 2,299,888
<b>Benefits</b>	1,563,330	385,318	791,073	685,101	882,472	700,701
<b>Maintenance</b>	174,856	115,066	279,019	200,555	291,786	291,786
<b>Supplies &amp; Service</b>	2,132,120	2,665,247	3,070,331	3,297,129	3,914,673	3,819,673
<b>Consultants</b>	426,721	879,644	1,014,274	1,045,567	617,040	617,040
<b>Development</b>	12,797	31,385	43,303	54,518	80,900	30,000
<b>Total Expenses</b>	<b>\$ 6,037,807</b>	<b>\$ 6,111,158</b>	<b>\$ 7,092,448</b>	<b>\$ 7,478,476</b>	<b>\$ 8,683,381</b>	<b>\$ 7,759,088</b>
<b>Surplus/(Deficit)</b>	<b>(\$171,913)</b>	<b>\$401,475</b>	<b>(\$984,209)</b>	<b>(\$1,073,311)</b>	<b>(\$1,599,323)</b>	<b>(\$488,208)</b>
<b>Transfers in/(Out)</b>	<b>(\$512,379)</b>	<b>(\$897,080)</b>	<b>(\$641,457)</b>	<b>(\$362,348)</b>	<b>(\$1,311,474)</b>	<b>(\$401,474)</b>
<b>Net Change in Fund Balance</b>	<b>(\$684,292)</b>	<b>(\$495,605)</b>	<b>(\$1,625,666)</b>	<b>(\$1,435,659)</b>	<b>(\$2,910,797)</b>	<b>(\$889,682)</b>
<b>Beginning Fund Balance</b>	<b>\$ 5,825,170</b>	<b>\$ 5,140,878</b>	<b>\$ 4,645,273</b>	<b>\$ 3,019,607</b>	<b>\$ 1,583,948</b>	<b>\$ 1,583,948</b>
<b>Ending Fund Balance</b>	<b>\$ 5,140,878</b>	<b>\$ 4,645,273</b>	<b>\$ 3,019,607</b>	<b>\$ 1,583,948</b>	<b>\$ (1,326,849)</b>	<b>\$ 694,266</b>

\$3,381,055 in Levy Letter

Have detail from June Budget

<u>City</u>	<u>Population</u>	<u>Police</u>	<u>Property Taxes (\$mm)</u>	<u>Other Taxes/Fees</u>	<u>Total Revenue</u>	<u>Property Taxes/Pop (\$)</u>
Atherton	7,188	Own	15.8	7.2	23.0	2,198
Belmont	28,335	Own	12.1	65.5	77.6	427
Brisbane	4,851	Own	5.6	21.1	26.7	1,154
Burlingame	31,386	Own	31.6	48.9	80.5	1,007
Colma	1,507	Own	0.8	18.6	19.4	531
Daly City	104,901	Own	49.0	70.5	119.5	467
East Palo Alto	30,034	Own	17.4	20.1	37.5	579
Half Moon Bay	11,795	SMC	3.8	17.3	21.1	322
Hillsborough	11,387	Own	23.0	13.0	36.0	2,020
Menlo Park	33,780	Own	38.9	34.5	73.4	1,152
Millbrae	23,216	SMC	15.8	25.3	41.1	681
Pacifica	38,640	Own	16.8	29.8	46.6	435
Portola Valley	4,456	SMC	3.9	3.4	7.3	875
Redwood City	84,292	Own	82.6	108.5	191.1	980
San Bruno	43,908	Own	20.8	47.1	67.9	474
San Carlos	30,722	SMC	19.5	37.7	57.2	635
San Mateo (city)	105,661	Own	78.0	91.8	169.8	738
South San Francisco	66,105	Own	50.4	87.0	137.4	762
Woodside	5,309	SMC	7.3	5.0	12.3	1,375

<b>Woodside</b>		<b>Portola Valley</b>	
<b>Revenues</b>		<b>Revenues</b>	
Property Taxes	7,277,460	Property Taxes	3,875,150
Franchise Fees	659,500	Sales Taxes	350,000
Fees & Permits	1,816,500	Business Licenses	125,000
Charge for Services	625,000	UUT	945,000
Agencies	789,000	Franchise Fees	405,000
Interest	265,000	Permits	284,800
Other	846,925	Fees	835,200
Total Revenue	12,279,385	Recreation	151,130
		Agency	10,600
<b>Expenses</b>		Investments	289,000
Town Council	92,000	Total Revenue	7,270,880
Administration	2,374,360		
Planning	1,453,650	<b>Expenses</b>	
Bldgs & Grounds	413,415	Salaries	2,299,888
Overhead	759,000	Benefits	700,701
Safety Services	4,696,006	Maintenance	291,786
Trails	123,555	Sheriff Contract	1,668,584
Public Works	1,885,900	Supplies/Services	2,151,089
Recreation	30,000	Consultants	617,040
Barkley Fields	308,000	Development	30,000
Total Expenses	12,135,886	Total Expenses	7,759,088
<b>Surplus</b>	143,499	<b>Deficit</b>	(488,208)

GF: \$2.1 mm by FY26-27

# Portola Valley Property Taxes

- 1,762 real estate parcels in Portola Valley
- 168 are undeveloped and/or pay no or very little in taxes (below \$1,500)
- 1,594 parcels are developed and/or pay annual property tax (above \$1,500)
- Total secured property taxes paid by Portola Valley property owners = \$48.1 million
- Portola Valley receives \$3.24 million, or ~6.7%
  
- low: \$1,564
- high: \$260,880
- mean: \$30,165
- median: \$24,641 [14x the national median and 5x the California median]
  
- U.S. average (median) property tax = \$1,815
- California average (median) property tax = \$5,347
- Despite Prop 13, California is still among the country's very highest property tax states (in dollar terms) due to the relatively high property values in California
  
- California's State Board of Equalization (BOE) oversees the assessment practices for the state's County Assessors and the allocation of property taxes. Any changes to the tax allocations from the county to incorporated cities or towns is determined by the BOE, or challenged in court
  
- In 2005-2006, Portola Valley, led by Mayor Steve Toben, went through a court process to have the County of San Mateo allocate more property tax from the Tax Equity Allocation (TEA) formula

# Observations

- Portola Valley does not have a “structural deficit” - we have a spending problem
- State and local taxes (property, income, consumption) are the highest in the country, so getting voter approval for any new taxes is doubtful
- Being an incorporated town has resulted in:
  - being charged twice for sheriff services
  - being a target for California’s Housing Element laws which significantly increased the Regional Housing Needs Allocation (RHNA) from 64 units in the 5th cycle (2014-2022) to 253 in the 6th cycle (2023-2031)

# Recommendations

- Adopt a balanced budget for the 2024-25 fiscal year by reducing outside consultants and contractors
- No new taxes
- Town Council should decide whether it makes sense for Portola Valley to continue being an incorporated town