



# CITY OF PORTOLA

## CITY COUNCIL REGULAR MEETING AGENDA

**REGULAR MEETING**  
**WEDNESDAY, JANUARY 12, 2022**  
**6:00 P.M.**

**CITY HALL COUNCIL CHAMBERS**  
**35 THIRD AVENUE**  
**PORTOLA, CA 96122**

### **COUNCILMEMBERS ATTENDING VIA TELECONFERENCE AS PERMITTED BY CALIFORNIA GOVERNOR NEWSOM EXECUTIVE ORDER N-29-20**

#### **COUNCILMEMBERS**

Mayor Pat Morton  
Mayor Pro Tem Tom Cooley  
Councilmember Phil Oels  
Councilmember Stan Peiler  
Councilmember Bill Powers

#### **CITY STAFF**

City Manager Lauren Knox  
Public Works Director Todd Robert  
City Attorney Steve Gross  
Deputy City Clerk Tara Kindall

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The City Council welcomes you to its meetings which are regularly held the second and fourth Wednesday of each month at 6:00 p.m. Your interest and participation is encouraged and welcome.

As permitted by Executive Order N-29-20, proclaiming a State of Emergency in the State of California, the City Council Chamber at City Hall will not be accessible to the public for the City of Portola's January 12, 2022 Regular City Council meeting.

The City Council meeting is accessible to the public via live streaming at: <https://zoom.us/j/3583067836> or by phone at: Phone Number 1.669.900.6833; Meeting ID: 358 306 7836.

Any person desiring to address the City Council on any item not on the agenda may do so during public comment. Public comments made during a regular Council meeting may be recorded. Public comment will be accepted via email or chat on any item on the agenda at any time beginning at 6:00 p.m. and ending at the close of public comment on the item. Please direct your comments to Tara Kindall, Deputy City Clerk, [tkindall@cityofportola.com](mailto:tkindall@cityofportola.com) or access the chat function on the Zoom meeting platform during the live stream. Members of the public may submit their comments in writing to be included in the public record.

Any person with a disability may submit a request for reasonable modification or accommodation to the above-described means for accessing and offering comment at the meeting to Tara Kindall at [tkindall@cityofportola.com](mailto:tkindall@cityofportola.com) who will swiftly resolve such request.

CONSENT CALENDAR: These items include routine financial and administrative actions. All items on the consent calendar will be voted on at the same time during the meeting under “Consent Calendar”. If you wish to have an item removed from the Consent Calendar, you may do so by addressing the presiding officer.

Copies of staff reports or other written documentation relating to each item of business referred to on this agenda are on file in the Office of the City Clerk and are available for public inspection. If you have any questions on any agenda items, contact the City at 530.832.6801.

Meeting facilities are accessible to persons with disabilities. Reasonable efforts will be made to accommodate participation of the disabled in the City’s public meetings. If special accommodation for the disabled is needed, please notify the City at 530.832.6801 at least 48 hours prior to the meeting.

For additional information visit the City of Portola Web Page: [www.cityofportola.com](http://www.cityofportola.com).

**CITY COUNCIL AGENDA  
REGULAR MEETING  
JANUARY 12, 2022  
6:00 P.M.**

- 1. CALL TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ROLL CALL**
- 4. PUBLIC COMMENT**

This section is intended to provide members of the public with an opportunity to comment on any subject that does not appear on this agenda. Please note that California law prohibits the City Council from taking action on any matter which is not on the posted agenda, unless it is determined to be an urgency item by the City Council. Any member of the public wishing to address the City Council during “PUBLIC COMMENT” shall first secure permission of the presiding officer, stand; may give his/her name and address to the Clerk for the record. Each person addressing the City Council shall be limited to three minutes ordinarily, unless the presiding officer indicates a different amount will be allotted.

**5. CITY COMMUNICATIONS**

**A. City Council Communications/Committee Reports**

**B. Staff Communications/Fire Report/Sheriff’s Report/Air Quality Report**

**C. City Manager Report**

**6. CONSENT CALENDAR**

These items are expected to be routine and non-controversial. The City Council will act upon them at one time without discussion. Any Councilmembers, staff member or interested party may request that an item be removed from the consent agenda for discussion. Additional budget appropriations will require a four/fifths roll call vote.

- A. Claims** – Adopt Resolution No. 2494 authorizing payment of claims for the period of December 17, 2021 through January 5, 2022. [pages 1-4]

Accounts Payable:	\$141,190.02
Payroll:	<u>\$ 37,207.19</u>
Total:	\$178,397.21

## **7. ORDER OF BUSINESS**

### **A. Audit.**

Presentation of the 2020-2021 Fiscal Year Audit by Finance Officer Susan Scarlett.  
Discussion and possible action. [pages 5-88]

### **B. Committee Appointments.**

Review, discuss and make changes to current committee appointments. Discussion and possible action. [pages 89-92]

### **C. Conditional Offer of Employment and Employment Agreement for Interim City Manager.**

Consideration of approving a conditional offer of employment and an employment agreement for an interim City Manager and authorizing the Mayor to execute both on behalf of the City. Discussion and possible action. [pages 93-114]

## **8. CLOSED SESSION – Conference with Legal Counsel.**

Closed session pursuant to Government Code section 54956.9(d)(1); Conference with Legal Counsel regarding California Labor Commissioner, State Case Number WC-CM-846897.

## **9. ADJOURNMENT**

**RESOLUTION NO. 2494**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PORTOLA  
AUTHORIZING PAYMENT OF CLAIMS FOR THE PERIOD  
DECEMBER 17, 2021 THROUGH JANUARY 5, 2022.**

**ACCOUNTS PAYABLE  
CHECK NUMBERS: 43516-43534**

**PAYROLL  
CHECK NUMBERS: 17008-17035**

**WHEREAS**, the City Council of the City of Portola has been fully advised that all such claims and demands are legal obligations of the City; and,

**WHEREAS**, the City Council has fully considered the claims and money demands and payment thereof as set forth below and in "Exhibit A" attached hereto and incorporated herein.

<b>ACCOUNTS PAYABLE:</b>	<b>\$ 141,190.02</b>
<b>PAYROLL:</b>	<b>\$ <u>37,207.19</u></b>
<b>TOTAL:</b>	<b>\$ 178,397.21</b>

**NOW THEREFORE BE IT RESOLVED THAT** all claims and demands represented are just and proper and legal demands or claims against the City of Portola, and the payment of any such demands is approved and authorized.

**PASSED, APPROVED AND ADOPTED** this 12<sup>th</sup> day of January, 2022 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Pat Morton, Mayor

ATTEST:

\_\_\_\_\_  
Tara Kindall, Deputy City Clerk

I, Tara Kindall, Deputy City Clerk of the City of Portola, do hereby certify that the above and foregoing Resolution was duly passed and adopted by the City Council at the City of Portola Regular meeting thereof held on January 12, 2022.

\_\_\_\_\_  
Tara Kindall, Deputy City Clerk

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# Check Register Report

Date: 01/05/2022

Time: 1:13 pm

Page: 1

City Of Portola

BANK: PLUMAS BANK

Check Number	Check Date	Status	Void/Stop Date	Reconcile Date	Vendor Number	Vendor Name	Check Description	Amount
<b>PLUMAS BANK Checks</b>								
43516	01/05/22	Printed			CT	ALWAYS ANSWER	800 LINE	69.27
43517	01/05/22	Printed			BITS	BULLET INFORMATION TECHNOLOGY	Computer Maintenance	1,272.00
43518	01/05/22	Printed			CVP	CIVICPLUS	WEB PAGE	2,000.00
43519	01/05/22	Printed			CLA	CLIFTONLARSONALLEN LLP	AUDITING SERVICES	6,100.00
43520	01/05/22	Printed			CSG	CSG CONSULTANTS	CODE ENF CONTRACT	7,280.00
43521	01/05/22	Printed			ENCM	ENCOMPASS	XEROX COPIES	58.71
43522	01/05/22	Printed			IEDA	IEDA	LABOR CONSULTING	237.00
43523	01/05/22	Printed			OE	OPERATING ENGINEERS	HEALTH INS PREMIUM	11,016.00
43524	01/05/22	Printed			PCFC&WCD	PLUMAS CO FLOOD CONTROL & ELECTRIC	LAKE DAVIS WATER	70,981.09
43525	01/05/22	Printed			PSRE	PLUMAS SIERRA RURAL	LDWTP ELECTRIC	1,252.49
43527	01/05/22	Printed			PST	PLUMAS SIERRA TELECOMMUNICAT	INTERNET	382.00
43528	01/05/22	Printed			SCORE	SMALL CITIES ORGANIZED RISK	QUATERLY WORKERS COMP	26,595.48
43529	01/05/22	Printed			CA SWRCB	STATE WATER RESOURCES	PERMIT FEE	3,326.00
43530	01/05/22	Printed			SUCCEED	SUCCEED.NET	WEB HOSTING	67.85
43531	01/05/22	Printed			TGV	THOMAS G. VALENTINO	CONSULTING SERVICES	810.00
43532	01/05/22	Printed			TYLERTECH	TYLER TECHNOLOGIES, INC	INCODE SOFTWARE UPGRADE	3,960.00
43533	01/05/22	Printed			VERU	VERUS ASSOCIATES NEVADA LLC	LDWTP SCADA	5,514.00
43534	01/05/22	Printed			XC	XEROX FINANCIAL SERVICES	COPIER LEASE	268.13

**Total Checks: 18**                                  **Checks Total (excluding void checks): 141,190.02**

**Total Payments: 18**                                  **Bank Total (excluding void checks): 141,190.02**

**Total Payments: 18**                                  **Grand Total (excluding void checks): 141,190.02**

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**CITY COUNCIL AGENDA STAFF REPORT**

**DATE:**       **January 6, 2022**

**TO:**           Honorable Mayor and Members of the City Council

**FROM:**       Susan Scarlett, Finance Officer

**MEETING:**   **January 12, 2022**

**SUBJECT:**    Audit presentation and financial update 2020-2021 Fiscal Year

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Presentation of the 2020-2021 Fiscal Year Audit. Attached is an electronic copy of the 2020-2021 Audit. A hard copy of the audit is also available. Please contact me ahead of time if you have specific questions regarding the audit in case I need to have additional information available.

Review a brief summary of financial information from the 2020-2021 Fiscal Year.

Recommendation: Accept the 2020-2021 Fiscal Year audit.

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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, 2021, and have issued our report thereon dated November 29, 2021. 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. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***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.

No new accounting policies were adopted and the application of existing policies was not changed during 2021.

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 estimates affecting the financial statements were:

- 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.
- Management's estimate of the pension liability is based on an actuarial estimate. We evaluated the key factors and assumptions used to develop the pension 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.

***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 did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Corrected misstatements***

The following material misstatements detected as a result of audit procedures were corrected by management:

- Increase prepaid expenses and beginning fund balance by \$29,147 in the STIP Fund.
- Decrease beginning net position for Governmental Activities and decrease change in unavailable revenues by \$118,956 in the government-wide statements.

***Disagreements with management***

For purposes of this letter, a disagreement with management is 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 November 29, 2021.

***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.

**Other information in documents containing audited financial statements**

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.

With respect to the Combining and Individual 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 November 29, 2021.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

\* \* \*

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**

Roseville, California  
November 29, 2021

**CITY OF PORTOLA  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Council Members  
City of Portola, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portola, California, (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and Council Members  
City of Portola

**Opinions**

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, 2021, 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.

**Emphasis of Matter**

*Prior Period Adjustments*

As disclosed in Note 14 to the financial statements, prior period adjustments were recorded for the correction of an error in prior year financial statements. Our opinion is not modified with respect to this matter.

**Other Matters**

*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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and Council Members  
City of Portola

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021 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 the City's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Roseville, California  
November 29, 2021

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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, 2021**

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, 2021. It should be read in conjunction with the City's basic financial statements following this section.

**I. FINANCIAL HIGHLIGHTS**

**A. Government-Wide Financial Analysis**

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,387,327:

- \$11,892,891 represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets (net investment in capital assets).
- \$1,000,042 is available for the City's ongoing obligations related to programs with external restrictions (restricted net position).
- \$5,494,394 is available to fund City programs for citizens and debt obligations to creditors (unrestricted net position).

The City's total net position decreased by \$284,776 from the prior year:

- The \$991,947 decrease in net position net investment in capital assets represents infrastructure and other additions of \$128,809 less depreciation of \$1,150,109, retirements of assets for a net amount of \$647, and the retirement of related long-term debt of \$30,000.
- The \$33,525 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 5.

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

The City's governmental funds combined ending fund balance of \$2,936,794 was an increase of \$99,917 from the prior year ending fund balance, restated, of \$2,836,877. Amounts available for spending include restricted, assigned, and unassigned fund balances; these totaled \$2,867,164, or 98% of ending fund balance. Of this amount, \$194,748 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, 2021**

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

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

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

**B. Fund Financial Statements**

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

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

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

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

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

**C. Required Supplementary Information**

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

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2021**

**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, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total		Total	
	2021	2020	2021	2020	2021	2020	Dollar Change	Percent Change
Current and Other Assets	\$ 3,099,852	\$ 3,028,523	\$ 5,261,784	\$ 4,604,041	\$ 8,361,636	\$ 7,632,564	\$ 729,072	10%
Capital Assets	7,673,435	8,432,071	4,962,285	5,225,596	12,635,720	13,657,667	(1,021,947)	-7%
Total Assets	<u>10,773,287</u>	<u>11,460,594</u>	<u>10,224,069</u>	<u>9,829,637</u>	<u>20,997,356</u>	<u>21,290,231</u>	<u>(292,875)</u>	<u>-1%</u>
Deferred Outflows of Resources	136,909	154,206	216,299	260,477	353,208	414,683	(61,475)	-15%
Current and Other Liabilities	87,029	92,688	80,632	63,595	167,661	156,283	11,378	7%
Long-Term Liabilities	210,783	218,020	2,390,207	2,300,004	2,600,990	2,518,024	82,966	3%
Total Liabilities	<u>297,812</u>	<u>310,708</u>	<u>2,470,839</u>	<u>2,363,599</u>	<u>2,768,651</u>	<u>2,674,307</u>	<u>94,344</u>	<u>4%</u>
Deferred Inflows of Resources	75,425	111,967	119,161	156,728	194,586	268,695	(74,109)	-28%
Net Invested in Capital Assets	7,673,435	8,432,071	4,219,456	4,452,767	11,892,891	12,884,838	(991,947)	-8%
Restricted	150,637	185,041	849,405	848,236	1,000,042	1,033,277	(33,235)	-3%
Unrestricted	2,712,887	2,575,013	2,781,507	2,268,784	5,494,394	4,843,797	650,597	13%
Total Net Position	<u>\$ 10,536,959</u>	<u>\$ 11,192,125</u>	<u>\$ 7,850,358</u>	<u>\$ 7,569,787</u>	<u>18,387,327</u>	<u>18,761,912</u>	<u>(374,585)</u>	<u>-2%</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 5.4% of the total net position and are resources subject to external restrictions on how they may be used.

Unrestricted net position represents 29.9% 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, 2021**

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, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total		Total	
	2021	2020	2021	2020	2021	2020	Dollar Change	Percent Change
<b>Program Revenues:</b>								
Charges for Services	\$ 109,586	\$ 81,651	\$ 2,080,532	\$ 2,052,052	\$ 2,190,118	\$ 2,133,703	\$ 56,415	3%
Operating Grants and Contributions	740,005	672,560	5,000	-	745,005	672,560	72,445	11%
Capital Grants and Contributions	79,897	118,956	-	-	79,897	118,956	(39,059)	-33%
<b>General Revenues:</b>								
Property Taxes	247,130	254,292	-	-	247,130	254,292	(7,162)	-3%
Other Taxes	430,205	367,900	-	-	430,205	367,900	62,305	17%
Other Revenue	21,088	54,553	24,364	81,004	45,452	135,557	(90,105)	-66%
<b>Total Revenues</b>	<b>1,627,911</b>	<b>1,549,912</b>	<b>2,109,896</b>	<b>2,133,056</b>	<b>3,737,807</b>	<b>3,682,968</b>	<b>54,839</b>	<b>1%</b>
<b>Expenses:</b>								
General Government	241,126	249,546	-	-	241,126	249,546	(8,420)	-3%
Planning and Community Development	152,148	134,045	-	-	152,148	134,045	18,103	14%
Public Safety	440,610	388,084	-	-	440,610	388,084	52,526	14%
Streets and Roads	1,020,829	1,214,772	-	-	1,020,829	1,214,772	(193,943)	-16%
Public Works	106,696	102,360	-	-	106,696	102,360	4,336	4%
Parks and Recreation	231,859	222,044	-	-	231,859	222,044	9,815	4%
Water Service	-	-	959,984	827,536	959,984	827,536	132,448	16%
Sewer Service	-	-	723,182	583,742	723,182	583,742	139,440	24%
Solid Waste	-	-	146,149	134,569	146,149	134,569	11,580	9%
<b>Total Expenses</b>	<b>2,193,268</b>	<b>2,310,851</b>	<b>1,829,315</b>	<b>1,545,847</b>	<b>4,022,583</b>	<b>3,856,698</b>	<b>165,885</b>	<b>4%</b>
<b>Change in Net Position</b>	<b>(565,357)</b>	<b>(760,939)</b>	<b>280,581</b>	<b>587,209</b>	<b>(284,776)</b>	<b>(173,730)</b>	<b>(111,046)</b>	<b>64%</b>
Net Position - July 1	11,192,125	11,953,064	7,569,787	6,982,578	18,761,912	18,935,642	(173,730)	-1%
Prior Period Adjustment	(89,809)	-	-	-	(89,809)	-	(89,809)	-100%
<b>Net Position - July 1, Restated</b>	<b>11,102,316</b>	<b>11,953,064</b>	<b>7,569,787</b>	<b>6,982,578</b>	<b>18,672,103</b>	<b>18,935,642</b>	<b>(263,539)</b>	<b>-1%</b>
<b>Net Position - June 30</b>	<b>\$ 10,536,959</b>	<b>\$ 11,192,125</b>	<b>\$ 7,850,368</b>	<b>\$ 7,569,787</b>	<b>\$ 18,387,327</b>	<b>\$ 18,761,912</b>	<b>\$ (284,776)</b>	<b>-2%</b>

- Governmental activities reported a \$565,357 decrease in net position, and business-type activities reported an increase of \$280,581, for a net decrease of \$284,776.

**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, 2021, the City's governmental funds reported combined ending fund balances of \$2,936,794. Approximately 98% of this total amount, or \$2,867,164, of the total fund balance is available to meet the City's ongoing general obligation to citizens and creditors. The remainder of fund balance represents amounts that are not in spendable form and is comprised of prepaids.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2021**

The General Fund is the main operating fund of the City. At June 30, 2021, total fund balance was \$2,764,924, 100% of which was available for spending. As measures of the general fund's liquidity, it is useful to note that available fund balance represents 282% of total fund expenditures. It is the City's goal to maintain a minimum level of fund balance sufficient to preserve the City's credit rating in the event that the City needs financing and to maintain sufficient working capital. It is also the City's goal to maintain a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The City therefore adopted a policy that directs management to maintain a minimum level of unassigned fund balance in the City's General Fund as follows:

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

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

Revenue Sources	Revenues Classified by Source Governmental Funds					
	2021		2020		Change	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 677,335	43%	\$ 622,192	40%	\$ 55,143	9%
Licenses and Permits	95,263	6%	55,675	4%	39,588	71%
Fines and Forfeitures	283	0%	409	0%	(126)	-31%
Use of Money and Property	16,387	1%	52,229	3%	(35,842)	-69%
Intergovernmental	753,022	48%	790,557	51%	(37,535)	-5%
Charges for Services	14,040	1%	25,567	2%	(11,527)	-45%
Other	4,701	0%	2,324	0%	2,377	102%
Total	<u>\$ 1,561,031</u>	<u>100%</u>	<u>\$ 1,548,953</u>	<u>100%</u>	<u>\$ 12,078</u>	<u>1%</u>

Significant changes for major revenue sources are explained below.

- Secured Property tax decreased \$7,063 and Sales Tax increased \$65,943.
- Building permits increased \$29,739 from the prior year amount because of large projects and business licenses decreased by \$6,064 due to timing.
- There was a decrease in the Use of Money and Property due to decreased interest rates.
- Intergovernmental includes an increase in Snow Removal Funds based on the expenses from the prior year, the addition of Coronavirus Relief Funds and a decrease in reimbursements from the State for STIP projects.
- Charges for Services decreased due to the City Pool being closed in the summer of 2020 because of the COVID-19 Pandemic.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2021**

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

	<b>Expenditures by Function Governmental Funds</b>					
	<u>2021</u>		<u>2020</u>		<u>Change</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Change</u>
General Government	\$ 220,554	15%	\$ 214,739	12%	\$ 5,815	3%
Planning and Community Development	156,161	11%	134,045	8%	22,116	16%
Public Safety	408,293	28%	354,229	20%	54,064	15%
Streets and Roads	413,482	28%	844,129	47%	(430,647)	-51%
Public Works	111,806	8%	100,804	6%	11,002	11%
Parks and Recreation	150,818	10%	133,568	7%	17,250	13%
Total Expenditures	<u>\$ 1,461,114</u>	<u>100%</u>	<u>\$ 1,781,514</u>	<u>100%</u>	<u>\$ (320,400)</u>	<u>-18%</u>

Significant changes for major functions are explained below:

- General government had a slight increase in personnel in the Finance Department.
- Planning and Community Development had a decrease in Lafco expenses and an increase in Grant expenditures. The Grant is the SB2 Planning grant.
- Public safety increase is due to the the pay out of sick and vacation for the Community Services Officer and the use of Abandoned vehicle abatement funds in code enforcement.
- Streets and Roads decreased in both the Street Fund and the Snow Removal Fund due to a light snow year and fewer projects being completed during Covid-19. The purchase of essential vehicles in 2020 for Street and Snow removal purposes was another large reason that 2021 decreased.
- Public Works had slightly more payroll due to the essential worker pay during Covid-19.
- Parks and Recreation increased as there were startup costs for the Pool for the summer of 2021 which there hadn't been the year before due to Covid-19.
- **Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail. These funds include the following enterprise funds: Water Service Fund, Sewer Service Fund, and Solid Waste Fund. As of June 30, 2021, the proprietary (enterprise) funds net position was a combined \$7,850,368 with a net investment in capital assets of \$4,219,456 and an unrestricted net position of \$2,781,507.

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2021**

**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 2020-2021 budget had projected that the revenues during the Covid-19 stay at home orders would cause a serious decline in revenue. The 2020-2021 budget projected the use of \$275,675 of the General Fund's fund balance to eliminate a shortfall of revenues over expenditures. There was no decrease in revenue except for Parks and Recreation as the pool was closed during the summer of 2020.

After amending the budget for the fiscal year 2020/2021 General Fund revenues were more than budget by \$54,611 and General Fund expenditures were \$10,611 less than budgeted. While the City had originally budgeted a decrease of \$275,675 in fund balance the final fund balance was an increase of \$81,068 of which \$50,000 can be attributed to Coronavirus Relief Funds.

The major special revenue funds include Streets, Snow removal and the A-15 STIP project. It is difficult to budget the A-15 project ahead of time as these projects can be programmed and go on for years. Snow removal budgeting is also difficult with the main reason being the use of contract snow removal in heavy storm years.

**VI. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**A. Capital Assets**

The change in capital assets for the Governmental Activities totaled \$(758,636), net of depreciation for an ending balance of \$7,673,435.

Business-type capital assets for the fiscal year ending June 30, 2021, were \$4,962,285, net of depreciation. This is a decrease in capital assets of \$263,311. 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, 2021**

**B. Long-Term Debt**

At June 30, 2021, the City had long-term debt outstanding of \$742,829. This is a decrease over June 30, 2020 of \$30,000. The entire long-term debt was attributable to Business-type activities. There is no long-term debt in the Governmental Activities.

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

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

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

For the 2021-2022 budget the process began as usual with City staff preparing draft level of services budgets for each area of the City. The budget process began in February and continued through March, April and May with revisions to the level of services budgets, additions of "add-ons" and discussion of what would be needed to provide a balanced budget. The challenge of remote meetings brought a new facet to the budget process. The budget included a 1.7% cost of living raise. The Water and Sewer budgets included the continuation of the Scada system upgrade as well as funding for fire hydrants. 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.

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.

Even though the City continues to recover from past economic downturn and staffing is still at a lower level, the General Fund supports the services necessary for the residents of Portola, including fire, parks, planning, building, streets, snow removal, animal control and law enforcement through a Sheriff's contract for services. The City currently contracts with neighboring Beckwourth Fire Protection District to perform fire related services. Through a Council approved Memorandum of Understanding with adjacent fire districts, the City is also exploring the possibilities of reorganizing fire and emergency services to strengthen and improve upon these services to the area. This effort is ongoing through the efforts of the Local Emergency Services Study Group and a feasibility study is being conducted.

In the 2021-2022 budget the City restructured code enforcement to utilize contract services. A company that has expertise in code enforcement and blight reduction activities has begun and the change is working well. At the onset there may be additional costs but the level and quality of service are exceptional and it is anticipated that the cost will level off.

An emphasis on being a business-friendly environment and attracting growth is evident but has not had a major impact on the budget yet. City staff has acquired an SB2 Planning Grant, and a related Local Early Action Planning Grant, and is using the funds in a variety of ways with the goal of improving and

**CITY OF PORTOLA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2021**

streamlining the permit process in an attempt to attract additional growth. The work may also make other services the City provides more efficient as well, including easier acquisition of public records, parcel information, utility billing payments, and answering general inquiries.

The City approved the use of the Riverwalk for a disc golf course in the hope that it can be an economic driver for the area. The course was designed by a disc golf course designer that is well known in the industry. Though some additional work is still needed, the Portola disc golf course recently opened and has already garnered quite a bit of attention, furthering the concept that the course may drive economic development in a positive way.

With regard to the City Enterprise Funds the effects and impacts of changing state and federal government regulation is a constant challenge, but the major challenge the Enterprise Funds face is the aging infrastructure in the City. The City has set up an infrastructure set aside in both water and sewer in an effort to partially fund major repairs. In the 2021-2022 budget Water and Sewer rates were not increased. The Solid Waste Fund was able to eliminate the amount owed to the General Fund for the difference between the money set aside for landfill closure and the final cost of the closure. This has enabled the Council to reduce Solid Waste Administration Fees by \$1.00 per month for a second year in a row with the hope of continuing that trend. While the landfill is closed, new requirements from the State will make it very difficult to ever decrease the fees. Now that the General Fund is repaid, the closure fee will be 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 are currently attempting to apply for a Clean Water State Revolving Fund grant.

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

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

#### **VIII. REQUESTS FOR INFORMATION**

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



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

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**CITY OF PORTOLA  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Investments	\$ 2,561,152	\$ 3,967,662	\$ 6,528,814
Restricted Assets:			
Restricted Cash	-	849,405	849,405
Imprest Cash	475	-	475
Prepaid Expense	69,630	-	69,630
Accounts Receivable	11,753	441,144	452,897
Interest Receivable	1,881	3,573	5,454
Due From Other Governments	250,023	-	250,023
Loans and Notes Receivable, Net	204,938	-	204,938
Capital Assets:			
Nondepreciable	1,075,358	244,222	1,319,580
Depreciable, Net	6,598,077	4,718,063	11,316,140
Total Assets	<u>10,773,287</u>	<u>10,224,069</u>	<u>20,997,356</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pensions	<u>136,909</u>	<u>216,299</u>	<u>353,208</u>
<b>LIABILITIES</b>			
Accounts Payable	29,391	34,944	64,335
Accrued Salaries and Benefits Payable	19,037	13,645	32,682
Deposits	12,523	27,893	40,416
Unearned Revenue	26,078	-	26,078
Accrued Interest	-	4,150	4,150
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	9,837	14,034	23,871
Notes Payable	-	32,000	32,000
Portion Due or Payable After One Year:			
Compensated Absences	13,406	19,124	32,530
Notes Payable	-	710,829	710,829
Liability for Landfill Postclosure	-	1,317,931	1,317,931
Net Pension Liability	187,540	296,289	483,829
Total Liabilities	<u>297,812</u>	<u>2,470,839</u>	<u>2,768,651</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pensions	<u>75,425</u>	<u>119,161</u>	<u>194,586</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,673,435	4,219,456	11,892,891
Restricted:			
General Government	93,934	-	93,934
Community Development	43,525	-	43,525
Capital Improvements	-	781,043	781,043
Snow Removal	13,178	-	13,178
Debt Service	-	68,362	68,362
Unrestricted	2,712,887	2,781,507	5,494,394
Total Net Position	<u>\$ 10,536,959</u>	<u>\$ 7,850,368</u>	<u>\$ 18,387,327</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$ 241,126	\$ 43,726	\$ 284,850	\$ -
Planning and Community Development	152,148	980	-	-
Public Safety	440,610	50,840	159,946	-
Streets and Roads	1,020,829	-	292,287	79,897
Public Works	106,696	-	-	-
Parks and Recreation	231,859	14,040	2,922	-
Total Governmental Activities	<u>2,193,268</u>	<u>109,586</u>	<u>740,005</u>	<u>79,897</u>
<b>Business-Type Activities:</b>				
Water Service	959,984	1,057,973	-	-
Sewer Service	723,182	707,674	-	-
Solid Waste	146,149	314,885	5,000	-
Total Business-Type Activities	<u>1,829,315</u>	<u>2,080,532</u>	<u>5,000</u>	<u>-</u>
Total City of Portola	<u>\$ 4,022,583</u>	<u>\$ 2,190,118</u>	<u>\$ 745,005</u>	<u>\$ 79,897</u>

**General Revenues**

Taxes:

Property Taxes

Sales and Use Taxes

Other

Unrestricted Interest and Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year, Restated

Net Position - End of Year

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 87,450	\$ -	\$ 87,450
(151,168)	-	(151,168)
(229,824)	-	(229,824)
(648,645)	-	(648,645)
(106,696)	-	(106,696)
(214,897)	-	(214,897)
<u>(1,263,780)</u>	-	<u>(1,263,780)</u>
-	97,989	97,989
-	(15,508)	(15,508)
-	173,736	173,736
<u>-</u>	<u>256,217</u>	<u>256,217</u>
<u>(1,263,780)</u>	<u>256,217</u>	<u>(1,007,563)</u>
247,130	-	247,130
367,473	-	367,473
62,732	-	62,732
16,387	23,864	40,251
4,701	500	5,201
<u>698,423</u>	<u>24,364</u>	<u>722,787</u>
(565,357)	280,581	(284,776)
<u>11,102,316</u>	<u>7,569,787</u>	<u>18,672,103</u>
<u>\$ 10,536,959</u>	<u>\$ 7,850,368</u>	<u>\$ 18,387,327</u>

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**BASIC FINANCIAL STATEMENTS –  
FUND FINANCIAL STATEMENTS**

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**CITY OF PORTOLA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General	State Transportation Improvement Plan	Gas Tax 2107	Snow Removal	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and Investments	\$ 2,411,039	\$ -	\$ 6,763	\$ 16,278	\$ 127,072	\$ 2,561,152
Imprest Cash	475	-	-	-	-	475
Notes Receivable	161,413	-	-	-	43,525	204,938
Accounts Receivable	11,753	-	-	-	-	11,753
Interest Receivable	1,793	-	-	-	88	1,881
Prepaid Expenses	-	69,630	-	-	-	69,630
Due From Other Funds	154,483	-	-	-	-	154,483
Due From Other Governmental Agencies	163,018	79,897	-	-	7,108	250,023
<b>Total Assets</b>	<b><u>\$ 2,903,974</u></b>	<b><u>\$ 149,527</u></b>	<b><u>\$ 6,763</u></b>	<b><u>\$ 16,278</u></b>	<b><u>\$ 177,793</u></b>	<b><u>\$ 3,254,335</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 10,075	\$ 2,223	\$ 4,607	\$ 775	\$ 11,711	\$ 29,391
Accrued Salaries and Benefits Payable	14,345	-	2,156	2,325	211	19,037
Unearned Revenue	26,078	-	-	-	-	26,078
Deposits From Others	12,523	-	-	-	-	12,523
Due to Other Funds	-	154,483	-	-	-	154,483
<b>Total Liabilities</b>	<b><u>63,021</u></b>	<b><u>156,706</u></b>	<b><u>6,763</u></b>	<b><u>3,100</u></b>	<b><u>11,922</u></b>	<b><u>241,512</u></b>
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue	76,029	-	-	-	-	76,029
<b>Total Deferred Inflows of Resources</b>	<b><u>76,029</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>76,029</u></b>
<b>Fund Balance:</b>						
Nonspendable	-	69,630	-	-	-	69,630
Restricted	93,934	-	-	13,178	87,636	194,748
Assigned	-	-	-	-	78,235	78,235
Unassigned	2,670,990	(76,809)	-	-	-	2,594,181
<b>Total Fund Balance</b>	<b><u>2,764,924</u></b>	<b><u>(7,179)</u></b>	<b><u>-</u></b>	<b><u>13,178</u></b>	<b><u>165,871</u></b>	<b><u>2,936,794</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b><u>\$ 2,903,974</u></b>	<b><u>\$ 149,527</u></b>	<b><u>\$ 6,763</u></b>	<b><u>\$ 16,278</u></b>	<b><u>\$ 177,793</u></b>	<b><u>\$ 3,254,335</u></b>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION –  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021**

<b>Fund Balance - Total Governmental Funds (From Previous Page)</b>	<b>\$</b>	<b>2,936,794</b>
 Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Governmental Funds.		7,673,435
Deferred Outflows of Resources as Reported in the Statement of Net Position		136,909
Deferred Inflows of Resources as Reported in the Statement of Net Position		(75,425)
 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		76,029
 Some Liabilities are not Due and Payable in the Current Period, and Therefore, are not Reported in the Governmental Funds:		
Compensated Absences		(23,243)
Net Pension Liability		(187,540)
		<hr/>
<b>Net Position of Governmental Activities</b>		<b><u>\$ 10,536,959</u></b>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	General	State Transportation Improvement Plan	Gas Tax 2107	Snow Removal	Other Governmental Funds	Total
<b>REVENUES</b>						
Taxes	\$ 677,335	\$ -	\$ -	\$ -	\$ -	\$ 677,335
Licenses and Permits	95,263	-	-	-	-	95,263
Fines, Forfeitures and Penalties	283	-	-	-	-	283
Use of Money and Property	15,772	-	-	-	615	16,387
Intergovernmental	380,838	79,897	48,999	204,283	39,005	753,022
Charges for Services	14,040	-	-	-	-	14,040
Other Revenues	4,701	-	-	-	-	4,701
Total Revenues	<u>1,188,232</u>	<u>79,897</u>	<u>48,999</u>	<u>204,283</u>	<u>39,620</u>	<u>1,561,031</u>
<b>EXPENDITURES</b>						
Current:						
General Government	220,554	-	-	-	-	220,554
Planning and Community Development	126,302	-	-	-	29,859	156,161
Public Safety	371,525	-	36,768	-	-	408,293
Streets and Roads	-	82,408	138,390	191,105	1,579	413,482
Public Works	111,806	-	-	-	-	111,806
Parks and Recreation	150,818	-	-	-	-	150,818
Total Expenditures	<u>981,005</u>	<u>82,408</u>	<u>175,158</u>	<u>191,105</u>	<u>31,438</u>	<u>1,461,114</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	207,227	(2,511)	(126,159)	13,178	8,182	99,917
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	126,159	-	-	126,159
Transfers Out	(126,159)	-	-	-	-	(126,159)
Total Other Financing Sources (Uses)	<u>(126,159)</u>	<u>-</u>	<u>126,159</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	81,068	(2,511)	-	13,178	8,182	99,917
Fund Balances - Beginning of Year, Restated	<u>2,683,856</u>	<u>(4,668)</u>	<u>-</u>	<u>-</u>	<u>157,689</u>	<u>2,836,877</u>
Fund Balances - End of Year	<u>\$ 2,764,924</u>	<u>\$ (7,179)</u>	<u>\$ -</u>	<u>\$ 13,178</u>	<u>\$ 165,871</u>	<u>\$ 2,936,794</u>

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 ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2021**

**Net Change to Fund Balance - Total Governmental Funds** **\$ 99,917**

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	\$ 100,897	
Less: Current Year Depreciation	<u>(859,533)</u>	(758,636)

Revenues in the Statement of Activities That do not Provide Current Financial Resources are not Reported as Revenues in the Governmental Funds.	66,880
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Some Expenses Reported in the Statement of Activities do not  
Require the Use of Current Financial Resources and, Therefore, are  
not Reported as Expenditures in Governmental Funds:

Change in Compensated Absences	3,109
Change in Accrued Net Pension Liability	<u>23,373</u>

**Change in Net Position of Governmental Activities** **\$ (565,357)**

*See accompanying Notes to Financial Statements*

**CITY OF PORTOLA  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2021**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Water Service</u>	<u>Sewer Service</u>	<u>Solid Waste</u>	
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 2,074,185	\$ 1,538,168	\$ 355,309	\$ 3,967,662
Interest Receivable	1,811	1,500	262	3,573
Accounts Receivable	237,167	136,166	67,811	441,144
Restricted Assets:				
Restricted Cash	371,068	478,337	-	849,405
Total Current Assets	<u>2,684,231</u>	<u>2,154,171</u>	<u>423,382</u>	<u>5,261,784</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	163,190	49,610	31,422	244,222
Depreciable, Net	<u>2,504,937</u>	<u>2,204,669</u>	<u>8,457</u>	<u>4,718,063</u>
Total Noncurrent Assets	<u>2,668,127</u>	<u>2,254,279</u>	<u>39,879</u>	<u>4,962,285</u>
Total Assets	5,352,358	4,408,450	463,261	10,224,069
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>105,753</u>	<u>96,961</u>	<u>13,585</u>	<u>216,299</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	30,448	4,000	496	34,944
Accrued Salaries and Benefits Payable	6,801	5,983	861	13,645
Deposits	27,893	-	-	27,893
Accrued Interest	3,646	504	-	4,150
Liability for Compensated Absences	6,897	6,294	843	14,034
Notes Payable - Current Portion	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>32,000</u>
Total Current Liabilities	107,685	16,781	2,200	126,666
Noncurrent Liabilities				
Liability for Compensated Absences	9,398	8,577	1,149	19,124
Landfill Closure and Postclosure	-	-	1,317,931	1,317,931
Notes Payable	710,829	-	-	710,829
Net Pension Liability	<u>144,862</u>	<u>132,819</u>	<u>18,608</u>	<u>296,289</u>
Total Noncurrent Liabilities	<u>865,089</u>	<u>141,396</u>	<u>1,337,688</u>	<u>2,344,173</u>
Total Liabilities	972,774	158,177	1,339,888	2,470,839
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>58,260</u>	<u>53,417</u>	<u>7,484</u>	<u>119,161</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,925,298	2,254,279	39,879	4,219,456
Restricted:				
Debt Service	68,362	-	-	68,362
Facility Fees	302,706	268,433	-	571,139
Capital Projects	-	209,904	-	209,904
Unrestricted	<u>2,130,711</u>	<u>1,561,201</u>	<u>(910,405)</u>	<u>2,781,507</u>
Total Net Position	<u>\$ 4,427,077</u>	<u>\$ 4,293,817</u>	<u>\$ (870,526)</u>	<u>\$ 7,850,368</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,057,973	\$ 707,674	\$ 314,885	\$ 2,080,532
Total Operating Revenues	<u>1,057,973</u>	<u>707,674</u>	<u>314,885</u>	<u>2,080,532</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	378,260	345,257	46,071	769,588
Services and Supplies	365,066	236,758	26,829	628,653
Landfill Closure Costs	-	-	66,928	66,928
Depreciation	160,330	124,857	5,389	290,576
Other Operating Expense	17,687	15,663	932	34,282
Total Operating Expenses	<u>921,343</u>	<u>722,535</u>	<u>146,149</u>	<u>1,790,027</u>
Operating Income (Loss)	136,630	(14,861)	168,736	290,505
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest Income (Loss)	12,303	10,154	1,407	23,864
Other Revenues	250	250	-	500
Intergovernmental Revenues	-	-	5,000	5,000
Debt Service Interest and Fiscal Charges	(38,641)	-	-	(38,641)
Other Non-Operating Expense	-	(647)	-	(647)
Total Nonoperating Revenue (Expenses)	<u>(26,088)</u>	<u>9,757</u>	<u>6,407</u>	<u>(9,924)</u>
Changes in Net Position	110,542	(5,104)	175,143	280,581
Net Position - Beginning of Year	<u>4,316,535</u>	<u>4,298,921</u>	<u>(1,045,669)</u>	<u>7,569,787</u>
Net Position - End of Year	<u>\$ 4,427,077</u>	<u>\$ 4,293,817</u>	<u>\$ (870,526)</u>	<u>\$ 7,850,368</u>

See accompanying Notes to Financial Statements.

**CITY OF PORTOLA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds			
	Water Service	Sewer Service	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Receipts From Customers	\$ 1,020,042	\$ 703,016	\$ 287,270	\$ 2,010,328
Cash Paid to Suppliers for Goods and Services	(366,341)	(257,466)	(76,901)	(700,708)
Cash Paid to Employees for Services	(323,748)	(294,100)	(39,392)	(657,240)
Net Cash Provided (Used) by Operating Activities	329,953	151,450	170,977	652,380
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Repayments From (to) Other Funds	-	-	(2,922)	(2,922)
Intergovernmental Revenue Received	-	-	5,000	5,000
Other Revenues Received	250	250	-	500
Payments of Other Non-Operating Expenses	-	(647)	-	(647)
Net Cash Provided (Used) by Noncapital Financing Activities	250	(397)	2,078	1,931
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Repayments on Long-Term Debt	(30,000)	-	-	(30,000)
Interest Repayments Related to Capital Purposes	(38,641)	-	-	(38,641)
Payments Related to the Acquisition of Capital Assets	(23,431)	(3,834)	-	(27,265)
Net Cash Provided (Used) by Capital and Related Financing Activities	(92,072)	(3,834)	-	(95,906)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received or Paid	17,145	14,288	1,684	33,117
Net Cash Provided (Used) by Investing Activities	17,145	14,288	1,684	33,117
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	255,276	161,507	174,739	591,522
Cash and Cash Equivalents - Beginning of Year	2,189,977	1,854,998	180,570	4,225,545
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,445,253</u>	<u>\$ 2,016,505</u>	<u>\$ 355,309</u>	<u>\$ 4,817,067</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>				
Cash and Cash Equivalents in Current Assets	\$ 2,074,185	\$ 1,538,168	\$ 355,309	\$ 3,967,662
Cash and Cash Equivalents in Restricted Assets	371,068	478,337	-	849,405
Total Cash and Cash Equivalents	<u>\$ 2,445,253</u>	<u>\$ 2,016,505</u>	<u>\$ 355,309</u>	<u>\$ 4,817,067</u>

See accompanying Notes to Financial Statements.



**CITY OF PORTOLA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds			Total
	Water Service	Sewer Service	Solid Waste	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 136,630	\$ (14,861)	\$ 168,736	\$ 290,505
Adjustments to Reconcile Operating Income (Loss) to Cash Flows From Operating Activities:				
Depreciation	160,330	124,857	5,389	290,576
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Utilities Receivable	(40,279)	(4,658)	(27,615)	(72,552)
Customer Deposits	2,348	-	-	2,348
Increase (Decrease) in:				
Accounts Payable	16,412	(5,045)	(564)	10,803
Accrued Expenses	2,093	1,558	235	3,886
Liability for Compensated Absences	2,465	2,335	236	5,036
Closure/Postclosure Liability	-	-	18,352	18,352
Net Pension Liability	49,954	47,264	6,208	103,426
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 329,953</u>	 <u>\$ 151,450</u>	 <u>\$ 170,977</u>	 <u>\$ 652,380</u>

See accompanying Notes to Financial Statements.

**NOTES TO FINANCIAL STATEMENTS**

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

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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, 2021.

**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, 2021**

**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. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

**C. Basis of Accounting**

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

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

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

**D. Use of Estimates**

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

**E. Interfund Transactions and Balances**

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

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

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

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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 (assets under capital leases) using the straight-line method over the lesser of the capital 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.

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

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

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

**J. Receivables**

Receivables consist of property taxes, sales taxes and grants from other governmental agencies. As of June 30, 2021, no balance has been provided as an allowance for doubtful accounts because in the opinion of management all receivables are considered collectible.

**K. Compensated Absences**

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

<u>Employee Status</u>	<u>Percent of Sick Hours Received</u>	<u>Percent of Vacation Hours Received</u>
Part-time	25	100
Full-time	25	100

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

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

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

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**L. Pensions**

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

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

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

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

**NOTE 2 NET POSITION/FUND BALANCE**

**Net Position**

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

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

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

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



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**Fund Equity**

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

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

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

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

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

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

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

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

**NOTE 3 CASH AND INVESTMENTS**

At June 30, 2021, total City cash and investments at fair value were as follows:

Petty Cash	\$	475
Cash in Bank		698,867
LAIF		6,679,352
Total		<u>\$ 7,378,694</u>

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Total cash and investments at June 30, 2021 were presented on the City's financial statements as follows:

Cash and Investments	\$ 6,528,814
Imprest Cash	475
Restricted Assets:	
Cash	849,405
Total	<u>\$ 7,378,694</u>

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

**Investments**

At June 30, 2021, the City had the following investments:

	<u>Par</u>	<u>Cost</u>	<u>Amortized Cost</u>
Investments:			
Local Agency Investment Fund (LAIF)	\$ 6,679,352	\$ 6,679,352	\$ 6,679,352
Total Investments	<u>\$ 6,679,352</u>	<u>\$ 6,679,352</u>	<u>\$ 6,679,352</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, 2021.

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

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2021, the recorded amount of the City's deposits was \$698,867 and the bank balance was \$769,349. Of the bank statement balance, \$250,000 was covered by federal depository insurance and \$519,349 was subject to collateralization.

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**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, 2021, the City's investment position in LAIF was \$6,679,352 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 \$193,321,015,759. Of that amount, 2.21% was invested in structured notes and asset-backed securities with the remaining 97.79% invested in other non-derivatives 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, 2021.

**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, 2021, the outstanding balance was \$161,413. 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, 2021 is \$204,938.

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**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

<u>Governmental Activities</u>	Balance July 1, 2020	Additions	Transfers and Retirements	Balance June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	\$ 746,277	\$ -	\$ -	\$ 746,277
Construction in Progress	238,297	90,784	-	329,081
Total Capital Assets, Not Being Depreciated	984,574	90,784	-	1,075,358
Capital Assets, Being Depreciated:				
Infrastructure	13,681,298	-	-	13,681,298
Buildings and Improvements	1,696,715	-	-	1,696,715
Machinery and Equipment	1,598,025	10,113	-	1,608,138
Total Capital Assets, Being Depreciated	16,976,038	10,113	-	16,986,151
Less Accumulated Depreciation for:				
Infrastructure	(7,181,102)	(681,960)	-	(7,863,062)
Buildings and Improvements	(1,230,355)	(73,358)	-	(1,303,713)
Machinery and Equipment	(1,117,084)	(104,215)	-	(1,221,299)
Total Accumulated Depreciation	(9,528,541)	(859,533)	-	(10,388,074)
Total Capital Assets, Being Depreciated, Net	7,447,497	(849,420)	-	6,598,077
Governmental Activities Capital Assets, Net	<u>\$ 8,432,071</u>	<u>\$ (758,636)</u>	<u>\$ -</u>	<u>\$ 7,673,435</u>
<u>Business-Type Activities</u>	Balance July 1, 2020	Additions	Transfers Adjustments and Retirements	Balance June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	\$ 62,844	\$ -	\$ -	\$ 62,844
Construction in Progress	155,997	25,381	-	181,378
Total Capital Assets, Not Being Depreciated	218,841	25,381	-	244,222
Capital Assets, Being Depreciated:				
Buildings and Improvements	8,593,575	-	-	8,593,575
Machinery and Equipment	1,325,883	2,531	(21,960)	1,306,454
Total Capital Assets, Being Depreciated	9,919,458	2,531	(21,960)	9,900,029
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,866,700)	(215,326)	-	(4,082,026)
Machinery and Equipment	(1,046,003)	(75,250)	21,313	(1,099,940)
Total Accumulated Depreciation	(4,912,703)	(290,576)	21,313	(5,181,966)
Total Capital Assets, Being Depreciated, Net	5,006,755	(288,045)	(647)	4,718,063
Business-Type Activities, Net	<u>\$ 5,225,596</u>	<u>\$ (262,664)</u>	<u>\$ (647)</u>	<u>\$ 4,962,285</u>

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

<b>Governmental Activities:</b>	
General Government	\$ 25,912
Public Protection	33,622
Public Ways and Facilities	1,124
Streets and Roads	706,537
Planning & Community Development	410
Recreation and Culture	<u>91,928</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 859,533</u>
<b>Business-Type Activities:</b>	
Water Fund	\$ 160,330
Sewer Fund	124,857
Solid Waste Fund	<u>5,389</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 290,576</u>

**NOTE 6 LONG-TERM LIABILITIES**

Long-term liabilities at June 30, 2021 consisted of the following:

<u>Business-Type Activities</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2021</u>
1997 Special Assessment Water Improvement Note Payable <i>(to Finance Improvements to the City's Water System)</i>	1997	5/1/2037	5.00%	\$5,000-\$25,000	\$ 1,173,000	\$ 742,829
Total Business-Type Activities					<u>\$ 1,173,000</u>	<u>\$ 742,829</u>

The following is a summary of long-term liabilities transactions for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>Balance June 30, 2021</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>						
Compensated Absences	\$ 26,352	\$ -	\$ (3,109)	\$ -	\$ 23,243	\$ 9,837
Total	<u>\$ 26,352</u>	<u>\$ -</u>	<u>\$ (3,109)</u>	<u>\$ -</u>	<u>\$ 23,243</u>	<u>\$ 9,837</u>
<b>Business-Type Activities:</b>						
Notes Payable from						
Direct Borrowing	\$ 772,829	\$ -	\$ (30,000)	\$ -	\$ 742,829	\$ 32,000
Postclosure Costs	1,299,579	66,928	(48,576)	-	1,317,931	-
Compensated Absences	28,122	5,036	-	-	33,158	14,034
Total	<u>\$ 2,100,530</u>	<u>\$ 71,964</u>	<u>\$ (78,576)</u>	<u>\$ -</u>	<u>\$ 2,093,918</u>	<u>\$ 46,034</u>

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The City's outstanding note payable for business-type activities is secured by water service revenue. As of June 30, 2021, 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
2022	\$ 32,000	\$ 37,150
2023	33,000	35,550
2024	35,000	33,900
2025	37,000	32,150
2026	38,000	30,300
2027-2031	222,000	120,950
2032-2036	282,000	39,650
2037	63,829	3,200
Total	<u>\$ 742,829</u>	<u>\$ 332,850</u>

**NOTE 7 INTERFUND TRANSACTIONS AND BALANCES**

The composition of interfund balances as of June 30, 2021 is as follows:

**Due To/From Other Funds:**

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	STIP	<u>\$ 154,483</u>	To cover cash deficit expected to be recovered through future revenues.

**Transfers:**

Transfers are used to subsidize various City operations. The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2021:

Transfer From	Transfer to	Amount
General Fund	Gax Tax 2107	<u>\$ 126,159</u>
		<u>\$ 126,159</u>

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**NOTE 8 FUND DISCLOSURES**

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

Enterprise Funds:	
Solid Waste Fund	<u>\$ (870,526)</u>
Special Revenue Funds:	
STIP	<u>\$ (7,179)</u>

The Solid Waste Fund has incurred a deficit net position balance as a result of recognition of the estimated liability for the landfill postclosure care costs. The City has established a solid waste surcharge included in its utility billings to reduce the deficit in this fund.

The STIP Fund has a deficit fund balance of \$7,179, which is expected to be eliminated by future revenues and general fund transfers, if needed.

**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. Non-vested

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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.

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

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

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

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

	Miscellaneous Tier I	Miscellaneous Tier II	PEPRA
Hire Date	Prior to July 1, 2012	On or after July 1, 2012	On or after January 2, 2013
Benefit Formula	2.7% at 55	2.0% at 60	2.0% at 62
Benefit Vesting Schedule	5 Years of Credited Service	5 Years of Credited Service	5 Years of Credited Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50	50	52
Monthly Benefits, as % of Eligible Compensation	2.0%-2.7%	1.1%-2.4%	1.0%-2.5%
Required Employee Contribution Rates	8.0%	7.0%	6.75%
Required Employer Contribution Rates	13.515%	8.794%	7.732%
Status	Open	Open	Open



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**3. Employees Covered**

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

**4. Contributions**

Section 20814 of the California Public Employees' Retirement Law requires the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. During the year ended June 30, 2021, the City made contributions totaling \$97,710 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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>PEPRA</u>
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	Varies by Entry Age and Service	
Investment Rate of Return	7.15%(1)	7.15%(1)
Mortality	Derived Using CalPERS' Membership Data for All Funds	

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

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**2. Change of Assumption**

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

**3. Discount Rate**

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

Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2021-2021 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until there is a change in methodology.

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

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

The long-term expected real rates by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021.

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**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, 2020	0.00977%
Proportion - June 30, 2021	0.01147%
Change - Increase/(Decrease)	0.00170%

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
Net Pension Liability	\$ 987,651	\$ 483,829	\$ 67,537

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

For the year ended June 30, 2021, the City recognized pension expense of \$177,763. 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, 2021**

At June 30, 2021, 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	\$ 24,933	\$ -
Changes in Assumptions	-	3,451
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	158,637	48,642
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	14,373	-
Change in Employer's Proportion	57,556	142,493
City Contribution Subsequent to the Measurement Date	97,709	
Total	\$ 353,208	\$ 194,586

\$97,709 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 19,210
2022	22,550
2023	12,259
2024	6,894
Total	\$ 60,913

**NOTE 10 OTHER POST-EMPLOYMENT 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, 2021**

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

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

As of June 30, 2021, the City's estimated liability for postclosure maintenance costs for the landfill was \$1,317,931. This estimate is based on the amount that would be paid if all equipment, facilities, and services required to close and/or monitor the landfills were acquired as of the balance sheet date. The costs for landfill postclosure maintenance costs are based on yearly estimates, reviewed by the California Integrated Waste Management Board, as prepared by TGV Solid Waste, Inc. Actual costs may be higher due to inflation, change in technology, or changes in regulations. The City has applied the annual inflation factor to the liability each year and has reduced the liability by actual expenses incurred.

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

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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.

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

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

The City is subject to various lawsuits, inverse condemnation cases, personnel actions, and other actions incidental to the ordinary course of City operations. In the opinion of the City attorney, the total potential claims against the City covered by insurance resulting from litigation would not materially affect the financial statements of the City at June 30, 2021.

**CITY OF PORTOLA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 14 PRIOR PERIOD ADJUSTMENTS**

Adjustments resulting from implementation of new standards, entity changes or errors that require a change to prior year accounting previously reported are treated as prior period adjustments. Accordingly, the City reports these changes as restatements of beginning fund balances/net position. Restatements as of the beginning of the fiscal year were made to restate the reporting of prior year revenues and expenses/expenditures.

The impact of the restatements of the fund balances/net position as previously reported is presented below:

	Government-Wide Statements
	Governmental Activities
<b>Net Position</b>	
June 30, 2020, as Previously Reported	\$ 11,192,125
Corrections:	
To Reverse Revenue that was Incorrectly Recognized in the Prior Year	(89,809)
Net Position, June 30, 2020, As Restated	\$ 11,102,316
	STIP Fund
<b>Fund Balance</b>	
June 30, 2020, as Previously Reported	\$ (33,815)
Corrections:	
To Record Prepaid Expenses relating to North Loop Project at June 30, 2020	29,147
Fund Balance, June 30, 2020, As Restated	\$ (4,668)

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF PORTOLA**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/  
 (ASSET) AND RELATED RATIOS**  
**YEAR ENDED JUNE 30, 2021**

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

Last 10 Fiscal Years\*

	Reporting Date									
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Proportionate Share of the Net Pension Liability	\$ 483,829	\$ 391,142	\$ 709,707	\$ 708,789	\$ 577,890	\$ 394,917	\$ 237,694			
Proportion of the Net Pension Liability	0.011%	0.010%	0.019%	0.018%	0.017%	0.014%	0.010%			
Covered Payroll	\$ 167,300	\$ 194,362	\$ 181,423	\$ 259,958	\$ 317,876	\$ 337,555	\$ 580,058			
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	289.2%	201.2%	391.2%	272.7%	181.8%	117.0%	41.0%			
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.71%	77.73%	77.69%	75.39%	75.87%	79.89%	81.15%			

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

**CITY OF PORTOLA  
SCHEDULE OF PENSION PLAN CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2021**

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

Last 10 Fiscal Years\*

	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contributions	\$ 46,122	\$ 39,456	\$ 34,427	\$ 48,061	\$ 48,041	\$ 52,222	\$ 24,089
Contributions Deficiency (Excess)	\$ 97,709 <u>(51,587)</u>	\$ 94,059 <u>(54,503)</u>	\$ 471,085 <u>(436,558)</u>	\$ 64,595 <u>(16,534)</u>	\$ 45,970 <u>2,071</u>	\$ 43,236 <u>8,986</u>	\$ 41,882 <u>(17,793)</u>
Covered Payroll	\$ 172,319	\$ 192,472	\$ 186,866	\$ 181,423	\$ 259,958	\$ 317,876	\$ 337,555
Contributions as a Percentage of Covered Payroll	56.70%	48.87%	252.10%	35.60%	17.68%	13.60%	12.41%

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

**CITY OF PORTOLA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 484,550	\$ 671,550	\$ 677,335	\$ 5,785
Licenses and Permits	57,700	87,700	95,263	7,563
Fines, Forfeitures and Penalties	200	200	283	83
Use of Money and Property	36,000	11,000	15,772	4,772
Intergovernmental	303,619	353,619	380,838	27,219
Charges for Services	9,552	9,552	14,040	4,488
Other Revenues	-	-	4,701	4,701
Total Revenues	<u>891,621</u>	<u>1,133,621</u>	<u>1,188,232</u>	<u>54,611</u>
<b>EXPENDITURES</b>				
Current:				
General Government	229,520	242,635	220,554	22,081
Planning and Community Development	81,945	132,945	126,302	6,643
Public Safety	316,866	364,102	371,525	(7,423)
Public Works	108,144	115,584	111,806	3,778
Parks and Recreation	134,350	136,350	150,818	(14,468)
Total Expenditures	<u>870,825</u>	<u>991,616</u>	<u>981,005</u>	<u>10,611</u>
Excess (Deficiency) of Revenues Over Expenditures	20,796	142,005	207,227	65,222
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(296,471)</u>	<u>(296,471)</u>	<u>(126,159)</u>	<u>170,312</u>
Total Other Financing Sources (Uses)	<u>(296,471)</u>	<u>(296,471)</u>	<u>(126,159)</u>	<u>(170,312)</u>
Net Change in Fund Balances	(275,675)	(154,466)	81,068	235,534
Fund Balances - Beginning of Year	<u>2,683,856</u>	<u>2,683,856</u>	<u>2,683,856</u>	<u>-</u>
Fund Balances - End of Year	<u><u>\$ 2,408,181</u></u>	<u><u>\$ 2,529,390</u></u>	<u><u>\$ 2,764,924</u></u>	<u><u>\$ 235,534</u></u>

**CITY OF PORTOLA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**STATE TRANSPORTATION IMPROVEMENT FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 79,897	\$ 79,897	\$ -
Total Revenues	<u>-</u>	<u>79,897</u>	<u>79,897</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Streets and Roads	20,000	99,897	82,408	17,489
Total Expenditures	<u>20,000</u>	<u>99,897</u>	<u>82,408</u>	<u>17,489</u>
Net Change in Fund Balances	(20,000)	(20,000)	(2,511)	(17,489)
Fund Balances - Beginning of Year	<u>(4,668)</u>	<u>(4,668)</u>	<u>(4,668)</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ (24,668)</u>	<u>\$ (24,668)</u>	<u>\$ (7,179)</u>	<u>\$ (17,489)</u>

**CITY OF PORTOLA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GAS TAX 2107 FUND  
FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 53,420	\$ 53,420	\$ 48,999	\$ (4,421)
Total Revenues	<u>53,420</u>	<u>53,420</u>	<u>48,999</u>	<u>(4,421)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	60,000	60,000	36,768	23,232
Streets and Roads	161,989	169,307	138,390	30,917
Total Expenditures	<u>221,989</u>	<u>229,307</u>	<u>175,158</u>	<u>54,149</u>
Excess (Deficiency) of Revenues Over Expenditures	(168,569)	(175,887)	(126,159)	49,728
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	168,569	168,569	126,159	(42,410)
Total Other Financing Sources (Uses)	<u>168,569</u>	<u>168,569</u>	<u>126,159</u>	<u>(42,410)</u>
Net Change in Fund Balances	-	(7,318)	-	7,318
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ (7,318)</u>	<u>\$ -</u>	<u>\$ 7,318</u>

**CITY OF PORTOLA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL**  
**SNOW REMOVAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 148,828	\$ 204,283	\$ 204,283	\$ -
Total Revenues	<u>148,828</u>	<u>204,283</u>	<u>204,283</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Streets and Roads	256,730	265,620	191,105	74,515
Total Expenditures	<u>256,730</u>	<u>265,620</u>	<u>191,105</u>	<u>74,515</u>
Excess (Deficiency) of Revenues Over Expenditures	(107,902)	(61,337)	13,178	74,515
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	107,902	107,902	-	(107,902)
Total Other Financing Sources (Uses)	<u>107,902</u>	<u>107,902</u>	<u>-</u>	<u>(107,902)</u>
Net Change in Fund Balances	-	46,565	13,178	(33,387)
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 46,565</u>	<u>\$ 13,178</u>	<u>\$ (33,387)</u>

**CITY OF PORTOLA  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

**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, 2021**

	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
<b>ASSETS</b>			
Cash and Investments	\$ 37,726	\$ 89,346	\$ 127,072
Due from other governments	7,108	-	7,108
Interest Receivable	28	60	88
Notes Receivable, Net	-	43,525	43,525
<b>Total Assets</b>	<b>\$ 44,862</b>	<b>\$ 132,931</b>	<b>\$ 177,793</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 751	\$ 10,960	\$ 11,711
Accrued Salaries and Benefits Payable	-	211	211
<b>Total Liabilities</b>	<b>751</b>	<b>11,171</b>	<b>11,922</b>
Fund Balance:			
Restricted	44,111	43,525	87,636
Assigned	-	78,235	78,235
<b>Total Fund Balance</b>	<b>44,111</b>	<b>121,760</b>	<b>165,871</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 44,862</b>	<b>\$ 132,931</b>	<b>\$ 177,793</b>

**CITY OF PORTOLA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FISCAL YEAR ENDED JUNE 30, 2021**

	Road Maintenance and Rehabilitation Account	Community Development Block Grant	Total
<b>REVENUES</b>			
Use of Money and Property	\$ 102	\$ 513	\$ 615
Intergovernmental	39,005	-	39,005
Total Revenues	<u>39,107</u>	<u>513</u>	<u>39,620</u>
<b>EXPENDITURES</b>			
Current:			
Streets and Roads	1,579	-	1,579
Planning and Community Development	-	29,859	29,859
Total Expenditures	<u>1,579</u>	<u>29,859</u>	<u>31,438</u>
Net Change in Fund Balances	37,528	(29,346)	8,182
Fund Balances - Beginning of Year	<u>6,583</u>	<u>151,106</u>	<u>157,689</u>
Fund Balances - End of Year	<u>\$ 44,111</u>	<u>\$ 121,760</u>	<u>\$ 165,871</u>

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**OTHER REPORTS**

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

Honorable Mayor and Council Members  
Portola, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portola (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise The City of Portola's basic financial statements, and have issued our report thereon dated November 29, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a material weakness.

Honorable Mayor and Council Members  
City of Portola

**Compliance and Other Matters**

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

**City's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Roseville, California  
November 29, 2021

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

**2021 – 001 Prepaid Expenditures and Receivables**

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

**Condition:** CLA noted that the City incorrectly recorded transactions relating to the STIP North Loop Project in prior years, including understating prepaid expenses with a contractor in the STIP Fund in the fund financial statements, and overstating revenues for Governmental Activities in the government-wide financial statements.

**Criteria or specific requirement:** Under generally accepted accounting principles, the government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flows take place. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recorded when they are both measurable and available to finance expenditures during the fiscal period.

**Effect:** In the prior year, prepaid expenses were understated by \$29,147, and receivables and unavailable revenue were overstated by \$118,955 in the STIP Fund. Amounts due from other governments and revenue from capital grants were overstated by \$118,955 for Governmental Activities in the government-wide financial statements. As a result, a prior period adjustment was recorded, restating beginning fund balance in the STIP Fund, and restating beginning net position for Governmental Activities in the government-wide financial statements.

**Cause:** The City utilizes a contractor to perform engineering services for the project and prepare reimbursement claims to be submitted to the State of California on behalf of the City for the project. The contractor is paid a flat rate through the City's payroll system as an advance against work performed, and the City reconciles actual amounts paid to the Contractor against claims submitted to the State of California for actual work performed. Due to the COVID-19 Pandemic in the prior year, submittal of claims to the State of California for work performed were delayed, which resulted in the City not performing an accurate reconciliation.

**Repeat Finding:** This is not a repeat finding.

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

**Views of responsible officials and planned corrective actions:** The City agrees that an accurate reconciliation was not completed. In the past there has not been a situation where the Contractor was "pre-paid" and this was a much different scenario. The City and the Contractor have discussed more communication regarding claims to the State of California and accurate reconciling. The City does not anticipate this being an issue in the future. All services performed by the Contractor are reimbursed by the State at 100%.

## CITY COUNCIL AGENDA STAFF REPORT

**DATE:** January 5, 2022  
**TO:** Honorable Mayor and Members of the City Council  
**FROM:** Tara Kindall, Deputy City Clerk  
**MEETING:** January 12, 2022  
**SUBJECT:** Council Committees, Boards and Commissions

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### **Background:**

Annually the Council reviews appointments to Council Committees, Boards and Commissions. Traditionally, following an election and reorganization of the Council, the Mayor makes appointments to vacancies at the first meeting in January.

Below staff has outlined the current Council Committees, Boards and Commissions with information regarding its purpose, meeting times and location so the Council can review the committees and talk about each of them.

Council Committees, Boards and Commissions are made through Mayoral appointments. Staff recommends that the Council review and discuss the list and the Mayor may make appointments to all/some or none of the below.

Staff has also noted two ad-hoc committees below and recommends the Council review their status and decide if they should continue or be disbanded.

### **Regional Commissions/Committees/Boards**

#### **Airport Land Use Commission**

Lauren Knox  
Todd Roberts

This committee meets in coordination with Plumas County and meets very intermittently, meeting may be held at various locations

#### **Abandoned Vehicle Abatement**

Susan Scarlet  
Tom Cooley

This committee meets in coordination with Plumas County and meets intermittently in Quincy. This committee must include at least one Council member.

### **Plumas County Integrated Waste Management Task Force**

Lauren Knox

Todd Roberts

This committee meets in coordination with Plumas County and meets intermittently in Quincy. This committee traditional included staff members and should continue to include at least one, if not two, staff members. The Committee needs one member and one alternate, it is preferred if the alternate is also able to attend meetings.

### **Plumas LAFCo**

Bill Powers

Tom Cooley

Pat Morton (alternate)

This Commission meets in coordination with Plumas County and meets every other month on the second Monday of the month in Quincy. The Plumas LAFCo Commission is comprised of two members appointed from the Plumas County Board of Supervisors, two members appointed from the City Council of the city of Portola, and one member appointed from the public-at-large. The Plumas Local Agency Formation Commission was created by the Legislature in 1963 to discourage urban sprawl and encourage the orderly formation and development of local government agencies within Plumas County. There is a LAFCo in each county in California. Any member appointed on behalf of local governments shall represent the interests of the public as a whole and not solely the interests of the appointing authority. This Commission must include at least two Council members and one Councilmember alternate.

### **DEAL**

Bill Powers

This Committee meets in Susanville. Mayor Bill Powers will provide additional information.

### **Transportation Commission**

Phil Oels

Bill Powers

Susan Scarlett

This committee meets in coordination with Plumas County and meets on the third Monday of every month as necessary in Quincy.

## **SCORE**

Lauren Knox

Susan Scarlett (alternate)

This is the Small City Organized Risk Effort Board. This organization manages the Cities workers compensation and liability insurance coverage pool. This Board meets quarterly in Anderson, CA. This Board can include Council and staff. However, this committee has traditionally included the Finance Officer and a staff member on its Board. It is recommended that this committee include at least include at least one staff member as the Board meetings include information needed by staff.

## **City of Portola Committees**

### **Emergency Services Policy Committee**

Lauren Knox

Pat Morton

This is a City of Portola Committee which meets intermittently and would be called to meet during any Emergency. This Committee should include the City Manager and the Mayor.

### **Finance and Administration**

Tom Cooley

Pat Morton

This Committee meets intermittently and discusses Finance and Administration issues and makes recommendation to the City Council. This Committee should consist of two Councilmembers.

### **Infrastructure Committee**

Tom Cooley

Bill Powers

This Committee meets intermittently and discusses infrastructure issues and makes recommendation to the City Council. This Committee should consist of two Councilmembers.

### **Community Development**

Phil Oels

Stan Peiler

This is a City of Portola Committee which meets intermittently, this Committee discusses community development issues and makes recommendation to the City Council. This Committee should consist of two Councilmembers.

## *Ad Hoc Committees*

### **Fire Wise Ad Hoc Committee**

Phil Oels  
Bill Powers

This committee meets intermittently and was created May 24, 2017 to assist the community in becoming FireWise and beginning its own Fire Wise Committee. The Council should discuss if its purpose has been reached and if the Committee should be disbanded or maintained and to what goal and potential end date.

### **Fire Department Advisory Committee**

Pat Morton  
Tom Cooley

This committee meets intermittently and was created October 11, 2017 to assist the staff in overcoming obstacles facing the Portola Volunteer Fire Department and to make recommendation to staff and the Council with regard to the Fire Department. The Council should discuss if its purpose has been reached and if the Committee should be disbanded or maintained and to what goal and potential end date.

### **Recommendation:**

Staff recommends that the Council review and discuss the list and the Mayor may make appointments.



# INTERIM CITY MANAGER EMPLOYMENT AGREEMENT

Between the  
CITY OF PORTOLA  
And  
JON KENNEDY

This City Manager Employment Agreement (“Agreement”) is entered into and effective this \_\_\_\_ day of January 2022, by and between the CITY OF PORTOLA (“City”), a municipal corporation of the State of California, and Jon Kennedy (“Manager”), an individual. City and Manager may be referred to herein individually as “Party” and collectively as “Parties.” Under this Agreement, the City offers, and Manager accepts, employment as Interim City Manager of the City.

## **1. Duties:**

Manager shall be the chief executive officer of the City and perform those duties as set forth in the Portola Municipal Code (“Municipal Code”), Chapter 2.04, those duties that are prescribed by the laws of the State of California and of the United States of America and those responsibilities that are commonly assigned to a city manager of a city in California. Manager shall perform such other legally permissible and proper duties and functions appropriate to and consistent with the professional role and responsibilities of City Manager, as the City Council shall from time to time assign.

A. Manager shall administer and enforce policies established by the City Council and promulgate rules and regulations as necessary to implement City Council policies.

B. Direct the work of all appointive City Officers and departments that are the concern and responsibility of the City Council, except those that are directly appointed by or report directly to the City Council.

C. Recommend to the City Council, from time to time, adoption of such measures as Manager may deem necessary or expedient for the health, safety, or welfare of the community or for the improvement of administrative services.

D. Evaluate administrative practices that may result in greater operational effectiveness or economy in City government and develop and recommend to the City Council long range plans to improve City operations and prepare for the City’s growth and development.

E. Provide for management, development and training and develop leadership qualities as necessary to insure the highest standards of managerial practices.

F. Manager shall act in the City's best interests at all times and perform Manger's duties in a competent and professional manner. Furthermore, as the City's highest officer, Manager shall endeavor at all times to exercise the highest degree of integrity, committing to comply with the International City/County Managers Association ("ICMA") Code of Ethics and shall not engage in any conduct or activities, on- or off-duty, that reflect discredit or bring disrepute on the City or impair its efficient and effective operation.

G. Manager is exempt from the overtime provisions of the Fair Labor and Standards Act, as amended, but is expected to engage in those hours of work that are necessary to fulfill the obligations of the Manager.

H. Manager shall perform the duties required hereunder at City's City Hall and at such other place or places as the City or Manager shall in good faith require or as the interests, needs, business, and opportunities of the City shall require or make advisable. In order to facilitate the discharge of his duties, Manager agrees to live within fifteen (15) minutes driving distance to City's City Hall, as measured during what would be considered to be normal or average driving conditions. City recognizes that Manager requires a six-month period of transition beginning at the commencement of his employment during which he relocates to the vicinity of the City. During this period of transition, the fifteen (15) minutes driving distance provision of this paragraph will not be strictly enforced.

## **2. Devotion to City Business:**

The Manager position is a full-time position. Therefore, Manager shall focus his professional time, ability, and attention to the City's business during the term of this Agreement.

## **3. Hours of Work:**

The Manager position is full-time with a work schedule generally consistent with the normal business hours adopted by the City. Manager shall devote the time necessary to adequately perform his duties as City Manager. The Parties anticipate that Manager will work a sufficient number of hours per week allocated between regular business hours and hours outside of regular business hours including, without limitation, attendance at regular and special City Council meetings. Toward that end, Manager shall be allowed reasonable flexibility in setting his own office hours, provided the schedule of such hours provides a significant presence at City Hall, reasonable availability to the City Council, City staff, and members of the community during regular City business hours and for the performance of his duties and of City business. Manager

may perform work off site as appropriate. Manager agrees to be reachable by telephone for consultation and advice when he is not physically working in the City. Manager also agrees to respond to the City for emergency situations.

**4. Term:**

A. Manager's employment will commence on January 31, 2022, or sooner as mutually agreed by the Parties and continue for a period of one (1) year. The initial period of employment will be an orientation provided by the current City Manager who shall retain the title and all duties and authority of the City's City Manager during such orientation period. Effective February 11, 2022, or sooner as mutually agreed by the Parties, Manager shall have the title of Interim City Manager and assume all of the duties and authority set forth in Section 1, Duties, of this Agreement. This Agreement and Manager's employment shall terminate on February 23, 2023, unless terminated sooner in accordance with this Agreement.

B. The Parties may mutually agree to extend the term of this Agreement. Any such extension shall be set forth in a written document approved and executed by both Parties.

C. The Parties acknowledge and agree that Manager's employment by the City pursuant to this Agreement is on a temporary and interim basis during which the City will seek to fill the City Manager position with a regular, full-time City Manager ("RFTCM"). The Parties further acknowledge and agree that as of the effective date of this Agreement, Manager has expressed interest in being appointed and serving as the City's RFTCM and that during the term of this Agreement the Manager shall evaluate whether he has continued interest in such position and the City will consider and evaluate whether it is interested in contracting with Manager to be appointed to and serving in such position. The Parties may, but are not required to, agree to amend or revise this Agreement or enter into a new agreement for Manager to be appointed and serve as the City's RFTCM. At all times during the term of this Agreement, the Manager shall not participate in the making of the contract for the RFTCM position, shall play no role whatsoever in the contracting-making process for such position, shall not engage in and shall disqualify himself from participating in any act involving preliminary discussions, negotiations, compromises, reasoning, planning, preparing, suggesting or distributing job qualifications or solicitations for such position and shall not influence or attempt to influence directly or indirectly the City in the award of a contract for such position to promote his personal interests. The Parties further acknowledge and agree that the activities described in the preceding sentence are outside the scope of Manager's duties pursuant to this Agreement that they shall be performed by the City's City Council and other City staff, consultants and contractors selected by the City Council. This sub-Section 4.C. is not intended and shall not be interpreted as requiring the City and Manager to amend or revise this Agreement or enter into a new agreement for Manager to be appointed and

serve as the City's RFTCM or to change the at-will nature of Manager's employment with the City or either Party's right to terminate this Agreement as provided herein.

**5. Compensation:**

A. Manager's initial annual Base Salary shall be Ninety-five Thousand Dollars (\$95,000.00). Said amount shall be payable in installments at-the same time and in the same manner as other employees of the City are paid.

B. Manager shall be entitled to receive cost-of-living adjustments or any similar across-the-board increases that the City Council determines, in its discretion, to approve for all City employees.

C. Manager's Base Salary may be adjusted on or about the three (3) month anniversary of the commencement of Manager's employment and thereafter in conjunction with Manager's performance reviews.

D. Manager's Base Salary increases approved by the City Council from time to time pursuant to this Agreement shall not require an amendment to this Agreement to be effective. Such increases may be set forth in a resolution or minute action approved by the City Council and ratified by resolution.

E. If the City reduces the Base Salary or any other financial benefit of the Manager in a percentage that is greater than the average reduction of all City employees, without the approval of the Manager, Manager shall be entitled to severance pay under Section 12.B. of this Agreement.

**6. Periodic Evaluation:**

A. City shall review the performance of Manager within approximately three (3) months of the commencement of Manager's employment and shall thereafter meet approximately every three (3) months, or more frequently as either Party desires, to review the Manager's performance.

B. Increases to the Manager's Base Salary will be considered, at the sole discretion of the City, as part of the initial performance evaluation and each evaluation.

**7. Additional Benefits:**

A. City Vehicle. Because Employee is on-call twenty-four (24) hours per day and expected to be available for City business at all hours, Employee shall be provided with exclusive use of a City-owned vehicle. Use of City-owned vehicles shall be relied upon as the primary means

of vehicle usage for City business as it provides City the greatest control over operating costs, usage, maintenance, inspection, and insurance. Use of the vehicle assigned to the Employee on a permanent basis is limited to daily commuting to and from the City and for City business only. Personal use of the vehicle shall be limited only to use during the six-month transition period at the beginning of the term of this Agreement during which Manager may travel back and forth from the City to Ukiah, California and relocates to the vicinity of the City and other uses that are de minimis and incidental to Employee's commute, such as minimal personal errands or childcare pick-ups/drop-offs. Employee shall be responsible for all applicable income taxes resulting from personal use of the vehicle.

In the event that City Vehicle is not available for the purposes stated above, City shall pay Manager Four Hundred Dollars (\$400.00) monthly in compensation on a pro rata basis for the use and maintenance of Manager's personal vehicle on City business. The car allowance is subject to federal and state income tax provisions for salary purposes. Manager shall not receive further reimbursement for travel mileage within a fifty (50) mile radius of the City. For any required travel mileage outside the fifty (50) mile radius, Manager shall be reimbursed at the current allowable I.R.S. rate. The Employee shall maintain and be responsible for paying for liability, property damage, and comprehensive insurance coverage, with minimum coverages of \$100,000 for each injury and \$300,000 for all injuries in one accident and \$100,000 for property damage, upon such vehicle and shall further be responsible for all expenses attendant to the purchase, operation, maintenance, repair, and replacement of said vehicle.

B. Cell phone: City shall provide Manager with a cell phone for use for conducting City business and limited personal use as appropriate.

C. Vacation Time: City shall provide Manager ten (10) paid vacation days of paid vacation during the term of this Agreement.

D. Sick Time: City shall provide Manager with four (4) hours for each 80 hours pay period of paid sick.

E. Paid Holidays: City shall provide Manager fourteen (14) days per year of paid holidays as determined by the City.

F. Health Benefits: City shall provide Manager with the same health plans (medical, dental, and vision) under the same terms, conditions, and administrative procedures as determined by the City Council for all City employees.

G. Pension: City agrees to enroll Manager as a member of the California Public Employees Retirement System (CalPERS). The Manager is responsible for paying the full

employee portion of CalPERS. City shall pay Manager's required contributions consistent with the contribution level paid on and behalf of all other City employees.

H. Management Leave: City shall provide Manager forty (40) hours per year of personal leave in accordance with the City's policies.

I. Memberships: The City will pay for Manager's ICMA membership. The City will consider paying for Manager's membership in other organizations on an individual basis.

J. The Manager will receive all benefits set forth in City policies and be subject to all City rules, procedures and policies, including personnel policies, except the benefits set forth in this Agreement shall control over the benefits set forth in City policies.

## **8. Business and Professional Expenses:**

A. City recognizes that Manager may incur expenses of a non-personal, job-related nature that are reasonably necessary to Manager's service to City. City agrees to either pay such expenses in advance or to reimburse the expenses, provided that the expenses are incurred and submitted according to City's normal expense reimbursement procedures or such other procedure as may be designated by the City Council. To be eligible for reimbursement, all expenses must be set forth and approved by City Council in the City's budget, supported by documentation meeting City's normal requirements and must be submitted within time limits established by City.

B. City agrees to pay Manager's travel and subsistence expenses for official travel, meetings, and occasions reasonably necessary to continue Manager's professional development, and for Manager's reasonable participation in necessary official and other functions for the City, including, but not limited to, regional, state, and local conferences, and governmental groups and committees on which Manager serves as a member. Notwithstanding the above, the number of conferences or meetings City will pay for each year, and attendance at out-of-state conferences and meetings, if any, shall be at the discretion of the City Council as set forth in the City's budget.

## **9. City Property**

Manager agrees that materials, regardless of their form, that Manager creates, receives, creates or produces in connection with this Agreement and/or Manager's employment as City Manager are and will remain the exclusive property of the City. Manager will deliver all originals and all copies of such materials to the City that in Manager's possession or control upon termination or expiration of this this Agreement or upon any request from the Mayor or the City.

**10. Non-Disclosure of Proprietary or Confidential Information:**

Manager will not at any time, in any form or manner, either directly or indirectly, except in the discharge of Manager's duties as City's Interim City Manager, divulge, disclose, or communicate to any person, firm, or corporation in any manner whatsoever any Proprietary or Confidential Information produced, received, acquired or learned by Manager while performing the duties of City Manager. For purposes of this Agreement Proprietary and Confidential Information, includes but is not limited to, all information and any ideas pertaining in any manner to the business of the City, trade secrets, inventions, processes, formulae, data, know-how, software, strategies, information about City employees, City utility customers, elected and appointed officials and officers, attorney-client privileged information and any information concerning any matters detrimentally affecting or relating to the business of the City without regard to whether any or all of the foregoing matters would be deemed confidential, material, or important. During Manager's employment by City, Manager shall use Proprietary and Confidential Information only for the benefit of the City and as is, or may be, necessary to perform Manager's job responsibilities under this Agreement. Following termination or expiration of this Agreement, Manager shall not use any Proprietary or Confidential Information and shall not disclose any Proprietary or Confidential Information to any person or entity without the express written consent of City.

**11. Manager's Commitments Binding on City Only on Written Consent:**

Manager shall not have the right to make any contracts or other commitments for or on behalf of the City without the written consent of City or as delegated to Manager by the City Council.

**12. Termination of Employment and this Agreement; General Release; Severance:**

A. Manager is an at-will employee and works exclusively at the pleasure and sole discretion of the City Council. This Agreement and at-will employment relationship, as provided in Government Code Section 36506 and in this Agreement, may be terminated at any time, with or without cause or notice by the City Council as determined by the affirmative votes of a majority of the members of the City Council at a meeting of the City Council, except that Manager's employment may only be terminated without cause by a unanimous vote of the City Council during the first one hundred twenty (120) days after the seating and swearing-in of one or more City Council members. Nothing in this Agreement, nor in any City policy, rule, procedure or ordinance shall modify the Manager's status as an at-will employee or limit the City's ability to treat the Manager as an at-will employee, even though Manger' job duties, title, compensation, and benefits, as well as the City's policies, may change from time to time.

B. If Manager is terminated without cause, Manager will be provided with severance pay equal to one (1) month of Manager's Base Salary. Payment of severance pay is subject to the following:

1. Upon Manager's execution of the "General Release Agreement" in the form set forth in Exhibit "A" of this Agreement, Severance Pay shall be payable in one lump sum pursuant to the terms of said Agreement.

2. Manager agrees and understands that acceptance of the City's offer of severance pay at the time Manager's at-will employment is terminated by the City Council is pursuant to the execution of the "General Release Agreement" identified in Exhibit "A" of this Agreement and shall constitute liquidated damages and Manager's sole and exclusive remedy for any termination of this Agreement by the City Council as noticed in said Agreement.

3. In the event Manager voluntarily terminates Manager's employment with City, no severance pay shall be payable to Manager.

4. In the event City terminates Manager's at-will employment "for cause", City shall have no obligation to pay severance pay under this Agreement. A termination "for cause" may include, but shall not be limited to, the following:

- (a) A material breach of the terms of this Agreement;
- (b) Violation of City policies or procedures;
- (c) Failure to properly perform assigned duties;
- (d) Theft of City property;
- (e) Insubordination;
- (f) Unauthorized absence from employment;
- (g) Conviction of, or plea of guilty or nolo contendere to a felony or misdemeanor relating to Manager's fitness to perform assigned duties or Manager's reputation;
- (h) Conviction of any crime involving an "abuse of office or position," as that term is defined in Government Code Section 53243.4;



- (i) Failure to maintain satisfactory working relationships with other employees or the public;
- (j) Improper use of City funds;
- (k) Unauthorized use of City property;
- (l) Willful misconduct or malfeasance;
- (m) Failure or inability to provide a bond as required by the Portola Municipal Code;
- (n) Conduct unbecoming the position of City Manager or repeated failure of good behavior either during or outside of employment such that the Manager's conduct causes, or is likely to cause, scandal, severe discredit or embarrassment to the City or damage to the reputation of the City; and
- (o) Any act of dishonesty, fraud, misrepresentation or moral turpitude.

C. If, during the Term or any extended Term, Manager dies, Manager's estate shall receive any accrued Base Salary and benefits, but shall not be entitled to any additional compensation or payment, including severance pay.

D. In the event Manager is permanently disabled or is otherwise unable to perform Manager's duties because of sickness, accident, injury, or mental incapacity for a period of sixty (60) consecutive days, the City may terminate Manager's employment and this Agreement. Manager shall receive any accrued Base Salary and benefits, but shall not be entitled to additional compensation or payment, including severance pay.

E. Manager may resign from Manager's employment at any time upon giving forty-five (45) days written notice to the City Council. If Manager resigns from employment, Manager shall not be entitled to any additional compensation or payment, including severance pay, but shall be entitled only to accrued Base Salary and benefits.

**14. Abuse of Office or Position:**

Notwithstanding anything to the contrary in this section, pursuant to the requirements set forth in Government Code Section 53243.2, if Manager is convicted of a crime involving an abuse of Manager's office or position, all of the following shall apply: (a) if Manager is provided with administrative leave pay pending an investigation, Manager shall be required to fully reimburse City such amounts paid; (b) if City pays for the criminal legal defense of Manager (which would be in City's sole discretion, as it is generally not obligated to pay for a criminal defense), Manager shall be required to fully reimburse City such amounts paid; and (c) if this Agreement is terminated, any severance pay related to the termination that Manager may receive from City shall be fully reimbursed to City or shall be void if not yet paid to Manager. For purposes of this Section, abuse of office or position means either: (i) an abuse of public authority, including, but not limited to, waste, fraud, and violation of the law under color of authority; or (ii) a crime against public justice.

#### **15. Indemnification:**

In accordance with and subject to California's Government Claims Act, the City shall defend and indemnify the Manager against and for all losses sustained by the Manager in direct consequences of the discharge of Manager's duties on the City's behalf for the period of Manager's employment. City shall defend, hold harmless and indemnify the Manager against any tort, professional liability claim or demand or other legal action, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of Manager's duties as the City Manager. The City will compromise and settle any such claim or suit and pay the amount of any settlement or judgment rendered thereon, as appropriate and determined by the City Council.

In the event the Manager is sued for damages arising out of the performance of Manager's duties, the City shall provide defense counsel for the City Manager in such suit and indemnify Manager from any judgment rendered against Manager, provided that such indemnity shall not extend to any judgment for damages arising out of any willful wrongdoing. Said indemnification shall extend beyond termination of employment and the otherwise termination or expiration of this Agreement to provide protection for any such acts undertaken or committed in Manager's capacity as City Manager, regardless of whether the notice of filing of a lawsuit occurs during or following employment with the City.

#### **16. Conflict of Interest**

Because of the duties and role of the Manager on behalf of the City and its citizenry, the Manager shall not, during the term of this Agreement, individually, as a partner, joint venturer, officer or shareholder, invest or participate in any business venture conducting business in the corporate limits of the City, except for stock ownership in any company whose capital stock is publicly held and regularly traded, without the prior approval of the City Council. For and during

the term of this Agreement, the Manager further agrees, except for a personal residence or residential property acquired or held for future use as Manager's personal residence, not to invest in any other real estate or real property improvements within the corporate limits of the City, without prior consent of the City Council.

The Manager shall not engage in any business or transaction or have a financial or other personal interest or association, direct or indirect, which is in conflict with the proper discharge of official duties or would tend to impair independence of judgment or action in the performance of official duties. Personal, as distinguished from financial, interest includes an interest arising from blood or marriage relationships or close business, personal or political associations. This section shall not serve to prohibit independent acts or other forms of enterprise during those hours not covered by active City employment, providing such acts do not constitute a conflict of interest as defined herein or by applicable law.

The Manager shall also be subject to the conflict of interest provisions of the California Government Code and any conflict of interest code applicable to Manager's City employment. The City Manager is responsible for submitting to the City Clerk the appropriate Conflict of Interest Statements at the time of appointment, annually thereafter, and at the time of separation from the position.

#### **17. Assistance in Litigation**

Manager agrees that Manager will furnish information and proper assistance to the City as it may reasonably require with any litigation, arbitration or mediation in which it may become involved, either during or after termination or expiration of this Agreement. Manager further agrees that Manager will not discuss, reveal or convey any information or documents pertaining to the City to any person or entity, or attorney for or representative of any person or entity, with actual or potential claims adverse to the City except pursuant to duly issued legal process or as otherwise authorized by the City. Manager agrees to notify the City immediately upon receipt of any legal process or contact pertaining to the City.

#### **18. Entire Agreement:**

This Agreement represents the entire and fully integrated agreement between the Parties and supersedes any and all other agreements, either oral or in writing, between the Parties with respect to the employment of Manager by City and contains all of the covenants and agreements between the Parties with respect to that employment. Each Party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by either Party, or by anyone acting on behalf of either Party, which are not embodied herein, and

that no other employment agreement, statement, or promise not contained in this Agreement shall be valid or binding upon either Party.

**19. Modifications:**

Any modifications to this Agreement shall be effective only if in writing and signed by both of the Parties.

**20. Effect of Waiver:**

The failure of either Party to insist upon strict compliance with any of the terms, covenants, or conditions of this Agreement by the other Party shall not be deemed a waiver of that term, covenant, or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

**21. Partial Invalidity:**

If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall be deemed severable and continue in full force without being impaired or invalidated in any way.

**22. Attorney's Fees:**

If either Party brings any action or proceeding against the other, including but not limited to, an action to enforce or to declare the termination, cancellation or revision of the Agreement, the prevailing Party in such action or proceedings shall be entitled to receive from the other Party all reasonable attorney's fees and costs, incurred in connection therewith.

**23. Governing Law and Venue:**

This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any action to interpret or enforce the terms of this Agreement shall be held exclusively in a state court in Plumas County, California. Manager expressly waives any right to remove such action from Plumas County.

**24. Notices:**

Any notices to be given hereunder by either Party to the other in writing may be affected either by personal delivery, mail, or email. Mailed notices shall be addressed to the Parties as set

forth below, but each Party may change their address by written notice given in accordance with this section. Notices delivered personally or by email will be deemed communicated as of actual receipt. Mailed notices will be deemed communicated and received as of three (3) calendar days following the date of mailing.

CITY: City of Portola  
Attention: Mayor  
35 Third Avenue  
Portola, CA 96122

MANAGER: Jon Kennedy  
Addr1  
City, State, Zip

This Agreement is entered into this \_\_\_\_ day of \_\_\_\_\_, 2022.

CITY OF PORTOLA

MANAGER

By: \_\_\_\_\_

\_\_\_\_\_

Pat Morton, Mayor

Lauren Knox, Manager

Attest:

Approved as to Form:

\_\_\_\_\_  
Tara Kindall, City Clerk

\_\_\_\_\_  
Steven C. Gross, City Attorney

EXHIBIT "A"  
GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (hereinafter "Agreement") is entered into this \_\_\_\_ day of \_\_\_\_\_ 202\_, by and between the CITY OF PORTOLA, a municipal corporation of the State of California (hereinafter referred to as "City", "Party", or "Parties", as the context may require), and Jon Kennedy, an individual residing in Ukiah, California, (hereinafter referred to as "Kennedy", "Party", or "Parties", as the context may require), with respect to the following recitals:

**RECITALS**

- A. Whereas, Kennedy has been employed by the City as its Interim City Manager pursuant to an Interim City Manager Employment Agreement entered into and effective as of January 24, 2022 ("Employment Agreement");
- B. Whereas, pursuant to Section \_\_\_\_ of the Employment Agreement, the City terminated Employee from Employee's at-will employment as of \_\_\_\_\_ ("Separation Date"); and
- C. Whereas, pursuant to Sections \_\_\_\_ of the Employment Agreement, Employee has voluntarily agreed to accept the following severance payment from the City in consideration of the terms of this Agreement.

NOW, THEREFORE, Kennedy and the City agree and promise as follows:

- 1. In accordance with the terms and conditions set forth in this Agreement:

Kennedy agrees that effective as of the Separation Date, he has

separated from and is no longer employed by the City.

- a. Kennedy agrees that he will not contact, disrupt or attempt to disrupt City employees while they are working and will not interfere with, undermine or attempt to undermine the authority of any of supervisorial or managerial staff at the City and will not encourage or assist others to do so.
- b. Kennedy acknowledges that he has been paid through the Separation Date: (1) all wages; (2) reimbursement for all expenses; and (3) for all of his accrued and unused paid vacation.
- c. Kennedy and the City agree that as consideration for entering into this Agreement, the City will pay Kennedy only one (1) month of his base salary as of the Separation Date, less required and authorized withholdings and deductions.

2. In exchange for the consideration set forth in Section 1, above, and for the covenants and mutual releases provided herein, Kennedy, on behalf of himself and his representatives, heirs, successors and assigns (collectively hereinafter also “Kennedy”), does hereby completely release and forever discharge the City and its past and present elected and appointed officials, employees, agents, representatives, attorneys, insurers, successors, and assigns (collectively “Released Parties”) from any and all claims, rights, demands, actions, causes of action, obligations, liabilities, debts, damages, losses, loss of service, liens, liabilities, costs, attorneys’ fees, experts’ fees, debts and expenses, of any and every kind, nature and character whatsoever, in law or in equity, known or unknown, which she may have based on or related to (i) a tort, including but not limited to negligent or intentional tort; (ii) contract, including but not limited to implied, oral or written contract, or (iii) any federal, state or local law, statute or regulation, which Kennedy may now have or have ever had against the Released Parties, based on any act or omission, including but not limited to, any and all claims arising out of or in any way connected with Kennedy’s employment with the City and the separation of such employment.

3. Kennedy specifically acknowledges and agrees that this Agreement shall operate as a complete bar to any litigation, charges, complaints, grievances or demands of any kind

whatsoever, including but not limited to those arising under any and all policies and procedures of the City, Constitution of the United States; Title VII of the Civil Right Act of 1964, as amended, 42 U.S.C. 2000(e) *et seq.*, which prohibits discrimination in employment based on race, color, national origin, religion or sex; the Civil Rights Act of 1966, 42 U.S.C. 1981 *et seq.*; the American with Disabilities Act (“ADA”), the Equal Pay Act, which prohibits paying men and women unequal pay for equal work; the Age Discrimination in Employment Act (“ADEA”), 29 U.S.C. § 621 *et seq.*; the Older Workers Benefit Protection Act (“OWBPA”), 29 U.S.C. § 623 *et seq.*; the Sarbanes-Oxley Act, 42 U.S.C. Section 1981, Employee Retirement Income Security Act (“ERISA”), 29 U.S.C. 10001 *et seq.*; Executive Orders 11246 and 11141; the Fair Labor Standards Act (“FLSA”); the Family and Medical Leave Act (“FMLA”), 29 U.S.C Section 2601 *et seq.*; the Federal Department of Labor (“DOL”); the Constitution of the State California; the California Labor Code; the California Department of Labor Standards Enforcement (“DLSE”) regulations, polices or guidelines; any other federal, California state statute, regulation, ordinance, or other law concerning the payment of wages, overtime, on-call time and benefits; the California Fair Employment & Housing Act at California Gov’t Code §§ 12940, *et seq.*; California Pregnancy Disability Leave (“PDL”) at California Gov’t Code § 12945; California Family Rights Act (“CFRA”) at California Gov’t Code § 12945.1 *et seq.*; any other federal, California law prohibiting discrimination, harassment, retaliation or protecting whistle blowing activity; any claims of breach of public policy of the State of California, or other law prohibiting negligence; civil conspiracy; negligent and intentional infliction of emotional distress; breach of contract; wrongful discharge; constructive discharge; breach of an implied covenant of good faith and fair dealing; any express or implied contracts; and any federal or state common law and any federal, state or local statutes, ordinances and regulations. Notwithstanding the generality of the foregoing, Employee does not release any claims that cannot be released as a matter of law including, without limitation, claims for indemnity or unpaid wages under the California Labor Code, claims for worker’s compensation benefits, his right to bring to the attention of the Equal Employment Opportunity or California Department of Fair Employment and Housing claims of discrimination; however, that he does release his right to secure damages for any alleged discriminatory treatment.

4. Kennedy represents and warrants that:



a. He has not filed, initiated, or caused to be filed or initiated any grievance or legal action covering any claim or liability released in this Agreement or any claim or liability against the Released Parties and hereby agrees and promises he will not file, initiate, or cause to be filed or initiated, at any time subsequent to the execution of this Agreement, any grievance, complaint, claim, charge, suit, action, or cause of action, in any state or federal court or before any state, federal or local government or administrative agency, against the Released Parties.

b. He has no claims that he could file with the California Fair Employment and Housing Commission or the California Worker's Compensation Appeals Board.

5. The matters specifically released and dismissed by this Release Agreement shall include, but are not necessarily limited to, all claims and causes of action which Employee has against the City and/or any of the Released Parties arising on or before the date that this Release Agreement is executed, and ANY OTHER CLAIM OF ANY TYPE WHATSOEVER AGAINST THE CITY, AND/OR ANY OTHER RELEASED PARTY; WHETHER SUCH CLAIM IS KNOWN OR UNKNOWN TO EMPLOYEE AND/OR EMPLOYEE'S REPRESENTATIVES AND ATTORNEYS arising on or before the date that this Release Agreement is executed. As a further consideration and inducement for this Release Agreement, to the extent permitted by law, Employee hereby waives and releases any and all rights under Section 1542 of the California Civil Code or any analogous state, local, or federal law, statute, rule, order or regulation, Employee has or may have with respect to any claims against the City. California Civil Code Section 1542 reads as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

Employee hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected, and unanticipated claims, injuries, losses and damages, as well as those that are now known and/or disclosed.

6. The Parties acknowledge that they have had the opportunity to be or have been represented by counsel in the negotiation and preparation of this Agreement. Except as provided in Section 1 above, the Parties agree that each Party shall be responsible for the payment of its own costs, attorneys' fees, and all other expenses in connection with the negotiation of this Agreement and any claims waived and/or released herein.

7. It is understood and agreed that this is a compromise settlement of potential disputed claims, and the furnishing of the consideration for this Agreement shall not be deemed or construed as an admission of liability or responsibility at any time for any purpose regarding any matter covered by this Agreement. It is further agreed and understood that this compromise and Agreement are being entered into solely for the purpose of allowing the Parties to avoid the expense and inconvenience of bringing or defending against any and all potential claims, rights, demands, actions, obligations, liabilities, and causes of action referred to hereinabove.

8. The Parties acknowledge that they have carefully reviewed the Agreement and know what it contains and have entered into this Agreement voluntarily, without coercion and based on their own judgment and not in reliance on any representation or promises made by the other Parties other than those contained herein. This Agreement incorporates the entire understanding between the Parties and recites the sole considerations for the promises exchanged herein. The Parties have read this Agreement, and they are fully aware of its contents and of its legal effect.

9. Kennedy assumes full responsibility to state and federal taxing authorities for any tax consequences arising out of payments made or benefits provided to him under this Agreement.

10. Kennedy agrees that he will not make any false or otherwise defamatory statements about the Released Parties, including without limitation with respect to Kennedy's employment with and separation from the City. Kennedy agrees that his breach of the terms and conditions set forth in this section is a material breach of this Agreement, such that the City will be irreparably

harmed as a matter of law and will be entitled to pursue its legal and equitable remedies, including without limitation the right to recover money damages and seek injunctive relief, plus reasonable attorneys' fees, without limiting any other remedy it may have at law or equity.

11. Kennedy acknowledges that by reason of his position with the City, he has had access to trade secrets, proprietary information and confidential information pertaining to the Released Parties and the City's elected and appointed officials, employees, customers, contractors and vendors (collectively "Confidential Information"). For purposes of this Agreement, "Confidential Information" includes without limitation, passwords, keys and other security information which may or may not be encrypted; personal information about past and present elected and appointed officials and employees of the City, such as addresses, telephone numbers, email addresses, personnel files, evaluations and actions related to personnel matters, such as applications for employment, hiring, promotions, separations, disciplinary actions, requests for and utilization of leaves of absences, health and other benefits; personal health information (including information subject to the Health Insurance Portability and Accountability Act ("HIPAA")); and information related to past and present negotiations and bargaining positions of the City with the City's contractors, vendors and represented and unrepresented employees and their bargaining representatives. For purposes of this Agreement, "Confidential Information" does not include information: (i) that is or becomes generally available to the public other than as a result of disclosure by Kennedy or any party to whom Kennedy has disclosed such information, except for information that is or becomes generally available to the public through disclosure by Kennedy or any party to whom Kennedy has disclosed such information in the course and scope of Kennedy's employment by the City; (ii) that is obtained by Kennedy on a non-confidential basis from a third party entitled to disclose such information.

a. Kennedy represents, warrants and promises that he has returned to the City all documents and records containing Confidential Information or any other tangible Confidential Information in his possession, custody, or control, and he has not made or kept any hard or computerized copies, notes, abstracts, summaries, lists, tapes or other record of any type of Confidential Information. For purposes of this Agreement, the term "document" means any

written, computerized, typewritten, printed, or recorded material whatsoever, including, but not limited to, notes, lists, memoranda, letters, reports, business records publications, data compilations, and computer diskettes and files.

b. Kennedy represents, warrants and promises he has not used and will not use for his own benefit, or divulge to any other person, firm, corporation, or other entity, any of the Confidential Information which he has obtained or learned as a result of his employment relationship with the City, except in the course and scope of his employment by the City.

c. Kennedy acknowledges and agrees (i) that any violation of this Section would cause immediate irreparable damage to the Released Parties and (ii) that determining the amount of damage caused to the Released Parties by any such violation would be extremely difficult or impossible. Kennedy therefore agrees that the Released Parties' remedies at law are inadequate, and Kennedy consents to the issuance of injunctive relief after proper judicial proceedings, including, but not limited to, a temporary restraining order, a preliminary injunction, and a permanent injunction, by a court of appropriate jurisdiction in order to restrain any actual or threatened violation of this paragraph without limiting any remedy the Released Parties may have at law or in equity.

12. This Agreement contains a waiver and release of all claims that Kennedy may currently have under the Age Discrimination in Employment Act of 1967 (29 U.S.C. §621-634). Kennedy understands and agrees that Kennedy:

- a. Has reviewed all aspects of this Release Agreement;
- b. Has carefully read and fully understands all of the provisions of this Agreement;
- c. Has had a full twenty-one (21) days within which to consider this Agreement before executing it;
- d. Is, through this Agreement, releasing the City and the Released Parties from any and all claims Employee may have;
- e. Knowingly and voluntarily agrees to all of the terms set forth in this Agreement;
- f. Knowingly and voluntarily intends to be legally bound by the terms set forth in this Agreement;

- g. Was advised, and by this Agreement is advised in writing, to consider the terms of this Agreement and consult with Employee's attorney prior to executing this Agreement;
- h. Has a full seven (7) days following the execution of this Agreement to revoke this Agreement and has been and is hereby advised in writing that this Agreement shall not become effective or enforceable until the revocation period has expired; and
- i. Understands that rights or claims including those under the Age Discrimination in Employment Act of 1967 (29 U.S.C. §621-634) that may arise after the date of this Agreement is executed are not waived.

13. This Agreement shall not be modified by oral representation made before, during or after the execution of this Agreement. All modifications must be in writing and signed by both Parties.

14. This Agreement may be executed in one or more counterparts, or duplicates of originals, all of which, taken together, shall constitute one and the same instrument.

15. In the event that any part or provision of this Agreement is found to be illegal or unconstitutional by a court of competent jurisdiction, such findings shall not affect the remaining parts, portions, or provisions of this Agreement, which shall continue to remain in full force and effect.

16. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

17. Should either Party commence any court action to enforce or interpret this Agreement, the prevailing Party therein shall be entitled to recover its reasonable costs, attorneys' fees and experts' fees incurred therein. Any court action shall only be commenced and maintained in the Superior Court in and for the County of Plumas, State of California.

CITY OF PORTOLA

KENNEDY

By: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_, Mayor

Jon Kennedy

Attest:

Approved as to Form:

\_\_\_\_\_

\_\_\_\_\_

Tara Kindall, City Clerk

Steven C. Gross, City Attorney