



MEETING DATE: November 12, 2025

FROM: Susan Scarlett

RE: City of Portola 2024-2025 Audit

BACKGROUND:

The annual audit for the 2024-2025 Fiscal Year was issued on October 16, 2025. An electronic copy is attached and will be posted to the City website once accepted by the City Council. Also attached is the GANN letter and the Governance Communication letter.

RECOMMENDATION:

Review of the City audit and acceptance by the City Council

ATTACHMENTS:

- A. FINAL 2025 FINANCIAL STATEMENTS
- B. 2025 GOVERNANCE LETTER
- C. 2025 CITY OF PORTOLA GANN AUP REPORT-1

**CITY OF PORTOLA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025**



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Council Members
City of Portola, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portola (City), as of and for the year ended June 30, 2025, 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, 2025, 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 State Transportation Improvement Plan 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 October 16, 2025, 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

CliftonLarsonAllen LLP

Roseville, California
October 16, 2025

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

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**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2025**

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, 2025. 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 \$21,010,179:

- \$13,284,538 represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets (net investment in capital assets).
- \$1,443,851 is available for the City's ongoing obligations related to programs with external restrictions (restricted net position).
- \$6,281,790 is available to fund City programs for citizens and debt obligations to creditors (unrestricted net position).

The City's total net position increased by \$1,586,226 from the prior year:

- The \$1,672,526 increase in net investment in capital assets represents infrastructure and other additions of \$3,062,506 less depreciation of \$1,194,110, and the retirement of related long-term debt of \$37,000.
- The \$89,788 decrease 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 \$2,808,503 was an increase of \$109,728 from the prior year ending fund balance. Amounts available for spending include restricted and unassigned fund balances; these totaled \$2,808,503, or 100% of ending fund balance. Of this amount, \$342,823 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, 2025**

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 fund. 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, 2025

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, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total		Total	
	2025	2024	2025	2024	2025	2024	Dollar Change	Percent Change
	\$ 3,152,587	\$ 3,215,602	\$ 6,889,802	\$ 6,634,283	\$ 10,042,389	\$ 9,849,885	\$ 192,504	2%
Current and Other Assets	7,510,910	8,017,431	6,379,457	4,257,690	13,890,367	12,275,121	1,615,246	13%
Capital Assets	<u>10,663,497</u>	<u>11,233,033</u>	<u>13,269,259</u>	<u>10,891,973</u>	<u>23,932,756</u>	<u>22,125,006</u>	<u>1,807,750</u>	<u>8%</u>
Total Assets								
Deferred Outflows of Resources	124,350	168,769	230,936	302,643	355,286	471,412	(116,126)	-25%
Current and Other Liabilities	153,384	210,429	123,304	100,981	276,688	311,410	(34,722)	-11%
Long-Term Liabilities	281,752	285,327	2,665,903	2,502,538	2,947,655	2,787,865	159,790	6%
Total Liabilities	<u>435,136</u>	<u>495,756</u>	<u>2,789,207</u>	<u>2,603,519</u>	<u>3,224,343</u>	<u>3,099,275</u>	<u>125,068</u>	<u>4%</u>
Deferred Inflows of Resources	18,733	26,203	34,787	46,987	53,520	73,190	(19,670)	-27%
Net Investment in Capital Assets	7,510,910	7,997,151	5,773,628	3,614,861	13,284,538	11,612,012	1,672,526	14%
Restricted:								
General Government	121,773	95,425	-	-	121,773	95,425	26,348	28%
Community Development	43,525	43,525	-	-	43,525	43,525	-	0%
Streets and Roads	-	306,398	-	-	-	306,398	(306,398)	-100%
Capital Improvements	212,877	168,443	239,012	227,654	451,889	396,097	55,792	14%
Debt Service	-	-	68,362	68,362	68,362	68,362	-	0%
Facility Improvements	-	-	603,171	593,832	603,171	593,832	9,339	2%
Public Works	2,275	-	-	-	2,275	-	2,275	100%
Public Safety	1,484	-	-	-	1,484	-	1,484	100%
Parks and Recreation	151,372	-	-	-	151,372	-	151,372	100%
Unrestricted	<u>2,289,762</u>	<u>2,268,901</u>	<u>3,992,028</u>	<u>4,039,401</u>	<u>6,281,790</u>	<u>6,308,302</u>	<u>(26,512)</u>	<u>0%</u>
Total Net Position	<u>\$ 10,333,978</u>	<u>\$ 10,879,843</u>	<u>\$ 10,676,201</u>	<u>\$ 8,544,110</u>	<u>\$ 21,010,179</u>	<u>\$ 19,423,953</u>	<u>\$ 1,586,226</u>	<u>8%</u>

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

Restricted net position represents 6.87% of the total net position and are resources subject to external restrictions on how they may be used.

Unrestricted net position represents 29.90% 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, 2025

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, 2025 and 2024										
	Governmental Activities		Business-Type Activities		Total		Dollar Change		Percent Change	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Program Revenues:										
Charges for Services	\$ 108,828	\$ 131,035	\$ 2,099,799	\$ 2,040,860	\$ 2,208,627	\$ 2,171,895	\$ 36,732	\$ 36,732	2%	
Operating Grants and Contributions	978,568	1,255,312	53,932	-	1,032,500	1,255,312	(222,812)	(222,812)	-18%	
Capital Grants and Contributions	39,276	1,746,223	2,452,094	-	2,491,370	1,746,223	745,147	745,147	43%	
General Revenues:										
Property Taxes	334,163	351,778	-	-	334,163	351,778	(17,615)	(17,615)	-5%	
Other Taxes	442,038	459,499	-	-	442,038	459,499	(17,461)	(17,461)	-4%	
Other Revenue	115,560	99,426	258,839	225,935	374,399	325,361	49,038	49,038	15%	
Total Revenues	<u>2,018,433</u>	<u>4,043,273</u>	<u>4,864,664</u>	<u>2,266,795</u>	<u>6,883,097</u>	<u>6,310,068</u>	<u>573,029</u>	<u>573,029</u>	9%	
Expenses:										
General Government	333,638	253,654	-	-	333,638	253,654	79,984	79,984	32%	
Planning and										
Community Development	145,358	147,866	-	-	145,358	147,866	(2,508)	(2,508)	-2%	
Public Safety	464,357	455,915	-	-	464,357	455,915	8,442	8,442	2%	
Streets and Roads	1,038,760	1,044,486	-	-	1,038,760	1,044,486	(5,726)	(5,726)	-1%	
Public Works	437,252	325,155	-	-	437,252	325,155	112,097	112,097	34%	
Parks and Recreation	144,933	290,919	-	-	144,933	290,919	(145,986)	(145,986)	-50%	
Water Service	-	-	1,413,719	1,198,044	1,413,719	1,198,044	215,675	215,675	18%	
Sewer Service	-	-	948,993	904,398	948,993	904,398	44,595	44,595	5%	
Solid Waste	-	-	369,861	131,744	369,861	131,744	238,117	238,117	181%	
Total Expenses	<u>2,564,298</u>	<u>2,517,995</u>	<u>2,732,573</u>	<u>2,234,186</u>	<u>5,296,871</u>	<u>4,752,181</u>	<u>544,690</u>	<u>544,690</u>	11%	
Change in Net Position	(545,865)	1,525,278	2,132,091	32,609	1,586,226	1,557,887	28,339	28,339	2%	
Net Position - July 1	<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>1,557,887</u>	9%	
Net Position - June 30	<u>\$ 10,333,978</u>	<u>\$ 10,879,843</u>	<u>\$ 10,676,201</u>	<u>\$ 8,544,110</u>	<u>\$ 21,010,179</u>	<u>\$ 19,423,953</u>	<u>\$ 1,586,226</u>	<u>\$ 1,586,226</u>	8%	

- Governmental activities reported a \$545,865 decrease in net position, and business-type activities reported an increase of \$2,132,091, for a net increase of \$1,586,226.

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, 2025, the City's governmental funds reported combined ending fund balances of \$2,808,503, 87.79% 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, 2025

The General Fund is the main operating fund of the City. At June 30, 2025, total fund balance was \$2,551,884, of which \$2,465,680 (96.62%) was available for spending. As measures of the general fund's liquidity, it is useful to note that available fund balance represents 164% 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.

Revenues Classified by Source
Governmental Funds

Revenue Sources	2025		2024		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 776,201	36%	\$ 811,277	22%	\$ (35,076)	-4%
Licenses and Permits	72,452	3%	79,594	2%	(7,142)	-9%
Fines and Forfeitures	3,201	0%	13,208	0%	(10,007)	-76%
Use of Money and Property	111,855	5%	91,896	2%	19,959	22%
Intergovernmental	1,133,542	53%	2,719,696	72%	(1,586,154)	-58%
Charges for Services	33,175	2%	28,233	1%	4,942	18%
Other	3,705	0%	7,530	0%	(3,825)	-51%
Total	\$ 2,134,131	100%	\$ 3,751,434	100%	\$ (1,617,303)	-43%

Significant changes for major revenue sources are explained below.

- Secured Property Tax of \$35,569 was not received in 2024-2025 in time to be recognized.
- There was a small decrease in Licenses and Permits. This was primarily due to a decrease in franchise fees of \$17,593 offset by an increase in building permits of \$13,958 and a decrease of \$2,904 in business licenses. Fines and forfeitures included Abandoned Vehicle Abatement funds which decreased due to an overpayment by the County which is reflect in a payable to the County.
- There was an increase in the Use of Money and Property due to increased interest rates.
- Intergovernmental revenue includes a decrease of \$83,354 in Snow Removal Funds based on the expenses from the prior year, a decrease of \$64,259 in Coronavirus Relief Funds used, and a decrease of \$1,439,826 in reimbursements from the State for STIP projects as the project was primarily completed in FY23/24, and a decrease in the COPS funding of \$56,767 as the prior year included an adjustment. Funds from AB2766 of \$39,275 and from CRRSSA funding of \$21,200 were an increase.
- Charges for Services increased due to an increase in swim lessons and concessions at the City pool.

CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2025

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

Expenditures by Function
Governmental Funds

	2025		2024		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General Government	\$ 297,301	15%	\$ 224,317	6%	\$ 72,984	33%
Planning and Community Development	141,510	7%	137,913	4%	3,597	3%
Public Safety	347,081	17%	421,516	11%	(74,435)	-18%
Streets and Roads	432,647	21%	2,481,169	66%	(2,048,522)	-83%
Public Works	420,070	21%	302,173	8%	117,897	39%
Parks and Recreation	385,794	19%	213,399	6%	172,395	81%
Total Expenditures	<u>\$ 2,024,403</u>	<u>100%</u>	<u>\$ 3,780,487</u>	<u>100%</u>	<u>\$ (1,756,084)</u>	<u>-46%</u>

Significant changes for major functions are explained below:

- General government had an increase of \$39,111 in attorney fees due to ongoing litigation and public records requests resulting in staff time of \$14,213. Various other minor changes include conferences, travel, and training of new personnel.
- Planning and Community Development had a decrease in Grant expenditures of \$21,316. There was a decrease in Local Agency Formation Commission (LAFCO) fees of \$17,326 and an increase in Professional Services of \$42,291 due to additional planning work including the Housing element and the Local Hazard mitigation plan.
- Public safety had two major changes that make up the majority of this \$74,435 decrease. The Fire department is no longer under the City and is part of Beckwourth Peak Fire Protection District. This was a decrease of \$159,457. The City had an increase in law enforcement of \$79,400 due to hiring a Public Engagement Office and actively working on code enforcement.
- In Street and Roads, the STIP Fund construction phase for the North Loop project was completed for a decrease of \$ 2,032,501 and snow removal expenses were reduced by \$37,359 due to a dryer winter.
- Public works included an increase in consulting on the Gulling St. Bridge of \$127,057. There was a decrease in the use of ARPA funds by \$64,260. The expenditures of the AB2766 grant from Northern Sierra Air Quality were \$39,276. Payroll had an increase of \$6,384.
- Parks and Recreation increased as overall costs of the City pool were \$46,822 higher. In 2025 the City applied for the Prop 68 grant for vault toilets at the Riverwalk which was \$150,222. Excluding the grant funded project, overall park costs were down \$26,754.
- 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, 2025, the proprietary (enterprise) funds net position was a combined \$10,676,201 with a net investment in capital assets of \$5,773,628 and an unrestricted net position of \$3,992,028.

**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2025**

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 2024-2025 budget had projected the use of \$71,687.28 of the General Fund's fund balance to eliminate a shortfall of revenues over expenditures.

Budget amendments were done during the fiscal year which increased the budgeted revenue by \$247,349.05 and budgeted expenditures by \$463,718.37. The majority of these increases were unanticipated revenue and projects that were not in the original budget.

After amending the budget for the fiscal year 2024/2025 General Fund revenues were more than budget by \$36,709 and General Fund expenditures were \$31,995 more than budgeted. While the City had originally budgeted a decrease of \$71,687.28 in fund balance the final fund balance was a use of \$222,203. This difference is reflective of expenditures that were in the 2024-2025 fiscal year but the revenue was not received until the 2025-2026 year to be able to offset the decrease. Approximately \$300,000 in revenue from two sources, reimbursement from Prop 68 and funding from the Transportation Commission, would have offset the decrease.

VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The change in capital assets for the Governmental Activities totaled \$506,521, net of depreciation for an ending balance of \$7,510,910.

Business-type capital assets for the fiscal year ending June 30, 2025, were \$6,379,457, net of depreciation. This is a increase in capital assets of \$2,121,767. 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, 2025**

B. Long-Term Debt

At June 30, 2025, the City had long-term debt outstanding of \$605,829. This is a decrease over June 30, 2024 of \$37,000. 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 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 2025-2026 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 are every other year and will be included again in 2026-2027. The budget included a 2.44% cost of living increase for full time employees. 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 and will be again with the Rio Grande 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 State Transportation Improvement Program projects (STIP).

The Gulling Street bridge is in need of scour mitigation and the City pursued funding including FEMA funding. The funding was obligated and the City worked to design countermeasures to temporarily repair the bridge. The City has applied to the Caltrans Highway Bridge Program for funding for more permanent repairs to the bridge.

The City has been setting aside Road Maintenance and Repair funding from SB1 in order to do larger maintenance and repair projects on the City streets. These efforts are ongoing and projects are now been completed with a dedicated crew to accomplish the repairs.

The City was awarded up to \$177,952 through the California Drought, Parks, Climate, Coastal Protection and Outdoor Access for All Act of 2018. The City Council used the funding in 2024-2025 for two vault toilets at the Riverwalk Park. These opportunities are extremely important to utilize.

**CITY OF PORTOLA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2025**

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 and daily needs such as lot line adjustments. The Local Hazard Mitigation Plan, the General Plan and Housing Elements are examples of the complex processes with a multitude of regulations and compliance requirements that the contract planner performs.

In the 2025-2026 budget the City includes 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 and to address complicated situations.

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 2025-2026 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 continuing to be 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. The Lake Davis Water Treatment Plant was deeded to the City of Portola and was added as an asset in the water fund.

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

VIII. REQUESTS FOR INFORMATION

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

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

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CITY OF PORTOLA
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government		
	Governmental Activities		Business-Type Activities
			Totals
ASSETS			
Cash and Investments	\$ 2,675,202	\$ 5,385,480	\$ 8,060,682
Restricted Assets:			
Restricted Cash	-	910,545	910,545
Imprest Cash	375	-	375
Accounts Receivable	19,151	516,577	535,728
Interest Receivable	27,534	61,526	89,060
Due from Other Governments	342,445	15,674	358,119
Loans and Notes Receivable, Net	87,880	-	87,880
Capital Assets:			
Nondepreciable	844,387	62,844	907,231
Depreciable, Net	6,666,523	6,316,613	12,983,136
Total Assets	<u>10,663,497</u>	<u>13,269,259</u>	<u>23,932,756</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pensions	<u>124,350</u>	<u>230,936</u>	<u>355,286</u>
LIABILITIES			
Accounts Payable	62,583	68,853	131,436
Accrued Salaries and Benefits Payable	29,872	19,402	49,274
Deposits	6,433	35,049	41,482
Unearned Revenue	54,496	-	54,496
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	17,591	33,631	51,222
Notes Payable	-	38,000	38,000
Portion Due or Payable After One Year:			
Compensated Absences	9,842	18,815	28,657
Notes Payable	-	567,829	567,829
Liability for Landfill Postclosure	-	1,535,320	1,535,320
Net Pension Liability	<u>254,319</u>	<u>472,308</u>	<u>726,627</u>
Total Liabilities	<u>435,136</u>	<u>2,789,207</u>	<u>3,224,343</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pensions	18,733	34,787	53,520
NET POSITION			
Net Investment in Capital Assets	7,510,910	5,773,628	13,284,538
Restricted:			
General Government	121,773	-	121,773
Community Development	43,525	-	43,525
Streets and Roads	-	-	-
Capital Improvements	212,877	239,012	451,889
Facility Improvements	-	603,171	603,171
Debt Service	-	68,362	68,362
Public Works	2,275	-	2,275
Public Safety	1,484	-	1,484
Parks and Recreation	151,372	-	151,372
Unrestricted	<u>2,289,762</u>	<u>3,992,028</u>	<u>6,281,790</u>
Total Net Position	<u>\$ 10,333,978</u>	<u>\$ 10,676,201</u>	<u>\$ 21,010,179</u>

See accompanying Notes to Financial Statements.

CITY OF PORTOLA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government						
					Governmental Activities	Business-Type Activities	Total				
Primary Government											
Governmental Activities:											
General Government	\$ 333,638	\$ 37,299	\$ 515,791	\$ -	\$ 219,452	\$ -	\$ 219,452				
Planning and Community Development	145,358	-	-	-	(145,358)	-	(145,358)				
Public Safety	464,357	38,354	201,865	-	(224,138)	-	(224,138)				
Streets and Roads	1,038,760	-	119,225	-	(919,535)	-	(919,535)				
Public Works	437,252	-	141,687	39,276	(256,289)	-	(256,289)				
Parks and Recreation	144,933	33,175	-	-	(111,758)	-	(111,758)				
Total Governmental Activities	2,564,298	108,828	978,568	39,276	(1,437,626)	-	(1,437,626)				
Business-Type Activities:											
Water Service	1,413,719	1,078,310	-	2,452,094	-	2,116,685	2,116,685				
Sewer Service	948,993	758,310	53,932	-	-	(136,751)	(136,751)				
Solid Waste	369,861	263,179	-	-	-	(106,682)	(106,682)				
Total Business-Type Activities	2,732,573	2,099,799	53,932	2,452,094	-	1,873,252	1,873,252				
Total City of Portola	<u>\$ 5,296,871</u>	<u>\$ 2,208,627</u>	<u>\$ 1,032,500</u>	<u>\$ 2,491,370</u>	<u>(1,437,626)</u>	<u>1,873,252</u>	<u>435,626</u>				
General Revenues											
Taxes:											
Property Taxes					334,163	-	334,163				
Sales and Use Taxes					364,450	-	364,450				
Other					77,588	-	77,588				
Unrestricted Interest and Investment Earnings					111,855	258,839	370,694				
Miscellaneous					3,705	-	3,705				
Total General Revenues					<u>891,761</u>	<u>258,839</u>	<u>1,150,600</u>				
Change in Net Position					(545,865)	2,132,091	1,586,226				
Net Position - Beginning of Year					<u>10,879,843</u>	<u>8,544,110</u>	<u>19,423,953</u>				
Net Position - End of Year					<u>\$ 10,333,978</u>	<u>\$ 10,676,201</u>	<u>\$ 21,010,179</u>				

See accompanying Notes to Financial Statements.

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**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

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CITY OF PORTOLA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General	Gas Tax 2107	Other Governmental Funds		Total
ASSETS					
Cash and Investments	\$ 2,451,934	\$ 1,658	\$ 221,610	\$ 2,675,202	
Imprest Cash	375	-	-	375	
Notes Receivable	44,355	-	43,525	87,880	
Accounts Receivable	19,151	-	-	19,151	
Interest Receivable	25,299	-	2,235	27,534	
Due from Other Governmental Agencies	327,113	5,180	10,152	342,445	
 Total Assets	 <u>\$ 2,868,227</u>	 <u>\$ 6,838</u>	 <u>\$ 277,522</u>	 <u>\$ 3,152,587</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 45,681	\$ 5,200	\$ 11,702	\$ 62,583	
Accrued Salaries and Benefits Payable	19,033	1,638	9,201	29,872	
Unearned Revenue	54,496	-	-	54,496	
Deposits from Others	6,433	-	-	6,433	
Total Liabilities	125,643	6,838	20,903	153,384	
Deferred Inflows of Resources:					
Unavailable Revenue	190,700	-	-	190,700	
Total Deferred Inflows of Resources	190,700	-	-	190,700	
Fund Balance:					
Restricted	86,204	-	256,402	342,606	
Assigned	-	-	217	217	
Unassigned	2,465,680	-	-	2,465,680	
Total Fund Balance	2,551,884	-	256,619	2,808,503	
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 2,868,227</u>	 <u>\$ 6,838</u>	 <u>\$ 277,522</u>	 <u>\$ 3,152,587</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, 2025

Fund Balance - Total Governmental Funds (From Previous Page) \$ 2,808,503

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

Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Governmental Funds.	7,510,910
Deferred Outflows of Resources as Reported in the Statement of Net Position	124,350
Deferred Inflows of Resources as Reported in the Statement of Net Position	(18,733)
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	190,700
Some Liabilities are not Due and Payable in the Current Period, and therefore, are not Reported in the Governmental Funds:	
Compensated Absences	(27,433)
Net Pension Liability	<u>(254,319)</u>
Net Position of Governmental Activities	<u>\$ 10,333,978</u>

CITY OF PORTOLA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General	State Transportation Improvement Plan	Gas Tax 2107	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 776,201	\$ -	\$ -	\$ -	\$ 776,201
Licenses and Permits	72,452	-	-	-	72,452
Fines, Forfeitures, and Penalties	3,201	-	-	-	3,201
Use of Money and Property	103,377	-	-	8,478	111,855
Intergovernmental	587,432	-	61,618	484,492	1,133,542
Charges for Services	33,175	-	-	-	33,175
Other Revenues	3,705	-	-	-	3,705
Total Revenues	<u>1,579,543</u>	<u>-</u>	<u>61,618</u>	<u>492,970</u>	<u>2,134,131</u>
EXPENDITURES					
Current:					
General Government	297,301	-	-	-	297,301
Planning and Community Development	133,617	-	-	7,893	141,510
Public Safety	264,550	-	82,531	-	347,081
Streets and Roads	-	-	191,375	241,272	432,647
Public Works	420,070	-	-	-	420,070
Parks and Recreation	385,794	-	-	-	385,794
Total Expenditures	<u>1,501,332</u>	<u>-</u>	<u>273,906</u>	<u>249,165</u>	<u>2,024,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	78,211	-	(212,288)	243,805	109,728
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	212,288	88,126	300,414
Transfers Out	(300,414)	-	-	-	(300,414)
Total Other Financing Sources (Uses)	<u>(300,414)</u>	<u>-</u>	<u>212,288</u>	<u>88,126</u>	<u>-</u>
Net Change in Fund Balances	(222,203)	-	-	331,931	109,728
Fund Balances - Beginning of Year As Originally Reported	2,774,087	(295,293)	-	219,981	2,698,775
Change Within Financial Reporting Entity (Major to Nonmajor Fund)	-	295,293	-	(295,293)	-
Fund Balances - Beginning, as Restated	<u>2,774,087</u>	<u>-</u>	<u>-</u>	<u>(75,312)</u>	<u>2,698,775</u>
Fund Balances - End of Year	<u><u>\$ 2,551,884</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 256,619</u></u>	<u><u>\$ 2,808,503</u></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, 2025

Net Change to Fund Balance - Total Governmental Funds \$ 109,728

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	\$ 327,782
Less: Current Year Depreciation	<u>(834,303)</u>
	(506,521)

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

(115,698)

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	(6,439)
Change in Net Pension Liability	<u>(26,935)</u>

Change in Net Position of Governmental Activities \$ (545,865)

CITY OF PORTOLA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Activities - Enterprise Funds			
	Water Service	Sewer Service	Solid Waste	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 2,493,323	\$ 1,848,708	\$ 1,043,449	\$ 5,385,480
Interest Receivable	26,362	24,428	10,736	61,526
Accounts Receivable	289,898	193,817	32,862	516,577
Due from Other Governments	-	15,674	-	15,674
Restricted Assets:				
Restricted Cash	387,128	523,417	-	910,545
Total Current Assets	<u>3,196,711</u>	<u>2,606,044</u>	<u>1,087,047</u>	<u>6,889,802</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	-	31,422	31,422	62,844
Depreciable, Net	4,478,119	1,836,798	1,696	6,316,613
Total Noncurrent Assets	<u>4,478,119</u>	<u>1,868,220</u>	<u>33,118</u>	<u>6,379,457</u>
Total Assets	<u>7,674,830</u>	<u>4,474,264</u>	<u>1,120,165</u>	<u>13,269,259</u>
DEFERRED OUTFLOWS OF RESOURCES				
	113,692	103,033	14,211	230,936
LIABILITIES				
Current Liabilities:				
Accounts Payable	34,864	25,378	8,611	68,853
Accrued Salaries and Benefits Payable	11,046	7,011	1,345	19,402
Deposits	35,049	-	-	35,049
Liability for Compensated Absences	17,981	13,070	2,580	33,631
Notes Payable - Current Portion	38,000	-	-	38,000
Total Current Liabilities	<u>136,940</u>	<u>45,459</u>	<u>12,536</u>	<u>194,935</u>
Noncurrent Liabilities:				
Liability for Compensated Absences	10,060	7,312	1,443	18,815
Landfill Closure and Postclosure	-	-	1,535,320	1,535,320
Notes Payable	567,829	-	-	567,829
Net Pension Liability	232,521	210,722	29,065	472,308
Total Noncurrent Liabilities	<u>810,410</u>	<u>218,034</u>	<u>1,565,828</u>	<u>2,594,272</u>
Total Liabilities	<u>947,350</u>	<u>263,493</u>	<u>1,578,364</u>	<u>2,789,207</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>17,125</u>	<u>15,521</u>	<u>2,141</u>	<u>34,787</u>
NET POSITION				
Net Investment in Capital Assets	3,872,290	1,868,220	33,118	5,773,628
Restricted:				
Debt Service	68,362	-	-	68,362
Facility Improvements	318,766	284,405	-	603,171
Capital Improvements	-	239,012	-	239,012
Unrestricted	<u>2,564,629</u>	<u>1,906,646</u>	<u>(479,247)</u>	<u>3,992,028</u>
Total Net Position	<u><u>\$ 6,824,047</u></u>	<u><u>\$ 4,298,283</u></u>	<u><u>\$ (446,129)</u></u>	<u><u>\$ 10,676,201</u></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, 2025

	Business-Type Activities - Enterprise Funds			
	Water Service	Sewer Service	Solid Waste	Total
OPERATING REVENUES				
Charges for Services	\$ 1,078,310	\$ 758,310	\$ 263,179	\$ 2,099,799
Total Operating Revenues	1,078,310	758,310	263,179	2,099,799
OPERATING EXPENSES				
Salaries and Wages	449,844	338,731	64,850	853,425
Services and Supplies	564,868	490,767	46,581	1,102,216
Landfill Closure Costs	-	-	258,175	258,175
Depreciation	240,436	119,116	255	359,807
Total Operating Expenses	1,255,148	948,614	369,861	2,573,623
Operating Income (Loss)	(176,838)	(190,304)	(106,682)	(473,824)
NONOPERATING REVENUE (EXPENSE)				
Interest Income (Loss)	115,600	100,864	42,375	258,839
Other Revenues	-	53,932	-	53,932
Intergovernmental Revenues	-	(379)	-	(379)
Gain (Loss) on Disposal of Capital Assets	(126,430)	-	-	(126,430)
Debt Service Interest and Fiscal Charges	(32,141)	-	-	(32,141)
Other Non-Operating Expense	-	-	-	-
Total Nonoperating Revenue (Expense)	(42,971)	154,417	42,375	153,821
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(219,809)	(35,887)	(64,307)	(320,003)
Capital Contributions	2,452,094	-	-	2,452,094
Changes in Net Position	2,232,285	(35,887)	(64,307)	2,132,091
Net Position - Beginning of Year	4,591,762	4,334,170	(381,822)	8,544,110
Net Position - End of Year	<u>\$ 6,824,047</u>	<u>\$ 4,298,283</u>	<u>\$ (446,129)</u>	<u>\$ 10,676,201</u>

See accompanying Notes to Financial Statements.

CITY OF PORTOLA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds			
	Water Service	Sewer Service	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	\$ 1,039,467	\$ 721,890	\$ 265,186	\$ 2,026,543
Cash Paid to Suppliers for Goods and Services	(558,207)	(489,599)	(115,420)	(1,163,226)
Cash Paid to Employees for Services	(409,592)	(300,263)	(60,291)	(770,146)
Net Cash Provided (Used) by Operating Activities	71,668	(67,972)	89,475	93,171
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Revenue Received	-	53,932	-	53,932
Net Cash Provided (Used) by Noncapital Financing Activities	-	53,932	-	53,932
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Repayments on Long-Term Debt	(37,000)	-	-	(37,000)
Interest Repayments Related to Capital Purposes	(32,141)	-	-	(32,141)
Payments Related to the Acquisition of Capital Assets	(78,144)	(78,145)	-	(156,289)
Net Cash Provided (Used) by Capital and Related Financing Activities	(147,285)	(78,145)	-	(225,430)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Payments Received	118,441	100,777	41,048	260,266
Net Cash Provided by Investing Activities	<u>118,441</u>	<u>100,777</u>	<u>41,048</u>	<u>260,266</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and Cash Equivalents - Beginning of Year	42,824	8,592	130,523	181,939
	<u>2,837,627</u>	<u>2,363,533</u>	<u>912,926</u>	<u>6,114,086</u>
CASH AND CASH EQUIVALENTS - END OF YEAR				
	<u><u>\$ 2,880,451</u></u>	<u><u>\$ 2,372,125</u></u>	<u><u>\$ 1,043,449</u></u>	<u><u>\$ 6,296,025</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Cash Equivalents in Current Assets	\$ 2,493,323	\$ 1,848,708	\$ 1,043,449	\$ 5,385,480
Cash and Cash Equivalents in Restricted Assets	<u>387,128</u>	<u>523,417</u>	<u>-</u>	<u>910,545</u>
Total Cash and Cash Equivalents	<u><u>\$ 2,880,451</u></u>	<u><u>\$ 2,372,125</u></u>	<u><u>\$ 1,043,449</u></u>	<u><u>\$ 6,296,025</u></u>

See accompanying Notes to Financial Statements.

CITY OF PORTOLA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds			
	Water Service	Sewer Service	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)				
Operating Income (Loss)	\$ (176,838)	\$ (190,304)	\$ (106,682)	\$ (473,824)
Adjustments to Reconcile Operating Income (Loss) to Cash Flows from Operating Activities:				
Depreciation	240,436	119,116	255	359,807
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Utilities Receivable	(40,594)	(20,746)	2,007	(59,333)
Customer Deposits	1,751	-	-	1,751
Deferred Outflows	38,573	27,076	6,058	71,707
Increase (Decrease) in:				
Accounts Payable	6,661	1,168	(6,659)	1,170
Due from Other Governments	-	(15,674)	-	(15,674)
Accrued Expenses	11,046	7,011	1,345	19,402
Liability for Compensated Absences	3,110	2,119	842	6,071
Closure/Postclosure Liability	-	-	195,995	195,995
Net Pension Liability	(5,962)	6,941	(2,680)	(1,701)
Deferred Inflows	(6,515)	(4,679)	(1,006)	(12,200)
Net Cash Provided (Used) by Operating Activities				
	<u>\$ 71,668</u>	<u>\$ (67,972)</u>	<u>\$ 89,475</u>	<u>\$ 93,171</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributed Capital Assets	\$ 2,452,094	\$ -	\$ -	\$ 2,452,094

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, 2025

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, 2025.

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, 2025

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 *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, 2025

C. Basis of Accounting (continued)

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 are those that flow directly from operations of the activity such as charges for services to customers, connection fees, and service penalties. Operating expenses are those that are incurred to provide those goods or services (i.e., personnel services, materials and supplies, and transmission costs). Nonoperating revenues and expenses are items such as investment income, interest expense, and gain or loss on disposal of capital assets that are not a result of the direct operations of the activity.

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 reported as nonspendable in the general fund to indicate that the resources 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, 2025

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, 2025

I. Fair Value Measurements (continued)

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, grants from other governmental agencies, and billed utilities. As of June 30, 2025, 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 liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025, the City implemented the following Governmental Accounting Standards Board (GASB) Statement:

- GASB Statement No. 101, Compensated Absences. In June of 2022, the GASB issued GASB Statement No. 101, Compensated Absences. This Statement Requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but has not yet been paid. The City adopted the requirements of the guidance effective July 1, 2024, 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, 2025

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, 2025

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, 2025, total City cash and investments at fair value were as follows:

Petty Cash	\$ 375
Cash in Bank	842,396
LAIF	8,128,831
Total	<u>\$ 8,971,602</u>

Total cash and investments at June 30, 2025 were presented on the City's financial statements as follows:

Cash and Investments	\$ 8,060,682
Imprest Cash	375
Restricted Assets:	
Cash	910,545
Total	<u>\$ 8,971,602</u>

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

Investments

At June 30, 2025, the City had the following investments:

Investments:	Par	Cost	Amortized Cost
Local Agency Investment Fund (LAIF)	\$ 8,128,831	\$ 8,128,831	\$ 8,128,831
Total Investments	<u>\$ 8,128,831</u>	<u>\$ 8,128,831</u>	<u>\$ 8,128,831</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, 2025.

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2025, the recorded amount of the City's deposits was \$842,396 and the bank balance was \$1,044,835. Of the bank statement balance, \$250,000 was covered by federal depository insurance and \$794,835 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, 2025, the City's investment position in LAIF was \$8,128,831 which approximates fair value and is the same as value of the pool shares. The total amount invested by all public agencies in PMIA on that day was \$178,130,508. Of that amount, 80.57% was invested in structured notes and asset-backed securities with the remaining 19.43% invested in other nonderivative 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, 2025.

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, 2025, the outstanding balance was \$44,355. 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, 2025 is \$87,880.

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

Governmental Activities	Balance July 01, 2024	Additions	Transfers and Retirements	Balance June 30, 2025
Capital Assets, Not Being Depreciated:				
Land	\$ 764,927	\$ -	\$ -	\$ 764,927
Construction in Progress	2,847,304	77,529	(2,845,373)	79,460
Total Capital Assets, Not Being Depreciated	3,612,231	77,529	(2,845,373)	844,387
Capital Assets, Being Depreciated:				
Infrastructure	13,713,793	-	2,845,373	16,559,166
Buildings and Improvements	1,711,614	307,555	(42,146)	1,977,023
Machinery and Equipment	1,608,138	69,039	(884,157)	793,020
Intangible Assets	58,297	-	-	58,297
Total Capital Assets, Being Depreciated	17,091,842	376,594	1,919,070	19,387,506
Less: Accumulated Depreciation for:				
Infrastructure	(9,713,872)	(737,665)	-	(10,451,537)
Buildings and Improvements	(1,478,373)	(34,659)	32,663	(1,480,369)
Machinery and Equipment	(1,453,913)	(44,166)	767,299	(730,780)
Intangible Assets	(40,484)	(17,813)	-	(58,297)
Total Accumulated Depreciation	(12,686,642)	(834,303)	799,962	(12,720,983)
Total Capital Assets, Being Depreciated, Net	4,405,200	(457,709)	2,719,032	6,666,523
Governmental Activities				
Capital Assets, Net	<u>\$ 8,017,431</u>	<u>\$ (380,180)</u>	<u>\$ (126,341)</u>	<u>\$ 7,510,910</u>

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Business-Type Activities	Balance July 01, 2024	Additions	Transfers and Retirements	Balance June 30, 2025
Capital Assets, Not Being Depreciated:				
Land	\$ 62,844	\$ -	\$ -	\$ 62,844
Construction in Progress	126,052	-	(126,052)	-
Total Capital Assets, Not Being Depreciated	188,896	-	(126,052)	62,844
Capital Assets, Being Depreciated:				
Buildings and Improvements	8,653,299	2,452,094	-	11,105,393
Machinery and Equipment	1,355,094	156,289	(3,824)	1,507,559
Total Capital Assets, Being Depreciated	10,008,393	2,608,383	(3,824)	12,612,952
Less: Accumulated Depreciation for:				
Buildings and Improvements	(4,716,370)	(285,466)	-	(5,001,836)
Machinery and Equipment	(1,223,229)	(74,341)	3,067	(1,294,503)
Total Accumulated Depreciation	(5,939,599)	(359,807)	3,067	(6,296,339)
Total Capital Assets, Being Depreciated, Net	4,068,794	2,248,576	(757)	6,316,613
Business-Type Activities, Net	<u>\$ 4,257,690</u>	<u>\$ 2,248,576</u>	<u>\$ (126,809)</u>	<u>\$ 6,379,457</u>

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

Governmental Activities:

General Government	\$ 29,179
Public Protection	-
Public Ways and Facilities	1,124
Streets and Roads	737,306
Recreation and Culture	66,694
Total Depreciation Expense -	
Governmental Activities	<u>\$ 834,303</u>

Business-Type Activities:

Water Fund	\$ 240,436
Sewer Fund	119,116
Solid Waste Fund	255
Total Depreciation Expense -	
Business-Type Activities	<u>\$ 359,807</u>

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2025 consisted of the following:

Business-Type Activities	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2025
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	\$ 605,829
Total Business-Type Activities					<u>\$ 1,173,000</u>	<u>\$ 605,829</u>

The following is a summary of long-term liabilities transactions for the year ended June 30, 2025:

	Balance			Amounts	
	July 1, 2024	Additions ⁽¹⁾	Deletions	June 30, 2025	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 20,994	\$ 6,439		\$ 27,433	\$ 17,591
Total	<u>\$ 20,994</u>	<u>\$ 6,439</u>	<u>\$ -</u>	<u>\$ 27,433</u>	<u>\$ 17,591</u>
Business-Type Activities:					
Notes Payable from Direct Borrowing	\$ 642,829	\$ -	\$ (37,000)	\$ 605,829	\$ 38,000
Postclosure Costs	1,339,325	258,175	(62,180)	1,535,320	-
Compensated Absences	46,375	6,071		52,446	33,631
Total	<u>\$ 2,093,918</u>	<u>\$ 264,246</u>	<u>\$ (99,180)</u>	<u>\$ 2,193,595</u>	<u>\$ 71,631</u>

⁽¹⁾ The change in the compensated absence liability is presented as a net change.

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The City's outstanding note payable for business-type activities is secured by water service revenue. As of June 30, 2025, 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
2026	\$ 38,000	\$ 30,300
2027	40,000	38,400
2028	42,000	36,400
2029	44,000	24,300
2030	47,000	22,100
2031-2035	269,000	73,100
2036-2037	125,829	9,500
Total	\$ 605,829	\$ 234,100

NOTE 7 INTERFUND TRANSACTIONS AND BALANCES

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, 2025:

Transfer from	Transfer to	Amount
General Fund	Gax Tax 2107	\$ 212,288
	Non-Major Governmental Funds	88,126
		\$ 300,414

NOTE 8 FUND DISCLOSURES

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

Enterprise Funds:

Solid Waste Fund \$ (446,129)

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.

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 DEFINED BENEFIT PENSION PLANS

A. General Information about the Pension Plans

1. Plan Description

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

2. Benefits Provided

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

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025, are summarized as follows:

Hire Date	Miscellaneous		PEPRA On or After January 2, 2013
	Tier I Prior to July 1, 2012	Tier II On or After July 1, 2012	
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, 2025

3. 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, 2025, the City made contributions totaling \$148,226 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, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 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, 2023 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>PEPRA</u>
Valuation Date	June 30, 2023	June 30, 2023
Measurement Date	June 30, 2024	June 30, 2024
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, 2023 valuation were based on the results of a 2021 actuarial experience study for the period 2000 to 2019. Further details of the Experience Study can be found on the CalPERS website.

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. Change of Assumption

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

3. Discount Rate

Effective with the June 30, 2023 valuation date (2024 measurement date), the accounting discount rate 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, 2024.

CITY OF PORTOLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2024	0.01477%
Proportion - June 30, 2025	0.01502%
Change - Increase/(Decrease)	0.00025%

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	\$ 1,354,349	\$ 726,627	\$ 209,919

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, 2025, 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, 2025

At June 30, 2025, 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	\$ 62,824	\$ 2,451
Changes in Assumptions	18,676	-
Differences Between Employer's Contributions and Proportionate Share of Contributions	-	51,069
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	41,831	-
Change in Employer's Proportion	83,729	-
City Contribution Subsequent to the Measurement Date	148,226	-
Total	\$ 355,286	\$ 53,520

\$148,226 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, 2026. 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
2026	\$ 74,913
2027	91,234
2028	1,727
2029	(14,334)
Total	\$ 153,540

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, 2025

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, 2025, based on a study dated April 30, 2025 prepared by TGV Solid Waste, Inc., the City's estimated liability for post closure maintenance costs for the landfill was \$1,535,320. 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, 2025

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. 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, 2025.

NOTE 14 EXCESS EXPENDITURES OVER BUDGET

The City had expenditures that exceeded its budget in the General Fund by \$31,995 and in the Gas Tax Fund by 23,357.

NOTE 15 ACCOUNTING CHANGES

A. Changes to or within Financial Reporting Entity

Change in Fund Presentation from Major to Nonmajor

The State Transportation Improvement Plan fund previously met the criteria to be reported as a major governmental fund. However, effective July 1, 2024, 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, 2025. The effect of this change within the financial reporting entity is shown in the table below.

	State Transportation Improvement Plan	Other Governmental Funds
Fund Balances - Beginning of Year As Originally Reported	(295,293)	219,981
Change Within Financial Reporting Entity (Major to Nonmajor Fund)	<u>295,293</u>	<u>(295,293)</u>
Fund Balances - Beginning, as Restated	<u>-</u>	<u>(75,312)</u>

B. Change in Accounting Principle

Effective July 1, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. The implementation of this standard did not affect beginning net position.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PORTOLA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/
(ASSET) AND RELATED RATIOS
YEAR ENDED JUNE 30, 2025

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

Last 10 Fiscal Years

	Reporting Date <i>Measurement Date</i>									
	6/30/2025 6/30/2024	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
Proportionate Share of the Net Pension Liability	\$ 726,627	\$ 738,342	\$ 652,972	\$ 22,269	\$ 483,829	\$ 391,142	\$ 709,707	\$ 708,789	\$ 577,890	\$ 394,917
Proportion of the Net Pension Liability	0.015%	0.014%	0.014%	0.001%	0.011%	0.010%	0.019%	0.018%	0.017%	0.014%
Covered Payroll	\$ 174,623	\$ 169,537	\$ 164,599	\$ 152,062	\$ 167,300	\$ 194,362	\$ 181,423	\$ 259,958	\$ 317,876	\$ 337,555
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	416.1%	435.5%	396.7%	14.6%	289.2%	201.2%	391.2%	272.7%	181.8%	117.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.97%	77.97%	78.19%	90.49%	77.71%	77.73%	77.69%	75.39%	75.87%	79.89%

CITY OF PORTOLA
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
YEAR ENDED JUNE 30, 2025

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

Last 10 Fiscal Years

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contributions	\$ 59,998	\$ 43,753	\$ 48,375	\$ 40,650	\$ 35,384	\$ 29,604	\$ 48,061	\$ 48,041	\$ 52,222	\$ 24,089
	148,226	120,338	118,141	112,052	97,709	94,059	471,085	64,595	45,970	43,236
Contributions Deficiency (Excess)	\$ (88,228)	\$ (76,585)	\$ (69,766)	\$ (71,402)	\$ (62,325)	\$ (64,455)	\$ (423,024)	\$ (16,554)	\$ 6,252	\$ (19,147)
Covered Payroll	\$ 179,862	\$ 174,623	\$ 169,537	\$ 164,599	\$ 152,062	\$ 167,300	\$ 194,362	\$ 181,423	\$ 259,958	\$ 317,876
Contributions as a Percentage of Covered Payroll	82.41%	68.91%	69.68%	68.08%	64.26%	56.22%	242.37%	35.60%	17.68%	13.60%

CITY OF PORTOLA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	\$ 692,200	\$ 752,200	\$ 776,201	\$ 24,001
Licenses and Permits	77,850	77,850	72,452	(5,398)
Fines, Forfeitures, and Penalties	5,100	5,100	3,201	(1,899)
Use of Money and Property	67,507	97,507	103,377	5,870
Intergovernmental	453,400	594,676	587,432	(7,244)
Charges for Services	15,500	15,500	33,175	17,675
Other Revenues	-	-	3,705	3,705
Total Revenues	<u>1,311,557</u>	<u>1,542,833</u>	<u>1,579,543</u>	<u>36,710</u>
EXPENDITURES				
Current:				
General Government	257,251	302,251	297,301	4,950
Planning and Community Development	100,097	115,097	133,617	(18,520)
Public Safety	248,367	263,367	264,550	(1,183)
Public Works	191,520	430,238	420,070	10,168
Parks and Recreation	208,384	358,384	385,794	(27,410)
Total Expenditures	<u>1,005,619</u>	<u>1,469,337</u>	<u>1,501,332</u>	<u>(31,995)</u>
Excess (Deficiency) of Revenues Over Expenditures	305,938	73,496	78,211	4,715
OTHER FINANCING SOURCES (USES)				
Transfers Out	(377,624)	(377,624)	(300,414)	77,210
Total Other Financing Sources (Uses)	<u>(377,624)</u>	<u>(377,624)</u>	<u>(300,414)</u>	<u>77,210</u>
Net Change in Fund Balances	(71,686)	(304,128)	(222,203)	81,925
Fund Balances - Beginning of Year	<u>2,774,087</u>	<u>2,774,087</u>	<u>2,774,087</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 2,702,401</u>	<u>\$ 2,469,959</u>	<u>\$ 2,551,884</u>	<u>\$ 81,925</u>

CITY OF PORTOLA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GAS TAX 2107 FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 57,298	\$ 57,298	\$ 61,618	\$ 4,320
Total Revenues	<u>57,298</u>	<u>57,298</u>	<u>61,618</u>	<u>4,320</u>
EXPENDITURES				
Current:				
Public Safety	65,000	65,000	82,531	(17,531)
Streets and Roads	<u>185,549</u>	<u>185,549</u>	<u>191,375</u>	<u>(5,826)</u>
Total Expenditures	<u>250,549</u>	<u>250,549</u>	<u>273,906</u>	<u>(23,357)</u>
Excess (Deficiency) of Revenues Over Expenditures	(193,251)	(193,251)	(212,288)	(19,037)
OTHER FINANCING SOURCES (USES)				
Transfers In	193,251	193,251	212,288	19,037
Total Other Financing Sources (Uses)	<u>193,251</u>	<u>193,251</u>	<u>212,288</u>	<u>19,037</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	\$ -	\$ -	\$ -	\$ -

CITY OF PORTOLA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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SUPPLEMENTARY INFORMATION

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NONMAJOR SPECIAL REVENUE FUNDS

CITY OF PORTOLA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2025

	State Transportation Improvement Plan	Snow Removal	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
ASSETS					
Cash and Investments	\$ 1,800	\$ 2,553	\$ 217,042	\$ 215	\$ 221,610
Due from Other Governments	-	-	10,152	-	10,152
Interest Receivable	-	-	2,233	2	2,235
Prepaid Expenses	-	-	-	-	-
Notes Receivable, Net	-	-	-	43,525	43,525
Total Assets	<u>\$ 1,800</u>	<u>\$ 2,553</u>	<u>\$ 229,427</u>	<u>\$ 43,742</u>	<u>\$ 277,522</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ -	\$ 1,332	\$ 10,370	\$ -	\$ 11,702
Accrued Salaries and Benefits Payable	-	1,221	7,980	-	9,201
Accrued Expenses	-	-	-	-	-
Total Liabilities	-	2,553	18,350	-	20,903
Fund Balance:					
Restricted	1,800	-	211,077	43,525	256,402
Assigned	-	-	-	217	217
Total Fund Balance	<u>1,800</u>	<u>-</u>	<u>211,077</u>	<u>43,742</u>	<u>256,619</u>
Total Liabilities and Fund Balance	<u>\$ 1,800</u>	<u>\$ 2,553</u>	<u>\$ 229,427</u>	<u>\$ 43,742</u>	<u>\$ 277,522</u>

CITY OF PORTOLA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2025

	State Transportation Improvement Plan	Snow Removal	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
REVENUES					
Use of Money and Property	-	\$ -	\$ 8,381	\$ 97	\$ 8,478
Intergovernmental	306,398	120,487	57,607	-	484,492
Total Revenues	306,398	120,487	65,988	97	492,970
EXPENDITURES					
Current:					
Streets and Roads	9,305	208,613	23,354	-	241,272
Planning and Community Development	-	-	-	7,893	7,893
Total Expenditures	9,305	208,613	23,354	7,893	249,165
OTHER FINANCING SOURCES (USES)					
Transfers In	-	88,126	-	-	88,126
Total Other Financing Sources (Uses)	88,126	88,126	-	-	88,126
Net Change in Fund Balances	297,093	-	42,634	(7,796)	331,931
Fund Balances - Beginning of Year As Originally Reported	-	-	168,443	51,538	219,981
Change Within Financial Reporting Entity (Major to Nonmajor Fund)	(295,293)	-	-	-	(295,293)
Fund Balances - Beginning of Year, as Restated	(295,293)	-	168,443	51,538	(75,312)
Fund Balances - End of Year	\$ 1,800	\$ -	\$ 211,077	\$ 43,742	\$ 256,619

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OTHER REPORTS

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

Honorable Mayor and Council Members
Portola, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Portola (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 16, 2025.

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
October 16, 2025



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To the Honorable Members of the
City Council of Portola
City of Portola
Portola, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Portola as of and for the year ended June 30, 2025, and have issued our report thereon dated October 16, 2025. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our statement of work dated June 23, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Portola are described in Note 1 to the financial statements.

As described in Note 15, the entity changed accounting policies by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 101, *Compensated Absences* Fiscal Year 2025. Accordingly, the adoption of this statement resulted in changes in the financial statement presentation and note disclosures.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the landfill liability is based on an engineering estimate. We evaluated the key factors and assumptions used to develop the landfill liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

- o Receivables in the amount of \$18,765, \$11,404, and \$3,753 for the water, sewer, and solid waste funds, respectively, were not recorded. These are for unbilled utility receivables and this is a known non-GAAP policy.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2025.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the Combining Nonmajor Fund Statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated October 16, 2025.

* * *

This communication is intended solely for the information and use of the City Council and management of City of Portola and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, CA
October 16, 2025



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor and Council Members
City of Portola, California

We have performed the procedures enumerated below on the Appropriations Limit calculation of the City of Portola as of and for the year ended June 30, 2025. The City of Portola management is responsible for the Appropriations Limit calculation.

The City of Portola has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of presenting the Appropriation Limit calculation in accordance with the requirements of Section 1.5 of Article XIII-B of the California Constitution. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

1. We obtained the completed Appropriations Limit Calculation, and compared the limit and annual adjustment factors in those calculation to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned calculation to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. We computed current year adjustments based on the selected population and inflation option, using information provided by Department of Finance.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the prior year appropriations limit presented in the Appropriations Limit Calculation to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

Honorable Mayor and Council Members
City of Portola, California

4. We added the results of step two (2) to the prior year Appropriations Limit, and compared the resulting amount to the current year approved limit.

Finding: No exceptions were noted as a result of our procedures.

We were engaged by the City of Portola to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on Appropriations Limit calculation of the City of Portola. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Portola and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of City of Portola and management of the City of Portola and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Roseville, California
August 19, 2025