

**CITY OF PORTOLA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**



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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, California, (the City), as of and for the year ended June 30, 2022, 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, 2022, 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 the 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 the City of Portola'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. We have applied certain limited procedures to the required supplementary information in

Honorable Mayor and Council Members
City of Portola

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 November 8, 2022, 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
November 8, 2022

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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, 2022**

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, 2022. 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 \$18,481,147:

- \$11,105,644 represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets (net investment in capital assets).
- \$1,211,893 is available for the City's ongoing obligations related to programs with external restrictions (restricted net position).
- \$6,163,610 is available to fund City programs for citizens and debt obligations to creditors (unrestricted net position).

The City's total net position increased by \$93,820 from the prior year:

- The \$787,247 decrease in net investment in capital assets represents infrastructure and other additions of \$239,244 less depreciation of \$1,058,491, and the retirement of related long-term debt of \$32,000.
- The \$211,851 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 \$2,814,444 was a decrease of \$122,350 from the prior year ending fund balance. Amounts available for spending include restricted, assigned, and unassigned fund balances; these totaled \$2,805,113, or 99.67% of ending fund balance. Of this amount, \$224,211 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, 2022**

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, 2022**

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, 2022 and 2021**

	Governmental Activities		Business-Type Activities		Total		Total	
	2022	2021	2022	2021	2022	2021	Dollar Change	Percent Change
Current and Other Assets	\$ 3,244,411	\$ 3,099,852	\$ 5,826,241	\$ 5,261,784	\$ 9,070,652	\$ 8,361,636	\$ 709,016	8%
Capital Assets	7,120,634	7,673,435	4,695,839	4,962,285	11,816,473	12,635,720	(819,247)	-6%
Total Assets	<u>10,365,045</u>	<u>10,773,287</u>	<u>10,522,080</u>	<u>10,224,069</u>	<u>20,887,125</u>	<u>20,997,356</u>	<u>(110,231)</u>	<u>-1%</u>
Deferred Outflows of Resources	97,988	136,909	175,720	216,299	273,708	353,208	(79,500)	-23%
Current and Other Liabilities	302,840	87,029	66,818	80,632	369,658	167,661	201,997	120%
Long-Term Liabilities	26,115	210,783	2,137,446	2,390,207	2,163,561	2,600,990	(437,429)	-17%
Total Liabilities	<u>328,955</u>	<u>297,812</u>	<u>2,204,264</u>	<u>2,470,839</u>	<u>2,533,219</u>	<u>2,768,651</u>	<u>(235,432)</u>	<u>-9%</u>
Deferred Inflows of Resources	52,436	75,425	94,031	119,161	146,467	268,695	(122,228)	-45%
Net Invested in Capital Assets	7,120,634	7,673,435	3,985,010	4,219,456	11,105,644	11,892,891	(787,247)	-7%
Restricted	351,338	150,637	860,555	849,405	1,211,893	1,000,042	211,851	21%
Unrestricted	2,609,670	2,712,887	3,553,940	2,781,507	6,163,610	5,494,394	669,216	12%
Total Net Position	<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 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 6.56% of the total net position and are resources subject to external restrictions on how they may be used.

Unrestricted net position represents 33.35% 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, 2022**

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, 2022 and 2021**

	Governmental Activities		Business-Type Activities		Total		Total	
	2022	2021	2022	2021	2022	2021	Dollar Change	Percent Change
Program Revenues:								
Charges for Services	\$ 104,152	\$ 109,586	\$ 1,976,068	\$ 2,080,532	\$ 2,080,220	\$ 2,190,118	\$ (109,898)	-5%
Operating Grants and Contributions	707,150	740,005	-	5,000	707,150	745,005	(37,855)	-5%
Capital Grants and Contributions	157,744	79,897	-	-	157,744	79,897	77,847	97%
General Revenues:								
Property Taxes	255,100	247,130	-	-	255,100	247,130	7,970	3%
Other Taxes	411,965	430,205	-	-	411,965	430,205	(18,240)	-4%
Other Revenue	79,624	21,088	17,006	24,364	96,630	45,452	51,178	113%
Total Revenues	<u>1,715,735</u>	<u>1,627,911</u>	<u>1,993,074</u>	<u>2,109,896</u>	<u>3,708,809</u>	<u>3,737,807</u>	<u>(28,998)</u>	<u>-1%</u>
Expenses:								
General Government	136,625	241,126	-	-	136,625	241,126	(104,501)	-43%
Planning and Community Development	192,129	152,148	-	-	192,129	152,148	39,981	26%
Public Safety	468,585	440,610	-	-	468,585	440,610	27,975	6%
Streets and Roads	984,828	1,020,829	-	-	984,828	1,020,829	(36,001)	-4%
Public Works	111,633	106,696	-	-	111,633	106,696	4,937	5%
Parks and Recreation	277,252	231,859	-	-	277,252	231,859	45,393	20%
Water Service	-	-	741,423	959,984	741,423	959,984	(218,561)	-23%
Sewer Service	-	-	535,179	723,182	535,179	723,182	(188,003)	-26%
Solid Waste	-	-	167,335	146,149	167,335	146,149	21,186	14%
Total Expenses	<u>2,171,052</u>	<u>2,193,268</u>	<u>1,443,937</u>	<u>1,829,315</u>	<u>3,614,989</u>	<u>4,022,583</u>	<u>(407,594)</u>	<u>-10%</u>
Change in Net Position	(455,317)	(565,357)	549,137	280,581	93,820	(284,776)	378,596	-133%
Net Position - July 1	10,536,959	11,192,125	7,850,368	7,569,787	18,387,327	18,761,912	(374,585)	-2%
Prior Period Adjustment	-	(89,809)	-	-	-	(89,809)	89,809	-100%
Net Position - July 1, Restated	<u>10,536,959</u>	<u>11,102,316</u>	<u>7,850,368</u>	<u>7,569,787</u>	<u>18,387,327</u>	<u>18,672,103</u>	<u>(284,776)</u>	<u>-2%</u>
Net Position - June 30	<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>

- Governmental activities reported a \$455,317 decrease in net position, and business-type activities reported an increase of \$549,137, for a net increase of \$93,820.

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, 2022, the City's governmental funds reported combined ending fund balances of \$2,814,444, 99.67% 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, 2022**

The General Fund is the main operating fund of the City. At June 30, 2022, total fund balance was \$2,644,191, 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 233% 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>	Revenues Classified by Source Governmental Funds					
	2022		2021		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 667,065	40%	\$ 677,335	43%	\$ (10,270)	-2%
Licenses and Permits	62,473	4%	95,263	6%	(32,790)	-34%
Fines and Forfeitures	200	0%	283	0%	(83)	-29%
Use of Money and Property	10,830	1%	16,387	1%	(5,557)	-34%
Intergovernmental	813,796	49%	753,022	48%	60,774	8%
Charges for Services	41,479	2%	14,040	1%	27,439	195%
Other	68,794	4%	4,701	0%	64,093	1363%
Total	\$ 1,664,637	100%	\$ 1,561,031	100%	\$ 103,606	7%

Significant changes for major revenue sources are explained below.

- Secured Property tax increased \$7,970, Sales Tax decreased \$44,941, and Other Taxes increased \$26,701.
- Building permits decreased \$27,201 from the prior year amount because of large projects and business licenses decreased by \$5,932 due to timing.
- There was a decrease in the Use of Money and Property due to decreased interest rates.
- Intergovernmental includes an increase in Snow Removal Funds based on the expenses from the prior year, an increase in Coronavirus Relief Funds and an increase in reimbursements from the State for STIP projects.
- Charges for Services increased due to the City Pool reopening in summer of 2021 after being closed in the summer of 2020 because of the COVID-19 Pandemic.

**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2022**

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

**Expenditures by Function
Governmental Funds**

	2022		2021		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government	\$ 210,199	12%	\$ 220,554	15%	\$ (10,355)	-5%
Planning and Community Development	205,386	12%	156,161	11%	49,225	32%
Public Safety	447,123	25%	408,293	28%	38,830	10%
Streets and Roads	574,212	32%	413,482	28%	160,730	39%
Public Works	144,862	8%	111,806	8%	33,056	30%
Parks and Recreation	205,205	12%	150,818	10%	54,387	36%
Total Expenditures	\$ 1,786,987	100%	\$ 1,461,114	100%	\$ 325,873	22%

Significant changes for major functions are explained below:

- General government had a slight decrease in personnel due to staffing shortages and a decrease in software and upgrades as the prior year included Civicplus.
- Planning and Community Development had an increase in Grant expenditures. The Grant is the continuation of the SB2 Planning grant and expenses for the LEAP Grant.
- Public safety increase has a number of changes that make up this \$38,830 change. The Fire department had an increase due to the costs for the feasibility study for consolidation, Law enforcement had a decrease due to a reduction in animal control and a change from employee to contractor and Building had an increase due to an increase in code enforcement.
- Streets and Roads increased in the Snow Removal Fund due to a number of heavy snow storms and in the STIP Fund more work was done by our Engineer for the North Loop project.
- 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 the Pool for the summer of 2021 which there hadn't been the year before due to Covid-19. There was also repair work done to the Williams House and the City funded events again that had not been funded the year before due to Covid-19.
- 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, 2022, the proprietary (enterprise) funds net position was a combined \$8,399,505 with a net investment in capital assets of \$3,985,010 and an unrestricted net position of \$3,553,940.

**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2022**

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 2021-2022 budget had projected the use of \$215,404 of the General Fund's fund balance to eliminate a shortfall of revenues over expenditures.

After amending the budget for the fiscal year 2021/2022 General Fund revenues were more than budget by \$127,669 and General Fund expenditures were \$4,990 more than budgeted. While the City had originally budgeted a decrease of \$215,404 in fund balance the final fund balance was a decrease of \$120,733 of which \$50,000 can be attributed to PG&E Settlement funds, \$37,532 increase in Sales tax and \$36,000 from partners toward the Fire Feasibility Study.

The major special revenue funds include Streets, Snow removal and the A-15 STIP project. It is difficult to budget the A-15 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 \$(552,801), net of depreciation for an ending balance of \$7,120,634.

Business-type capital assets for the fiscal year ending June 30, 2022, were \$4,695,839, net of depreciation. This is a decrease in capital assets of \$266,446. 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, 2022**

B. Long-Term Debt

At June 30, 2022, the City had long-term debt outstanding of \$710,829. This is a decrease over June 30, 2021 of \$32,000. 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 2022-2023 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. The City worked to put together a new salary range in order to be responsive to the needs of the employees and employee retention. In addition to the salary range structure the budget also included a 4.7% cost of living raise. The Water has funding for fire hydrants 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 will be critical with the upcoming 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 the CalTrans reimbursement of the North Loop project.

Even though the City continues to recover from past economic downturn and staffing is still at a lower level, 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 is also exploring the possibilities of reorganizing fire and emergency services to strengthen and improve upon these services to the area. This effort is ongoing through the efforts of the Local Emergency Services Study Group and a feasibility study is being conducted.

In the 2022-2023 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 will continue over the next two years.

**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2022**

An emphasis on being a business-friendly environment and attracting growth is evident but has not had a major impact on the budget yet. City staff has acquired an SB2 Planning Grant, and a related Local Early Action Planning Grant, and is using the funds in a variety of ways with the goal of improving and streamlining the permit process in an attempt to attract additional growth. The work may also make other services the City provides more efficient as well, including easier acquisition of public records, parcel information, utility billing payments, and answering general inquiries. The City is nearing completion of 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.

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. The City continues to fund an infrastructure set aside in both water and sewer in an effort to partially cover major repairs. In the 2022-2023 budget Water and Sewer rates were not increased. With Solid Waste having paid the General Fund back the Council was again able to reduce Solid Waste Administration Fees by \$1.00 per month for a third year in a row with the hope of continuing that trend. Now that the General Fund is repaid, the closure fee will be 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 are currently attempting to apply for a Clean Water State Revolving Fund grant.

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, 2022

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Investments	\$ 2,773,648	\$ 4,518,308	\$ 7,291,956
Restricted Assets:			
Restricted Cash	-	860,556	860,556
Imprest Cash	375	-	375
Prepaid Expense	9,331	5,094	14,425
Accounts Receivable	59,955	434,083	494,038
Interest Receivable	4,455	8,200	12,655
Due From Other Governments	218,623	-	218,623
Loans and Notes Receivable, Net	178,024	-	178,024
Capital Assets:			
Nondepreciable	1,224,204	251,925	1,476,129
Depreciable, Net	5,896,430	4,443,914	10,340,344
Total Assets	<u>10,365,045</u>	<u>10,522,080</u>	<u>20,887,125</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pensions	97,988	175,720	273,708
LIABILITIES			
Accounts Payable	48,715	20,480	69,195
Accrued Salaries and Benefits Payable	19,436	14,917	34,353
Deposits	10,080	27,271	37,351
Unearned Revenue	224,609	-	224,609
Accrued Interest	-	4,150	4,150
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	8,221	13,829	22,050
Notes Payable	-	33,000	33,000
Portion Due or Payable After One Year:			
Compensated Absences	9,922	16,688	26,610
Notes Payable	-	677,829	677,829
Liability for Landfill Postclosure	-	1,381,803	1,381,803
Net Pension Liability	7,972	14,297	22,269
Total Liabilities	<u>328,955</u>	<u>2,204,264</u>	<u>2,533,219</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pensions	<u>52,436</u>	<u>94,031</u>	<u>146,467</u>
NET POSITION			
Net Investment in Capital Assets	7,120,634	3,985,010	11,105,644
Restricted:			
General Government	222,188	-	222,188
Community Development	43,525	-	43,525
Capital Improvements	85,625	792,193	877,818
Debt Service	-	68,362	68,362
Unrestricted	<u>2,609,670</u>	<u>3,553,940</u>	<u>6,163,610</u>
Total Net Position	<u>\$ 10,081,642</u>	<u>\$ 8,399,505</u>	<u>\$ 18,481,147</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2022**

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		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 136,625	\$ 38,978	\$ 258,502	\$ -	\$ 160,855	\$ -	\$ 160,855
Planning and Community Development	192,129	735	53,055	-	(138,339)	-	(138,339)
Public Safety	468,585	22,960	207,839	-	(237,786)	-	(237,786)
Streets and Roads	984,828	-	187,754	157,744	(639,330)	-	(639,330)
Public Works	111,633	-	-	-	(111,633)	-	(111,633)
Parks and Recreation	277,252	41,479	-	-	(235,773)	-	(235,773)
Total Governmental Activities	2,171,052	104,152	707,150	157,744	(1,202,006)	-	(1,202,006)
Business-Type Activities:							
Water Service	741,423	963,354	-	-	-	221,931	221,931
Sewer Service	535,179	714,764	-	-	-	179,585	179,585
Solid Waste	167,335	297,950	-	-	-	130,615	130,615
Total Business-Type Activities	1,443,937	1,976,068	-	-	-	532,131	532,131
Total City of Portola	\$ 3,614,989	\$ 2,080,220	\$ 707,150	\$ 157,744	(1,202,006)	532,131	(669,875)
General Revenues							
Taxes:							
Property Taxes					255,100	-	255,100
Sales and Use Taxes					322,532	-	322,532
Other					89,433	-	89,433
# Unrestricted Interest and Investment Earnings					10,830	17,006	27,836
Miscellaneous					68,794	-	68,794
Total General Revenues					746,689	17,006	763,695
Change in Net Position					(455,317)	549,137	93,820
Net Position - Beginning of Year					10,536,959	7,850,368	18,387,327
Net Position - End of Year					\$ 10,081,642	\$ 8,399,505	\$ 18,481,147

See accompanying Notes to Financial Statements.

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

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**CITY OF PORTOLA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General	State Transportation Improvement Plan	Gas Tax 2107	Snow Removal	Other Governmental Funds	Total
ASSETS						
Cash and Investments	\$ 2,649,508	\$ -	\$ 254	\$ 2,941	\$ 120,945	\$ 2,773,648
Imprest Cash	375	-	-	-	-	375
Notes Receivable	134,499	-	-	-	43,525	178,024
Accounts Receivable	59,955	-	-	-	-	59,955
Interest Receivable	4,264	-	-	-	191	4,455
Prepaid Expenses	-	9,331	-	-	-	9,331
Due From Other Funds	33,067	-	-	-	-	33,067
Due From Other Governmental Agencies	183,213	24,025	4,077	-	7,308	218,623
	<u>183,213</u>	<u>24,025</u>	<u>4,077</u>	<u>-</u>	<u>7,308</u>	<u>218,623</u>
Total Assets	<u>\$ 3,064,881</u>	<u>\$ 33,356</u>	<u>\$ 4,331</u>	<u>\$ 2,941</u>	<u>\$ 171,969</u>	<u>\$ 3,277,478</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 43,227	\$ -	\$ 1,914	\$ 1,843	\$ 1,731	\$ 48,715
Accrued Salaries and Benefits Payable	15,647	-	2,417	1,098	274	19,436
Unearned Revenue	224,609	-	-	-	-	224,609
Deposits From Others	10,080	-	-	-	-	10,080
Due to Other Funds	-	33,067	-	-	-	33,067
Total Liabilities	<u>293,563</u>	<u>33,067</u>	<u>4,331</u>	<u>2,941</u>	<u>2,005</u>	<u>335,907</u>
Deferred Inflows of Resources:						
Unavailable Revenue	127,127	-	-	-	-	127,127
Total Deferred Inflows of Resources	<u>127,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,127</u>
Fund Balance:						
Nonspendable	-	9,331	-	-	-	9,331
Restricted	95,061	-	-	-	129,150	224,211
Assigned	-	-	-	-	40,814	40,814
Unassigned	2,549,130	(9,042)	-	-	-	2,540,088
Total Fund Balance	<u>2,644,191</u>	<u>289</u>	<u>-</u>	<u>-</u>	<u>169,964</u>	<u>2,814,444</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3,064,881</u>	<u>\$ 33,356</u>	<u>\$ 4,331</u>	<u>\$ 2,941</u>	<u>\$ 171,969</u>	<u>\$ 3,277,478</u>

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, 2022**

Fund Balance - Total Governmental Funds (From Previous Page)	\$ 2,814,444
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.	7,120,634
Deferred Outflows of Resources as Reported in the Statement of Net Position	97,988
Deferred Inflows of Resources as Reported in the Statement of Net Position	(52,436)
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	127,127
Some Liabilities are not Due and Payable in the Current Period, and Therefore, are not Reported in the Governmental Funds:	
Compensated Absences	(18,143)
Net Pension Liability	<u>(7,972)</u>
Net Position of Governmental Activities	<u><u>\$ 10,081,642</u></u>

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, 2022

	General	State Transportation Improvement Plan	Gas Tax 2107	Snow Removal	Other Governmental Funds	Total
REVENUES						
Taxes	\$ 667,065	\$ -	\$ -	\$ -	\$ -	\$ 667,065
Licenses and Permits	62,473	-	-	-	-	62,473
Fines, Forfeitures and Penalties	200	-	-	-	-	200
Use of Money and Property	10,446	-	-	-	384	10,830
Intergovernmental	468,298	157,744	52,343	93,052	42,359	813,796
Charges for Services	41,479	-	-	-	-	41,479
Other Revenues	68,794	-	-	-	-	68,794
Total Revenues	<u>1,318,755</u>	<u>157,744</u>	<u>52,343</u>	<u>93,052</u>	<u>42,743</u>	<u>1,664,637</u>
EXPENDITURES						
Current:						
General Government	210,199	-	-	-	-	210,199
Planning and Community Development	167,805	-	-	-	37,581	205,386
Public Safety	408,802	-	38,321	-	-	447,123
Streets and Roads	-	159,361	136,121	277,661	1,069	574,212
Public Works	144,862	-	-	-	-	144,862
Parks and Recreation	205,205	-	-	-	-	205,205
Total Expenditures	<u>1,136,873</u>	<u>159,361</u>	<u>174,442</u>	<u>277,661</u>	<u>38,650</u>	<u>1,786,987</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	181,882	(1,617)	(122,099)	(184,609)	4,093	(122,350)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	9,085	122,099	171,431	-	302,615
Transfers Out	<u>(302,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(302,615)</u>
Total Other Financing Sources (Uses)	<u>(302,615)</u>	<u>9,085</u>	<u>122,099</u>	<u>171,431</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(120,733)	7,468	-	(13,178)	4,093	(122,350)
Fund Balances - Beginning of Year	<u>2,764,924</u>	<u>(7,179)</u>	<u>-</u>	<u>13,178</u>	<u>165,871</u>	<u>2,936,794</u>
Fund Balances - End of Year	<u>\$ 2,644,191</u>	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,964</u>	<u>\$ 2,814,444</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, 2022**

Net Change to Fund Balance - Total Governmental Funds \$ (122,350)

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	\$ 222,042	
Less: Current Year Depreciation	<u>(774,843)</u>	(552,801)

Revenues in the Statement of Activities That do not Provide Current Financial Resources are not Reported as Revenues in the Governmental Funds.	51,098
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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	5,100
Change in Accrued Net Pension Liability	<u>163,636</u>

Change in Net Position of Governmental Activities \$ (455,317)

CITY OF PORTOLA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
ASSETS				
Current Assets:				
Cash and Investments	\$ 2,271,151	\$ 1,689,683	\$ 557,474	\$ 4,518,308
Interest Receivable	4,214	3,105	881	8,200
Accounts Receivable	221,320	163,707	49,056	434,083
Prepaid Expenses	5,094	-	-	5,094
Restricted Assets:				
Restricted Cash	375,083	485,473	-	860,556
Total Current Assets	<u>2,876,862</u>	<u>2,341,968</u>	<u>607,411</u>	<u>5,826,241</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	170,057	50,446	31,422	251,925
Depreciable, Net	2,351,440	2,087,162	5,312	4,443,914
Total Noncurrent Assets	<u>2,521,497</u>	<u>2,137,608</u>	<u>36,734</u>	<u>4,695,839</u>
Total Assets	5,398,359	4,479,576	644,145	10,522,080
DEFERRED OUTFLOWS OF RESOURCES	88,408	75,543	11,769	175,720
LIABILITIES				
Current Liabilities:				
Accounts Payable	9,176	8,679	2,625	20,480
Accrued Salaries and Benefits Payable	8,488	5,702	727	14,917
Deposits	27,271	-	-	27,271
Accrued Interest	3,646	504	-	4,150
Liability for Compensated Absences	6,868	6,137	824	13,829
Notes Payable - Current Portion	33,000	-	-	33,000
Total Current Liabilities	<u>88,449</u>	<u>21,022</u>	<u>4,176</u>	<u>113,647</u>
Noncurrent Liabilities				
Liability for Compensated Absences	8,288	7,405	995	16,688
Landfill Closure and Postclosure	-	-	1,381,803	1,381,803
Notes Payable	677,829	-	-	677,829
Net Pension Liability	7,193	6,146	958	14,297
Total Noncurrent Liabilities	<u>693,310</u>	<u>13,551</u>	<u>1,383,756</u>	<u>2,090,617</u>
Total Liabilities	781,759	34,573	1,387,932	2,204,264
DEFERRED INFLOWS OF RESOURCES	47,309	40,424	6,298	94,031
NET POSITION				
Net Investment in Capital Assets	1,810,668	2,137,608	36,734	3,985,010
Restricted:				
Debt Service	68,362	-	-	68,362
Facility Fees	306,721	273,756	-	580,477
Capital Projects	-	211,716	-	211,716
Unrestricted	2,471,948	1,857,042	(775,050)	3,553,940
Total Net Position	<u>\$ 4,657,699</u>	<u>\$ 4,480,122</u>	<u>\$ (738,316)</u>	<u>\$ 8,399,505</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, 2022

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Water Service</u>	<u>Sewer Service</u>	<u>Solid Waste</u>	
OPERATING REVENUES				
Charges for Services	\$ 963,354	\$ 714,764	\$ 297,950	\$ 1,976,068
Total Operating Revenues	<u>963,354</u>	<u>714,764</u>	<u>297,950</u>	<u>1,976,068</u>
OPERATING EXPENSES				
Salaries and Wages	176,363	156,351	19,852	352,566
Services and Supplies	374,422	251,822	29,019	655,263
Landfill Closure Costs	-	-	115,319	115,319
Depreciation	153,497	127,006	3,145	283,648
Total Operating Expenses	<u>704,282</u>	<u>535,179</u>	<u>167,335</u>	<u>1,406,796</u>
Operating Income (Loss)	259,072	179,585	130,615	569,272
NONOPERATING REVENUE (EXPENSE)				
Interest Income (Loss)	8,691	6,720	1,595	17,006
Debt Service Interest and Fiscal Charges	<u>(37,141)</u>	<u>-</u>	<u>-</u>	<u>(37,141)</u>
Total Nonoperating Revenue (Expense)	<u>(28,450)</u>	<u>6,720</u>	<u>1,595</u>	<u>(20,135)</u>
Changes in Net Position	230,622	186,305	132,210	549,137
Net Position - Beginning of Year	<u>4,427,077</u>	<u>4,293,817</u>	<u>(870,526)</u>	<u>7,850,368</u>
Net Position - End of Year	<u>\$ 4,657,699</u>	<u>\$ 4,480,122</u>	<u>\$ (738,316)</u>	<u>\$ 8,399,505</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2022**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts From Customers	\$ 978,579	\$ 687,223	\$ 316,705	\$ 1,982,507
Cash Paid to Suppliers for Goods and Services	(400,788)	(247,143)	(78,337)	(726,268)
Cash Paid to Employees for Services	(307,090)	(276,209)	(37,179)	(620,478)
Net Cash Provided by Operating Activities	<u>270,701</u>	<u>163,871</u>	<u>201,189</u>	<u>635,761</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Repayments on Long-Term Debt	(32,000)	-	-	(32,000)
Interest Repayments Related to Capital Purposes	(37,141)	-	-	(37,141)
Payments Related to the Acquisition of Capital Assets	(6,867)	(10,335)	-	(17,202)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(76,008)</u>	<u>(10,335)</u>	<u>-</u>	<u>(86,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received or Paid	6,288	5,115	976	12,379
Net Cash Provided by Investing Activities	<u>6,288</u>	<u>5,115</u>	<u>976</u>	<u>12,379</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	200,981	158,651	202,165	561,797
Cash and Cash Equivalents - Beginning of Year	<u>2,445,253</u>	<u>2,016,505</u>	<u>355,309</u>	<u>4,817,067</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,646,234</u>	<u>\$ 2,175,156</u>	<u>\$ 557,474</u>	<u>\$ 5,378,864</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Cash Equivalents in Current Assets	\$ 2,271,151	\$ 1,689,683	\$ 557,474	\$ 4,518,308
Cash and Cash Equivalents in Restricted Assets	<u>375,083</u>	<u>485,473</u>	<u>-</u>	<u>860,556</u>
Total Cash and Cash Equivalents	<u>\$ 2,646,234</u>	<u>\$ 2,175,156</u>	<u>\$ 557,474</u>	<u>\$ 5,378,864</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2022**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 259,072	\$ 179,585	\$ 130,615	\$ 569,272
Adjustments to Reconcile Operating Income (Loss) to Cash Flows From Operating Activities:				
Depreciation	153,497	127,006	3,145	283,648
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Utilities Receivable	15,847	(27,541)	18,755	7,061
Customer Deposits	(622)	-	-	(622)
Prepaid Expenses	(5,094)	-	-	(5,094)
Deferred Outflows	17,345	21,418	1,816	40,579
Increase (Decrease) in:				
Accounts Payable	(21,272)	4,679	2,129	(14,464)
Accrued Expenses	1,687	(281)	(134)	1,272
Liability for Compensated Absences	(1,139)	(1,329)	(173)	(2,641)
Closure/Postclosure Liability	-	-	63,872	63,872
Net Pension Liability	(137,669)	(126,673)	(17,650)	(281,992)
Deferred Inflows	(10,951)	(12,993)	(1,186)	(25,130)
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 270,701</u>	 <u>\$ 163,871</u>	 <u>\$ 201,189</u>	 <u>\$ 635,761</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, 2022**

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, 2022.

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, 2022

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, 2022

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, 2022

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, 2022**

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, 2022, 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:

<u>Employee Status</u>	<u>Percent of Sick Hours Received</u>	<u>Percent of Vacation Hours Received</u>
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, 2022

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 position 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 position 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, 2022

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, 2022, total City cash and investments at fair value were as follows:

Petty Cash	\$	375
Cash in Bank		654,511
LAIF		7,498,001
Total		<u>\$ 8,152,887</u>

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Total cash and investments at June 30, 2022 were presented on the City's financial statements as follows:

Cash and Investments	\$ 7,291,956
Imprest Cash	375
Restricted Assets:	
Cash	860,556
Total	<u>\$ 8,152,887</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, 2022, the City had the following investments:

	<u>Par</u>	<u>Cost</u>	<u>Amortized Cost</u>
Investments:			
Local Agency Investment Fund (LAIF)	\$ 7,498,001	\$ 7,498,001	\$ 7,498,001
Total Investments	<u>\$ 7,498,001</u>	<u>\$ 7,498,001</u>	<u>\$ 7,498,001</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, 2022.

	<u>Moody's</u>	<u>Percent of Portfolio</u>
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, 2022, the recorded amount of the City's deposits was \$654,511 and the bank balance was \$450,910. Of the bank statement balance, \$250,000 was covered by federal depository insurance and \$200,910 was subject to collateralization.

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, the City's investment position in LAIF was \$7,489,001 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 \$234,469,950,028. Of that amount, 1.88% was invested in structured notes and asset-backed securities with the remaining 98.12% 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, 2022.

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, 2022, the outstanding balance was \$134,499. 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, 2022 is \$178,024.

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2022</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 746,277	\$ -	\$ -	\$ 746,277
Construction in Progress	329,081	157,744	(8,898)	477,927
Total Capital Assets, Not Being Depreciated	1,075,358	157,744	(8,898)	1,224,204
Capital Assets, Being Depreciated:				
Infrastructure	13,681,298	-	-	13,681,298
Buildings and Improvements	1,696,715	6,001	8,898	1,711,614
Machinery and Equipment	1,608,138	-	-	1,608,138
Intangible Assets	-	58,297	-	58,297
Total Capital Assets, Being Depreciated	16,986,151	64,298	8,898	17,059,347
Less: Accumulated Depreciation for:				
Infrastructure	(7,863,062)	(617,479)	-	(8,480,541)
Buildings and Improvements	(1,303,713)	(60,529)	-	(1,364,242)
Machinery and Equipment	(1,221,299)	(95,216)	-	(1,316,515)
Intangible Assets	-	(1,619)	-	(1,619)
Total Accumulated Depreciation	(10,388,074)	(774,843)	-	(11,162,917)
Total Capital Assets, Being Depreciated, Net	6,598,077	(710,545)	8,898	5,896,430
Governmental Activities Capital Assets, Net	<u>\$ 7,673,435</u>	<u>\$ (552,801)</u>	<u>\$ -</u>	<u>\$ 7,120,634</u>

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

<u>Business-Type Activities</u>	Balance July 1, 2021	Additions	Transfers and Retirements	Balance June 30, 2022
Capital Assets, Not Being Depreciated:				
Land	\$ 62,844	\$ -	\$ -	\$ 62,844
Construction in Progress	181,378	7,703	-	189,081
Total Capital Assets, Not Being Depreciated	244,222	7,703	-	251,925
Capital Assets, Being Depreciated:				
Buildings and Improvements	8,593,575	-	-	8,593,575
Machinery and Equipment	1,306,454	9,499	(4,057)	1,311,896
Total Capital Assets, Being Depreciated	9,900,029	9,499	(4,057)	9,905,471
Less: Accumulated Depreciation for:				
Buildings and Improvements	(4,082,026)	(226,689)	-	(4,308,715)
Machinery and Equipment	(1,099,940)	(56,959)	4,057	(1,152,842)
Total Accumulated Depreciation	(5,181,966)	(283,648)	4,057	(5,461,557)
Total Capital Assets, Being Depreciated, Net	4,718,063	(274,149)	-	4,443,914
Business-Type Activities, Net	<u>\$ 4,962,285</u>	<u>\$ (266,446)</u>	<u>\$ -</u>	<u>\$ 4,695,839</u>

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

Governmental Activities:	
General Government	\$ 25,583
Public Protection	33,622
Public Ways and Facilities	1,124
Streets and Roads	636,466
Recreation and Culture	78,048
Total Depreciation Expense - Governmental Activities	<u>\$ 774,843</u>
Business-Type Activities:	
Water Fund	\$ 153,497
Sewer Fund	127,006
Solid Waste Fund	3,145
Total Depreciation Expense - Business-Type Activities	<u>\$ 283,648</u>

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2022 consisted of the following:

<u>Business-Type Activities</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2022</u>
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	\$ 710,829
Total Business-Type Activities					<u>\$ 1,173,000</u>	<u>\$ 710,829</u>

The following is a summary of long-term liabilities transactions for the year ended June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Compensated Absences	\$ 23,243	\$ -	\$ (5,100)	\$ -	\$ 18,143	\$ 8,221
Total	<u>\$ 23,243</u>	<u>\$ -</u>	<u>\$ (5,100)</u>	<u>\$ -</u>	<u>\$ 18,143</u>	<u>\$ 8,221</u>
Business-Type Activities:						
Notes Payable from Direct Borrowing	\$ 742,829	\$ -	\$ (32,000)	\$ -	\$ 710,829	\$ 33,000
Postclosure Costs	1,317,931	115,319	(51,447)	-	1,381,803	-
Compensated Absences	33,158	-	(2,641)	-	30,517	13,829
Total	<u>\$ 2,093,918</u>	<u>\$ 115,319</u>	<u>\$ (86,088)</u>	<u>\$ -</u>	<u>\$ 2,123,149</u>	<u>\$ 46,829</u>

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

The City's outstanding note payable for business-type activities is secured by water service revenue. As of June 30, 2022, 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	\$ 33,000	\$ 35,550
2024	35,000	33,900
2025	37,000	32,150
2026	38,000	30,300
2027	40,000	28,400
2028-2032	233,000	109,850
2033-2037	294,829	45,550
Total	<u>\$ 710,829</u>	<u>\$ 315,700</u>

NOTE 7 INTERFUND TRANSACTIONS AND BALANCES

The composition of interfund balances as of June 30, 2022 is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	STIP	<u>\$ 33,067</u>	To cover cash deficit expected to be recovered through future revenues.

Transfers:

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, 2022:

<u>Transfer From</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Gax Tax 2107	\$ 122,099
	Snow Removal	171,431
	STIP	9,085
		<u>\$ 302,615</u>

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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>\$ (738,316)</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, 2022**

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, 2022, 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%	7.0%	6.75%
Required Employer Contribution Rates	13.350%	8.650%	7.590%
Status	Open	Open	Open

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, the City made contributions totaling \$112,052 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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2020 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>PEPRA</u>
Valuation Date	June 30, 2020	June 30, 2020
Measurement Date	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry-Age Normal	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service	
Investment Rate of Return	7.15%(1)	7.15%(1)
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, 2020 valuation were based on the results of a April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

2. Change of Assumption

In 2018, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

3. Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2022-2023 fiscal year. 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' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2022.

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2021	0.01147%
Proportion - June 30, 2022	0.11700%
Change - Increase/(Decrease)	0.00170%

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 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
Net Pension Liability	\$ 529,689	\$ 22,269	\$ (397,207)

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, 2022, the City recognized pension credit of \$318,126. Pension credit 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, 2022**

At June 30, 2022, 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
Differences Between Expected and Actual Experience	\$ 2,497	\$ -
Changes in Assumptions	-	-
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	70,506	63,697
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	19,440
Change in Employer's Proportion	88,653	63,330
City Contribution Subsequent to the Measurement Date	112,052	
Total	\$ 273,708	\$ 146,467

\$112,052 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, 2023. 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
2023	\$ 13,695
2024	5,781
2025	1,085
2026	(5,372)
Total	\$ 15,189

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, 2022

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, 2022, the City's estimated liability for postclosure maintenance costs for the landfill was \$1,381,803. 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, 2022

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

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, 2022.

NOTE 14 EXCESS EXPENDITURES OVER BUDGET

The City had expenditures that exceeded its budget in the General Fund by \$4,990.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF PORTOLA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/
(ASSET) AND RELATED RATIOS
YEAR ENDED JUNE 30, 2022**

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

Last 10 Fiscal Years*

	Reporting Date							
	<i>Measurement Date</i>							
	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
	<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>
Proportionate Share of the Net Pension Liability	\$ 22,269	\$ 483,829	\$ 391,142	\$ 709,707	\$ 708,789	\$ 577,890	\$ 394,917	\$ 237,694
Proportion of the Net Pension Liability	0.001%	0.011%	0.010%	0.019%	0.018%	0.017%	0.014%	0.010%
Covered Payroll	\$ 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	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	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
YEAR ENDED JUNE 30, 2022**

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

Last 10 Fiscal Years*

	<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	\$ 46,122	\$ 46,122	\$ 39,456	\$ 34,427	\$ 48,061	\$ 48,041	\$ 52,222	\$ 24,089
Contributions in Relation to the Actuarially Determined Contributions	<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>\$ (65,930)</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	\$ 156,624	\$ 152,062	\$ 167,300	\$ 194,362	\$ 181,423	\$ 259,958	\$ 317,876	\$ 337,555
Contributions as a Percentage of Covered Payroll	71.54%	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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 599,450	\$ 599,450	\$ 667,065	\$ 67,615
Licenses and Permits	65,400	65,400	62,473	(2,927)
Fines, Forfeitures and Penalties	200	200	200	-
Use of Money and Property	15,536	15,536	10,446	(5,090)
Intergovernmental	328,000	449,000	468,298	19,298
Charges for Services	11,500	11,500	41,479	29,979
Other Revenues	-	50,000	68,794	18,794
Total Revenues	<u>1,020,086</u>	<u>1,191,086</u>	<u>1,318,755</u>	<u>127,669</u>
EXPENDITURES				
Current:				
General Government	227,179	227,179	210,199	16,980
Planning and Community Development	81,100	181,100	167,805	13,295
Public Safety	343,610	391,882	408,802	(16,920)
Public Works	104,101	136,501	144,862	(8,361)
Parks and Recreation	164,374	195,221	205,205	(9,984)
Total Expenditures	<u>920,364</u>	<u>1,131,883</u>	<u>1,136,873</u>	<u>(4,990)</u>
Excess (Deficiency) of Revenues Over Expenditures	99,722	59,203	181,882	122,679
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(315,126)</u>	<u>(315,126)</u>	<u>(302,615)</u>	<u>12,511</u>
Total Other Financing Sources (Uses)	<u>(315,126)</u>	<u>(315,126)</u>	<u>(302,615)</u>	<u>12,511</u>
Net Change in Fund Balances	(215,404)	(255,923)	(120,733)	135,190
Fund Balances - Beginning of Year	<u>2,764,924</u>	<u>2,764,924</u>	<u>2,764,924</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 2,549,520</u>	<u>\$ 2,509,001</u>	<u>\$ 2,644,191</u>	<u>\$ 135,190</u>

CITY OF PORTOLA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
STATE TRANSPORTATION IMPROVEMENT FUND
FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 175,000	\$ 157,744	\$ (17,256)
Total Revenues	-	175,000	157,744	(17,256)
EXPENDITURES				
Current:				
Streets and Roads	10,000	178,000	159,361	18,639
Total Expenditures	10,000	178,000	159,361	18,639
Excess (Deficiency) of Revenues Over Expenditures	(10,000)	(3,000)	(1,617)	(35,895)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	9,085	9,085
Total Other Financing Sources (Uses)	-	-	9,085	9,085
Net Change in Fund Balances	(10,000)	(3,000)	7,468	10,468
Fund Balances - Beginning of Year	(7,179)	(7,179)	(7,179)	-
Fund Balances - End of Year	\$ (17,179)	\$ (10,179)	\$ 289	\$ 10,468

CITY OF PORTOLA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GAS TAX 2107 FUND
FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 55,443	\$ 55,443	\$ 52,343	\$ (3,100)
Total Revenues	<u>55,443</u>	<u>55,443</u>	<u>52,343</u>	<u>(3,100)</u>
EXPENDITURES				
Current:				
Public Safety	50,000	50,000	38,321	11,679
Streets and Roads	157,069	157,069	136,121	20,948
Total Expenditures	<u>207,069</u>	<u>207,069</u>	<u>174,442</u>	<u>32,627</u>
Excess (Deficiency) of Revenues Over Expenditures	(151,626)	(151,626)	(122,099)	29,527
OTHER FINANCING SOURCES (USES)				
Transfers In	151,626	151,626	122,099	(29,527)
Total Other Financing Sources (Uses)	<u>151,626</u>	<u>151,626</u>	<u>122,099</u>	<u>(29,527)</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 77,500	\$ 77,500	\$ 93,052	\$ 15,552
Total Revenues	<u>77,500</u>	<u>77,500</u>	<u>93,052</u>	<u>15,552</u>
EXPENDITURES				
Current:				
Streets and Roads	231,000	278,000	277,661	339
Total Expenditures	<u>231,000</u>	<u>278,000</u>	<u>277,661</u>	<u>339</u>
Excess (Deficiency) of Revenues Over Expenditures	(153,500)	(200,500)	(184,609)	15,891
OTHER FINANCING SOURCES (USES)				
Transfers In	153,500	153,500	171,431	17,931
Total Other Financing Sources (Uses)	<u>153,500</u>	<u>153,500</u>	<u>171,431</u>	<u>17,931</u>
Net Change in Fund Balances	-	(47,000)	(13,178)	33,822
Fund Balances - Beginning of Year	<u>13,178</u>	<u>13,178</u>	<u>13,178</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 13,178</u>	<u>\$ (33,822)</u>	<u>\$ -</u>	<u>\$ 33,822</u>

CITY OF PORTOLA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

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, 2022**

	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
ASSETS			
Cash and Investments	\$ 78,424	\$ 42,521	\$ 120,945
Due from Other Governments	7,308	-	7,308
Interest Receivable	124	67	191
Notes Receivable, Net	-	43,525	43,525
Total Assets	<u>\$ 85,856</u>	<u>\$ 86,113</u>	<u>\$ 171,969</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 231	\$ 1,500	\$ 1,731
Accrued Salaries and Benefits Payable	-	274	274
Total Liabilities	<u>231</u>	<u>1,774</u>	<u>2,005</u>
Fund Balance:			
Restricted	85,625	43,525	129,150
Assigned	-	40,814	40,814
Total Fund Balance	<u>85,625</u>	<u>84,339</u>	<u>169,964</u>
Total Liabilities and Fund Balance	<u>\$ 85,856</u>	<u>\$ 86,113</u>	<u>\$ 171,969</u>

**CITY OF PORTOLA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED JUNE 30, 2022**

	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
REVENUES			
Use of Money and Property	\$ 224	\$ 160	\$ 384
Intergovernmental	42,359	-	42,359
Total Revenues	<u>42,583</u>	<u>160</u>	<u>42,743</u>
EXPENDITURES			
Current:			
Streets and Roads	1,069	-	1,069
Planning and Community Development	-	37,581	37,581
Total Expenditures	<u>1,069</u>	<u>37,581</u>	<u>38,650</u>
Net Change in Fund Balances	41,514	(37,421)	4,093
Fund Balances - Beginning of Year	<u>44,111</u>	<u>121,760</u>	<u>165,871</u>
Fund Balances - End of Year	<u>\$ 85,625</u>	<u>\$ 84,339</u>	<u>\$ 169,964</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 the City of Portola (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 8, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Honorable Mayor and Council Members
City of Portola

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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* .

City of Portola’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
November 8, 2022

**CITY OF PORTOLA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020**

2022 – 001 Prepaid Expenditures and Receivables

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: CLA noted that the City incorrectly recorded transactions relating to the STIP North Loop Project, including understating prepaid expenses with a contractor, and overstating receivables related to claims to the state of California in the STIP Fund in the fund financial statements.

Criteria or specific requirement: Under generally accepted accounting principles, the government-wide 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. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recorded when they are both measurable and available to finance expenditures during the fiscal period.

Effect: Prepaid expenses were understated by \$9,331 expenses were overstated by \$9,331, and amounts due from other governments and intergovernmental revenue were overstated by \$16,978 in the STIP Fund. As a result, an adjustment was recorded to correctly reflect work performed on the STIP North Loop Project as of June 30, 2022.

Cause: The City utilizes a contractor to perform engineering services for the project and prepare reimbursement claims to be submitted to the state of California on behalf of the City for the project. The contractor is paid a flat rate through the City's payroll system as an advance against work performed, and the City reconciles actual amounts paid to the Contractor against claims submitted to the state of California for actual work performed. During the year, the contractor submitted a claim to the state of California which included expenses for reimbursement through July 31, 2022. The City accrued 100% of this claim as receivable at June 30, 2022, rather than just the portion applicable to the year ended June 30, 2022.

Repeat Finding: This is a repeat finding. Refer to finding 2021-001 in the prior year.

Recommendation: The City should develop a process to ensure that claims in the STIP Fund are submitted to the State on a timely basis, and to ensure that amounts paid to the contractor are accurately reconciled to actual work performed on a timely basis.

Views of responsible officials and planned corrective actions: The City agrees with the finding. While the City did work on reconciling the STIP fund and communicated more with the contractor, there is some additional work that will be done in the future. This fund will always be difficult to reconcile due to the nature and timing of the work and the payments. All services performed are 100% reimbursed by the State and there will be a final reconciliation once the project is completed and signed off by CalTrans.



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