

PARADISE RECREATION AND PARK DISTRICT

Paradise, California

**FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION WITH INDEPENDENT
AUDITOR'S REPORT**

June 30, 2021



HOLLY B. PLADSON

—◆ Certified Public Accountant ◆—

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June 30, 2021

*Paradise Recreation
and Park District*

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HOLLY B. PLADSON

—◆ Certified Public Accountant ◆—

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Paradise Recreation and Park District
Paradise, California

I have audited the accompanying financial statements of the governmental activities and business-type activities of Paradise Recreation and Park District, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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, and the State Controller's *Minimum Audit Requirements and Reporting Guidelines for California Special Districts*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The comparison of budget-to-actual results on page 36 is presented for purposes of additional analysis and is 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 my opinion, the accompanying supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Paradise Recreation and Park District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 26, 2022, on my consideration of the District's internal control over financial reporting and on my 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 my 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 District'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 District's internal control over financial reporting and compliance.

Holly B. Pladson, CPA

Chico, California

July 26, 2022



2021 BOARD OF DIRECTORS

BOARD MEMBERS

TERM EXPIRATION

Mary Bellefeuille, Chairperson	December 2022
Steve Rodowick, Vice-Chairperson	December 2022
Robert Anderson, Secretary	December 2024
Al McGreehan, Director	December 2022
Dennis Ivey, Director	December 2022

DISTRICT MANAGER

Dan Efseaff

DISTRICT ACCOUNTANT

Catherine Merrifield

MANAGEMENT'S DISCUSSION AND ANALYSIS

PARADISE RECREATION AND PARK DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

This discussion and analysis of the Paradise Recreation and Park District’s (the District) financial performance during the stated period provides an overview of the District’s operational activities that had an impact on the financial performance of the District.

This report consists of a series of financial statements with accompanying notes. The Statements of Net Position reflects the financial position of the District as of June 30, 2021 and June 30, 2020. The Statements of Functional Activities and Changes in Net Position provide the results from operations through the fiscal years ended June 30, 2021 and June 30, 2020, and reflect how the operating results for the fiscal years affected the Statements of Net Position.

The statements referenced above include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

The District anticipates economic uncertainty in the next fiscal year associated with the continuing repercussions of the Camp Fire, the COVID-19 pandemic, and high rates of inflation. However, as recovery from the Camp Fire continues and the initial effects of COVID-19 have subsided, these uncertainties are less than in the last audit.

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The District has made substantial progress over the last four years to improve transparency and financial practices and Staff and Board are committed to continuing improvement in the next year.

The following summarizes the net position of the District and the change in net position from the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS*Paradise Recreation
and Park District*

	<u>2020</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,587,537	\$ 42,903,678
Receivables and other current assets	26,966	1,000
Total Current Assets	3,614,503	42,904,678
DESIGNATED AGENCY FUND	2,177	2,415
LOAN RECEIVABLE	300,322	300,322
CAPITAL ASSETS - NET	2,505,431	3,188,395
TOTAL ASSETS	6,422,433	46,395,810
DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	159,962	148,558
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	\$ 6,582,395	\$ 46,544,368

MANAGEMENT’S DISCUSSION AND ANALYSIS

*Paradise Recreation
and Park District*

	2020	2021
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 101,928	\$ 106,051
Deferred revenue	52,870	207,465
Other current liabilities	1,000	1,000
Total Current Liabilities	155,798	314,516
NONCURRENT LIABILITIES		
Compensated absences	39,823	44,275
Net pension liability	359,790	419,464
Other post employment benefits	34,236	391,761
Total Noncurrent Liabilities	433,849	855,500
TOTAL LIABILITIES	589,647	1,170,016
DEFERRED INFLOWS OF RESOURCES FROM PENSIONS		
	39,239	40,310
NET POSITION		
Non-Spendable		
Invested in capital assets - net of related debt	2,505,431	3,188,395
Restricted		
Restricted for Impact and Development	790,446	886,393
Restricted for special projects	134,313	137,832
Unrestricted		
Assigned	630,000	610,000
Unassigned	1,893,319	40,511,422
TOTAL NET POSITION	5,953,509	45,334,042
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	\$ 6,582,395	\$ 46,544,368

- Cash and cash equivalents have increased primarily due to PG&E lawsuit settlement.
- The change in Other Post-Employment Benefits is a result of a CalPERS actuarial study.
- The increase in deferred revenue is due to grant funding not yet used.
- The increase of yet to be designated (Unassigned Reserves) as of June 30, 2021 is primarily due to PG&E lawsuit settlement.

MANAGEMENT’S DISCUSSION AND ANALYSIS

*Paradise Recreation
and Park District*

The following is a summary of the functional activities (revenues and expenditures) and changes in net position of the District for the current and prior fiscal year.

	2020	2021
REVENUES		
Program service fees	\$ 137,693	\$ 94,063
Property taxes	1,800,111	1,835,847
Impact and development fees	227,012	173,610
Grant revenue	652,202	-
Donations	63,303	129,683
Investment income - net	51,182	248,593
Loss on disposal of assets	(82,464)	-
Lawsuit settlement	-	39,494,352
Other revenue	15,404	12,854
Total Revenues	2,864,443	41,989,002
EXPENDITURES:		
Salaries and benefits	1,087,399	1,687,021
Services and supplies	1,023,786	632,266
Contribution to other agencies	-	12,606
Depreciation	249,581	276,576
Total Expenditures	2,360,766	2,608,469
EXCESS OF REVENUES OVER EXPENDITURES	503,677	39,380,533
Net Position - Beginning of Year	5,449,832	5,953,509
Net Position - End of Year	\$ 5,953,509	\$ 45,334,042

- Program Service Fees were reduced due to COVID-19.
- Grant Revenues decrease is due to funds being deferred until projects are ready to use the funds.
- Donations are due to Sierra Nevada Conservancy providing funding for land acquisition.
- Investment income increase is due to PG&E lawsuit settlement deposited into money market account.
- The increase in Salaries and Benefits is due to the addition of Other Post-Employment Benefits Liability of \$391,761.
- Services and Supplies decrease is due to less programs running because of COVID-19 shut down.

Actual Results Compared to Budget

The Board of Directors adopts an annual in budget in June for the following fiscal year, beginning on July 1. Performance to budget is monitored by the Board throughout the year. Following is a summary of actual results in comparison to the budget.

	2021	Budget
REVENUES		
Program service fees	\$ 94,063	\$ 229,600
Property taxes	1,835,847	1,677,300
Impact fee	173,610	113,000
Grant revenue	-	125,000
Donations	129,683	61,000
Investment income - net	248,593	18,600
Lawsuit settlement	39,494,352	-
Other revenue	12,854	5,500
Total Revenues	41,989,002	2,230,000
EXPENDITURES		
Salaries and benefits	1,687,021	1,388,600
Services and supplies	632,266	87,310
Contribution to other agencies	12,606	15,100
Depreciation	276,576	-
Total Expenditures	2,608,469	1,491,010
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ 39,380,533	\$ 738,990

Requests for Information:

This report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report should be addressed to the District Manager, Paradise Recreation and Park District, 6626 Skyway, Paradise CA 95969.

FINANCIAL SECTION

STATEMENT OF NET POSITION

*Paradise Recreation
and Park District*

June 30, 2021	General Fund	Nonmajor Governmental Funds	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 42,765,846	\$ 137,832	\$ 42,903,678
Deposits and other assets	1,000	-	1,000
Total Current Assets	42,766,846	137,832	42,904,678
DESIGNATED AGENCY FUND	2,415	-	2,415
LOAN RECEIVABLE	300,322	-	300,322
CAPITAL ASSETS - NET	3,188,395	-	3,188,395
TOTAL ASSETS	46,257,978	137,832	46,395,810
DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	148,558	-	148,558
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	\$ 46,406,536	\$ 137,832	\$ 46,544,368

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET POSITION

*Paradise Recreation
and Park District*

June 30, 2021	General Fund	Nonmajor Governmental Funds	Totals
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 33,379	\$ -	\$ 33,379
Accrued payroll and liabilities	72,672	-	72,672
Deferred revenue	207,465	-	207,465
Deposits held for others	1,000	-	1,000
Total Current Liabilities	314,516	-	314,516
NONCURRENT LIABILITIES			
Compensated absences	44,275	-	44,275
Net pension liability	419,464	-	419,464
Other post employment benefits	391,761	-	391,761
Total Noncurrent Liabilities	855,500	-	855,500
TOTAL LIABILITIES	1,170,016	-	1,170,016
DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	40,310	-	40,310
NET POSITION			
Non-Spendable			
Invested in capital assets - net of related debt	3,188,395	-	3,188,395
Restricted			
Restricted for Impact and Development	886,393	-	886,393
Restricted for special projects	-	137,832	137,832
Unrestricted			
Assigned	610,000	-	610,000
Unassigned	40,511,422	-	40,511,422
TOTAL NET POSITION	45,196,210	137,832	45,334,042
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	\$ 46,406,536	\$ 137,832	\$ 46,544,368

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF FUNCTIONAL
ACTIVITIES AND CHANGES IN
NET POSITION**

*Paradise Recreation
and Park District*

Year Ended June 30, 2021	General Fund	Nonmajor Governmental Funds	Totals
OPERATING REVENUES			
Program service fees	\$ 94,063	\$ -	\$ 94,063
Property taxes	1,835,847	-	1,835,847
Impact and development fees	173,610	-	173,610
Donations	125,815	3,868	129,683
Other operating revenues	12,854	-	12,854
Total Operating Revenues	2,242,189	3,868	2,246,057
OPERATING EXPENSES			
Salaries and benefits	1,687,021	-	1,687,021
Services and supplies	632,266	-	632,266
Contribution to other agencies	12,606	-	12,606
Depreciation	276,576	-	276,576
Total Operating Expenses	2,608,469	-	2,608,469
Operating Income (Loss)	(366,280)	3,868	(362,412)
NONOPERATING REVENUE (EXPENSE)			
Investment income	272,235	1,297	273,532
Change in fair value of cash and cash equivalents	(23,293)	(1,646)	(24,939)
Lawsuit settlement (PG&E)	39,494,352	-	39,494,352
Total Nonoperating Revenue (Expense)	39,743,294	(349)	39,742,945
CHANGE IN NET POSITION	39,377,014	3,519	39,380,533
Net Position - Beginning of Year	5,819,196	134,313	5,953,509
Net Position - End of Year	\$ 45,196,210	\$ 137,832	\$ 45,334,042

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

*Paradise Recreation
and Park District*

Year Ended June 30, 2021	General Fund	Nonmajor Governmental Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 253,030	\$ 4,074	\$ 257,104
Receipts from taxes and impact fees	2,009,457	-	2,009,457
Receipts from grants	154,595	-	154,595
Payments to suppliers	(644,232)	-	(644,232)
Payments to employees	(1,236,806)	-	(1,236,806)
Payments to other agencies	(12,606)	-	(12,606)
Proceeds from lawsuit settlement	39,494,352	-	39,494,352
Net Cash Provided by Operating Activities	40,017,790	4,074	40,021,864
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets purchased	(959,540)	-	(959,540)
Net Cash Used by Capital and Related Financing Activities	(959,540)	-	(959,540)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase (decrease) in fair value of cash and cash equivalents	(23,293)	(1,646)	(24,939)
Interest received	277,236	1,520	278,756
Net Cash Provided (Used) by Investing Activities	253,943	(126)	253,817
Net Change in Cash and Cash Equivalents	39,312,193	3,948	39,316,141
Cash and Cash Equivalents - Beginning of Year	3,453,653	133,884	3,587,537
Cash and Cash Equivalents - End of Year	\$ 42,765,846	\$ 137,832	\$ 42,903,678

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

*Paradise Recreation
and Park District*

Year Ended June 30, 2021	General Fund	Nonmajor Governmental Funds	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (366,280)	\$ 3,868	\$ (362,412)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	276,576	-	276,576
Pension expense	429,674	-	429,674
Lawsuit settlement	39,494,352	-	39,494,352
Changes in net assets and liabilities:			
Accounts receivable	20,298	206	20,504
Accounts payable	(11,966)	-	(11,966)
Accrued payroll and liabilities	16,089	-	16,089
Deferred revenue	154,595	-	154,595
Compensated absences	4,452	-	4,452
Net Cash Provided by Operating Activities	\$ 40,017,790	\$ 4,074	\$ 40,021,864
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Decrease in fair value in cash and cash equivalents	\$ (23,293)	\$ (1,646)	\$ (24,939)
ACQUISITION OF PROPERTY AND EQUIPMENT			
Cost of property and equipment	\$ 959,540	\$ -	\$ 959,540
Less amount paid directly by other agencies	(124,775)	-	(124,775)
Cash Used to Acquire Property and Equipment	\$ 834,765	\$ -	\$ 834,765

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the financial statements.

Reporting Entity Paradise Recreation and Park District (the District) is a political subdivision of the State of California and was incorporated in 1948. The District provides recreation facilities and programs to residents of Paradise, the Butte Creek Canyon area, and the unincorporated communities of Magalia, Paradise Pines, Concow, and Yankee Hill. The District encompasses approximately 172 square miles and manages nearly 500 acres of park land and facilities.

The District was formed under Section 5780-5791 of the *Public Resources Code* Article V, and is governed by a five-member Board of Directors elected by the voters of the District. A salaried general manager administrates the operations of the District in accordance with policies adopted by the Board of Directors. These financial statements encompass all fiscal activities conducted by the District.

The District's basic financial statements include the operations of all organizations for which the Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters.

Basis of Accounting The District utilizes the proprietary fund method of accounting. Revenues and expenses are recognized on the accrual basis of accounting using the economic resources method. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Basis of Presentation The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions, or limitations. The District's resources are accounted for in these individual funds based on the purpose for which they are to be spent and the means by which spending activity is controlled. For financial reporting, these funds have been grouped into the fund types discussed below:

Governmental Fund Types Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is based upon determination of changes in financial position. Following are the District's governmental funds:

General Fund – This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government-type activities.

Special Projects Fund – accounts for funds received from special assessments for specific park and recreation facilities and operations.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

*Paradise Recreation
and Park District*

Restricted Assets Restricted assets are financial resources generated for a specific purpose, such as construction of improvements and financing of debt obligations. These amounts are restricted, as their use is limited by applicable bond covenants or other external requirements.

Budgetary Control The District's fiscal year is the 12-month period beginning July 1. The general budget policy is that the District submit to the Butte County Auditor a board-approved budget estimating revenues and expenditures for the subsequent fiscal year prior to June 30. The final budget is legally enacted by a board resolution on or before August 10 after necessary adjustments, if any, have been made. Within certain legal restrictions, adjustments to final budget amounts may be made by the Board of Directors during the year to account for unanticipated occurrences.

Compensated Absences Compensated absences represent the vested portion of accumulated vacation. The liability for accumulated leave includes all salary-related payments that are directly and incrementally connected with leave payments to employees, such as vacation and sick leave. A current liability has been recorded for these vested leave accruals, which are expected to be used within the next fiscal year. At June 30, 2021, a long-term liability of \$44,275 for unpaid vacation and sick leave has been recorded in the statement of net position.

Property Taxes The District receives property taxes from Butte County (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. The District's property taxes are levied each July 1, on the assessed values of the prior January 1, for all real and personal property located in the District. Property sold after the assessment date (January 1) is reassessed and the amount of supplemental property tax levied is prorated. Secured property taxes are due in two installments on November 1, and February 1, and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received. The District received approximately 81.8% of its operating revenue in 2021 from property taxes.

The District participates in the County "Teeter Plan" method of property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year.

Revenue Recognition Revenue from grants is recognized to the extent of incurred expenses, up to the grant ceiling. Any excess of expenses incurred over cash received is recorded as a receivable; any excess of cash received over expenses incurred is recorded as deferred revenue.

The District uses the allowance method to determine uncollectible revenue. The allowance is based on prior years' experience and management's analysis of specific grant agreements, if applicable.

Cash and Cash Equivalents Cash and cash equivalents include cash on hand, demand deposits in a financial institution, and deposits in the Butte County Treasury (County). The accounts at the financial institution includes money market accounts as well as an account that serves as a clearing account into which the District makes daily deposits and then writes a check at least once each month for deposit to the County.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

*Paradise Recreation
and Park District*

The District maintains some of its cash in the County treasury as part of a common investment pool. Deposits in the pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than two years. As of June 30, 2021, the fair value of the pool is 100.0057% of the carrying value, which amounted to a net increase of \$5,058. The net change in fair value amounted to a decrease of \$24,939 for the year ended June 30, 2021. Information regarding the amount of dollars invested in derivatives with the County was not available. The pool is subject to regulatory oversight by the Treasury Oversight Committee as required by *California Government Code*, Section 27130. The District is considered to be a voluntary participant in the County investment pool.

Fair Value Measurements The District measures some assets for fair value on a recurring basis as described in note 2. The District may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis.

The District classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

Valuations within the hierarchy levels are based on the following:

- Level 1: Quoted market prices for identical instruments traded in active exchange markets.
- Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.
- Level 3: Model-based techniques that use at least one significant assumption not observable in the market.

These unobservable assumptions reflect an organization's estimates of assumptions that market participants would use on pricing an asset or liability. Valuation techniques include management's judgment and estimation which may be significant.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2021.

Designated Agency Fund: Each beneficiary in the investment pool held by North Valley Community Foundation (the Foundation) is assigned units based on the fair market value of the assets at the time they are transferred to the Foundation. Shares in the investment pool are valued daily based on the underlying securities owned. The investments in the investment pool are primarily made up of cash, cash equivalents, and mutual funds (level 2 inputs).

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

*Paradise Recreation
and Park District*

Use of Estimates The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets Capital assets are reported at historical cost, or in the case of donated items, at fair market value on the date donated. Capital assets include land, buildings and building improvements, and equipment. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the financial statements on the straight-line basis over the estimated useful life of the assets as follows:

Buildings	25 Years
Building improvements	5-15 Years
Equipment	5-7 Years
Vehicles	7 Years

Net Position/ Fund Balances Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Fund balances are broken out in five categories:

- **Nonspendable Fund Balance** – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. prepaid expenses) or legally or contractually required to be maintained intact.
- **Restricted Fund Balance** – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- **Committed Fund Balance** – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (i.e. fund balance designations passed by board resolution).
- **Assigned Fund Balance** – this fund balance classification are amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned Fund Balance** – this fund balance classification is the residual classification for the general fund.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

*Paradise Recreation
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Deferred Revenue Activity fees paid prior to the utilization of the services are recorded as deferred revenue. Grants given, based on the expectation that specific expenses will be incurred, and for which the expenses have not yet been incurred as of the end of the fiscal year, are also recorded as deferred revenue.

Deferred Outflows/ Inflows of Resources From Pensions In addition to assets, the statement of net position includes 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 which will only be recognized as an outflow of resources (expense) in the future. District pension contributions subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the government-wide statement of net position. District pension contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes 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 would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between the District's contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Net Pension Liability For purposes of measuring the net pension liability, deferred outflows of resources/ deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS), and additions to/ deductions from CalPERS's 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 with the benefit terms. Investments are reported at fair value.

Operating Income and Expenses The statement of functional activities and changes in net position distinguishes between operating and nonoperating income and expenses. Operating revenues include all revenues received in order to provide recreation services. These revenues are received from program service fees which are from recreational activities, property taxes, impact fees, and grant revenue. Operating expenses are all expenses incurred to provide operating income, other than financing costs. Nonoperating revenues and expenses include interest income, interest expense, and other nonoperating revenues.

Lawsuit Settlement On July 8, 2020, the District received payment from Pacific Gas & Electric (PG&E) to resolve the District's claims against PG&E resulting from the 2018 Camp Fire. The settlement value was determined via mediation and the Bankruptcy Court later incorporated and confirmed payments as part of a plan of reorganization filed by PG&E in its Chapter 11 bankruptcy case. The District received approximately \$39,494,350 as part of the settlement. The settlement will allow the District to survive the loss of tax and program revenue over the next two decades and allow the District to maintain operations and services, and potentially expand recreational opportunities to residents within the District.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

*Paradise Recreation
and Park District***2. CASH AND CASH EQUIVALENTS**

The District is required under state statutes to deposit most of its money in the County Treasury, which in turn pays the claims of the District. The County Treasury is limited in its investments by *California Government Code*, Section 53635, pursuant to Section 53601, to invest in demand deposits with financial institutions, savings accounts, certificates of deposits, U.S. Treasury securities, federal agency securities, state of California notes or bonds, notes or bonds of agencies within the state of California, obligations guaranteed by the Small Business Administration, bankers' acceptances, commercial paper, and the Local Agency Investment Fund (LAIF) of the state of California. The deposits in the County Treasury pooled funds are unrated.

The District also has cash in money market accounts at a financial institution and cash on hand.

Cash and cash equivalents consisted of the following:

June 30, 2021	Maturities	Fair Value
Petty Cash		\$ 300
Deposits (1)		42,013,351
Investments That are Not Securities (2)		
County Treasury investment pool	1.8 years average	890,027
Total		\$ 42,903,678

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That are Not Securities** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District has a collateralization agreement with the bank, which mitigates custodial credit risk. The cash balances in the bank at June 30, 2021, amounted to \$42,012,960. Deposits amounting to \$250,000 are covered by depository insurance, and the balance is subject to the collateralization agreement.

Concentration of Credit Risk - Investments

California Government Code, Section 53635, places the following concentration limits on the county investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America.

The District has the following recurring fair value measurements as of June 30, 2021:

- County treasurer's investment pool of \$890,027 are valued using quoted prices for similar instruments in active market and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

3. INTERFUND RECEIVABLE (PAYABLE)

Occasionally, the Special Projects Fund has been underwritten by the General Fund for operating costs not covered by the annual property tax assessment or developer fees. Any interfund receivable (payable) represents the amount due to the General Fund for these costs.

4. CAPITAL ASSETS

Changes in capital assets consist of the following:

June 30	Balance 2020	Additions	Retirements	Transfers	Balance 2021
NONDEPRECIATING CAPITAL ASSETS					
Land	\$ 750,089	\$ 124,775	\$ -	\$ -	\$ 874,864
Construction in progress	-	325,988	-	(30,133)	295,855
Total Nondepreciating Capital Assets	750,089	450,763	-	(30,133)	1,170,719
DEPRECIATING CAPITAL ASSETS					
Buildings and improvements	5,720,780	-	-	30,133	5,750,913
Equipment	551,839	508,777	(19,996)	-	1,040,620
Subtotal	6,272,619	508,777	(19,996)	30,133	6,791,533
Less: Accumulated depreciation	(4,517,277)	(276,576)	19,996	-	(4,773,857)
Total Depreciating Capital Assets	1,755,342	232,201	-	30,133	2,017,676
Total Capital Assets - Net	\$ 2,505,431	\$ 682,964	\$ -	\$ -	\$ 3,188,395

Depreciation for the year ended June 30, 2021 was \$276,576.

5. COMPENSATED ABSENCES

The schedule of changes in compensated absences follows:

	Balance June 30, 2020	Amount Earned	Amount Paid	Balance June 30, 2021
Compensated absences	\$ 39,823	\$ 39,162	\$ (34,710)	\$ 44,275

6. LINES OF CREDIT

The following is a summary of the District's outstanding lines of credit:

June 30, 2021	Interest Rate	Credit Limit	Balance
Mechanics Bank	13.24%	\$ 25,000	\$ 2,200
Umpqua Bank	21.99%	25,000	10,259
Total		\$ 50,000	\$ 12,459

The balances for the lines of credit are included in accounts payable, and are typically paid in full at the end of each month. The Umpqua Bank line of credit must be paid in full each month.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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7. FEMA DISASTER LOAN

On June 12, 2020, the District received and signed a promissory note with Federal Emergency Management Agency (FEMA) for disaster loan assistance, under the Community Disaster Loan program. The loan is for \$521,589, with interest at 0.0375% per year. The loan, if used, is due and payable on June 11, 2025. As of June 30, 2021, the District has not used any of these funds.

8. OPERATING LEASES

The District leases office space, park use, and a copier. The lease for the main office is from January 21, 2003 through December 31, 2052, at the current rate of \$1,273.75 per quarter. Use of one of the parks is leased from July 1, 2016 through June 30, 2041 at \$500 per year. The copier is leased for \$204 per month, from December 2017 through December 2022. In addition, the District has entered into a lease agreement with Paradise High School for a 15-year lease of the facilities from July 1, 2016 to June 30, 2031 in exchange for the District contributing \$15,000 towards the development of new courts, with a date not yet determined. Future minimum lease payments are as follows:

Year Ending June 30	
2022	\$ 8,046
2023	6,821
2024	5,595
2025	5,595
2026	5,595
2027 - 2031	27,975
2032 - 2036	27,975
2037 - 2041	27,975
2042 - 2046	25,475
2047 - 2051	25,475
2052 - 2056	7,643
Total Minimum Future Rental Expense	\$ 174,170

9. APPROPRIATIONS LIMIT

The District establishes appropriation limits, pursuant to Section 9c of Article XIII B of the *California Constitution*, since the District’s ad valorem tax on property exceeded \$.125 per \$100 assessed valuation in the 1977-78 fiscal year.

The District’s Board established the appropriation limits for the 2020-2021 fiscal year to be \$2,391,164.

10. GENERAL INFORMATION ABOUT THE PENSION PLAN

Qualified employees are covered under a cost-sharing multiple-employer defined benefit pension plan maintained by an agency of the state of California. Qualified permanent and probationary employees are members of CalPERS.

California Public Employees' Retirement System

Plan Description Qualified permanent and probationary employees of the District participate in the Miscellaneous Plan of PRPD (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided The Plan provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members are required to contribute 7.00% of their salary, which is partially paid by the District depending on the employee group. The District is moving towards employees covering 100% of the employee portion. The required employer contribution for the 2020-21 fiscal year was 10.484%.

The District's contribution to CalPERS for the fiscal year ended June 30, 2021, was \$64,756.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the District reported a net pension liability of \$419,464 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The District's portion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations and the state of California, actuarially determined. At June 30, 2020, the District's proportionate share was 0.0134%.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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For the year ended June 30, 2021, the District recognized pension expense of \$177,332. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2021	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ 12,461	\$ -
Changes in assumptions	-	2,992
Differences between expected and actual experience	21,616	-
Differences between District contributions and proportionate share of contributions	-	37,318
Changes in District's proportions	49,725	-
District contributions subsequent to the measurement date	64,756	-
Total	\$ 148,558	\$ 40,310

The \$64,756 reported as deferred outflows of resources related to pensions, resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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		
2022	\$	14,693
2023		12,563
2024		10,260
2025		5,976
2026		-
Thereafter		-
Total	\$	43,492

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June 30, 2021

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Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation for CalPERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%, net of pension plan investment and administrative expenses; includes inflation

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries scale BB.

The Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

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 plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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 a percent.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Rate of Return Years 1 - 10	Rate of Return Years 11+
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The amortization and smoothing periods recently adopted by CalPERS were utilized to determine whether the municipal bond rate should be used in the calculation of a discount rate. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or higher (8.15%), than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
June 30, 2021			
District's proportionate share of the net pension liability	\$ 757,611	\$ 419,464	\$ 140,064

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalPERS's separately issued Comprehensive Annual Financial Report.

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The District provides post-employment health care benefits to qualifying employees through a single-employer defined benefit healthcare plan administered by CalPERS (the Plan). Employees hired before July 1, 1999 were eligible for post-retirement health coverage. Employees hired after July 1, 1999 may obtain health insurance coverage through CalPERS, but such coverage is not paid for by the District. The District contributes the statutory minimum (\$139 per month for calendar 2020; \$143 per month for 2021) on behalf of each eligible retiree who enrolls in a CalPERS medical plan.

Employees Covered

Employees covered by the benefit terms of the Plan consisted of:

June 30, 2021

Inactive Plan members or beneficiaries currently receiving benefit payment	6
Active Plan members	9
Total	15

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District’s Board of Directors. Currently, the District’s policy is to contribute to the Plan on a pay-as-you-go basis. For the year ended June 30, 2021, the District contributed \$15,963, representing premium payments on behalf of plan members.

Net Other Post-Employment Benefits (OPEB) Liability

The District’s net OPEB liability for the Plan is measured as the total OPEB liability, less the Plan’s fiduciary net position. The total OPEB liability of the Plan is measured as of June 30, 2020, using the alternative measurement method. The June 30, 2021 total OPEB liability was based on the alternative measurement method and assumptions as shown below:

Valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Salary increases	3.00%
Discount rate	2.45%
Healthcare cost trend	4.00%

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

*Paradise Recreation
and Park District***Discount Rate**

The discount rate used to measure the total OPEB liability was 2.45%. The discount rate is based on the index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better as required under GASB Statement No. 75.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

Year Ended June 30, 2021

Total OPEB Liability		
Service cost	\$	6,729
Interest		9,561
Benefit payments - including refunds of employee contributions		(15,963)
Net Change in Total OPEB Liability		327
Total OPEB Liability - Beginning of Year		391,434
Total OPEB Liability - End of Year	\$	391,761
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%
Covered-employee payroll	\$	369,023
District's total OPEB liability as a percentage of covered-employee payroll		106.16%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the District's total OPEB liability calculated using the discount rate of 2.45% as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current rate:

June 30, 2021	1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	\$ 451,040	\$ 391,761	\$ 343,324

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District’s total OPEB liability calculated using the healthcare cost trend rate of 4.00% as well as the District’s total OPEB liability if it was calculated using a discount rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

June 30, 2021	1% Decrease (3.00%)	Health Cost Trend Rates (4.00%)	1% Increase (5.00%)
Total OPEB liability	\$ 344,223	\$ 391,761	\$ 448,840

OPEB Expense

For the year ended June 30, 2021, the District recognized OPEB expense of \$369,746, which includes an adjustment of \$353,456 to the beginning liability, as calculated by the actuarial valuation, DFA, LLC, in their report dated July 2, 2021.

Alternative Measurement Method Assumptions

The alternative valuation method of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer, are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the benefits provided at the time of each valuation and the historical pattern of benefit costs at that point. The assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

*Paradise Recreation
and Park District***12. RISK MANAGEMENT**

The District has obtained general liability, auto liability, property, boiler and machinery coverage, and public officials' errors and omissions insurance through the California Association for Park and Recreation Insurance (CAPRI), a risk-sharing joint powers authority. CAPRI maintains a self-insured retention (SIR) of \$1,000,000 for its general and auto liability insurance. CAPRI has contracted out for the additional insurance coverage as listed below:

General liability	\$ 25,000,000
Auto liability	\$ 25,000,000
Public officials' errors and omissions	\$ 25,000,000
Property	\$ 25,000,000
Earthquake	\$ 5,000,000
Flood	\$ 10,000,000

The Agreement for Formation provides that CAPRI will be self-sustaining through member premiums. CAPRI reinsures through commercial companies (excess liability) for claims up to \$10,000,000 for general and automobile liability and all risk property insurance, including boiler and machinery coverage, which is subject to a \$2,000 deductible occurrence payable by the District. Earthquake and Flood claims are subject to a \$50,000 deductible per occurrence. Financial statements for CAPRI are available at the District's office for fiscal year ending June 30, 2020.

The District has obtained workers' compensation insurance through the California Association for Park and Recreation Insurance (CAPRI), a risk-sharing joint powers authority. Membership in the California Association of Recreation and Park Districts is required when applying for CAPRI.

13. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2017, GASB issued Statement 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principles that leases are financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District's management has not yet determined the impact that the implementation of the standard, which is required on July 1, 2021, will have on the district's financial statements, if any.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

*Paradise Recreation
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14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 26, 2022, which is the date the financial statements were available to be issued.

Between July 26, 2021 and August 6, 2021, the District accessed \$461,680 of the FEMA loan that was available (see note 7, above). On September 30, 2021, the United States Congress passed The Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43). Pursuant to P.L. 117-43, repayment of the balance of the remaining loan in the amount of \$461,680 was cancelled. As of September 30, 2021, the amount of \$59,909 remains available to be drawn by the District.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact revenues. Other financial impact could occur, though such potential impact is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

*Paradise Recreation
and Park District*

Year Ended June 30, 2021	Budget	Actual	Change
OPERATING REVENUES			
Program service fees	\$ 229,600	\$ 94,063	\$ (135,537)
Property taxes	1,677,300	1,835,847	158,547
Impact and development fees	113,000	173,610	60,610
Grant revenue	125,000	-	(125,000)
Donations	61,000	129,683	68,683
Other operating revenues	5,500	12,854	7,354
Total Operating Revenues	2,211,400	2,246,057	34,657
OPERATING EXPENSES			
Salaries and benefits	1,388,600	1,687,021	298,421
Services and supplies	871,310	632,266	(239,044)
Contributions to Other Agencies	15,100	12,606	(2,494)
Depreciation	-	276,576	276,576
Total Operating Expenses	2,275,010	2,608,469	333,459
Operating Income (Loss)	(63,610)	(362,412)	(298,802)
NONOPERATING REVENUE (EXPENSE)			
Investment income	18,600	273,532	254,932
Change in fair value of cash and cash equivalents	-	(24,939)	(24,939)
Lawsuit settlement	-	39,494,352	39,494,352
Total Nonoperating Revenue (Expense)	18,600	39,742,945	39,724,345
CHANGE IN NET POSITION	(45,010)	39,380,533	39,425,543
OTHER BUDGETED ITEMS			
Purchase of Fixed Assets	(80,000)	(959,540)	(879,540)
Appropriation for Contingencies	(200,000)	(20,000)	180,000
CHANGE IN NET POSITION			
LESS OTHER BUDGETED ITEMS	\$ (325,010)	\$ 38,400,993	\$ 38,726,003

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

As required by state law, the District prepares and legally adopts a final operating budget. Public hearings were conducted on the proposed and final budget to review all appropriations and the sources of financing.

The budget for the general fund is adopted on the modified accrual basis of accounting. The budget for the general fund is the only legally adopted budget.

At the object level, actual expenditures cannot exceed budgeted appropriations. Management can transfer budgeted amounts between expenditure accounts within an object without the approval of the Board of Directors. Significant amendments and appropriation transfers between objects or funds must be approved by the Board of Directors. Appropriations lapse at fiscal year-end.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the Board of Directors.

OTHER REPORT



HOLLY B. PLADSON

—◆ Certified Public Accountant ◆—

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Paradise Recreation and Park District
Paradise, California

I have audited, in accordance with the auditing standard 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, and the State Controller's *Minimum Audit Requirements for California Special District*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paradise Recreation and Park District (the District), a political subdivision of the state of California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated July 26, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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 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. I consider the deficiency described in the accompanying schedule of findings and responses as item 2021-01 to be a material weakness.

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. I consider the deficiency described in the accompanying schedule of findings and responses as item 2021-02 to be a significant deficiency.

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**INDEPENDENT AUDITOR'S 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***

Continued

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit; and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in my audit and described in the accompanying schedule of findings and responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holly B. Pladson, CPA

July 26, 2022

Chico, California

SCHEDULE OF FINDINGS AND RESPONSES

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2021

*Paradise Recreation
and Park District*

PROPERTY AND EQUIPMENT

2021-01

Control Deficiency

Condition

During the test of controls over fixed asset additions, it was noted that two parcels of land were not recorded in the QuickBooks accounting software program.

Criteria

Donations of land need to be recorded in the software and be listed on the financial statements.

Effect

Sufficient controls over donations of fixed assets are not in place to ensure that these fixed assets are properly recorded for financial statement purposes.

Recommendation

All donations of fixed assets should be recorded in the accounting software by the District Accountant. This should be reconciled to the detailed fixed asset listing at the end of the fiscal year.

Response

The District Accountant will implement immediately.

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2021

*Paradise Recreation
and Park District*

UNRECORDED LIABILITIES

2021-02

Control Deficiency

Condition

During the search for unrecorded liabilities, it was noted that two of the ten items selected were not properly reported as liabilities at June 30, 2021. The two items not reported were credit card debt in the amount of \$12,459.

Criteria

The District Accountant needs to make sure all liabilities are recorded and reported at the end of the fiscal year. In accordance with generally accepted accounting principles, purchases need to be recognized as expenses based on the date incurred, not necessarily the date paid.

Effect

Expenses could be reported for the incorrect fiscal year, causing the financial statements to be misleading.

Recommendation

All payments made 45 days subsequent to year-end should be reviewed by the District Accountant for possible inclusion in accounts payable at year-end.

Response

The District Accountant will implement immediately.