

PARADISE RECREATION AND PARK DISTRICT

Paradise, California

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

June 30, 2019



HOLLY B. PLADSON

—◆ Certified Public Accountant ◆—

TABLE OF CONTENTS

June 30, 2019

*Paradise Recreation
and Park District*

	Page Number
Independent Auditor's Report	1
Board of Directors	3
Management's Discussion and Analysis Section	5
Financial Section	
Statement of Net Position	10
Statement of Functional Activities and Changes in Net Position	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances to the Government-Wide Statement of Activities	16
Notes to the Financial Statements	17
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	36
Notes to Required Supplementary Information	37
Other Reports/ Other Information	
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 <i>Government Auditing Standards</i>	39
Schedule of Findings and Responses	42



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 business-type activities of Paradise Recreation and Park District, (the District) as of and for the year ended June 30, 2019, 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 an opinion 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 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.

70 Declaration Drive, Suite 202, Chico, CA 95973

530.342.4002 Phone ◆ 530.342.4099 Fax

www.hpladsoncpa.com

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison for the General fund, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 7, 2020, 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

August 7, 2020



2019 BOARD OF DIRECTORS

BOARD MEMBERS

TERM EXPIRATION

Mary Bellefeuille, Chairperson	December 2022
Al McGreehan, Vice-Chairperson	December 2022
Robert Anderson, Secretary	December 2020
Julie Van Roekel, Director	December 2020
Steve Rodowick, Director	December 2022

DISTRICT MANAGER

Dan Efseaff

DISTRICT ACCOUNTANT

Catherine Merryfield

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

*Paradise Recreation
and Park District*

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, 2019 and June 30, 2018. The Statements of Functional Activities and Changes in Net Position provide the results from operations through the fiscal years ended June 30, 2019 and June 30, 2018, 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 notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

*Paradise Recreation
and Park District*

The following is a summary of the net position of the District and the change in the net positions from the prior fiscal year.

	2018	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,673,881	\$ 2,821,795
Other current assets	16,883	1,000
Total Current Assets	1,690,764	2,822,795
DESIGNATED AGENCY FUND	-	2,177
LOAN RECEIVABLE	300,322	300,322
CAPITAL ASSETS - NET	2,795,639	2,646,059
TOTAL ASSETS	4,786,725	5,771,353
DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	237,865	155,419
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	\$ 5,024,590	\$ 5,926,772
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 27,252	\$ 31,874
Deferred revenue	42,515	2,814
Other current liabilities	60,793	37,660
Total Current Liabilities	130,560	72,348
NONCURRENT LIABILITIES		
Compensated absences	58,023	40,145
Net pension liability	315,491	304,548
Other post employment benefits	41,965	37,978
Total Noncurrent Liabilities	415,479	382,671
TOTAL LIABILITIES	546,039	455,019
DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	32,038	21,921
NET POSITION		
Non-Spendable		
Invested in capital assets - net of related debt	2,795,639	2,646,059
Restricted		
Restricted for Impact and Development	440,381	471,173
Restricted for special projects	74,056	81,718
Unrestricted		
Assigned	704,500	630,000
Unassigned	431,937	1,620,882
TOTAL NET POSITION	4,446,513	5,449,832
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	\$ 5,024,590	\$ 5,926,772

MANAGEMENT’S DISCUSSION AND ANALYSIS

*Paradise Recreation
and Park District*

- Cash and cash equivalents have increased primarily due to insurance recovery proceeds.
- Capital Assets – Net decreased due to annual depreciation expense.
- The change in deferred outflows and deferred inflows is a result of a CalPERS actuarial study.
- The decrease in deferred revenue is due to the loss of programs as a result of the Camp Fire.
- The increase of yet to be designated (Unassigned Reserves) as of June 30, 2019 is primarily due to an insurance recovery payment.

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

	2018	2019
REVENUES		
Program service fees	\$ 431,740	\$ 207,778
Property taxes	1,437,377	1,569,394
Impact and development fees	41,902	87,345
Investment income	131	26,140
Loss on disposal of assets	-	(10,893)
Insurance recoveries	-	1,148,000
Other revenue	94,156	28,878
Total Revenues	2,005,306	3,056,642
EXPENDITURES:		
Salaries and benefits	1,498,602	1,233,045
Services and supplies	553,580	631,177
Total Expenditures	2,052,182	1,864,222
EXCESS OF REVENUES OVER EXPENDITURES		
BEFORE PRIOR PERIOD ADJUSTMENT	(46,876)	1,192,420
Prior period adjustment	277,148	-
EXCESS OF REVENUES OVER EXPENDITURES		
AFTER PRIOR PERIOD ADJUSTMENT	230,272	1,192,420
Fund Balance - Beginning of Year	1,630,254	1,860,526
Fund Balance - End of Year	\$ 1,860,526	\$ 3,052,946

MANAGEMENT’S DISCUSSION AND ANALYSIS

*Paradise Recreation
and Park District*

- Program Service Fees were reduced due to the Camp Fire.
- Impact Fee increase is due to rebuilding efforts after the Camp Fire.
- The 2019 Insurance Recoveries is the result of an insurance payment for losses due to the Camp Fire.
- The decrease in Other Revenue is from the lack of donations.
- The reduction in salaries and benefits is due to a displaced, unhouse workforce after the Camp Fire, which increased staff attrition.
- There was no auditor-recommended prior period adjustment for 2019.

The Board of Directors adopts an annual in budget in June for the following fiscal year, beginning 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.

	2019	Budget
REVENUES		
Program service fees	\$ 207,778	\$ 508,410
Property taxes	1,569,394	1,445,490
Impact fee	87,345	54,225
Investment income	26,140	7,945
Loss on disposal of assets	(10,893)	-
Insurance recoveries	1,148,000	-
Other revenue	28,878	65,900
Total Revenues	3,056,642	2,081,970
EXPENDITURES		
Salaries and benefits	1,233,045	1,425,862
Services and supplies	631,177	656,108
Other charges	-	-
Total Expenditures	1,864,222	2,081,970
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ 1,192,420	\$ -

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, 2019	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,821,795
Deposits and other assets	1,000
Total Current Assets	2,822,795
DESIGNATED AGENCY FUND	2,177
LOAN RECEIVABLE	300,322
CAPITAL ASSETS - NET	2,646,059
TOTAL ASSETS	5,771,353
DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	155,419
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES FROM PENSIONS	\$ 5,926,772

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

STATEMENT OF NET POSITION*Paradise Recreation
and Park District*

June 30, 2019	Governmental Activities
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 31,874
Accrued payroll and liabilities	36,660
Deferred revenue	2,814
Deposits held for others	1,000
Total Current Liabilities	72,348
NONCURRENT LIABILITIES	
Compensated absences	40,145
Net pension liability	304,548
Other post employment benefits	37,978
Total Noncurrent Liabilities	382,671
TOTAL LIABILITIES	455,019
DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	21,921
NET POSITION	
Non-Spendable	
Invested in capital assets - net of related debt	2,646,059
Restricted	
Restricted for Impact and Development	471,173
Restricted for special projects	81,718
Unrestricted	
Assigned	630,000
Unassigned	1,620,882
TOTAL NET POSITION	5,449,832
TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES FROM PENSIONS	\$ 5,926,772

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

**STATEMENT OF FUNCTIONAL ACTIVITIES AND
CHANGES IN NET POSITION
JUNE 30, 2019**

*Paradise Recreation
and Park District*

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Recreation	<u>\$ 2,053,323</u>	<u>\$ 207,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,845,545)</u>
		General revenues			
		Taxes			1,569,394
		Impact and development			87,345
		Investment income			26,140
		Loss on disposal of assets			(10,893)
		Insurance recoveries			1,148,000
		Other revenue			28,878
		Total General Revenues			<u>2,848,864</u>
		Changes in net position			1,003,319
		Net Position - Beginning of Year			<u>4,446,513</u>
		Net Position - End of Year			<u>\$ 5,449,832</u>

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

BALANCE SHEET – GOVERNMENTAL FUNDS

*Paradise Recreation
and Park District*

June 30, 2019	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,740,077	\$ 81,718	\$ 2,821,795
Deposits and other assets	1,000	-	1,000
Total Current Assets	2,741,077	81,718	2,822,795
DESIGNATED AGENCY FUND	2,177	-	2,177
LOAN RECEIVABLE	300,322	-	300,322
TOTAL ASSETS	\$ 3,043,576	\$ 81,718	\$ 3,125,294
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 31,874	\$ -	\$ 31,874
Accrued payroll and liabilities	36,660	-	36,660
Deferred revenue	2,814	-	2,814
Deposits held for others	1,000	-	1,000
TOTAL LIABILITIES	72,348	-	72,348
NET POSITION			
Restricted			
Restricted for Impact and Development	471,173	-	471,173
Restricted for special projects	-	81,718	81,718
Unrestricted			
Assigned	630,000	-	630,000
Unassigned	1,870,055	-	1,870,055
TOTAL NET POSITION	2,971,228	81,718	3,052,946
TOTAL LIABILITIES AND NET POSITION	\$ 3,043,576	\$ 81,718	\$ 3,125,294

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Paradise Recreation and Park District

Year Ended June 30, 2019

Total fund balances - governmental funds

\$ 3,052,946

In governmental funds, only current assets are reported. In the Statement of Net Position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost
Accumulated depreciation
Net

6,924,541
(4,278,482)

2,646,059

Long-term liabilities: In governmental funds, only current liabilities are reported. In the Statement of Net Position, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable
Other post employment benefits payable
Net pension liability
Net

(40,145)
(37,978)
(304,548)

(382,671)

Deferred outflows and inflows of resources represent pension related activity that will occur in future periods and, therefore, are not reported in the governmental fund. It consists of:

Deferred outflows of resources from pensions
Deferred inflows of resources from pensions
Net

155,419
(21,921)

133,498

Net position of governmental activities

\$ 5,449,832

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

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

*Paradise Recreation
and Park District*

Year Ended June 30, 2019	General Fund	Nonmajor Governmental Funds	Totals
REVENUES			
Program service fees	\$ 207,778	\$ -	\$ 207,778
Property taxes	1,569,394	-	1,569,394
Impact and development fees	87,345	-	87,345
Investment income	24,524	1,616	26,140
Loss on disposal of assets	(10,893)	-	(10,893)
Insurance recoveries	1,148,000	-	1,148,000
Other revenue	22,832	6,046	28,878
Total Revenues	3,048,980	7,662	3,056,642
EXPENDITURES:			
Salaries and benefits	1,233,045	-	1,233,045
Services and supplies	631,177	-	631,177
Interest expense	-	-	-
Total Expenditures	1,864,222	-	1,864,222
EXCESS OF REVENUES OVER EXPENDITURES	1,184,758	7,662	1,192,420
Fund Balance - Beginning of Year	1,786,470	74,056	1,860,526
Fund Balance - End of Year	\$ 2,971,228	\$ 81,718	\$ 3,052,946

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITUES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Paradise Recreation and Park District

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net change in fund balances - total governmental funds	\$ 1,192,420
Amounts reported for governmental activities in the Statement of Activities differ due to:	
Governmental funds report capital outlays as expenditures; however in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalizable expenditures added back to fund balances	\$ -
Depreciation expense not reported in governmental funds	(255,427)
	(255,427)
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Compensated absences	(63,185)
Other post employment benefits	(3,987)
	(67,172)
Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund	133,498
Change in net position of governmental activities	\$ 1,003,319

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 Government-wide financial statement are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The District considers property taxes available if they are collected within sixty-days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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:

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District*

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.

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. In accordance with GASB Statement 16, 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 in the governmental fund type to account for these vested leave accruals, which are expected to be used within the next fiscal year. At June 30, 2019, a long-term liability of \$40,145 for unpaid vacation and sick leave has been recorded in the government-wide 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 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.

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 account in the financial institution 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.

The District maintains substantially all 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, 2019, the fair value of the pool is 100.42% of the carrying value, which amounted to a net increase of \$6,253. The net change in fair value amounted to an increase of \$14,179 for the year ended June 30, 2019. 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, 2019.

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, 2019

*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 government-wide 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

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.

Deferred Revenue Activity fees paid prior to the utilization of the services are 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District*

Cash and cash equivalents consisted of the following:

June 30, 2019	Maturities	Fair Value
Petty Cash		\$ 300
Deposits (1)		1,323,510
Investments That are Not Securities (2)		
County Treasury investment pool	1.8 years average	1,497,985
Total		\$ 2,821,795

- (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, 2019, amounted to \$1,323,221. 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:

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District*

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, 2019:

- County treasurer's investment pool of \$1,497,985 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 2018	Additions	Retirements	Transfers	Balance 2019
NONDEPRECIATING CAPITAL ASSETS					
Land	\$ 750,089	\$ -	\$ -	\$ -	\$ 750,089
Construction in progress	362,094	500	-	(280,130)	82,464
Total Nondepreciating Capital Assets	1,112,183	500	-	(280,130)	832,553
DEPRECIATING CAPITAL ASSETS					
Buildings and improvements	5,534,233	-	(82,797)	280,130	5,731,566
Equipment	537,583	116,240	(293,401)	-	360,422
Subtotal	6,071,816	116,240	(376,198)	280,130	6,091,988
Less: Accumulated depreciation	(4,388,360)	(255,427)	365,305	-	(4,278,482)
Total Depreciating Capital Assets	1,683,456	(139,187)	(10,893)	280,130	1,813,506
Total Capital Assets - Net	\$ 2,795,639	\$ (138,687)	\$ (10,893)	\$ -	\$ 2,646,059

Depreciation for the year ended June 30, 2019 was \$255,427.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District***5. COMPENSATED ABSENCES**

The schedule of changes in compensated absences follows:

	Balance June 30, 2018	Amount Earned	Amount Paid	Balance June 30, 2019
Compensated absences	\$ 58,023	\$ 79,295	\$ (97,173)	\$ 40,145

6. LINES OF CREDIT

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

June 30, 2019	Interest Rate	Credit Limit	Balance
Rabobank	15.49%	\$ 25,000	\$ 8,014

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District***7. 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	
2020	\$ 8,046
2021	8,046
2022	8,046
2023	6,821
2024	5,595
2025 - 2029	27,975
2030 - 2034	27,975
2035 - 2039	26,975
2040 - 2044	25,475
2045 - 2049	25,475
2050 - 2054	17,833
Total Minimum Future Rental Expense	\$ 188,262

8. 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District*

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 2018-19 fiscal year was 9.409%.

The District's contribution to CalPERS for the fiscal year ended June 30, 2019, was \$69,492.

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

At June 30, 2019, the District reported a net pension liability of \$304,548 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, 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.

For the year ended June 30, 2019, the District recognized pension expense of \$109,522. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2019	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,506	\$ -
Differences between District contributions and proportionate share of contributions	13,781	2,197
Differences between expected and actual experience	11,685	3,976
Changes in assumptions	34,719	8,510
Changes in proportions	45,766	7,238
District contributions subsequent to the measurement date	47,962	-
Total	\$ 155,419	\$ 21,921

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District*

The \$47,962 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, 2020. 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		
2020	\$	51,591
2021		37,069
2022		(385)
2023		(2,739)
Total	\$	85,536

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation for CalPERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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 15 years of mortality improvements using Society of Actuaries scale BB.

The Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District*

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.

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%
Global fixed income	28%	1.00%	2.62%
Inflation sensitive	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real estate	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.

Subsequent to June 30, 2019, CalPERS lowered the discount rate to 7.0%.

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:

June 30, 2019	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 581,476	\$ 304,548	\$ 75,948

Pension Plan Fiduciary New Position

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

9. 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.

Employees Covered

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

June 30, 2019	
Inactive Plan members or beneficiaries currently receiving benefit payment	1
Active Plan members	-
Total	1

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, 2019, the District contributed \$5,422, 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, 2019, using the alternative measurement method. The June 30, 2019 total OPEB liability was based on the alternative measurement method and assumptions as shown below:

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Salary increases	2.00%
Discount rate	2.31%
Healthcare cost trend	4.00%

In addition, the following simplifying assumptions were made:

Retirement Age for Active Employee: Based on the historical average retirement age for the covered group, the active plan member was assumed to retire at age 62.

Marital Status: Marital status of the member at the calculation date was assumed to continue throughout retirement.

Mortality: Life expectancies were based on mortality table.

Turnover: The active member is expected to remain employed until retirement.

Health Insurance Premiums: The 2019 health insurance premiums were used as the basis for calculation of the present value of total benefits paid.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.31%. 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, 2019	
Total OPEB Liability	
Service cost	\$ 1,455
Benefit payments - including refunds of employee contributions	(5,442)
Net Change in Total OPEB Liability	(3,987)
Total OPEB Liability - Beginning of Year	41,965
Total OPEB Liability - End of Year	37,978
Covered-employee payroll	757,766
District's total OPEB liability as a percentage of covered-employee payroll	5.01%

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 2.31% as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (1.31%) or one percentage point higher (3.31%) than the current rate:

June 30, 2019	1% Decrease (1.31%)	Current Discount Rate (2.31%)	1% Increase (3.31%)
Total OPEB liability	\$ 39,726	\$ 37,978	\$ 36,338

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, 2019	1% Decrease (3.00%)	Health Cost Trend Rates (4.00%)	1% Increase (5.00%)
Total OPEB liability	\$ 35,822	\$ 37,978	\$ 40,255

OPEB Expense

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,442.

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.

The following simplifying assumptions were made:

Retirement Age for Active Employee: Based on the historical average retirement age for the covered group, the active plan member was assumed to retire at age 62.

Marital Status: Marital status of the member at the calculation date was assumed to continue throughout retirement.

Mortality: Life expectancies were based on mortality table.

Turnover: The active member is expected to remain employed until retirement.

Health Cost Trend Rate: A rate of 2.562 was used.

Health Insurance Premiums: The 2018 health insurance premiums were used as the basis for calculation of the present value of total benefits paid.

Inflation Rate and Payroll Growth Rate: Rates were not used.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District***10. 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, 2019.

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.

11. 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, 2020, will have on the district's financial statements, if any.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

*Paradise Recreation
and Park District*

12. 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 2018-2019 fiscal year to be \$2,204,410.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 7, 2020, which is the date the financial statements were available to be issued.

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 \$38,558,560 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.

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND**

*Paradise Recreation
and Park District*

Year Ended June 30, 2019	Adopted Original Budget	Approved Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Program service fees	\$ 508,410	\$ 508,410	\$ 207,778	\$ (300,632)
Property taxes	1,445,490	1,445,490	1,569,394	123,904
Impact fee	54,225	54,225	87,345	33,120
Investment income	7,945	7,945	24,524	16,579
Loss on disposal of assets	-	-	(10,893)	(10,893)
Insurance recoveries	-	-	1,148,000	1,148,000
Other revenue	65,900	65,900	22,832	(43,068)
Total Revenues	2,081,970	2,081,970	3,048,980	967,010
EXPENDITURES				
Salaries and benefits	1,425,862	1,425,862	1,233,045	192,817
Services and supplies	656,108	656,108	631,177	24,931
Other charges	-	-	-	-
Total Expenditures	2,081,970	2,081,970	1,864,222	217,748
EXCESS (DEFICIT) OF REVENUES				
OVER EXPENDITURES	-	-	1,184,758	1,184,758
Fund Balance - Beginning of Year	1,786,470	1,786,470	1,786,470	-
Fund Balance - End of Year	\$ 1,786,470	\$ 1,786,470	\$ 2,971,228	\$ 1,184,758

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated August 7, 2020.

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.

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. 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings, that I consider to be significant deficiencies (findings 2019-01 to 2019-03).

70 Declaration Drive, Suite 202, Chico, CA 95973

530.342.4002 Phone ◆ 530.342.4099 Fax

www.hpladsoncpa.com

**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

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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

District’s Response to Findings

The District’s responses to the findings identified in my audit are described in the accompanying schedule of findings. The District’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

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 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.

Holly B. Pladson, CPA

August 7, 2020

Chico, California

SCHEDULE OF FINDINGS AND RESPONSES

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

*Paradise Recreation
and Park District*

CASH IN COUNTY

2019-01

Significant Deficiency

Condition

During the reconciliation of the Cash in County per the trial balance to the Cash in County per the confirmation received, it was noted that the Cash in County is not reconciled to the monthly reports received from the County, nor is it adjusted to the fair market value at year-end.

Criteria

In order to maintain control over cash balances, the accounts need to be reconciled on a monthly basis. This includes any adjustment in fair market value and interest receivable.

Effect

Without reconciling to the County reports, the actual cash balance is misstated, which can cause the financial statements to be misleading.

Recommendation

The monthly reports from the County need to be reconciled to the internally generated accounting reports using the QuickBooks accounting software. The Cash in County amounts need to be adjusted (per the County reports) for any fair market value adjustments and any interest income.

Response

The District Accountant will review the reports received from the County and implement immediately.

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

*Paradise Recreation
and Park District*

COUNTY REVENUE

2019-02

Significant Deficiency

Condition

During the recalculation of revenue paid to the District from the County (for property taxes and other items), it was noted that not all revenue received from the County is posted to the trial balance.

Criteria

In order to maintain accurate accounting of revenues received from the County, amounts collected by the County on behalf of the District need to be reconciled on a monthly basis.

Effect

Without reconciling to the County reports, the actual tax revenue balances are misstated, which can cause the financial statements to be misleading.

Recommendation

The monthly reports from the County need to be reconciled to the internally generated accounting reports using the QuickBooks accounting software. The tax revenue and interest income revenue amounts need to reconcile to the County reports.

Response

The District Accountant will review the reports received from the County and implement immediately.

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

*Paradise Recreation
and Park District*

PAYROLL

2019-03

Significant Deficiency

Condition

During the test of controls over payroll transactions, it was noted that three of the 25 employees selected were not paid for all of the hours worked, per the employee time sheets submitted.

Criteria

The District Accountant needs to double check the accuracy of the hours worked per the time sheets submitted prior to processing payroll.

Effect

Employees could be paid inaccurately for the actual number of hours worked.

Recommendation

Employee time sheets need to be recalculated for the hours worked. The District Accountant should initial the total hours worked.

Response

The District Accountant will implement immediately.

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

*Paradise Recreation
and Park District*

ACCOUNTS PAYABLE

2019-04

Control Deficiency

Condition

The District provides detailed reports to the County specifying each payment made subsequent to year-end that relates to the current fiscal year. These reports are not reconciled to the accounts payable detailed report generated by the QuickBooks accounting software. The District listed items in excess of \$55,000 that the County reported as current year expenses (and payables), but that actually belonged in the subsequent fiscal year. In addition, the District did not record over \$9,000 in expenses and payables (including a credit card payable) that related to the current fiscal year.

Criteria

In order to prepare financial statements that are correctly reported on the accrual basis, amounts must be reported for expenses incurred during the year, but not paid until after the fiscal year-end. In addition, reports supplied to the County need to be reconciled to the District's accounting software.

Effect

Without reconciling the liabilities of the District, the actual balances will not match the County reports, which can cause the financial statements to be misleading.

Recommendation

All expenses related to the current fiscal year, but not paid until subsequent to year-end need to be calculated and recorded in the accounting software at year-end, and reconciled to all reports given to the County. This includes credit card balances.

Response

The District Accountant will implement immediately.

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

*Paradise Recreation
and Park District*

CASH DISBURSEMENTS

2019-05

Control Deficiency

Condition

During the test of controls over non-payroll transactions, it was noted that three of the 25 items tested either did not have the general ledger account listed, or the general ledger account coding was incorrect. In addition, one transaction was posted to the incorrect account number, one transaction did not have proper approval, and one transaction had supporting documentation that did not agree to the invoice total.

Criteria

Cash disbursements need to be supported by proper supporting documentation, account coding, and approval prior to payment.

Effect

Sufficient controls over expenditures are not in place to prevent invoices from being coded to an incorrect account nor are sufficient controls in place to prevent invoices from being paid without supporting documentation or approval.

Recommendation

All receipts should be reviewed by the District Accountant for proper account coding, supporting documentation, and approval before being paid.

Response

The District Accountant will implement immediately.