

**CITY OF PORTOLA**  
**FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2023**



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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Council Members  
City of Portola, California

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portola (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability/(asset) and related ratios, schedule of pension plan contributions, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Honorable Mayor and Council Members  
City of Portola

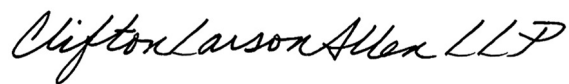
We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. 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 October 18, 2023, on our consideration of the City'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 solely 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 the effectiveness of the City's 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 City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Roseville, California  
October 18, 2023

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS (MD&A)**

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**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2023**

This section of the City of Portola (City) annual financial report, presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2023. It should be read in conjunction with the City's basic financial statements following this section.

**I. FINANCIAL HIGHLIGHTS**

**A. Government-Wide Financial Analysis**

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$17,866,066:

- \$10,282,191 represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets (net investment in capital assets).
- \$1,160,702 is available for the City's ongoing obligations related to programs with external restrictions (restricted net position).
- \$6,423,173 is available to fund City programs for citizens and debt obligations to creditors (unrestricted net position).

The City's total net position decreased by \$615,081 from the prior year:

- The \$823,453 decrease in net investment in capital assets represents infrastructure and other additions of \$383,744 less depreciation of \$1,027,889, and the retirement of related long-term debt of \$33,000.
- The \$51,191 increase in restricted net position represents the change in resources that are subject to external restrictions on their use, and is detailed in the government-wide financial analysis section on page 6.

**B. Financial Analysis of the City's Funds**

The City's governmental funds combined ending fund balance of \$2,717,828 was a decrease of \$96,616 from the prior year ending fund balance. Amounts available for spending include restricted, assigned, and unassigned fund balances; these totaled \$2,714,579, or 99.88% of ending fund balance. Of this amount, \$259,297 is restricted by law or externally imposed requirements.

**II. OVERVIEW OF THE FINANCIAL STATEMENTS**

**A. Government-Wide Financial Statements**

The government-wide financial statements provide an overview of the City's finances in a manner similar to a private sector business that is using the accrual basis of accounting. They demonstrate accountability of the City of Portola by showing the extent to which it has met operating objectives efficiently and effectively, using all resources available, and whether it can continue to do so.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2023**

The **statement of net position** presents information on all of the City's assets, deferred outflows, and deferred inflows, liabilities, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information on expenses and revenues to show how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported as soon as earned and expenses are reported as soon as incurred even though the related cash flows may not have taken place until future fiscal periods (e.g., earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, planning and community development, public safety, streets and roads, public works and parks and recreation. The business type activities of the City include water, sewer, and solid waste services.

## **B. Fund Financial Statements**

The fund financial statements provide evidence of accountability by demonstrating compliance with budgetary decisions made in a public forum. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes stipulated by laws, regulations or policies. The funds of the City are divided into two categories: governmental and proprietary.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spending resources, as well as on balances of spending available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The City maintains 6 individual governmental funds. On the financial statements for governmental funds, information is presented separately for the General Fund and for the Gas Tax, Snow Removal and State Transportation Improvement Plan funds. Data from nonmajor governmental funds are aggregated into a single column.

**Proprietary funds** consist of three enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste services.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

## **C. Required Supplementary Information**

In addition to the basic financial statements, this report presents actuarial information related to the City's pension plans as well as budgetary comparisons for the General Fund and major special revenue funds as required supplementary information.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2023**

**III. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City presents its financial statements under the reporting model required by the Governmental and Accounting Standards Board Statement No. 34.

**Condensed Statement of Net Position  
June 30, 2023 and 2022**

	Governmental Activities		Business-Type Activities		Total		Total	
	2023	2022	2023	2022	2023	2022	Dollar Change	Percent Change
Current and Other Assets	\$ 3,300,156	\$ 3,244,411	\$ 6,404,790	\$ 5,826,241	\$ 9,704,946	\$ 9,070,652	\$ 634,294	7%
Capital Assets	6,707,888	7,120,634	4,459,702	4,695,839	11,167,590	11,816,473	(648,883)	-5%
Total Assets	<u>10,008,044</u>	<u>10,365,045</u>	<u>10,864,492</u>	<u>10,522,080</u>	<u>20,872,536</u>	<u>20,887,125</u>	<u>(14,589)</u>	<u>0%</u>
Deferred Outflows of Resources	189,928	97,988	362,678	175,720	552,606	273,708	278,898	102%
Current and Other Liabilities	557,769	302,840	132,616	66,818	690,385	369,658	320,727	87%
Long-Term Liabilities	252,603	26,115	2,519,970	2,137,446	2,772,573	2,163,561	609,012	28%
Total Liabilities	<u>810,372</u>	<u>328,955</u>	<u>2,652,586</u>	<u>2,204,264</u>	<u>3,462,958</u>	<u>2,533,219</u>	<u>929,739</u>	<u>37%</u>
Deferred Inflows of Resources	33,035	52,436	63,083	94,031	96,118	268,695	(172,577)	-64%
Net Invested in Capital Assets	6,500,318	7,120,634	3,781,873	3,985,010	10,282,191	11,105,644	(823,453)	-7%
Restricted:								
General Government	107,052	222,188	-	-	107,052	222,188	(115,136)	-52%
Community Development	43,525	43,525	-	-	43,525	43,525	-	0%
Capital Improvements	133,279	85,625	218,667	211,716	351,946	297,341	54,605	18%
Debt Service	-	-	68,362	68,362	68,362	68,362	-	0%
Facility Fees	-	-	589,817	580,477	589,817	580,477	9,340	2%
Unrestricted	2,570,391	2,609,670	3,852,782	3,553,940	6,423,173	6,163,610	259,563	4%
Total Net Position	<u>\$ 9,354,565</u>	<u>\$ 10,081,642</u>	<u>\$ 8,511,501</u>	<u>\$ 8,399,505</u>	<u>17,866,066</u>	<u>18,481,147</u>	<u>(615,081)</u>	<u>-3%</u>

Net investment in capital assets reflects the City's investment in capital assets (i.e. its land, structures and improvements, infrastructure and equipment). The City uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents 6.50% of the total net position and are resources subject to external restrictions on how they may be used.

Unrestricted net position represents 35.95% of the total net position and may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2023**

The following highlights significant factors that affected the governmental and business-type activities and contributed to the change in net position:

**Statement of Activities  
For the Years Ended June 30, 2023 and 2022**

	Governmental Activities		Business-Type Activities		Total		Total	
	2023	2022	2023	2022	2023	2022	Dollar Change	Percent Change
<b>Program Revenues:</b>								
Charges for Services	\$ 103,914	\$ 104,152	\$ 2,037,705	\$ 1,976,068	\$ 2,141,619	\$ 2,080,220	\$ 61,399	3%
Operating Grants and Contributions	810,575	707,150	20,000	-	830,575	707,150	123,425	17%
Capital Grants and Contributions	332,310	157,744	-	-	332,310	157,744	174,566	111%
<b>General Revenues:</b>								
Property Taxes	294,992	255,100	-	-	294,992	255,100	39,892	16%
Other Taxes	404,569	411,965	-	-	404,569	411,965	(7,396)	-2%
Other Revenue	61,272	79,624	123,566	17,006	184,838	96,630	88,208	91%
Total Revenues	<u>2,007,632</u>	<u>1,715,735</u>	<u>2,181,271</u>	<u>1,993,074</u>	<u>4,188,903</u>	<u>3,708,809</u>	<u>480,094</u>	<u>13%</u>
<b>Expenses:</b>								
General Government	287,155	136,625	-	-	287,155	136,625	150,530	110%
Planning and Community Development	133,190	192,129	-	-	133,190	192,129	(58,939)	-31%
Public Safety	481,570	468,585	-	-	481,570	468,585	12,985	3%
Streets and Roads	1,168,552	984,828	-	-	1,168,552	984,828	183,724	19%
Public Works	381,014	111,633	-	-	381,014	111,633	269,381	241%
Parks and Recreation	283,228	277,252	-	-	283,228	277,252	5,976	2%
Water Service	-	-	1,075,877	741,423	1,075,877	741,423	334,454	45%
Sewer Service	-	-	862,500	535,179	862,500	535,179	327,321	61%
Solid Waste	-	-	130,898	167,335	130,898	167,335	(36,437)	-22%
Total Expenses	<u>2,734,709</u>	<u>2,171,052</u>	<u>2,069,275</u>	<u>1,443,937</u>	<u>4,803,984</u>	<u>3,614,989</u>	<u>1,188,995</u>	<u>33%</u>
Change in Net Position	(727,077)	(455,317)	111,996	549,137	(615,081)	93,820	(708,901)	-756%
Net Position - July 1	<u>10,081,642</u>	<u>10,536,959</u>	<u>8,399,505</u>	<u>7,850,368</u>	<u>18,481,147</u>	<u>18,387,327</u>	<u>93,820</u>	<u>1%</u>
Net Position - June 30	<u>\$ 9,354,565</u>	<u>\$ 10,081,642</u>	<u>\$ 8,511,501</u>	<u>\$ 8,399,505</u>	<u>\$ 17,866,066</u>	<u>\$ 18,481,147</u>	<u>\$ (615,081)</u>	<u>-3%</u>

- Governmental activities reported a \$727,077 decrease in net position, and business-type activities reported an increase of \$111,996, for a net decrease of \$615,081.

**IV. FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with budgetary and legal requirements.

**Governmental funds.** The general government functions are included in the General and Special Revenue Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and spendable resources. Such information is useful in assessing the City's financing requirements. In particular, total fund balance less the nonspendable portion is a useful measure of the City's resources available for spending at the end of the fiscal year.

At June 30, 2023, the City's governmental funds reported combined ending fund balances of \$2,717,828, 99.88% of which is available to meet the City's ongoing general obligation to citizens and creditors.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2023**

The General Fund is the main operating fund of the City. At June 30, 2023, total fund balance was \$2,515,613, 100% of which was available for spending. As measures of the general fund's liquidity, it is useful to note that available fund balance represents 196% of total fund expenditures. It is the City's goal to maintain a minimum level of fund balance sufficient to preserve the City's credit rating in the event that the City needs financing and to maintain sufficient working capital. It is also the City's goal to maintain a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The City therefore adopted a policy that directs management to maintain a minimum level of unassigned fund balance in the City's General Fund as follows:

The City will strive to maintain an unassigned fund balance in the General Fund of 100% of budgeted general fund operating expenditures each fiscal year. In the event that the balance drops below the established minimum level, the City's governing body will develop a plan to replenish the fund balance.

The following table presents the revenues from various sources as well as increases or decreases from the prior year in the governmental funds.

<u>Revenue Sources</u>	<b>Revenues Classified by Source Governmental Funds</b>					
	2023		2022		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 699,561	33%	\$ 667,065	40%	\$ 32,496	5%
Licenses and Permits	69,134	3%	62,473	4%	6,661	11%
Fines and Forfeitures	190	0%	200	0%	(10)	-5%
Use of Money and Property	54,414	3%	10,830	1%	43,584	402%
Intergovernmental	1,245,453	59%	813,796	49%	431,657	53%
Charges for Services	34,590	2%	41,479	2%	(6,889)	-17%
Other	6,858	0%	68,794	4%	(61,936)	-90%
Total	<u>\$ 2,110,200</u>	<u>100%</u>	<u>\$ 1,664,637</u>	<u>100%</u>	<u>\$ 445,563</u>	<u>27%</u>

Significant changes for major revenue sources are explained below.

- Secured Property tax increased \$39,892, Sales Tax increased \$7,979, and Other Taxes decreased \$15,375.
- Building permits increased \$5,264 from the prior year amount and business licenses increased by \$899 due to an increase in new business licenses and timing of payments.
- There was an increase in the Use of Money and Property due to increased interest rates.
- Intergovernmental includes an increase in Snow Removal Funds based on the expenses from the prior year, an increase in Coronavirus Relief Funds used and an increase in reimbursements from the State for STIP projects based on work completed by the Contractor.
- Charges for Services decreased due to the City Pool being open fewer days a week and the local swim club doing concessions for the summer.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2023**

- The following table presents expenditures by function compared to prior year's amounts in the governmental funds.

**Expenditures by Function  
Governmental Funds**

	2023		2022		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government	\$ 215,290	10%	\$ 210,199	12%	\$ 5,091	2%
Planning and Community Development	112,812	5%	205,386	11%	(92,574)	-45%
Public Safety	448,508	20%	447,123	25%	1,385	0%
Streets and Roads	867,162	39%	574,212	32%	292,950	51%
Public Works	324,841	15%	144,862	8%	179,979	124%
Parks and Recreation	238,203	11%	205,205	11%	32,998	16%
Total Expenditures	<u>\$ 2,206,816</u>	<u>100%</u>	<u>\$ 1,786,987</u>	<u>100%</u>	<u>\$ 419,829</u>	<u>23%</u>

Significant changes for major functions are explained below:

- General government had a slight increase overall. There was a decrease in the City Manager payroll due to having more time in other funds, a decrease in City attorney billing, and increases due to the addition of an account to track staff time on Public Records Requests and the cost of election supplies.
- Planning and Community Development had a decrease in Grant expenditures. The Grant is the continuation of the SB2 Planning grant and expenses for the LEAP Grant. The Grant work reduced during the 22-23 Fiscal year as the Grants were winding down.
- Public safety increase has a number of changes that make up this \$1,385 change. The Fire department had an increase due to expenditures from the use of the PG&E settlement funds, Law enforcement had a decrease due to the code enforcement contractor doing work under the ARPA Funds and Building had an increase in code enforcement and a decrease in personnel.
- Streets and Roads increased in the Snow Removal Fund due to a number of heavy snow storms and in the STIP Fund the construction phase for the North Loop project began.
- Public Works increased due to the work on the Community Cleanup State and Local Fiscal Recovery project.
- Parks and Recreation increased as there were additional costs for damages to the City parks due to the heavy winter, more water use at the parks and a paving project at the Riverwalk. There was also repair work done to the Williams House.
- Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail. These funds include the following enterprise funds: Water Service Fund, Sewer Service Fund, and Solid Waste Fund. As of June 30, 2023, the proprietary (enterprise) funds net position was a combined \$8,511,501 with a net investment in capital assets of \$3,781,873 and an unrestricted net position of \$3,852,782.



**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2023**

**V. BUDGETARY HIGHLIGHTS**

The budget documents normally represent a financial plan for the City with four central goals in mind: (1) sustaining the level and quality of basic municipal services currently being provided our residents (2) maintaining the City's infrastructure while implementing scheduled and unscheduled improvements determined at the time of the budget process; (3) providing for some opportunity for investment in additional tools, equipment and programs that foster improvement in the overall aesthetics of the City as well as investment in social activities; and (4) developing plans for improved municipal services with a vision that will lead our community toward growth and tourism. This year's budget, while keeping all four goals in mind, addressed mainly goals number (1) sustaining the level and quality of services currently being provided to our residents and (2) maintaining the City's infrastructure. In addition to the past goals, there is a renewed emphasis on economic development, blight reduction, and code compliance.

Differences between the original budget and the final amended budget are mainly due to the revenue and expenditures from Grant funds and from Capital projects that are "reimbursed" and in many cases are not reflected in the original budget figures.

The 2022-2023 budget had projected the use of \$157,796 of the General Fund's fund balance to eliminate a shortfall of revenues over expenditures.

After amending the budget for the fiscal year 2022/2023 General Fund revenues were more than budget by \$60,937 and General Fund expenditures were \$15,288 less than budgeted. While the City had originally budgeted a decrease of \$157,796 in fund balance the final fund balance was a decrease of \$128,578. The City received additional revenue but also had additional expenses in Snow removal from the winter storms which made for an increase in the amount that was transferred to the Snow removal fund to cover those expenses.

The major special revenue funds include Streets, Snow removal, and the North Loop STIP project. It is difficult to budget the North Loop project ahead of time as these projects can be programmed and go on for years. Snow removal budgeting is also difficult with the main reason being the use of contract snow removal in heavy storm years.

**VI. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

The change in capital assets for the Governmental Activities totaled \$(412,746), net of depreciation for an ending balance of \$6,707,888.

Business-type capital assets for the fiscal year ending June 30, 2023, were \$4,459,702, net of depreciation. This is a decrease in capital assets of \$236,137. More detailed information about the City's capital assets is presented in Note 5 of the basic financial statements.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2023**

**B. Long-Term Debt**

At June 30, 2023, the City had long-term debt outstanding of \$677,829. This is a decrease over June 30, 2022 of \$33,000. The entire long-term debt was attributable to Business-type activities. There is no long-term debt in the Governmental Activities.

More detailed information about the City's long-term liabilities is presented in Note 6 of the basic financial statements.

**VII. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Management presented a budget document that attempted to address the current national, state, and local economic conditions and to serve as the City's **policy document**, as an **operations guide**, as a **financial plan** and as a **communication document** to guide the City staff and Portola residents on how the City of Portola conducts its financial business. The challenges of economic conditions, the need to comply with state regulations and the desire to be conservative with the fiscal position of the City are reflected.

For the 2023-2024 budget the process began as usual with City staff preparing draft level of services budgets for each area of the City. The budget process began in February and continued through March, April and May with revisions to the level of services budgets, additions of "add-ons" and discussion of what would be needed to provide a balanced budget. A new salary range had been implemented in the prior year that included all full-time employees starting over on step increases. Due to that there were no step increases, however, the budget included a 7.125% cost of living increase. The Water Fund has funding for a soft excavation trailer and work on Willow Springs and the Sewer budget includes funding for sewer pond cleanout. The critical need to maintain healthy cash balances is always in the forefront of finance discussions. The City has been able to fund major projects in advance of reimbursements because of the balances that it currently maintains. This has been evident with the construction phase of the North Loop project.

While the City always pays close attention to budget amendments and to the use of additional fund balance, some purchases are critical and the Council has an understanding of when those are one-time expenditures. The Council is always aware of the expenses that are reimbursable by another entity including grant funding and the Caltrans reimbursement of the North Loop project.

Even with no increase in staffing the General Fund supports the services necessary for the residents of Portola, including fire, parks, planning, building, streets, snow removal, animal control and law enforcement through a Sheriff's contract for services. The City currently contracts with neighboring Beckwourth Fire Protection District to perform fire and emergency medical related services. Through a Council approved Memorandum of Understanding with adjacent fire districts, the City has explored the reorganization of fire and emergency services to strengthen and improve upon these services to the area. As a result of the efforts of the Local Emergency Services Study Group a feasibility study was conducted and a new Fire District is on the ballot for November 2023.

In the 2023-2024 budget the City continues to utilize contract services for code enforcement and abandoned vehicle abatement. The use of City staff has increased in this area due to the use of State and Local Fiscal Recovery Funds to do a blight reduction community clean-up project. The project started in 2021-2022 and continues. Council is considering other uses of the remaining State and Local Fiscal Recovery Funds.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2023**

Over the last few years an SB2 Planning Grant, and a related Local Early Action Planning Grant were used to improve and streamline the permit process in an attempt to attract growth. A housing development package was part of the grant as was the implementation of Mango Maps which can be found on the City Website. This grant work may also make other services the City provides more efficient as well, including easier acquisition of public records and parcel information. The City completed the implementation of new software that provides utility customers the ability to pay online as well as see their bills and usage and will allow payment of building permits and licenses online. These kinds of improvements are important to the overall functioning of the City and communication with the citizens.

With regard to the City Enterprise Funds the effects and impacts of changing state and federal government regulation is a constant challenge, but the major challenge the Enterprise Funds face is the aging infrastructure in the City. This was never more evident than after the major storms. In the 2023-2024 budget Water and Sewer rates were not increased. While the Council has been able to reduce the Solid Waste Administration fees over the past few years it was not able to do so in the upcoming budget due to challenges with administering the Solid Waste Franchise agreement. The Landfill closure fee is reserved for future needs at the landfill. City staff recommended the reduction of the landfill closure fee by \$1.00 a month and the hope is that can continue. The Enterprise Funds are "business-type" activities whose expenses need to be covered by the rate payers. The City Council will continue to review the need for any future rate increases each year during the budget process. Staff and the City Council are always looking for funding opportunities for infrastructure and have been working for quite some time toward that goal.

It is important to remember that in November 2018 the Council voted to pay down \$400,000 of the unfunded liability which has the potential to save over \$500,000 in interest over time. While CalPERS unfunded liability is a moving target, this was a major and proactive step for the City to try and manage the annual payments going forward.

Staff keeps a watchful eye on state and federal issues as well as on the financial health of the City and continually reviews these issues and the possibility of budget adjustments with the City Council.

**VIII. REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the financial activity and condition of the City of Portola to all having such an interest in the City of Portola. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Portola Finance Department, 35 Third Avenue, P.O. Box 1225, Portola, California, 96122.

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**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF PORTOLA  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Investments	\$ 2,436,759	\$ 5,012,452	\$ 7,449,211
Restricted Assets:			
Restricted Cash	-	876,846	876,846
Imprest Cash	375	-	375
Prepaid Expense	3,249	-	3,249
Accounts Receivable	23,109	472,987	496,096
Interest Receivable	17,375	42,505	59,880
Due From Other Governments	671,121	-	671,121
Loans and Notes Receivable, Net	148,168	-	148,168
Capital Assets:			
Nondepreciable	1,551,776	251,925	1,803,701
Depreciable, Net	5,156,112	4,207,777	9,363,889
Total Assets	<u>10,008,044</u>	<u>10,864,492</u>	<u>20,872,536</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pensions	189,928	362,678	552,606
<b>LIABILITIES</b>			
Accounts Payable	293,886	79,398	373,284
Accrued Salaries and Benefits Payable	16,264	22,059	38,323
Deposits	10,080	31,159	41,239
Unearned Revenue	237,539	-	237,539
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	8,113	11,990	20,103
Notes Payable	-	35,000	35,000
Portion Due or Payable After One Year:			
Compensated Absences	20,067	29,658	49,725
Notes Payable	-	642,829	642,829
Liability for Landfill Postclosure	-	1,371,944	1,371,944
Net Pension Liability	224,423	428,549	652,972
Total Liabilities	<u>810,372</u>	<u>2,652,586</u>	<u>3,462,958</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pensions	33,035	63,083	96,118
<b>NET POSITION</b>			
Net Investment in Capital Assets	6,500,318	3,781,873	10,282,191
Restricted:			
General Government	107,052	-	107,052
Community Development	43,525	-	43,525
Capital Improvements	133,279	218,667	351,946
Facility Fees	-	589,817	589,817
Debt Service	-	68,362	68,362
Unrestricted	<u>2,570,391</u>	<u>3,852,782</u>	<u>6,423,173</u>
Total Net Position	<u>\$ 9,354,565</u>	<u>\$ 8,511,501</u>	<u>\$ 17,866,066</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 287,155	\$ 40,617	\$ 301,401	\$ -	\$ 54,863	\$ -	\$ 54,863
Planning and Community Development	133,190	-	146,669	-	13,479	-	13,479
Public Safety	481,570	28,707	123,849	-	(329,014)	-	(329,014)
Streets and Roads	1,168,552	-	-	-	(1,168,552)	-	(1,168,552)
Public Works	381,014	-	238,656	332,310	189,952	-	189,952
Parks and Recreation	283,228	34,590	-	-	(248,638)	-	(248,638)
Total Governmental Activities	<u>2,734,709</u>	<u>103,914</u>	<u>810,575</u>	<u>332,310</u>	<u>(1,487,910)</u>	<u>-</u>	<u>(1,487,910)</u>
Business-Type Activities:							
Water Service	1,075,877	1,029,020	-	-	-	(46,857)	(46,857)
Sewer Service	862,500	733,793	-	-	-	(128,707)	(128,707)
Solid Waste	130,898	274,892	20,000	-	-	163,994	163,994
Total Business-Type Activities	<u>2,069,275</u>	<u>2,037,705</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>(11,570)</u>	<u>(11,570)</u>
Total City of Portola	<u>\$ 4,803,984</u>	<u>\$ 2,141,619</u>	<u>\$ 830,575</u>	<u>\$ 332,310</u>	<u>(1,487,910)</u>	<u>(11,570)</u>	<u>(1,499,480)</u>
<b>General Revenues</b>							
Taxes:							
Property Taxes					294,992	-	294,992
Sales and Use Taxes					330,511	-	330,511
Other					74,058	-	74,058
Unrestricted Interest and Investment Earnings					54,414	123,566	177,980
Miscellaneous					6,858	-	6,858
Total General Revenues					<u>760,833</u>	<u>123,566</u>	<u>884,399</u>
Change in Net Position					(727,077)	111,996	(615,081)
Net Position - Beginning of Year					<u>10,081,642</u>	<u>8,399,505</u>	<u>18,481,147</u>
Net Position - End of Year					<u>\$ 9,354,565</u>	<u>\$ 8,511,501</u>	<u>\$ 17,866,066</u>

See accompanying Notes to Financial Statements.



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**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

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**CITY OF PORTOLA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General	State Transportation Improvement Plan	Gas Tax 2107	Snow Removal	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and Investments	\$ 2,285,760	\$ -	\$ -	\$ 1,348	\$ 149,651	\$ 2,436,759
Imprest Cash	375	-	-	-	-	375
Notes Receivable	104,643	-	-	-	43,525	148,168
Accounts Receivable	23,109	-	-	-	-	23,109
Interest Receivable	16,298	-	-	-	1,077	17,375
Prepaid Expenses	-	3,249	-	-	-	3,249
Due From Other Funds	97,376	-	-	-	-	97,376
Due From Other Governmental Agencies	342,801	315,332	4,776	-	8,212	671,121
<b>Total Assets</b>	<b>\$ 2,870,362</b>	<b>\$ 318,581</b>	<b>\$ 4,776</b>	<b>\$ 1,348</b>	<b>\$ 202,465</b>	<b>\$ 3,397,532</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
Liabilities:						
Accounts Payable	\$ 69,754	\$ 221,835	\$ 1,586	\$ 517	\$ 194	\$ 293,886
Accrued Salaries and Benefits Payable	12,817	-	2,271	831	345	16,264
Unearned Revenue	237,539	-	-	-	-	237,539
Deposits From Others	10,080	-	-	-	-	10,080
Due to Other Funds	-	96,457	919	-	-	97,376
<b>Total Liabilities</b>	<b>330,190</b>	<b>318,292</b>	<b>4,776</b>	<b>1,348</b>	<b>539</b>	<b>655,145</b>
Deferred Inflows of Resources:						
Unavailable Revenue	24,559	-	-	-	-	24,559
<b>Total Deferred Inflows of Resources</b>	<b>24,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,559</b>
Fund Balance:						
Nonspendable	-	3,249	-	-	-	3,249
Restricted	82,493	-	-	-	176,804	259,297
Assigned	-	-	-	-	25,122	25,122
Unassigned	2,433,120	(2,960)	-	-	-	2,430,160
<b>Total Fund Balance</b>	<b>2,515,613</b>	<b>289</b>	<b>-</b>	<b>-</b>	<b>201,926</b>	<b>2,717,828</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 2,870,362</b>	<b>\$ 318,581</b>	<b>\$ 4,776</b>	<b>\$ 1,348</b>	<b>\$ 202,465</b>	<b>\$ 3,397,532</b>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

<b>Fund Balance - Total Governmental Funds (From Previous Page)</b>	<b>\$ 2,717,828</b>
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 Governmental Funds.	6,707,888
Deferred Outflows of Resources as Reported in the Statement of Net Position	189,928
Deferred Inflows of Resources as Reported in the Statement of Net Position	(33,035)
Unavailable Revenues and Long-Term Assets Represent Amounts That are not Available to Fund Current Expenditures and, Therefore, are not Reported in the Governmental Funds:	
Unavailable Revenues	24,559
Some Liabilities are not Due and Payable in the Current Period, and Therefore, are not Reported in the Governmental Funds:	
Compensated Absences	(28,180)
Net Pension Liability	(224,423)
	9,354,565
<b>Net Position of Governmental Activities</b>	<b>\$ 9,354,565</b>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	General	State Transportation Improvement Plan	Gas Tax 2107	Snow Removal	Other Governmental Funds	Total
<b>REVENUES</b>						
Taxes	\$ 699,561	\$ -	\$ -	\$ -	\$ -	\$ 699,561
Licenses and Permits	69,134	-	-	-	-	69,134
Fines, Forfeitures and Penalties	190	-	-	-	-	190
Use of Money and Property	51,418	-	-	-	2,996	54,414
Intergovernmental	674,487	332,310	55,458	136,331	46,867	1,245,453
Charges for Services	34,590	-	-	-	-	34,590
Other Revenues	6,858	-	-	-	-	6,858
Total Revenues	<u>1,536,238</u>	<u>332,310</u>	<u>55,458</u>	<u>136,331</u>	<u>49,863</u>	<u>2,110,200</u>
<b>EXPENDITURES</b>						
Current:						
General Government	215,290	-	-	-	-	215,290
Planning and Community Development	96,491	-	-	-	16,321	112,812
Public Safety	409,801	-	38,707	-	-	448,508
Streets and Roads	-	333,786	119,115	412,681	1,580	867,162
Public Works	324,841	-	-	-	-	324,841
Parks and Recreation	238,203	-	-	-	-	238,203
Total Expenditures	<u>1,284,626</u>	<u>333,786</u>	<u>157,822</u>	<u>412,681</u>	<u>17,901</u>	<u>2,206,816</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	251,612	(1,476)	(102,364)	(276,350)	31,962	(96,616)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	1,476	102,364	276,350	-	380,190
Transfers Out	(380,190)	-	-	-	-	(380,190)
Total Other Financing Sources (Uses)	<u>(380,190)</u>	<u>1,476</u>	<u>102,364</u>	<u>276,350</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(128,578)	-	-	-	31,962	(96,616)
Fund Balances - Beginning of Year	<u>2,644,191</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>169,964</u>	<u>2,814,444</u>
Fund Balances - End of Year	<u>\$ 2,515,613</u>	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,926</u>	<u>\$ 2,717,828</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2023**

**Net Change to Fund Balance - Total Governmental Funds** \$ (96,616)

Amounts Reported for Governmental Activities in the  
Statement of Activities are Different Because:

Governmental Funds Report Capital Outlay as Expenditures. However,  
in the Statement of Activities, the Cost of Those Assets is Allocated  
Over Their Estimated Useful Lives and Reported as Depreciation  
Expense.

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Assets Adjustments	\$ 360,067	
Less: Current Year Depreciation	<u>(772,813)</u>	(412,746)

Revenues in the Statement of Activities That do not Provide Current Financial Resources are not Reported as Revenues in the Governmental Funds.	(102,568)
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Some Expenses Reported in the Statement of Activities do not  
Require the Use of Current Financial Resources and, Therefore, are  
not Reported as Expenditures in Governmental Funds:

Change in Compensated Absences	(10,037)
Change in Accrued Net Pension Liability	<u>(105,110)</u>

<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (727,077)</u></u>
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**CITY OF PORTOLA  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 2,490,492	\$ 1,782,831	\$ 739,129	\$ 5,012,452
Interest Receivable	20,672	16,499	5,334	42,505
Accounts Receivable	240,632	185,030	47,325	472,987
Restricted Assets:				
Restricted Cash	379,098	497,748	-	876,846
Total Current Assets	<u>3,130,894</u>	<u>2,482,108</u>	<u>791,788</u>	<u>6,404,790</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	170,057	50,446	31,422	251,925
Depreciable, Net	2,220,309	1,985,263	2,205	4,207,777
Total Noncurrent Assets	<u>2,390,366</u>	<u>2,035,709</u>	<u>33,627</u>	<u>4,459,702</u>
Total Assets	5,521,260	4,517,817	825,415	10,864,492
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	191,812	153,073	17,793	362,678
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	36,051	39,436	3,911	79,398
Accrued Salaries and Benefits Payable	14,256	6,826	977	22,059
Deposits	31,159	-	-	31,159
Liability for Compensated Absences	6,383	5,009	598	11,990
Notes Payable - Current Portion	35,000	-	-	35,000
Total Current Liabilities	<u>122,849</u>	<u>51,271</u>	<u>5,486</u>	<u>179,606</u>
Noncurrent Liabilities				
Liability for Compensated Absences	15,788	12,390	1,480	29,658
Landfill Closure and Postclosure	-	-	1,371,944	1,371,944
Notes Payable	642,829	-	-	642,829
Net Pension Liability	226,650	180,874	21,025	428,549
Total Noncurrent Liabilities	<u>885,267</u>	<u>193,264</u>	<u>1,394,449</u>	<u>2,472,980</u>
Total Liabilities	1,008,116	244,535	1,399,935	2,652,586
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>33,363</u>	<u>26,625</u>	<u>3,095</u>	<u>63,083</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,712,537	2,035,709	33,627	3,781,873
Restricted:				
Debt Service	68,362	-	-	68,362
Facility Fees	310,736	279,081	-	589,817
Capital Improvements	-	218,667	-	218,667
Unrestricted	2,579,958	1,866,273	(593,449)	3,852,782
Total Net Position	<u>\$ 4,671,593</u>	<u>\$ 4,399,730</u>	<u>\$ (559,822)</u>	<u>\$ 8,511,501</u>

See accompanying Notes to Financial Statements.



**CITY OF PORTOLA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,029,020	\$ 733,793	\$ 274,892	\$ 2,037,705
Total Operating Revenues	<u>1,029,020</u>	<u>733,793</u>	<u>274,892</u>	<u>2,037,705</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	443,813	344,835	44,879	833,527
Services and Supplies	456,811	405,408	34,687	896,906
Landfill Closure Costs	-	-	48,225	48,225
Depreciation	139,712	112,257	3,107	255,076
Total Operating Expenses	<u>1,040,336</u>	<u>862,500</u>	<u>130,898</u>	<u>2,033,734</u>
Operating Income (Loss)	(11,316)	(128,707)	143,994	3,971
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest Income (Loss)	60,751	48,315	14,500	123,566
Intergovernmental Revenues	-	-	20,000	20,000
Debt Service Interest and Fiscal Charges	(35,541)	-	-	(35,541)
Total Nonoperating Revenue (Expense)	<u>25,210</u>	<u>48,315</u>	<u>34,500</u>	<u>108,025</u>
Changes in Net Position	13,894	(80,392)	178,494	111,996
Net Position - Beginning of Year	<u>4,657,699</u>	<u>4,480,122</u>	<u>(738,316)</u>	<u>8,399,505</u>
Net Position - End of Year	<u>\$ 4,671,593</u>	<u>\$ 4,399,730</u>	<u>\$ (559,822)</u>	<u>\$ 8,511,501</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts From Customers	\$ 1,013,596	\$ 712,470	\$ 276,623	\$ 2,002,689
Cash Paid to Suppliers for Goods and Services	(428,488)	(375,155)	(91,485)	(895,128)
Cash Paid to Employees for Services	(328,923)	(256,455)	(33,530)	(618,908)
Net Cash Provided by Operating Activities	<u>256,185</u>	<u>80,860</u>	<u>151,608</u>	<u>488,653</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Repayments on Long-Term Debt	(33,000)	-	-	(33,000)
Interest Repayments Related to Capital Purposes	(35,541)	-	-	(35,541)
Payments Related to the Acquisition of Capital Assets	(8,581)	(10,358)	-	(18,939)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(77,122)</u>	<u>(10,358)</u>	<u>-</u>	<u>(87,480)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received or Paid	44,293	34,921	10,047	89,261
Net Cash Provided by Investing Activities	<u>44,293</u>	<u>34,921</u>	<u>10,047</u>	<u>89,261</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	223,356	105,423	181,655	510,434
Cash and Cash Equivalents - Beginning of Year	<u>2,646,234</u>	<u>2,175,156</u>	<u>557,474</u>	<u>5,378,864</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,869,590</u>	<u>\$ 2,280,579</u>	<u>\$ 739,129</u>	<u>\$ 5,889,298</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>				
Cash and Cash Equivalents in Current Assets	\$ 2,490,492	\$ 1,782,831	\$ 739,129	\$ 5,012,452
Cash and Cash Equivalents in Restricted Assets	<u>379,098</u>	<u>497,748</u>	<u>-</u>	<u>876,846</u>
Total Cash and Cash Equivalents	<u>\$ 2,869,590</u>	<u>\$ 2,280,579</u>	<u>\$ 739,129</u>	<u>\$ 5,889,298</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (11,316)	\$ (128,707)	\$ 143,994	\$ 3,971
Adjustments to Reconcile Operating Income (Loss) to Cash Flows From Operating Activities:				
Depreciation	139,712	112,257	3,107	255,076
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Utilities Receivable	(19,312)	(21,323)	1,731	(38,904)
Customer Deposits	3,888	-	-	3,888
Prepaid Expenses	5,094	-	-	5,094
Deferred Outflows	(103,404)	(77,530)	(6,024)	(186,958)
Increase (Decrease) in:				
Accounts Payable	26,875	30,757	1,286	58,918
Accrued Expenses	2,122	620	250	2,992
Liability for Compensated Absences	7,015	3,857	259	11,131
Closure/Postclosure Liability	-	-	(9,859)	(9,859)
Net Pension Liability	219,457	174,728	20,067	414,252
Deferred Inflows	(13,946)	(13,799)	(3,203)	(30,948)
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 256,185</u>	 <u>\$ 80,860</u>	 <u>\$ 151,608</u>	 <u>\$ 488,653</u>

See accompanying Notes to Financial Statements.

## **NOTES TO FINANCIAL STATEMENTS**

The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a Summary of Significant Accounting Policies for the City, and other necessary disclosures of pertinent matter relating to the financial position of the City. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Portola is governed by an appointed City Manager and elected five-member Council, from which a mayor is elected annually.

**A. Description of Reporting Entity**

The accounting methods and procedures adopted by the City conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Reporting for component units on the City's financial statements can be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Blended component units are an extension of the City and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

The City had no blended or discretely presented component units as of June 30, 2023.

**B. Basis of Financial Presentation**

**1. Government-Wide Financial Statements**

The statement of net position and statement of activities display information about the City and its components. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are primarily supported by fees charged to external parties.

The statement of activities presents a comparison between direct and indirect expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or a function and; therefore, are clearly identifiable to a particular function. Indirect expenses are those that are allocated to a program or a function from the City's centralized general service function based on the cost allocation principles established by the Federal Office of Management and Budget (OMB). Program revenues include 1) charges paid by the recipients of goods or services offered by the programs, 2) fines and penalties ordered by the courts, 3) licenses and permits charged by the programs, and 4) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net positions are available, restricted resources are used first then the unrestricted resources are depleted.

**CITY OF PORTOLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**2. Fund Financial Statements**

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The City reports all enterprise funds as major funds. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

- The *General Fund* is the primary operating fund of the City. It is used to account for all financial resources and transactions except those required to be accounted for in another fund.
- The *State Transportation Improvement Plan (STIP) Fund* is used to account for projects that are funded using State Transportation Improvement Program monies.
- The *Gas Tax 2107 Fund* is used to account for State Gas Tax Funds and transactions associated with street maintenance and repair.
- The *Snow Removal Fund* is used to account for State Funds for Snow Removal and all associated costs to the City.

The City reports all of its enterprise funds as major funds:

- The *Water Service Fund* is used to account for water services provided to the residents of the City and for a small number of residents directly outside the City.
- The *Sewer Service Fund* is used to account for sewer services.
- The *Solid Waste Fund* is used to account for the franchised curbside refuse and recycling collection provided to residences and businesses within the City and for the landfill postclosure maintenance costs.

**C. Basis of Accounting**

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) values without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donation. On the accrual basis, property tax revenues are recognized in the fiscal year for which the taxes are levied. Sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

**CITY OF PORTOLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, expenditures are recorded when the related liability is incurred except the unmatured interest on long-term debt, and expenses related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources. Revenues are recorded when they are both measurable and available to finance expenditures during the fiscal period.

Property and sales taxes, interest, state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Revenues earned but not received within sixty days after the end of the accounting period, on the other hand, are recorded as receivables and deferred inflows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**D. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the general purpose financial statements and the reported amount of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**E. Interfund Transactions and Balances**

Interfund transactions are either reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivable and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/due from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, are reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**F. Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their acquisition value. Capital assets include public domain (infrastructure) consisting of certain improvements including roads, bridges and water/sewer systems. The City is not required to retroactively report infrastructure and therefore has elected not to do so. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (right to use assets under leases) using the straight-line method over the lesser of the lease period or their estimated useful lives in the government-wide statements.

The estimated useful lives are as follows:

Buildings	50 years
Infrastructure	15 to 30 years
Building improvements	10 to 30 years
Equipment	3 to 20 years

**G. Property Tax**

Plumas County assesses properties, bills, collects, and distributes property taxes to the City. For this service, the County charges the City an administration fee.

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1, and are payable in two installments on December 10 and April 10. The County bills and collects property taxes and remits them to the City in installments during the year.

**H. Cash and Investments**

For purposes of the Statement of Cash Flows – Proprietary Funds, the City considers all short-term highly liquid investments, including restricted cash and investments, to be cash and cash equivalents. Amounts held in the City’s investment pool are available on demand; thus, they are considered highly liquid and cash equivalents for purposes of the Statement of Cash Flows – Proprietary Funds.

**I. Fair Value Measurements**

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.



**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable input reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

**J. Receivables**

Receivables consist of property taxes, sales taxes and grants from other governmental agencies. As of June 30, 2023, no balance has been provided as an allowance for doubtful accounts because in the opinion of management all receivables are considered collectible.

**K. Compensated Absences**

The following is the City's policy on compensated absences upon discontinuation of services:

Employee Status	Percent of Sick Hours Received	Percent of Vacation Hours Received
Part-time	25	100
Full-time	25	100

The annual leave includes vacation and sick leave. City employees have vested interests in the amount of annual leave accrued and are paid on termination.

The city accrues accumulated unpaid compensated absences when earned (or estimated to be earned) by the employee. The noncurrent (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentation.

In accordance with the provisions of the GASB No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulated rights to receive sick pay benefits.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**L. Pensions**

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 City'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 this 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.

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position 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 assets that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items which qualify for reporting in this category. See pension disclosure Footnote 9.

In addition to liabilities, the statement of financial position 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 assets that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items which qualify for reporting in this category. See pension disclosure Footnote 9. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**NOTE 2 NET POSITION/FUND BALANCE**

**Net Position**

The government-wide activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

*Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

**CITY OF PORTOLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Fund Equity**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

*Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the highest level of decision-making authority and that remain binding unless removed in the same manner.

The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

*Assigned fund balance* – amounts that are constrained by the *intent* to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the special revenue funds.

*Unassigned fund balance* – the residual classification for the General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City Council establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

**NOTE 3 CASH AND INVESTMENTS**

At June 30, 2023, total City cash and investments at fair value were as follows:

Petty Cash	\$	375
Cash in Bank		699,416
LAIF		7,626,641
Total	\$	<u>8,326,432</u>

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

Total cash and investments at June 30, 2023 were presented on the City's financial statements as follows:

Cash and Investments	\$ 7,449,211
Imprest Cash	375
Restricted Assets:	
Cash	876,846
Total	<u>\$ 8,326,432</u>

Restricted cash and investments in the enterprise fund are comprised of funds held for debt service, facility fees, and wastewater treatment capital improvements.

**Investments**

At June 30, 2023, the City had the following investments:

	Par	Cost	Amortized Cost
Investments:			
Local Agency Investment Fund (LAIF)	\$ 7,626,641	\$ 7,626,641	\$ 7,626,641
Total Investments	<u>\$ 7,626,641</u>	<u>\$ 7,626,641</u>	<u>\$ 7,626,641</u>

**Interest Rate Risk**

The City manages its exposure to declines in fair values by investing excess cash in the State's Local Agency Investment Fund. Funds held in this account are available on demand.

**Credit Risk**

The City authorizes participation in the following types of investments: FDIC Insured Accounts, Local Agency Investment Fund, and United States Government Securities. The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the City's Investment Pool at June 30, 2023.

	Moody's	Percent of Portfolio
Local Agency Investment Fund (LAIF)	Unrated	100.00%
Total Pooled Investments		<u>100.00%</u>

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2023, the recorded amount of the City's deposits was \$699,416 and the bank balance was \$795,702. Of the bank statement balance, \$250,000 was covered by federal depository insurance and \$545,702 was subject to collateralization.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**Local Agency Investment Fund**

The City maintains an investment in the state of California Local Agency Investment Fund (LAIF). LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the state in addition to those deposited in LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code.

The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2023, the City's investment position in LAIF was \$7,626,641 which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in PMIA on that day was \$178,382,808,290. Of that amount, 2.78% was invested in structured notes and asset-backed securities with the remaining 97.22% invested in other nonderivatives financial reports.

**Fair Value Measurement**

The City categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. LAIF is the City's only investment and it is measured on amortized cost basis as of June 30, 2023.

**NOTE 4 LOANS AND NOTES RECEIVABLE**

During the fiscal year ended June 30, 2012, the City extended a loan to Eastern Plumas Health Care District in the amount of \$348,000. The loan bears initial interest of 1.48% per year to be adjusted annually to reflect LAIF interest rate plus 1%. The term of the loan is 168 months. As of June 30, 2023, the outstanding balance was \$104,643. The City also issued Community Development Block Grant (CDBG) loans in the amount of \$43,525. The total loans and notes receivable at June 30, 2023 is \$148,168.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

<u>Governmental Activities</u>	<u>Balance July 01, 2022</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2023</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 746,277	\$ -	\$ -	\$ 746,277
Construction in Progress	477,927	332,310	(4,738)	805,499
Total Capital Assets, Not Being Depreciated	1,224,204	332,310	(4,738)	1,551,776
Capital Assets, Being Depreciated:				
Infrastructure	13,681,298	32,495	-	13,713,793
Buildings and Improvements	1,711,614	-	-	1,711,614
Machinery and Equipment	1,608,138	-	-	1,608,138
Intangible Assets	58,297	-	-	58,297
Total Capital Assets, Being Depreciated	17,059,347	32,495	-	17,091,842
Less: Accumulated Depreciation for:				
Infrastructure	(8,480,541)	(616,124)	-	(9,096,665)
Buildings and Improvements	(1,364,242)	(58,053)	-	(1,422,295)
Machinery and Equipment	(1,316,515)	(79,204)	-	(1,395,719)
Intangible Assets	(1,619)	(19,432)	-	(21,051)
Total Accumulated Depreciation	(11,162,917)	(772,813)	-	(11,935,730)
Total Capital Assets, Being Depreciated, Net	5,896,430	(740,318)	-	5,156,112
Governmental Activities Capital Assets, Net	<u>\$ 7,120,634</u>	<u>\$ (408,008)</u>	<u>\$ (4,738)</u>	<u>\$ 6,707,888</u>

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

<u>Business-Type Activities</u>	<u>Balance July 01, 2022</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2023</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 62,844	\$ -	\$ -	\$ 62,844
Construction in Progress	189,081	-	-	189,081
Total Capital Assets, Not Being Depreciated	251,925	-	-	251,925
Capital Assets, Being Depreciated:				
Buildings and Improvements	8,593,575	-	-	8,593,575
Machinery and Equipment	1,311,896	18,939	(24,003)	1,306,832
Total Capital Assets, Being Depreciated	9,905,471	18,939	(24,003)	9,900,407
Less: Accumulated Depreciation for:				
Buildings and Improvements	(4,308,715)	(204,589)	-	(4,513,304)
Machinery and Equipment	(1,152,842)	(50,487)	24,003	(1,179,326)
Total Accumulated Depreciation	(5,461,557)	(255,076)	24,003	(5,692,630)
Total Capital Assets, Being Depreciated, Net	4,443,914	(236,137)	-	4,207,777
Business-Type Activities, Net	<u>\$ 4,695,839</u>	<u>\$ (236,137)</u>	<u>\$ -</u>	<u>\$ 4,459,702</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 41,448
Public Protection	30,005
Public Ways and Facilities	1,124
Streets and Roads	622,716
Recreation and Culture	77,520
Total Depreciation Expense - Governmental Activities	<u>\$ 772,813</u>
Business-Type Activities:	
Water Fund	\$ 139,712
Sewer Fund	112,257
Solid Waste Fund	3,107
Total Depreciation Expense - Business-Type Activities	<u>\$ 255,076</u>

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 LONG-TERM LIABILITIES**

Long-term liabilities at June 30, 2023 consisted of the following:

Business-Type Activities	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2023
1997 Special Assessment Water Improvement Note Payable from Direct Borrowing <i>(to Finance Improvements to the City's Water System)</i>	1997	5/1/2037	5.00%	\$5,000-\$25,000	\$ 1,173,000	\$ 677,829
Total Business-Type Activities					<u>\$ 1,173,000</u>	<u>\$ 677,829</u>

The following is a summary of long-term liabilities transactions for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Adjustment	Balance June 30, 2023	Amounts Due Within One Year
<b>Governmental Activities:</b>						
Compensated Absences	\$ 18,143	\$ 10,037	\$ -	\$ -	\$ 28,180	\$ 8,113
Total	<u>\$ 23,243</u>	<u>\$ 10,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,180</u>	<u>\$ 8,113</u>
<b>Business-Type Activities:</b>						
Notes Payable from						
Direct Borrowing	\$ 710,829	\$ -	\$(33,000)	\$ -	\$ 677,829	\$ 35,000
Postclosure Costs	1,381,803	48,225	(58,084)	-	1,371,944	-
Compensated Absences	30,517	11,131	-	-	41,648	11,990
Total	<u>\$2,093,918</u>	<u>\$ 59,356</u>	<u>\$(91,084)</u>	<u>\$ -</u>	<u>\$2,091,421</u>	<u>\$ 46,990</u>



**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

The City's outstanding note payable for business-type activities is secured by water service revenue. As of June 30, 2023, annual debt service requirements of business-type activities to maturity are as follows:

Year Ending June 30,	Business-Type Activities	
	Notes Payable from Direct Borrowing	
	Principal	Interest
2023	\$ 35,000	\$ 33,900
2024	37,000	32,150
2025	38,000	30,300
2026	40,000	28,400
2027	42,000	26,400
2028-2032	245,000	98,200
2033-2037	240,829	30,800
Total	<u>\$ 677,829</u>	<u>\$ 280,150</u>

**NOTE 7 INTERFUND TRANSACTIONS AND BALANCES**

The composition of interfund balances as of June 30, 2023 is as follows:

**Due To/From Other Funds:**

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	STIP	\$ 96,457	To cover cash deficit expected to be recovered through future revenues.
General Fund	Gas Tax 2107	919	To cover cash deficit expected to be recovered through future revenues.
		<u>\$ 97,376</u>	

**Tra**

**nsfers:**

Transfers are used to subsidize various City operations. The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2023:

Transfer From	Transfer to	Amount
General Fund	Gax Tax 2107	\$ 102,364
	Snow Removal	276,350
	STIP	1,476
		<u>\$ 380,190</u>

**CITY OF PORTOLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 8 FUND DISCLOSURES**

The following funds had a net position/fund balance deficit at the end of the fiscal year:

Enterprise Funds:

Solid Waste Fund	<u>\$ (559,822)</u>
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The Solid Waste Fund has incurred a deficit net position balance as a result of recognition of the estimated liability for the landfill postclosure care costs. The City has established a solid waste surcharge included in its utility billings to reduce the deficit in this fund.

**NOTE 9 DEFINED BENEFIT PENSION PLANS**

**A. General Information about the Pension Plans**

**1. Plan Description**

The City of Portola provides pension benefits to eligible employees through cost sharing multiple-employer defined benefit pension plans (pension plans) administered by the California Public Employees Retirement System (PERS), a public employee retirement system which acts as a common investment and administrative agent for participating public entities within the state of California. All qualified permanent and probationary employees are eligible to participate in the City's pension plans. The City's Miscellaneous Plans (Tier I and Tier II) and PEPRA Miscellaneous Plan are cost-sharing multiple-employer defined benefit plans. Benefit provisions and other requirements are established by state statute and City resolution. The City's defined benefit pension plans provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The City selects optional benefit provisions by contract with PERS and adopts those benefits through City ordinance. Copies of PERS annual financial reports which include required supplementary information (RSI) for each plan may be obtained from PERS Executive Offices, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

**2. Benefits Provided**

All pension plans provide benefits, upon retirement, disability, or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing five years of retirement service credit forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within a prescribed time period. Nonvested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning five years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected and actual experience for vested and nonvested benefits may result in an increase or decrease to pension expense and net pension liability.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

Nonservice related disability benefits are provided to miscellaneous members. The benefit is based on final compensation, multiplied by *service*, which is determined as follows:

- *Service* is CalPERS credited service, for members with less than 10 years or service or greater than 18.518 years of service; or
- *Service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. Death benefits are based upon a variety of factors including whether the participant was retired or not.

Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans. COLAs are granted to retired members each May based upon the Bureau of Labor Statistics Average Consumer Price Index for All Urban Consumers for the previous calendar year and is subject to a maximum of 2% per annum.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous Tier I	Miscellaneous Tier II	PEPRA
Hire Date	Prior to July 1, 2012	On or after July 1, 2012	On or after January 2, 2013
Benefit Formula	2.7% at 55	2.0% at 60	2.0% at 62
Benefit Vesting Schedule	5 Years of Credited Service	5 Years of Credited Service	5 Years of Credited Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50	50	52
Monthly Benefits, as % of Eligible Compensation	2.0%-2.7%	1.1%-2.4%	1.0%-2.5%
Required Employee Contribution Rates	8.0%	6.93%	6.75%
Required Employer Contribution Rates	13.350%	8.630%	7.470%
Status	Open	Open	Open

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**3. Employees Covered**

Information regarding the number of employees covered by the benefit terms for the Miscellaneous Plans is not available for cost-sharing multiple-employer defined benefit pension plans.

**4. Contributions**

Section 20814 of the California Public Employees' Retirement Law requires 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 both Plans 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. During the year ended June 30, 2023, the City made contributions totaling \$118,141 to the Plan.

**B. Net Pension Liability**

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**1. Actuarial Assumptions**

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	PEPRA
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Normal	
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service	
Investment Rate of Return	7.00%	7.00%
Mortality	Derived Using CalPERS' Membership Data for All Funds	

(1) Net of Pension Plan Investment Expenses, Including Inflation.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a 2021 actuarial experience study for the period 2000 to 2019. Further details of the Experience Study can be found on the CalPERS website.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**2. Change of Assumption**

Demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

**3. Discount Rate**

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Any changes to the discount rate will require Board action and proper stakeholder outreach. CalPERS will continue to check the materiality of the difference in calculation until there is a change in methodology.

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

The long-term expected rate of return includes both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of 1%.

The long-term expected real rates by asset class can be found in CalPERS' Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**4. Proportionate Share of the Net Pension Liability**

The Miscellaneous plans are part of a Risk Pool, which is part of the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. The City's net pension liability for the Miscellaneous Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all plan participants, actuarially determined. The City's net pension liability and related Plan proportion for the Miscellaneous Plan is as follows:

	Miscellaneous
Proportion - June 30, 2022	0.00117%
Proportion - June 30, 2023	0.01395%
Change - Increase/(Decrease)	0.01278%

**C. Changes in the Net Pension Liability**

**1. Sensitivity of the Net Pension Liability to Change in the Discount Rate**

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage points lower or 1-percentage point higher than the current rate:

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Net Pension Liability	\$ 1,223,446	\$ 652,972	\$ 183,613

**2. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**D. Pension Revenue and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2023, the City recognized pension expense of \$419,595. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

At June 30, 2023, the City 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
	<u>                    </u>	<u>                    </u>
Differences Between Expected and Actual Experience	\$ 13,113	\$ 8,782
Changes in Assumptions	66,911	-
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	-	87,336
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	119,607	-
Change in Employer's Proportion	234,834	-
City Contribution Subsequent to the Measurement Date	118,141	
Total	<u>\$ 552,606</u>	<u>\$ 96,118</u>

\$118,141 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
<u>                    </u>	<u>                    </u>
2024	\$ 108,428
2025	98,090
2026	58,674
2027	73,155
Total	<u>\$ 338,347</u>

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS**

The City does not offer health insurance benefits to its retirees. By resolution number 2071 the City has confirmed that retirees are only eligible to receive those benefits offered to them by participation in the state of California Public Employees Retirement System (PERS), as well as those that they may be eligible for under the federal Medicare program.

**CITY OF PORTOLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 11 LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

The City is responsible for one closed landfill site. State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. GASB Statement No. 18 requires a portion of these closure and postclosure care costs be reported as an operating expense in each period based on landfill capacity used as of each statement of net position date. Since the landfill is no longer accepting waste, the entire estimated expense and related liability have been reported.

As of June 30, 2023, the City's estimated liability for postclosure maintenance costs for the landfill was \$1,371,944. This estimate is based on the amount that would be paid if all equipment, facilities, and services required to close and/or monitor the landfills were acquired as of the balance sheet date. The costs for landfill postclosure maintenance costs are based on yearly estimates, reviewed by the California Integrated Waste Management Board, as prepared by TGV Solid Waste, Inc. Actual costs may be higher due to inflation, change in technology, or changes in regulations. The City has applied the annual inflation factor to the liability each year and has reduced the liability by actual expenses incurred.

The City is required by the California Code of Regulations to demonstrate financial responsibility for postclosure maintenance costs. The City has met this requirement for the Portola landfill through a pledge of revenue.

**NOTE 12 RISK MANAGEMENT**

The City of Portola is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The City participates in joint powers agreements through the Small Cities Organized Risk Effort (SCORE) and California Joint Powers Risk Management Authority (CJPRMA). The relationship between the City and the JPAs is such that the JPAs are not considered a component unit of the City for financial reporting purposes.

The JPAs arrange for and provide liability coverage for members. Each JPA is governed by a board consisting of a representative from each member. The Board controls the operations of the JPA including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

The City participates in a Banking Plan for the first \$25,000 of loss. The portion of loss greater than \$25,000 but less than \$500,000 is shared among the Member Cities in the Shared Risk Pool. The City participates in the CJPRMA for the portion of losses greater than \$500,000 to a maximum of \$10,000,000. The liability related to the Banking Plan was deemed immaterial.



**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

The Authority establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses that have been reported but not settled, and of claims that have been incurred but not reported (IBNR)). The length of time for which such costs must be estimated varies in the coverage involved. Estimated amounts of salvage and subrogation and excess-insurance recoverable on unpaid claims are deducted from the liability for unpaid claims.

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

**A. Construction Commitments**

At June 30, 2023, the City has commitments of approximately \$2.8 million for construction contracts, awarded but not completed. The major contract outstanding is for the completion of the STIP North Loop Project. All costs on this project are 100% reimbursable by the State.

**B. Litigation**

The City is subject to various lawsuits, inverse condemnation cases, personnel actions, and other actions incidental to the ordinary course of City operations. In the opinion of the City attorney, the total potential claims against the City covered by insurance resulting from litigation would not materially affect the financial statements of the City at June 30, 2023.

**NOTE 14 EXCESS EXPENDITURES OVER BUDGET**

The City had expenditures that exceeded its budget in the Snow Removal Fund by \$65,292.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF PORTOLA**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/**  
**(ASSET) AND RELATED RATIOS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

**Miscellaneous Plans – Cost-sharing Multiple-Employer Defined Benefit Pension Plans**

Last 10 Fiscal Years\*

	Reporting Date									
	<i>Measurement Date</i>									
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Proportionate Share of the Net Pension Liability	\$ 652,972	\$ 22,269	\$ 483,829	\$ 391,142	\$ 709,707	\$ 708,789	\$ 577,890	\$ 394,917	\$ 237,694	
Proportion of the Net Pension Liability	0.014%	0.001%	0.011%	0.010%	0.019%	0.018%	0.017%	0.014%	0.010%	
Covered Payroll	\$ 164,599	\$ 152,062	\$ 167,300	\$ 194,362	\$ 181,423	\$ 259,958	\$ 317,876	\$ 337,555	\$ 580,058	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	396.7%	14.6%	289.2%	201.2%	391.2%	272.7%	181.8%	117.0%	41.0%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.19%	90.49%	77.71%	77.73%	77.69%	75.39%	75.87%	79.89%	81.15%	

\*Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

**CITY OF PORTOLA  
SCHEDULE OF PENSION PLAN CONTRIBUTIONS  
FISCAL YEAR ENDED JUNE 30, 2023**

**Miscellaneous Plans – Cost-sharing Multiple-Employer Defined Benefit Pension Plans**

Last 10 Fiscal Years\*

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially Determined Contribution	\$ 56,192	\$ 41,694	\$ 46,122	\$ 39,456	\$ 34,427	\$ 48,061	\$ 48,041	\$ 52,222	\$ 24,089
Contributions in Relation to the Actuarially Determined Contributions	<u>118,141</u>	<u>112,052</u>	<u>97,709</u>	<u>94,059</u>	<u>471,085</u>	<u>64,595</u>	<u>45,970</u>	<u>43,236</u>	<u>41,882</u>
Contributions Deficiency (Excess)	<u>\$ (61,949)</u>	<u>\$ (70,358)</u>	<u>\$ (51,587)</u>	<u>\$ (54,603)</u>	<u>\$ (436,658)</u>	<u>\$ (16,534)</u>	<u>\$ 2,071</u>	<u>\$ 8,986</u>	<u>\$ (17,793)</u>
Covered Payroll	\$ 169,537	\$ 164,599	\$ 152,062	\$ 167,300	\$ 194,362	\$ 181,423	\$ 259,958	\$ 317,876	\$ 337,555
Contributions as a Percentage of Covered Payroll	69.68%	68.08%	64.26%	56.22%	242.37%	35.60%	17.68%	13.60%	12.41%

\*Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

**CITY OF PORTOLA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 615,800	\$ 615,800	\$ 699,561	\$ 83,761
Licenses and Permits	67,700	67,700	69,134	1,434
Fines, Forfeitures and Penalties	200	200	190	(10)
Use of Money and Property	7,500	52,500	51,418	(1,082)
Intergovernmental	337,700	702,369	674,487	(27,882)
Charges for Services	16,500	28,500	34,590	6,090
Other Revenues	-	8,232	6,858	(1,374)
Total Revenues	1,045,400	1,475,301	1,536,238	60,937
<b>EXPENDITURES</b>				
Current:				
General Government	244,329	244,329	215,290	29,039
Planning and Community Development	79,804	104,804	96,491	8,313
Public Safety	346,962	414,530	409,801	4,729
Public Works	93,894	312,894	324,841	(11,947)
Parks and Recreation	196,357	223,357	238,203	(14,846)
Total Expenditures	961,346	1,299,914	1,284,626	15,288
Excess (Deficiency) of Revenues Over Expenditures	84,054	175,387	251,612	76,225
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(241,850)	(358,656)	(380,190)	(21,534)
Total Other Financing Sources (Uses)	(241,850)	(358,656)	(380,190)	(21,534)
Net Change in Fund Balances	(157,796)	(183,269)	(128,578)	54,691
Fund Balances - Beginning of Year	2,644,191	2,644,191	2,644,191	-
Fund Balances - End of Year	\$ 2,486,395	\$ 2,460,922	\$ 2,515,613	\$ 54,691

**CITY OF PORTOLA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**STATE TRANSPORTATION IMPROVEMENT FUND**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 332,300	\$ 332,310	\$ 10
Total Revenues	<u>-</u>	<u>332,300</u>	<u>332,310</u>	<u>10</u>
<b>EXPENDITURES</b>				
Current:				
Streets and Roads	10,000	342,300	333,786	8,514
Total Expenditures	<u>10,000</u>	<u>342,300</u>	<u>333,786</u>	<u>8,514</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,000)	(10,000)	(1,476)	(8,504)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	10,000	10,000	1,476	(8,524)
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>1,476</u>	<u>(8,524)</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning of Year	<u>289</u>	<u>289</u>	<u>289</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 289</u>	<u>\$ 289</u>	<u>\$ 289</u>	<u>\$ -</u>

**CITY OF PORTOLA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**GAS TAX 2107 FUND**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 55,053	\$ 55,053	\$ 55,458	\$ 405
Total Revenues	<u>55,053</u>	<u>55,053</u>	<u>55,458</u>	<u>405</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	39,000	39,000	38,707	293
Streets and Roads	137,320	137,320	119,115	18,205
Total Expenditures	<u>176,320</u>	<u>176,320</u>	<u>157,822</u>	<u>18,498</u>
Excess (Deficiency) of Revenues Over Expenditures	(121,267)	(121,267)	(102,364)	18,903
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	121,267	121,267	102,364	(18,903)
Total Other Financing Sources (Uses)	<u>121,267</u>	<u>121,267</u>	<u>102,364</u>	<u>(18,903)</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF PORTOLA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**SNOW REMOVAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 120,000	\$ 120,000	\$ 136,331	\$ 16,331
Total Revenues	<u>120,000</u>	<u>120,000</u>	<u>136,331</u>	<u>16,331</u>
<b>EXPENDITURES</b>				
Current:				
Streets and Roads	230,584	347,389	412,681	(65,292)
Total Expenditures	<u>230,584</u>	<u>347,389</u>	<u>412,681</u>	<u>(65,292)</u>
Excess (Deficiency) of Revenues Over Expenditures	(110,584)	(227,389)	(276,350)	(48,961)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	110,584	227,389	276,350	48,961
Total Other Financing Sources (Uses)	<u>110,584</u>	<u>227,389</u>	<u>276,350</u>	<u>48,961</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF PORTOLA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2023**

**BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Budget adjustments from reserves and between funds are approved by the City Council and budget transfers within fund or department are approved by the City Manager. Expenditures may not legally exceed budgeted appropriations at the fund level for all funds without the City Council's approval.
5. Budgets are adopted for the General Fund and Special Revenue Funds.
6. Formal budgetary integration is employed as a management control device during the year in all funds.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds.

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**SUPPLEMENTARY INFORMATION**

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**NONMAJOR SPECIAL REVENUE FUNDS**

**CITY OF PORTOLA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2023**

	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
<b>ASSETS</b>			
Cash and Investments	\$ 124,366	\$ 25,285	\$ 149,651
Due from Other Governments	8,212	-	8,212
Interest Receivable	895	182	1,077
Notes Receivable, Net	-	43,525	43,525
<b>Total Assets</b>	<b>\$ 133,473</b>	<b>\$ 68,992</b>	<b>\$ 202,465</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 194	\$ -	\$ 194
Accrued Salaries and Benefits Payable	-	345	345
<b>Total Liabilities</b>	<b>194</b>	<b>345</b>	<b>539</b>
Fund Balance:			
Restricted	133,279	43,525	176,804
Assigned	-	25,122	25,122
<b>Total Fund Balance</b>	<b>133,279</b>	<b>68,647</b>	<b>201,926</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 133,473</b>	<b>\$ 68,992</b>	<b>\$ 202,465</b>

**CITY OF PORTOLA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FISCAL YEAR ENDED JUNE 30, 2023**

	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
<b>REVENUES</b>			
Use of Money and Property	\$ 2,367	\$ 629	\$ 2,996
Intergovernmental	46,867	-	46,867
Total Revenues	<u>49,234</u>	<u>629</u>	<u>49,863</u>
<b>EXPENDITURES</b>			
Current:			
Streets and Roads	1,580	-	1,580
Planning and Community Development	-	16,321	16,321
Total Expenditures	<u>1,580</u>	<u>16,321</u>	<u>17,901</u>
Net Change in Fund Balances	47,654	(15,692)	31,962
Fund Balances - Beginning of Year	<u>85,625</u>	<u>84,339</u>	<u>169,964</u>
Fund Balances - End of Year	<u>\$ 133,279</u>	<u>\$ 68,647</u>	<u>\$ 201,926</u>



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## **OTHER REPORTS**

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**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Council Members  
Portola, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Portola (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 18, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

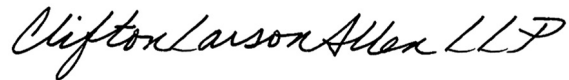
Honorable Mayor and Council Members  
City of Portola

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City’s financial statements are free from 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 financial statements. 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*.

***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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Roseville, California  
October 18, 2023



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