

CITY OF PORTOLA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF PORTOLA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	4
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES	14
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
BALANCE SHEET	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION	16
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES	18
PROPRIETARY FUNDS	
STATEMENT OF FUND NET POSITION	19
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION	20
STATEMENT OF CASH FLOWS	21
NOTES TO FINANCIAL STATEMENTS	23
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS	45
SCHEDULE OF PENSION PLAN CONTRIBUTIONS	46
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	47

**CITY OF PORTOLA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

GENERAL FUND	
STATE TRANSPORTATION IMPROVEMENT FUND	48
GAS TAX 2107 FUND	49
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETS AND BUDGETARY ACCOUNTING	50
SUPPLEMENTARY INFORMATION	
COMBINING NONMAJOR FUND STATEMENTS	
NONMAJOR SPECIAL REVENUE FUNDS	
COMBINING BALANCE SHEET	52
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	53
OTHER REPORTS	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	54



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Council Members
City of Portola, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portola (City), as of and for the year ended June 30, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

Change in Fund Presentation from Major to Nonmajor

As discussed in note 15 to the financial statements, the snow removal fund, presented as a major fund in the prior year, is now presented as a nonmajor fund as it no longer meets the criteria to be a major fund in the current year. Our opinions are not modified with respect to this matter.

Honorable Mayor and Council Members
City of Portola

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 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 5, 2024, 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 5, 2024

THIS PAGE INTENTIONALLY LEFT BLANK

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

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, 2024. 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 \$19,423,953:

- \$11,612,012 represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets (net investment in capital assets).
- \$1,503,639 is available for the City's ongoing obligations related to programs with external restrictions (restricted net position).
- \$6,308,302 is available to fund City programs for citizens and debt obligations to creditors (unrestricted net position).

The City's total net position increased by \$1,557,887 from the prior year:

- The \$1,329,821 increase in net investment in capital assets represents infrastructure and other additions of \$2,168,441 less depreciation of \$997,881, and the retirement of related long-term debt of \$35,000.
- The \$350,950 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 \$2,698,775 was a decrease of \$19,053 from the prior year ending fund balance. Amounts available for spending include restricted and unassigned fund balances; these totaled \$2,698,775, or 100% of ending fund balance. Of this amount, \$315,406 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, 2024**

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 six individual governmental funds. On the financial statements for governmental funds, information is presented separately for the General Fund and for the Gas Tax, 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, 2024**

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, 2024 and 2023**

	Governmental Activities		Business-Type Activities		Total		Total	
	2024	2023	2024	2023	2024	2023	Dollar Change	Percent Change
Current and Other Assets	\$ 3,215,602	\$ 3,300,156	\$ 6,634,283	\$ 6,404,790	\$ 9,849,885	\$ 9,704,946	\$ 144,939	1%
Capital Assets	8,017,431	6,707,888	4,257,690	4,459,702	12,275,121	11,167,590	1,107,531	10%
Total Assets	<u>11,233,033</u>	<u>10,008,044</u>	<u>10,891,973</u>	<u>10,864,492</u>	<u>22,125,006</u>	<u>20,872,536</u>	<u>1,252,470</u>	<u>6%</u>
Deferred Outflows of Resources	168,769	189,928	302,643	362,678	471,412	552,606	(81,194)	-15%
Current and Other Liabilities	210,429	557,769	100,981	132,616	311,410	690,385	(378,975)	-55%
Long-Term Liabilities	285,327	252,603	2,502,538	2,519,970	2,787,865	2,772,573	15,292	1%
Total Liabilities	<u>495,756</u>	<u>810,372</u>	<u>2,603,519</u>	<u>2,652,586</u>	<u>3,099,275</u>	<u>3,462,958</u>	<u>(363,683)</u>	<u>-11%</u>
Deferred Inflows of Resources	26,203	33,035	46,987	63,083	73,190	268,695	(195,505)	-73%
Net Invested in Capital Assets	7,997,151	6,500,318	3,614,861	3,781,873	11,612,012	10,282,191	1,329,821	13%
Restricted:								
General Government	95,425	107,052	-	-	95,425	107,052	(11,627)	-11%
Community Development	43,525	43,525	-	-	43,525	43,525	-	0%
Streets and Roads	306,398	-	-	-	306,398	-	306,398	100%
Capital Improvements	168,443	133,279	227,654	218,667	396,097	351,946	44,151	13%
Debt Service	-	-	68,362	68,362	68,362	68,362	-	0%
Facility Fees	-	-	593,832	589,817	593,832	589,817	4,015	1%
Unrestricted	2,268,901	2,570,391	4,039,401	3,852,782	6,308,302	6,423,173	(114,871)	-2%
Total Net Position	<u>\$ 10,879,843</u>	<u>\$ 9,354,565</u>	<u>\$ 8,544,110</u>	<u>\$ 8,511,501</u>	<u>\$ 19,423,953</u>	<u>\$ 17,866,066</u>	<u>\$ 1,557,887</u>	<u>9%</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 7.78% of the total net position and are resources subject to external restrictions on how they may be used.

Unrestricted net position represents 32.44% 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, 2024**

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, 2024 and 2023**

	Governmental Activities		Business-Type Activities		Total		Total	
	2024	2023	2024	2023	2024	2023	Dollar Change	Percent Change
Program Revenues:								
Charges for Services	\$ 131,035	\$ 103,914	\$ 2,040,860	\$ 2,037,705	\$ 2,171,895	\$ 2,141,619	\$ 30,276	1%
Operating Grants and Contributions	1,255,312	810,575	-	20,000	1,255,312	830,575	424,737	51%
Capital Grants and Contributions	1,746,223	332,310	-	-	1,746,223	332,310	1,413,913	425%
General Revenues:								
Property Taxes	351,778	294,992	-	-	351,778	294,992	56,786	19%
Other Taxes	459,499	404,569	-	-	459,499	404,569	54,930	14%
Other Revenue	99,426	61,272	225,935	123,566	325,361	184,838	140,523	76%
Total Revenues	4,043,273	2,007,632	2,266,795	2,181,271	6,310,068	4,188,903	2,121,165	51%
Expenses:								
General Government	253,654	287,155	-	-	253,654	287,155	(33,501)	-12%
Planning and Community Development	147,866	133,190	-	-	147,866	133,190	14,676	11%
Public Safety	455,915	481,570	-	-	455,915	481,570	(25,655)	-5%
Streets and Roads	1,044,486	1,168,552	-	-	1,044,486	1,168,552	(124,066)	-11%
Public Works	325,155	381,014	-	-	325,155	381,014	(55,859)	-15%
Parks and Recreation	290,919	283,228	-	-	290,919	283,228	7,691	3%
Water Service	-	-	1,198,044	1,075,877	1,198,044	1,075,877	122,167	11%
Sewer Service	-	-	904,398	862,500	904,398	862,500	41,898	5%
Solid Waste	-	-	131,744	130,898	131,744	130,898	846	1%
Total Expenses	2,517,995	2,734,709	2,234,186	2,069,275	4,752,181	4,803,984	(51,803)	-1%
Change in Net Position	1,525,278	(727,077)	32,609	111,996	1,557,887	(615,081)	2,172,968	-353%
Net Position - July 1	9,354,565	10,081,642	8,511,501	8,399,505	17,866,066	18,481,147	(615,081)	-3%
Net Position - June 30	\$ 10,879,843	\$ 9,354,565	\$ 8,544,110	\$ 8,511,501	\$ 19,423,953	\$ 17,866,066	\$ 1,557,887	9%

- Governmental activities reported a \$1,525,278 increase in net position, and business-type activities reported an increase of \$32,609, for a net increase of \$1,557,887.

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, 2024, the City's governmental funds reported combined ending fund balances of \$2,698,775, 88.31% 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, 2024**

The General Fund is the main operating fund of the City. At June 30, 2024, total fund balance was \$2,774,087, 96.56% of which was available for spending. As measures of the general fund's liquidity, it is useful to note that available fund balance represents 228% 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.

Revenue Sources	Revenues Classified by Source Governmental Funds					
	2024		2023		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 811,277	22%	\$ 699,561	33%	\$ 111,716	16%
Licenses and Permits	79,594	2%	69,134	3%	10,460	15%
Fines and Forfeitures	13,208	0%	190	0%	13,018	6852%
Use of Money and Property	91,896	2%	54,414	3%	37,482	69%
Intergovernmental	2,719,696	72%	1,245,453	59%	1,474,243	118%
Charges for Services	38,233	1%	34,590	2%	3,643	11%
Other	7,530	0%	6,858	0%	672	10%
Total	<u>\$ 3,761,434</u>	<u>100%</u>	<u>\$ 2,110,200</u>	<u>100%</u>	<u>\$ 1,651,234</u>	<u>78%</u>

Significant changes for major revenue sources are explained below.

- Secured Property Tax increased \$56,786, Sales Tax increased \$33,629, and Other Taxes increased \$21,301.
- Licenses and Permits and Fines and Forfeitures both increased because building permits increased \$5,675 and franchise fees increased \$16,857 from the prior year amount and business licenses decreased by \$499.
- There was an increase in the Use of Money and Property due to increased interest rates.
- Intergovernmental includes an increase of \$67,510 in Snow Removal Funds based on the expenses from the prior year, a decrease of \$94,268 in Coronavirus Relief Funds used and an increase of \$1,413,913 in reimbursements from the State for STIP projects based on work completed by the Contractor. In addition, there was an increase in the COPS funding of \$151,430 due to an updated calculation for prior years and a decrease in grant funding of \$66,495.
- Charges for Services had a slight increase due to the City Pool being open more days a week than the prior year.

**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

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

	Expenditures by Function Governmental Funds					
	2024		2023		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government	\$ 224,317	6%	\$ 215,290	10%	\$ 9,027	4%
Planning and Community Development	137,913	4%	112,812	5%	25,101	22%
Public Safety	421,516	11%	448,508	20%	(26,992)	-6%
Streets and Roads	2,481,169	65%	867,162	39%	1,614,007	186%
Public Works	302,173	8%	324,841	15%	(22,668)	-7%
Parks and Recreation	213,399	6%	238,203	11%	(24,804)	-10%
Total Expenditures	<u>\$ 3,780,487</u>	<u>100%</u>	<u>\$ 2,206,816</u>	<u>100%</u>	<u>\$ 1,573,671</u>	<u>71%</u>

Significant changes for major functions are explained below:

- General government had a slight increase overall. There was a slight increase in City Manager total and City Attorney and a decrease in Public records requests not being tracked. Various other minor changes
- Planning and Community Development had a decrease in Grant expenditures. There was an increase in Local Agency Formation Commission (LAFCO) fees of \$17,883 and an increase in Professional Services due to additional planning work.
- Public safety has a number of changes that make up this \$26,992 decrease. The Fire department had a decrease partly due to expenditures decreasing related to the PG&E settlement funds, Local Emergency Services Study Group (LESSG) funds and the winding down of the Fire department in anticipation of the consolidation. Law enforcement had a decrease due to the code enforcement contract termination.
- In Street and Roads, the STIP Fund construction phase for the North Loop project continued with an increase of \$1,708,019 and snow removal expenses were reduced due to a dryer winter.
- Public Works had changes that netted to the small decrease. The work on the Community Cleanup State and Local Fiscal Recovery project was reduced by \$112,918 but consulting on the Gulling St. Bridge began and was \$42,835. Payroll was higher by \$25,648, gas and electric was higher by \$3,097. The purchase of tax lien sale properties of \$18,650 was included under ARPA as that is where it was funded.
- Parks and Recreation decreased as the additional costs for damages to the City parks due to the heavy winter was in the prior year. The prior year also had a Riverwalk paving project.
- 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, 2024, the proprietary (enterprise) funds net position was a combined \$8,544,110 with a net investment in capital assets of \$3,614,861 and an unrestricted net position of \$4,039,401.

**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

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 2023-2024 budget had projected the use of \$215,345 of the General Fund's fund balance to eliminate a shortfall of revenues over expenditures.

After amending the budget for the fiscal year 2023/2024 General Fund revenues were more than budget by \$132,155 and General Fund expenditures were \$190,209 less than budgeted. While the City had originally budgeted a decrease of \$215,345 in fund balance the final fund balance was an increase of \$258,474. The City received additional revenue in Sales Tax, prior years Supplemental Law Enforcement Services funding, Secured property tax and Transient Occupancy Tax.

The major special revenue funds include Streets, and the North Loop STIP project. It is difficult to budget the North Loop project ahead of time as these projects can be programmed and go on for years.

VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The change in capital assets for the Governmental Activities totaled \$1,309,543, net of depreciation for an ending balance of \$8,017,431.

Business-type capital assets for the fiscal year ending June 30, 2024, were \$4,257,690, net of depreciation. This is a decrease in capital assets of \$202,012. 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, 2024**

B. Long-Term Debt

At June 30, 2024, the City had long-term debt outstanding of \$642,829. This is a decrease over June 30, 2023 of \$35,000. 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 2024-2025 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. Step increases were included and the budget included a 3.6% cost of living increase. The critical need to maintain healthy cash balances is always in the forefront of finance discussions. The City has been able to fund major projects in advance of reimbursements because of the balances that it currently maintains. This has been evident with the construction phase of the North Loop project.

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

The Gulling Street bridge is in need of scour mitigation and the City is pursuing funding availability including FEMA funding that was previously applied for but has not been obligated, the Caltrans Highway Bridge Program and other possibilities for repairs to the bridge.

Even with no increase in staffing the General Fund supports the services necessary for the residents of Portola, including parks, planning, building, streets, snow removal, animal control, and law enforcement through a Sheriff's contract for services. The City no longer has a Fire Department as the new consolidated Fire District, Beckwourth Peak Fire Protection District, began on July 1, 2024. The City has a contract Planner who assists the City in required documents such as the Local Hazard Mitigation Plan and the General Plan and Housing Elements. These are complex processes with a multitude of regulations and compliance requirements.

In the 2024-2025 budget the City included a Community Engagement Officer for code enforcement, abandoned vehicle abatement and other services to the community. The City continues to utilize contract services for code enforcement and abandoned vehicle abatement on a limited basis to train the new employee.

**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2024**

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

With regard to the City Enterprise Funds the effects and impacts of changing state and federal government regulation is a constant challenge, but the major challenge the Enterprise Funds face is the aging infrastructure in the City. This was never more evident than after the major storms. In the 2024-2025 budget Water and Sewer rates were not increased. While the Council has been able to reduce the Solid Waste Administration fees over the past few years it was not able to do so in the upcoming budget due to challenges with administering the Solid Waste Franchise agreement. The Landfill closure fee is reserved for future needs at the landfill. The Enterprise Funds are "business-type" activities whose expenses need to be covered by the rate payers. The City Council will continue to review the need for any future rate increases each year during the budget process. Staff and the City Council are always looking for funding opportunities for infrastructure and have been working for quite some time toward that goal. A grant through the Clean Water State Revolving Fund is being worked on by a team that includes California State University, Pace Engineer, City Staff and the State Water Resources Control Board. There is currently no timeline for funding.

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.

THIS PAGE INTENTIONALLY LEFT BLANK

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF PORTOLA
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Investments	\$ 2,624,798	\$ 5,224,238	\$ 7,849,036
Restricted Assets:			
Restricted Cash	-	889,848	889,848
Imprest Cash	375	-	375
Accounts Receivable	21,077	457,244	478,321
Interest Receivable	26,869	62,953	89,822
Due from Other Governments	424,400	-	424,400
Loans and Notes Receivable, Net	118,083	-	118,083
Capital Assets:			
Nondepreciable	3,612,231	188,896	3,801,127
Depreciable, Net	4,405,200	4,068,794	8,473,994
Total Assets	<u>11,233,033</u>	<u>10,891,973</u>	<u>22,125,006</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pensions	168,769	302,643	471,412
LIABILITIES			
Accounts Payable	75,421	51,019	126,440
Accrued Salaries and Benefits Payable	14,688	16,664	31,352
Deposits	6,433	33,298	39,731
Unearned Revenue	113,887	-	113,887
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	7,886	17,421	25,307
Notes Payable	-	37,000	37,000
Portion Due or Payable After One Year:			
Compensated Absences	13,108	28,954	42,062
Notes Payable	-	605,829	605,829
Liability for Landfill Postclosure	-	1,339,325	1,339,325
Net Pension Liability	264,333	474,009	738,342
Total Liabilities	<u>495,756</u>	<u>2,603,519</u>	<u>3,099,275</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pensions	26,203	46,987	73,190
NET POSITION			
Net Investment in Capital Assets	7,997,151	3,614,861	11,612,012
Restricted:			
General Government	95,425	-	95,425
Community Development	43,525	-	43,525
Streets and Roads	306,398	-	306,398
Capital Improvements	168,443	227,654	396,097
Facility Fees	-	593,832	593,832
Debt Service	-	68,362	68,362
Unrestricted	<u>2,268,901</u>	<u>4,039,401</u>	<u>6,308,302</u>
Total Net Position	<u>\$ 10,879,843</u>	<u>\$ 8,544,110</u>	<u>\$ 19,423,953</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

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	\$ 253,654	\$ 57,886	\$ 303,450	\$ -	\$ 107,682	\$ -	\$ 107,682
Planning and Community Development	147,866	420	52,418	-	(95,028)	-	(95,028)
Public Safety	455,915	34,495	275,382	-	(146,038)	-	(146,038)
Streets and Roads	1,044,486	-	306,398	1,746,223	1,008,135	-	1,008,135
Public Works	325,155	-	317,664	-	(7,491)	-	(7,491)
Parks and Recreation	290,919	38,234	-	-	(252,685)	-	(252,685)
Total Governmental Activities	2,517,995	131,035	1,255,312	1,746,223	614,575	-	614,575
Business-Type Activities:							
Water Service	1,198,044	1,011,154	-	-	-	(186,890)	(186,890)
Sewer Service	904,398	751,734	-	-	-	(152,664)	(152,664)
Solid Waste	131,744	277,972	-	-	-	146,228	146,228
Total Business-Type Activities	2,234,186	2,040,860	-	-	-	(193,326)	(193,326)
Total City of Portola	\$ 4,752,181	\$ 2,171,895	\$ 1,255,312	\$ 1,746,223	614,575	(193,326)	421,249
General Revenues							
Taxes:							
Property Taxes					351,778	-	351,778
Sales and Use Taxes					364,140	-	364,140
Other					95,359	-	95,359
Unrestricted Interest and Investment Earnings					91,896	225,935	317,831
Miscellaneous					7,530	-	7,530
Total General Revenues					910,703	225,935	1,136,638
Change in Net Position					1,525,278	32,609	1,557,887
Net Position - Beginning of Year					9,354,565	8,511,501	17,866,066
Net Position - End of Year					\$ 10,879,843	\$ 8,544,110	\$ 19,423,953

See accompanying Notes to Financial Statements.

THIS PAGE INTENTIONALLY LEFT BLANK

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF PORTOLA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General	State Transportation Improvement Plan	Gas Tax 2107	Other Governmental Funds	Total
ASSETS					
Cash and Investments	\$ 2,422,873	\$ -	\$ 8,951	\$ 192,974	\$ 2,624,798
Imprest Cash	375	-	-	-	375
Notes Receivable	74,558	-	-	43,525	118,083
Accounts Receivable	21,077	-	-	-	21,077
Interest Receivable	24,925	-	-	1,944	26,869
Due from Other Funds	295,293	-	-	-	295,293
Due from Other Governmental Agencies	103,470	306,398	5,087	9,445	424,400
	<u>103,470</u>	<u>306,398</u>	<u>5,087</u>	<u>9,445</u>	<u>424,400</u>
Total Assets	<u>\$ 2,942,571</u>	<u>\$ 306,398</u>	<u>\$ 14,038</u>	<u>\$ 247,888</u>	<u>\$ 3,510,895</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 39,051	\$ -	\$ 9,313	\$ 24,810	\$ 73,174
Accrued Salaries and Benefits Payable	9,113	-	4,725	850	14,688
Accrued Expenses	-	-	-	2,247	2,247
Unearned Revenue	113,887	-	-	-	113,887
Deposits from Others	6,433	-	-	-	6,433
Due to Other Funds	-	295,293	-	-	295,293
Total Liabilities	<u>168,484</u>	<u>295,293</u>	<u>14,038</u>	<u>27,907</u>	<u>505,722</u>
Deferred Inflows of Resources:					
Unavailable Revenue	-	306,398	-	-	306,398
Total Deferred Inflows of Resources	-	<u>306,398</u>	-	-	<u>306,398</u>
Fund Balance:					
Restricted	95,425	-	-	211,968	307,393
Assigned	-	-	-	8,013	8,013
Unassigned	2,678,662	(295,293)	-	-	2,383,369
Total Fund Balance	<u>2,774,087</u>	<u>(295,293)</u>	<u>-</u>	<u>219,981</u>	<u>2,698,775</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,942,571</u>	<u>\$ 306,398</u>	<u>\$ 14,038</u>	<u>\$ 247,888</u>	<u>\$ 3,510,895</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, 2024**

Fund Balance - Total Governmental Funds (From Previous Page)	\$ 2,698,775
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.	8,017,431
Deferred Outflows of Resources as Reported in the Statement of Net Position	168,769
Deferred Inflows of Resources as Reported in the Statement of Net Position	(26,203)
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	306,398
Some Liabilities are not Due and Payable in the Current Period, and therefore, are not Reported in the Governmental Funds:	
Compensated Absences	(20,994)
Net Pension Liability	(264,333)
Net Position of Governmental Activities	\$ 10,879,843

See accompanying Notes to Financial Statements.

CITY OF PORTOLA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General	State Transportation Improvement Plan	Gas Tax 2107	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 811,277	\$ -	\$ -	\$ -	\$ 811,277
Licenses and Permits	79,594	-	-	-	79,594
Fines, Forfeitures, and Penalties	13,208	-	-	-	13,208
Use of Money and Property	85,410	-	-	6,486	91,896
Intergovernmental	655,809	1,746,223	59,630	258,034	2,719,696
Charges for Services	38,233	-	-	-	38,233
Other Revenues	7,530	-	-	-	7,530
Total Revenues	<u>1,691,061</u>	<u>1,746,223</u>	<u>59,630</u>	<u>264,520</u>	<u>3,761,434</u>
EXPENDITURES					
Current:					
General Government	224,317	-	-	-	224,317
Planning and Community Development	120,257	-	-	17,656	137,913
Public Safety	356,251	-	65,265	-	421,516
Streets and Roads	-	2,041,805	168,423	270,941	2,481,169
Public Works	302,173	-	-	-	302,173
Parks and Recreation	213,399	-	-	-	213,399
Total Expenditures	<u>1,216,397</u>	<u>2,041,805</u>	<u>233,688</u>	<u>288,597</u>	<u>3,780,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	474,664	(295,582)	(174,058)	(24,077)	(19,053)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	174,058	42,132	216,190
Transfers Out	(216,190)	-	-	-	(216,190)
Total Other Financing Sources (Uses)	<u>(216,190)</u>	<u>-</u>	<u>174,058</u>	<u>42,132</u>	<u>-</u>
Net Change in Fund Balances	258,474	(295,582)	-	18,055	(19,053)
Fund Balances - Beginning of Year	<u>2,515,613</u>	<u>289</u>	<u>-</u>	<u>201,926</u>	<u>2,717,828</u>
Fund Balances - End of Year	<u>\$ 2,774,087</u>	<u>\$ (295,293)</u>	<u>\$ -</u>	<u>\$ 219,981</u>	<u>\$ 2,698,775</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
YEAR ENDED JUNE 30, 2024**

Net Change to Fund Balance - Total Governmental Funds \$ (19,053)

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	\$ 2,060,455	
Less: Current Year Depreciation	<u>(750,912)</u>	1,309,543

Revenues in the Statement of Activities That do not Provide Current Financial Resources are not Reported as Revenues in the Governmental Funds.	281,839
---	---------

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	7,186
Change in Accrued Net Pension Liability	<u>(54,237)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 1,525,278</u></u>
--	----------------------------

**CITY OF PORTOLA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
ASSETS				
Current Assets:				
Cash and Investments	\$ 2,454,514	\$ 1,856,798	\$ 912,926	\$ 5,224,238
Interest Receivable	29,203	24,341	9,409	62,953
Accounts Receivable	249,304	173,071	34,869	457,244
Restricted Assets:				
Restricted Cash	383,113	506,735	-	889,848
Total Current Assets	<u>3,116,134</u>	<u>2,560,945</u>	<u>957,204</u>	<u>6,634,283</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	126,052	31,422	31,422	188,896
Depreciable, Net	2,188,695	1,878,148	1,951	4,068,794
Total Noncurrent Assets	<u>2,314,747</u>	<u>1,909,570</u>	<u>33,373</u>	<u>4,257,690</u>
Total Assets	5,430,881	4,470,515	990,577	10,891,973
DEFERRED OUTFLOWS OF RESOURCES	152,265	130,109	20,269	302,643
LIABILITIES				
Current Liabilities:				
Accounts Payable	17,728	19,387	13,904	51,019
Accrued Salaries and Benefits Payable	10,475	4,823	1,366	16,664
Deposits	33,298	-	-	33,298
Liability for Compensated Absences	9,365	6,861	1,195	17,421
Notes Payable - Current Portion	37,000	-	-	37,000
Total Current Liabilities	<u>107,866</u>	<u>31,071</u>	<u>16,465</u>	<u>155,402</u>
Noncurrent Liabilities:				
Liability for Compensated Absences	15,566	11,402	1,986	28,954
Landfill Closure and Postclosure	-	-	1,339,325	1,339,325
Notes Payable	605,829	-	-	605,829
Net Pension Liability	238,483	203,781	31,745	474,009
Total Noncurrent Liabilities	<u>859,878</u>	<u>215,183</u>	<u>1,373,056</u>	<u>2,448,117</u>
Total Liabilities	967,744	246,254	1,389,521	2,603,519
DEFERRED INFLOWS OF RESOURCES	23,640	20,200	3,147	46,987
NET POSITION				
Net Investment in Capital Assets	1,671,918	1,909,570	33,373	3,614,861
Restricted:				
Debt Service	68,362	-	-	68,362
Facility Fees	314,751	279,081	-	593,832
Capital Improvements	-	227,654	-	227,654
Unrestricted	2,536,731	1,917,865	(415,195)	4,039,401
Total Net Position	<u>\$ 4,591,762</u>	<u>\$ 4,334,170</u>	<u>\$ (381,822)</u>	<u>\$ 8,544,110</u>

See accompanying Notes to Financial Statements.

CITY OF PORTOLA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024

	<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	<u>\$ 1,011,154</u>	<u>\$ 751,734</u>	<u>\$ 277,972</u>	<u>\$ 2,040,860</u>
Total Operating Revenues	1,011,154	751,734	277,972	2,040,860
OPERATING EXPENSES				
Salaries and Wages	458,351	331,031	52,142	841,524
Services and Supplies	566,202	466,252	29,958	1,062,412
Landfill Closure Costs	-	-	49,390	49,390
Depreciation	<u>139,600</u>	<u>107,115</u>	<u>254</u>	<u>246,969</u>
Total Operating Expenses	<u>1,164,153</u>	<u>904,398</u>	<u>131,744</u>	<u>2,200,295</u>
Operating Income (Loss)	(152,999)	(152,664)	146,228	(159,435)
NONOPERATING REVENUE (EXPENSE)				
Interest Income (Loss)	107,059	87,104	31,772	225,935
Debt Service Interest and Fiscal Charges	<u>(33,891)</u>	<u>-</u>	<u>-</u>	<u>(33,891)</u>
Total Nonoperating Revenue (Expense)	<u>73,168</u>	<u>87,104</u>	<u>31,772</u>	<u>192,044</u>
Changes in Net Position	(79,831)	(65,560)	178,000	32,609
Net Position - Beginning of Year	<u>4,671,593</u>	<u>4,399,730</u>	<u>(559,822)</u>	<u>8,511,501</u>
Net Position - End of Year	<u>\$ 4,591,762</u>	<u>\$ 4,334,170</u>	<u>\$ (381,822)</u>	<u>\$ 8,544,110</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	\$ 1,004,621	\$ 763,693	\$ 290,428	\$ 2,058,742
Cash Paid to Suppliers for Goods and Services	(584,525)	(486,301)	(101,974)	(1,172,800)
Cash Paid to Employees for Services	(417,715)	(292,724)	(42,354)	(752,793)
Net Cash Provided (Used) by Operating Activities	2,381	(15,332)	146,100	133,149
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Repayments on Long-Term Debt	(35,000)	-	-	(35,000)
Interest Repayments Related to Capital Purposes	(33,891)	-	-	(33,891)
Payments Related to the Acquisition of Capital Assets	(107,986)	-	-	(107,986)
Net Cash Provided by Capital and Related Financing Activities	(176,877)	-	-	(176,877)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Payments Received	98,528	79,262	27,697	205,487
Loss on Disposal of Asset	44,005	19,024	-	63,029
Net Cash Provided by Investing Activities	142,533	98,286	27,697	268,516
NET INCREASE IN CASH AND CASH EQUIVALENTS	(31,963)	82,954	173,797	224,788
Cash and Cash Equivalents - Beginning of Year	2,869,590	2,280,579	739,129	5,889,298
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,837,627</u>	<u>\$ 2,363,533</u>	<u>\$ 912,926</u>	<u>\$ 6,114,086</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Cash Equivalents in Current Assets	\$ 2,454,514	\$ 1,856,798	\$ 912,926	\$ 5,224,238
Cash and Cash Equivalents in Restricted Assets	383,113	506,735	-	889,848
Total Cash and Cash Equivalents	<u>\$ 2,837,627</u>	<u>\$ 2,363,533</u>	<u>\$ 912,926</u>	<u>\$ 6,114,086</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024**

	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)	\$ (152,999)	\$ (152,664)	\$ 146,228	\$ (159,435)
Adjustments to Reconcile Operating Income (Loss) to Cash Flows from Operating Activities:				
Depreciation	139,600	107,115	254	246,969
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Utilities Receivable	(8,672)	11,959	12,456	15,743
Customer Deposits	2,139	-	-	2,139
Deferred Outflows	39,547	22,964	(2,476)	60,035
Increase (Decrease) in:				
Accounts Payable	(18,323)	(20,049)	9,993	(28,379)
Accrued Expenses	(3,781)	(2,003)	389	(5,395)
Liability for Compensated Absences	2,760	864	1,103	4,727
Closure/Postclosure Liability	-	-	(32,619)	(32,619)
Net Pension Liability	11,833	22,907	10,720	45,460
Deferred Inflows	(9,723)	(6,425)	52	(16,096)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,381</u>	<u>\$ (15,332)</u>	<u>\$ 146,100</u>	<u>\$ 133,149</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, 2024**

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, 2024.

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, 2024

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 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 post closure 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, 2024

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 right-to-use 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 60 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, 2024

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, 2024**

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 inputs 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, 2024, no balance has been provided as an allowance for doubtful accounts because in the opinion of management all receivables are considered collectible.

K. Compensated Absences

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

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

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

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

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

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

L. Pensions

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

M. Deferred Outflows/Inflows of Resources

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

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

N. New Accounting Pronouncements

For the fiscal year ended June 30, 2024, the City implemented the following Governmental Accounting Standards Board (GASB) Statement:

- GASB Statement No. 100, Accounting Changes and Error Corrections. In June of 2022, the GASB issued GASB Statement No. 100, Accounting Changes and Error Corrections. This standard requires the effects on beginning balances for each accounting change or error correction to be disclosed by reporting unit in a tabular format that reconciles beginning balances as previously reported to beginning balances adjusted or restated. The City adopted the requirements of the guidance effective July 1, 2023, and has applied the provision of this standard to the beginning of the period of adoption. The results of this implementation are discussed in note 15.

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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 or other liabilities 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.

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.

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, total City cash and investments at fair value were as follows:

Petty Cash	\$ 375
Cash in Bank	778,129
LAIF	7,960,755
Total	<u>\$ 8,739,259</u>

Total cash and investments at June 30, 2024 were presented on the City's financial statements as follows:

Cash and Investments	\$ 7,849,036
Imprest Cash	375
Restricted Assets:	
Cash	889,848
Total	<u>\$ 8,739,259</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, 2024, the City had the following investments:

	<u>Par</u>	<u>Cost</u>	<u>Amortized Cost</u>
Investments:			
Local Agency Investment Fund (LAIF)	\$ 7,960,755	\$ 7,960,755	\$ 7,960,755
Total Investments	<u>\$ 7,960,755</u>	<u>\$ 7,960,755</u>	<u>\$ 7,960,755</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, 2024.

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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

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, 2024, the recorded amount of the City's deposits was \$778,129 and the bank balance was \$837,950. Of the bank statement balance, \$250,000 was covered by federal depository insurance and \$587,950 was subject to collateralization.

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, 2024, the City's investment position in LAIF was \$7,960,755 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 \$179,046,993.600. Of that amount, 81.33% was invested in structured notes and asset-backed securities with the remaining 18.67% 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, 2024.

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, 2024, the outstanding balance was \$74,558. 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, 2024 is \$118,083.

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

<u>Governmental Activities</u>	<u>Balance July 01, 2023</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2024</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 746,277	\$ 18,650	\$ -	\$ 764,927
Construction in Progress	805,499	2,041,805	-	2,847,304
Total Capital Assets, Not Being Depreciated	1,551,776	2,060,455	-	3,612,231
Capital Assets, Being Depreciated:				
Infrastructure	13,713,793	-	-	13,713,793
Buildings and Improvements	1,711,614	-	-	1,711,614
Machinery and Equipment	1,608,138	-	-	1,608,138
Intangible Assets	58,297	-	-	58,297
Total Capital Assets, Being Depreciated	17,091,842	-	-	17,091,842
Less: Accumulated Depreciation for:				
Infrastructure	(9,096,665)	(617,207)	-	(9,713,872)
Buildings and Improvements	(1,422,295)	(56,078)	-	(1,478,373)
Machinery and Equipment	(1,395,719)	(58,194)	-	(1,453,913)
Intangible Assets	(21,051)	(19,433)	-	(40,484)
Total Accumulated Depreciation	(11,935,730)	(750,912)	-	(12,686,642)
Total Capital Assets, Being Depreciated, Net	5,156,112	(750,912)	-	4,405,200
Governmental Activities Capital Assets, Net	<u>\$ 6,707,888</u>	<u>\$ 1,309,543</u>	<u>\$ -</u>	<u>\$ 8,017,431</u>

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

<u>Business-Type Activities</u>	<u>Balance July 01, 2023</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance June 30, 2024</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 62,844	\$ -	\$ -	\$ 62,844
Construction in Progress	189,081	-	(63,029)	126,052
Total Capital Assets, Not Being Depreciated	251,925	-	(63,029)	188,896
Capital Assets, Being Depreciated:				
Buildings and Improvements	8,593,575	59,724	-	8,653,299
Machinery and Equipment	1,306,832	48,262	-	1,355,094
Total Capital Assets, Being Depreciated	9,900,407	107,986	-	10,008,393
Less: Accumulated Depreciation for:				
Buildings and Improvements	(4,513,304)	(203,066)	-	(4,716,370)
Machinery and Equipment	(1,179,326)	(43,903)	-	(1,223,229)
Total Accumulated Depreciation	(5,692,630)	(246,969)	-	(5,939,599)
Total Capital Assets, Being Depreciated, Net	4,207,777	(138,983)	-	4,068,794
Business-Type Activities, Net	<u>\$ 4,459,702</u>	<u>\$ (138,983)</u>	<u>\$ (63,029)</u>	<u>\$ 4,257,690</u>

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

Governmental Activities:	
General Government	\$ 41,448
Public Protection	30,005
Public Ways and Facilities	1,124
Streets and Roads	600,815
Recreation and Culture	77,520
Total Depreciation Expense - Governmental Activities	<u>\$ 750,912</u>
Business-Type Activities:	
Water Fund	\$ 139,600
Sewer Fund	107,115
Solid Waste Fund	254
Total Depreciation Expense - Business-Type Activities	<u>\$ 246,969</u>

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 6 LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2024 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, 2024</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	\$ 642,829
Total Business-Type Activities					<u>\$ 1,173,000</u>	<u>\$ 642,829</u>

The following is a summary of long-term liabilities transactions for the year ended June 30, 2024:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 28,180	\$ 7,886	\$ (15,072)	\$ 20,994	\$ 7,886
Total	<u>\$ 28,180</u>	<u>\$ 7,886</u>	<u>\$ (15,072)</u>	<u>\$ 20,994</u>	<u>\$ 7,886</u>
Business-Type Activities:					
Notes Payable from					
Direct Borrowing	\$ 677,829	\$ -	\$ (35,000)	\$ 642,829	\$ 37,000
Postclosure Costs	1,371,944	49,390	(82,009)	1,339,325	-
Compensated Absences	41,648	17,421	(12,694)	46,375	17,421
Total	<u>\$ 2,093,918</u>	<u>\$ 66,811</u>	<u>\$ (129,703)</u>	<u>\$ 2,028,529</u>	<u>\$ 54,421</u>

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

The City's outstanding note payable for business-type activities is secured by water service revenue. As of June 30, 2024, 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
2025	\$ 37,000	\$ 32,150
2026	38,000	32,150
2027	40,000	30,300
2028	42,000	28,400
2029	44,000	26,400
2030-2034	257,000	98,200
2035-2037	184,829	30,800
Total	\$ 642,829	\$ 278,400

NOTE 7 INTERFUND TRANSACTIONS AND BALANCES

The composition of interfund balances as of June 30, 2024 is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	STIP	<u>\$ 295,293</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, 2024:

Transfer from	Transfer to	Amount
General Fund	Gax Tax 2107	\$ 174,058
	Non-Major Governmental Funds	42,132
		\$ 216,190

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 8 FUND DISCLOSURES

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

Governmental Funds:	
STIP	<u>\$ (295,293)</u>
Enterprise Funds:	
Solid Waste Fund	<u>\$ (381,822)</u>

The Solid Waste Fund has incurred a deficit net position balance as a result of recognition of the estimated liability for the landfill post closure 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 PEPRM 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, 2024**

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 of 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, 2024, are summarized as follows:

	<u>Miscellaneous Tier I</u>	<u>Miscellaneous Tier II</u>	<u>PEPRA</u>
Hire Date	Prior to July 1, 2012	On or After July 1, 2012	On or After January 2, 2013
Benefit Formula	2.7% at 55	2.0% at 60	2.0% at 62
Benefit Vesting Schedule	5 Years of Credited Service	5 Years of Credited Service	5 Years of Credited Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50	50	52
Monthly Benefits, as % of Eligible Compensation	2.0%-2.7%	1.1%-2.4%	1.0%-2.5%
Required Employee Contribution Rates	8.0%	6.93%	7.75%
Required Employer Contribution Rates	15.170%	8.630%	7.680%
Status	Open	Open	Open

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, the City made contributions totaling \$120,338 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, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 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, 2022 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>PEPRA</u>
Valuation Date	June 30, 2022	June 30, 2022
Measurement Date	June 30, 2023	June 30, 2023
Actuarial Cost Method	Entry-Age Normal	
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Payroll Growth	2.80%	2.80%
Projected Salary Increase	Varies by Entry Age and Service	
Investment Rate of Return	6.80%	6.80%
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, 2022 valuation were based on the results of a 2022 actuarial experience study for the period 2000 to 2019. Further details of the Experience Study can be found on the CalPERS website.

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

2. Change of Assumption

Demographic assumptions and the inflation rate assumption were changed in accordance with the 2022 CalPERS Experience Study and Review of Actuarial Assumptions.

3. Discount Rate

Effective with the June 30, 2022 valuation date (2023 measurement date), the accounting discount rate was remained the same at 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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

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

The long-term expected rate of return includes both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of 1%.

The long-term expected real rates by asset class can be found in CalPERS' Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023.

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

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:

	<u>Miscellaneous</u>
Proportion - June 30, 2023	0.01395%
Proportion - June 30, 2024	0.01403%
Change - Increase/(Decrease)	0.00008%

C. Changes in the Net Pension Liability

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

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

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Net Pension Liability	\$ 1,331,614	\$ 738,342	\$ 250,029

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, 2024, the City recognized pension expense of \$263,976. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

**CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

At June 30, 2024, 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	\$ 37,719	\$ 5,851
Changes in Assumptions	44,577	-
Differences Between Employer's Contributions and Proportionate Share of Contributions	-	67,339
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	119,544	-
Change in Employer's Proportion City Contribution Subsequent to the Measurement Date	120,338	-
Total	<u>\$ 471,412</u>	<u>\$ 73,190</u>

\$120,338 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, 2025. 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,	Outflows/(Inflows) of Resources
2024	\$ 113,356
2025	72,819
2026	88,279
2027	3,430
Total	<u>\$ 277,884</u>

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

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

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 LANDFILL CLOSURE AND POST CLOSURE 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 30 years after closure. GASB Statement No. 18 requires a portion of these closure and post closure 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, 2024, the City's estimated liability for post closure maintenance costs for the landfill was \$1,339,325. 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 post closure 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 post closure 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, 2024**

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

NOTE 13 COMMITMENTS AND CONTINGENCIES

A. Construction Commitments

At June 30, 2024, the City has commitments of approximately \$1.3 million for construction contracts, awarded but not completed. The major contract outstanding is for the completion of the STIP North Loop Project. All costs on this project are 100% reimbursable by the State.

B. Litigation

The City is subject to various lawsuits, inverse condemnation cases, personnel actions, and other actions incidental to the ordinary course of City operations. In the opinion of the City attorney, the total potential claims against the City covered by insurance resulting from litigation would not materially affect the financial statements of the City at June 30, 2024.

NOTE 14 EXCESS EXPENDITURES OVER BUDGET

The City had expenditures that exceeded its budget in the Gas Tax Fund by \$18,945.

NOTE 15 ACCOUNTING CHANGES

Change in Fund Presentation from Major to Nonmajor

The Snow Removal Fund previously met the criteria to be reported as a major governmental fund. However, effective July 1, 2023, the fund no longer met the criteria to be reported as a major fund and is reported as a nonmajor governmental fund for the fiscal year ended June 30, 2024. There was no effect as a result of that change to the financial reporting entity as the fund did not have any fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PORTOLA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/
(ASSET) AND RELATED RATIOS
YEAR ENDED JUNE 30, 2024

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

Last 10 Fiscal Years

	Reporting Date Measurement Date									
	6/30/2024 6/30/2023	6/30/2023 6/30/2022	6/30/2022 6/30/2021	6/30/2021 6/30/2020	6/30/2020 6/30/2019	6/30/2019 6/30/2018	6/30/2018 6/30/2017	6/30/2017 6/30/2016	6/30/2016 6/30/2015	6/30/2015 6/30/2014
Proportionate Share of the Net Pension Liability	\$ 738,342	\$ 652,972	\$ 22,269	\$ 483,829	\$ 391,142	\$ 709,707	\$ 708,789	\$ 577,890	\$ 394,917	\$ 237,694
Proportion of the Net Pension Liability	0.014%	0.014%	0.001%	0.011%	0.010%	0.019%	0.018%	0.017%	0.014%	0.010%
Covered Payroll	\$ 169,537	\$ 164,599	\$ 152,062	\$ 167,300	\$ 194,362	\$ 181,423	\$ 259,958	\$ 317,876	\$ 337,555	\$ 580,058
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	435.5%	396.7%	14.6%	289.2%	201.2%	391.2%	272.7%	181.8%	117.0%	41.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.97%	78.19%	90.49%	77.71%	77.73%	77.69%	75.39%	75.87%	79.89%	81.15%

**CITY OF PORTOLA
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
YEAR ENDED JUNE 30, 2024**

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

Last 10 Fiscal Years

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially Determined Contribution	\$ 69,588	\$ 56,192	\$ 41,694	\$ 46,122	\$ 39,456	\$ 34,427	\$ 48,061	\$ 48,041	\$ 52,222	\$ 24,089
Contributions in Relation to the Actuarially Determined Contributions	<u>120,338</u>	<u>118,141</u>	<u>112,052</u>	<u>97,709</u>	<u>94,059</u>	<u>471,085</u>	<u>64,595</u>	<u>45,970</u>	<u>43,236</u>	<u>41,882</u>
Contributions Deficiency (Excess)	<u>\$ (50,750)</u>	<u>\$ (61,949)</u>	<u>\$ (70,358)</u>	<u>\$ (51,587)</u>	<u>\$ (54,603)</u>	<u>\$ (436,658)</u>	<u>\$ (16,534)</u>	<u>\$ 2,071</u>	<u>\$ 8,986</u>	<u>\$ (17,793)</u>
Covered Payroll	\$ 174,623	\$ 169,537	\$ 164,599	\$ 152,062	\$ 167,300	\$ 194,362	\$ 181,423	\$ 259,958	\$ 317,876	\$ 337,555
Contributions as a Percentage of Covered Payroll	68.91%	69.68%	68.08%	64.26%	56.22%	242.37%	35.60%	17.68%	13.60%	12.41%

CITY OF PORTOLA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 626,850	\$ 736,850	\$ 811,277	\$ 74,427
Licenses and Permits	66,400	66,400	79,594	13,194
Fines, Forfeitures, and Penalties	75	75	13,208	13,133
Use of Money and Property	41,581	81,581	85,410	3,829
Intergovernmental	498,000	628,000	655,809	27,809
Charges for Services	19,000	31,000	38,233	7,233
Other Revenues	15,000	15,000	7,530	(7,470)
Total Revenues	<u>1,266,906</u>	<u>1,558,906</u>	<u>1,691,061</u>	<u>132,155</u>
EXPENDITURES				
Current:				
General Government	243,085	243,085	224,317	18,768
Planning and Community Development	120,637	120,637	120,257	380
Public Safety	401,873	401,873	356,251	45,622
Public Works	240,044	422,812	302,173	120,639
Parks and Recreation	218,199	218,199	213,399	4,800
Total Expenditures	<u>1,223,838</u>	<u>1,406,606</u>	<u>1,216,397</u>	<u>190,209</u>
Excess (Deficiency) of Revenues Over Expenditures	43,068	152,300	474,664	322,364
OTHER FINANCING SOURCES (USES)				
Transfers Out	(258,413)	(258,413)	(216,190)	42,223
Total Other Financing Sources (Uses)	<u>(258,413)</u>	<u>(258,413)</u>	<u>(216,190)</u>	<u>42,223</u>
Net Change in Fund Balances	(215,345)	(106,113)	258,474	364,587
Fund Balances - Beginning of Year	<u>2,515,613</u>	<u>2,515,613</u>	<u>2,515,613</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 2,300,268</u>	<u>\$ 2,409,500</u>	<u>\$ 2,774,087</u>	<u>\$ 364,587</u>

CITY OF PORTOLA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
STATE TRANSPORTATION IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 2,050,000	\$ 1,746,223	\$ (303,777)
Total Revenues	<u>-</u>	<u>2,050,000</u>	<u>1,746,223</u>	<u>(303,777)</u>
EXPENDITURES				
Current:				
Streets and Roads	10,000	2,050,000	2,041,805	8,195
Total Expenditures	<u>10,000</u>	<u>2,050,000</u>	<u>2,041,805</u>	<u>8,195</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,000)	-	(295,582)	(311,972)
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	10,000	-	(10,000)
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Net Change in Fund Balances	-	10,000	(295,582)	(305,582)
Fund Balances - Beginning of Year	<u>289</u>	<u>289</u>	<u>289</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 289</u>	<u>\$ 10,289</u>	<u>\$ (295,293)</u>	<u>\$ (305,582)</u>

**CITY OF PORTOLA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GAS TAX 2107 FUND
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 58,667	\$ 58,667	\$ 59,630	\$ 963
Total Revenues	<u>58,667</u>	<u>58,667</u>	<u>59,630</u>	<u>963</u>
EXPENDITURES				
Current:				
Public Safety	39,000	39,000	65,265	(26,265)
Streets and Roads	<u>125,743</u>	<u>175,743</u>	<u>168,423</u>	<u>7,320</u>
Total Expenditures	<u>164,743</u>	<u>214,743</u>	<u>233,688</u>	<u>(18,945)</u>
Excess (Deficiency) of Revenues Over Expenditures	(106,076)	(156,076)	(174,058)	(17,982)
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>106,076</u>	<u>156,076</u>	<u>174,058</u>	<u>17,982</u>
Total Other Financing Sources (Uses)	<u>106,076</u>	<u>156,076</u>	<u>174,058</u>	<u>17,982</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
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024**

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.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

NONMAJOR SPECIAL REVENUE FUNDS

**CITY OF PORTOLA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2024**

	Snow Removal	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
ASSETS				
Cash and Investments	\$ 3,951	\$ 179,678	\$ 9,345	\$ 192,974
Due from Other Governments	-	9,445	-	9,445
Interest Receivable	-	1,847	97	1,944
Notes Receivable, Net	-	-	43,525	43,525
	<u>3,951</u>	<u>190,970</u>	<u>52,967</u>	<u>247,888</u>
Total Assets	<u>\$ 3,951</u>	<u>\$ 190,970</u>	<u>\$ 52,967</u>	<u>\$ 247,888</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 3,180	\$ 20,280	\$ 1,350	\$ 24,810
Accrued Salaries and Benefits Payable	771	-	79	850
Accrued Expenses	-	2,247	-	2,247
Total Liabilities	<u>3,951</u>	<u>22,527</u>	<u>1,429</u>	<u>27,907</u>
Fund Balance:				
Restricted	-	168,443	43,525	211,968
Assigned	-	-	8,013	8,013
Total Fund Balance	<u>-</u>	<u>168,443</u>	<u>51,538</u>	<u>219,981</u>
Total Liabilities and Fund Balance	<u>\$ 3,951</u>	<u>\$ 190,970</u>	<u>\$ 52,967</u>	<u>\$ 247,888</u>

**CITY OF PORTOLA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2024**

	Snow Removal	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
REVENUES				
Use of Money and Property	\$ -	\$ 5,939	\$ 547	\$ 6,486
Intergovernmental	203,841	54,193	-	258,034
Total Revenues	<u>203,841</u>	<u>60,132</u>	<u>547</u>	<u>264,520</u>
EXPENDITURES				
Current:				
Streets and Roads	245,973	24,968	-	270,941
Planning and Community Development	-	-	17,656	17,656
Total Expenditures	<u>245,973</u>	<u>24,968</u>	<u>17,656</u>	<u>288,597</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	42,132	-	-	42,132
Total Other Financing Sources (Uses)	<u>42,132</u>	<u>-</u>	<u>-</u>	<u>42,132</u>
Net Change in Fund Balances	-	35,164	(17,109)	18,055
Fund Balances - Beginning of Year	-	133,279	68,647	201,926
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 168,443</u>	<u>\$ 51,538</u>	<u>\$ 219,981</u>

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER REPORTS

THIS PAGE INTENTIONALLY LEFT BLANK



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

Honorable Mayor and Council Members
Portola, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Portola (City), as of and for the year ended June 30, 2024, 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 5, 2024.

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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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

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

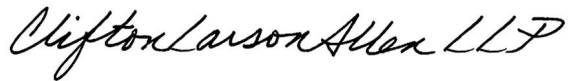
Honorable Mayor and Council Members
City of Portola

Report on Compliance and Other Matters

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Roseville, California
November 5, 2024



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.