



TOWN OF PARADISE

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Management Staff:

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Dwight L. Moore, Town Attorney
Joanna Gutierrez, Town Clerk
Lauren Gill, Assistant Town Manager
Craig Baker, Community Development Director
Chris Buzzard, Police Chief
Rob Cone, Interim Fire Chief
Gina Will, Finance Director/Town Treasurer

Town Council:

Steve "Woody" Culleton, Mayor
Tim Titus, Vice Mayor
Joe DiDuca, Council Member
Scott Lotter, Council Member
Alan White, Council Member

TOWN COUNCIL AGENDA

SPECIAL MEETING – 5:00 PM – April 09, 2012

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Members of the public may address the Town Council on any agenda item, including closed session. If you wish to address the Town Council on any matter on the Agenda, it is requested that you complete a "Request to Address Council" card and give it to the Town Clerk prior to the beginning of the Council Meeting.

All writings or documents which are related to any item on an open session agenda and which are distributed to a majority of the Town Council will be available for public inspection at the Town Hall in the Town Clerk Department at 5555 Skyway, Room 3, at the same time the subject writing or document is distributed to a majority of the subject body. Regular business hours are Monday through Thursday from 8:00 a.m. to 5:00 p.m.

1. OPENING

- a. Call to Order
- b. Pledge of Allegiance to the Flag of the United States of America
- c. Roll Call

2. COUNCIL CONSIDERATION

[2a.](#) Consider adopting Resolution No. 12-___, "A Resolution of the Town Council of the Town of Paradise Authorizing a Mileage Marker Project on the Memorial Trailway from Pentz Road to Princeton Drive. **(ROLL CALL VOTE)**

[2b.](#) Following presentation, acknowledge receipt of 2010/11 annual financial statement audit.

[2c.](#) Consider adopting Resolution No. 12-___, A Resolution of the Town Council of the Town of Paradise Authorizing Execution of a Master Lease Agreement. **(ROLL CALL VOTE)**

[2d.](#) (1) Review the two wastewater treatment options in the staff report - the City of Chico option and the Tuscan Ridge option; and, (2) Choose either the City of Chico wastewater treatment option OR the Tuscan Ridge wastewater treatment option; OR, (3) Direct Staff in an alternative direction. **(ROLL CALL VOTE)**

3. ADJOURNMENT

| | |
|--|-----|
| STATE OF CALIFORNIA) | SS. |
| COUNTY OF BUTTE) | |
| I declare under penalty of perjury that I am employed by the Town of Paradise in the Town Clerk's Department and that I posted this Agenda on the bulletin Board both inside and outside of Town Hall on the following date: | |
| <hr/> | |
| TOWN/ASSISTANT TOWN CLERK SIGNATURE | |

TOWN OF PARADISE
Council Agenda Summary
Date: April 9, 2012

AGENDA NO. 2(a)

ORIGINATED BY: Lauren Gill, Assistant Town Manager
Paul T. Derr, Assistant Public Works Director

REVIEWED BY: Charles L. Rough, Jr., Town Manager

SUBJECT: Trailway Markers.

COUNCIL ACTION REQUESTED:

- 1) Adopt Resolution No. 12-___, "A Resolution of the Town Council of the Town of Paradise Authorizing a Mileage Marker Project on the Memorial Trailway from Pentz Road to Princeton Drive.
OR
- 2) Deny this request, and provide staff with alternative direction;

Note: Action Item No 1 is the staff's recommended actions.

BACKGROUND: Justin Hampton approached Town Staff in March with a request to manufacture, and install mileage markers along the Memorial Trailway for his Paradise High School Senior Project. After review by staff, it was felt that an installation of a combination of street crossing/mileage markers were a better fit for the Trailway. Mileage markers installed years ago have either disappeared or been damaged and were no longer recognizable. A sample of these markers was presented to Council during Public Communication at the April 3 Council meeting.

DISCUSSION: The markers will provide a simple look for visitors to the Trailway giving them street crossing information as well as distances traveled. The markers face will be approximately 8" by 12" with a depth of 6". They will be constructed out of a strong set concrete with street name and distance embedded in the face. There will also be an anchor bolt extending from the bottom of the block. The marker will be installed in a concrete foundation and be installed flush with ground level.

FINANCIAL IMPACT: There will be no Town cost associated other than staff time with layout for the installation of the markers. Future minor issues with possible maintenance might be expected.

**TOWN OF PARADISE
RESOLUTION NO. 12-__**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF PARADISE
AUTHORIZING A MILEAGE MARKER PROJECT ON THE MEMORIAL TRAILWAY
FROM PENTZ ROAD TO PRINCETON DRIVE**

WHEREAS, Justin Hampton has requested permission to manufacture and install mileage markers along the Memorial Trailway from Pentz Road to Princeton Drive, Paradise; and

WHEREAS, the Town Council desires to approve the proposed project by Justin Hampton.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Paradise as follows:

Section 1. The Town Council authorizes Justin Hampton to manufacture and install, at no cost to the Town, mileage markers along the Memorial Trailway from Pentz Road to Princeton Drive, Paradise at the direction of the Public Works Manager. No work shall take place until it is approved by the Public Works Manager. In no event shall the Town be liable to Justin Hampton or his parents or guardians if he is injured or damaged while he is performing any activities associated with the marker project.

PASSED AND ADOPTED by the Paradise Town Council of the Town of Paradise, County of Butte, State of California, on this 9th day of April 2012, by the following vote:

AYES:

NOES:

ABSENT:

NOT VOTING:

Steve "Woody" Culleton, Mayor

ATTEST:

APPROVED AS TO FORM:

JOANNA GUTIERREZ, Town Clerk

DWIGHT L. MOORE, Town Attorney



**Town of Paradise
Council Agenda Summary
Date: April 9, 2012**

Agenda Item: 2b

Originated by: Charles L. Rough, Jr., Town Manager
Gina S. Will, Finance Director/Town Treasurer

Subject: Presentation of Fiscal Year 2010/11 Financial Statement Audit

Council Action Requested:

Following the Town Councils review of the Fiscal year 2010/11 financial statement audit report, staff recommends that the Council receive and file the Report, as submitted

Alternatives:

Refer the matter back to staff for further development and consideration.

Background:

Moss, Levy and Hartzheim, LLP, Certified Public Accountants have completed the annual audit for Fiscal Year 2010/11. Moss, Levy and Hartzheim, LLP indicated that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise as of June 30, 2011.

The Town Management did a thorough analysis of the financial statements and that analysis is included in the financial statements as "Management's Discussion and Analysis" on pages 3 through 11. Council is encouraged to read management's complete discussion and analysis included in the report, but staff has highlighted some key results and elements of the financial statements below.

Discussion:

Net Assets:

The Town's total primary government net assets increased by \$216,482 to \$1,174,971. The Town's assets decreased less than one percent or \$46,289 to \$24,846,868; however, the Town's liabilities decreased over one percent by \$262,771 to \$23,671,897.

Because of the medical premium contribution caps implemented by four of the six employee groups, the amount added to the GASB 45 OPEB liability was minimized to \$123,052 for 2010/11. In addition, the Town had made its annual required notes and bond payments thereby decreasing the remaining debt liability.

General Fund:

The general fund ended the fiscal year with a structural deficit of \$187,573 which reduced the ending fund balance/reserve to \$1,692,426. Overall revenues were down \$77,827 or less than 1%. As would be expected in a period of slow economic recovery, some general fund revenue categories have increased, but any revenue category tied to property assessed values are continuing to decline.

General fund expenditures increased \$198,013 or 2.1% because of the increased costs of benefits and other fixed expenditures. Each employee unit contributed in some way to reducing the deficit through salary and benefit concessions. General fund full time equivalents were reduced by 5.89% through, layoffs, early retirements and attrition.

Capital Assets:

At fiscal yearend 2010/11, the Town had \$14,519,625 net of depreciation, in a broad range of capital assets. This represents a net increase of \$780,160 after depreciation or 5.7% compared to the prior year. The year's major additions included:

- | | |
|---|-----------|
| • CAD/RMS public safety communication system; hardware and software | \$347,381 |
| • Two super duty trucks and one dump truck for the public works streets operation | \$154,715 |
| • Land purchased for a future fire station at the corner of Pentz and Pearson Roads | \$115,692 |

Outstanding Debt:

The Town had \$20,587,498 at the end of the 2010/11 fiscal year in notes, bonds, capital leases, other post-employment benefits (OPEB), and compensated absences. This is a \$295,298 or 1.37% reduction in debt.

Again, debt related to notes and bonds payable show reductions as annual debt service payments were made without new obligations added. Capital leases reflect a marginal increase as the equipment indicated above was purchased through lease purchase, but offset by some older leases which were paid off. Also, the OPEB obligation only shows a minimal increase because of capping premium contributions with four of the six employee units. Finally compensated absences show a small increase because even though accrual balances are paid off upon termination, with reduced staffing, the remaining employees are finding it difficult to use their accrued time.

Conclusion:

The Town had a chance to elaborate on its plans to protect its fiscal solvency in Note 16 of the financial statements and as indicated as follows. The management of the Town of Paradise will continue to take actions to protect the remaining resources of the Town. At the time these financial statements are issued, the Town has completed nine months of the 2011/12 fiscal year without any cash flow shortages and has been able to meet all of its financial obligations on a timely basis. There is no doubt from management perspective that the Town will successfully complete the remaining three months of the fiscal year with adequate cash flows and reserves proving its ability to continue as a going concern.

Management has in fact taken a number of steps to protect the financial solvency of the Town. Related to the Other Post Employment Benefit Obligations (OPEB), the Town is implementing every strategy possible to reduce the obligation as quickly as possible. During 2011/12 the Town negotiated medical premium contribution caps with four of its six employee units. It implemented a retiree health vesting schedule for new hires that went into effect in December 2010. Under this vesting schedule new hires will have to work at least 5 years for the Town and at least 10 years for a CalPERS agency before receiving 50% of the retiree health benefits. A new hire will have to have 20 years of CalPERS service to be eligible for 100% retiree health benefits. It has reduced its full time equivalent (FTE) workforce by 17.9% from when the OPEB obligation was first measured. Further, it has opened an irrevocable trust to begin funding the future obligation. The dollars contributed to the trust can only be used for OPEB obligations. As reflected in the most recent OPEB actuarial study, all of these actions reduced the present value of future benefits from \$45.8 million to \$28.90 million, a 37% reduction in one fiscal year. The Town is currently in negotiations with its final two employee units in order to achieve a cap with all employees and future retirees.

The Town has an ending general fund balance of \$1,692,426 and cash in its governmental funds of \$2,140,386 as of June 30, 2011, even after the cash advances and loans made to the Paradise Redevelopment Agency (RDA). Related to the amounts set aside for RDA advances and loans, the Town believes this was a fiscally responsible investment for the Town given that prior loans have been repaid without incident and that the Town is receiving 4.5% interest on the loans which is additional income for the general fund during a time when investment income is scarce. The Town will receive principal and interest payments toward these loans of \$304,311 during 2011/12 and \$259,046 during 2012/13 which will be used to rebuild undesignated reserves. All loans between the now dissolved RDA and Town are included on the Enforceable Obligation Payment Schedule (EOPS) for repayment. As successor agency to the RDA, the Town will be responsible for ensuring payment of all obligations included on the EOPS. Any advances not documented through a loan will be repaid through an annual \$250,000 administration fee included in the dissolution law as the minimum amount a successor agency will receive for administering the obligations of the former RDA. This means that within five years, by 2015/16 all loans and

advances between the Town and the former RDA will be repaid. The RDA brought \$2.5 million for RDA projects and other local community agencies since its inception.

As indicated before, the Town has made drastic reductions in workforce in order to reduce expenses. Since the start of the recession, the Town has reduced its FTE equivalents from 110.06 to the currently projected 88.95 an over 19% reduction. In this current budget year, 2011/12, the Town has done sufficient cutbacks to ensure that all non-general funds are self sustaining and will not require transfers in from the general fund to balance. Management is currently looking at ways to restructure public safety divisions to achieve additional savings recognizing that the revenue picture for 2012/13 is not expected to rebound quickly and also recognizing that fixed expenditures are continuing to increase.

Fiscal Impact Analysis:

The action to receive and file the 2010/11 audit report does not in itself result in a cost to the Town of Paradise. Recommendations contained in the management letter have no costs associated with implementation. The recommendations are procedural in nature and do not carry an implementation cost.

TOWN OF PARADISE
ANNUAL FINANCIAL REPORT
June 30, 2011

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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RONALD A. LEVY, CPA
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Town Council
Paradise, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise (Town) California, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise, California as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Town of Paradise, California, will continue as a going concern. As discussed in Note 16 of the notes to the financial statements, the Town's general fund cash balance has been depleted and there was no unassigned fund balance amount remaining to fund the ongoing activities of the Town (with a majority of the fund balance being categorized as nonspendable for advances due from the RDA fund) as of the fiscal year ended June 30, 2011. Additionally, the Town had net assets of \$1,174,971 in governmental activities, an annual OPEB cost for the fiscal year ended June 30, 2011 of \$2,156,863 and a UAAL amount of \$21,236,756 (per information provided in the GASB 45 Actuarial Valuation Report). The annual OPEB cost for the fiscal year ended June 30, 2012 is \$2,262,266 (per information provided in the GASB 45 Actuarial Valuation Report). These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2010, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 3 through 11, the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund, Home Grant Fund, Redevelopment Agency Fund, CAL Home Rehabilitation Fund, and the Schedule of Funding Progress-Other Post-employment Benefits on pages 65 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements as a whole. The Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-Capital Improvement Fund, the Combining Non-major Governmental Funds Financial Statements, Non-major Funds Budgetary Comparison Schedules, and Fiduciary Funds financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-Capital Improvement Fund, the Combining Non-major Governmental Funds Financial Statements, Non-major Funds Budgetary Comparison Schedules, and Fiduciary Funds Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Paradise's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- Net assets increased 22.6 percent by \$216,482 or to \$1.17 million from a year ago.
- The ending general fund balance for June 30, 2011 is \$1,692,426 a 9.3% decrease.
- Capital assets increased \$780,160 after accumulated depreciation or 5.7 percent compared to the prior year.
- The Town had \$20.59 million in outstanding debt, a decrease of 1.4 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements follow. For governmental activities, the statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts as a trustee or agent for the benefit of those outside the government.

REPORTING THE TOWN AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting which recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

In the Statement of Net Assets and the Statement of Activities, the Town is reporting its governmental activities. Most of the Town's basic services are reported here, including the police, fire, community development, engineering, and general administration. Property taxes, motor vehicle in lieu, and sales taxes fund most of these activities.

The Town discontinued its business-type activities in 2010/11 as the service fees charged weren't sustaining the primary services of the onsite and development services divisions. The divisions were combined to improve efficiencies. Also, recognizing the importance of maintaining net assets, the Town negotiated medical caps with four of the six employee units thereby decreasing the future long term liabilities associated with post employment benefits.

The Town's assets decreased less than one percent or \$46,289 to \$24.8 million; however, the Town's liabilities also decreased over one percent, \$262,771 to \$23.7 million. Thus net assets increased 22.6 percent by \$216,482 or to \$1.17 million from a year ago. Table 1 below shows a summary of the Net Assets.

Table 1
Net Assets

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|--------------|--------------------------|-------------|--------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets | \$10,327,243 | \$11,034,812 | | \$118,880 | \$10,327,243 | \$11,153,692 |
| Capital assets | 14,519,625 | 13,690,454 | | 49,011 | 14,519,625 | 13,739,465 |
| Total Assets | 24,846,868 | 24,725,266 | | 167,891 | 24,846,868 | 24,893,157 |
| Long term liabilities (due in more than one year) | (19,446,072) | (19,486,571) | | (331,865) | (19,446,072) | (19,818,436) |
| Other liabilities | (4,225,825) | (4,048,075) | | (68,157) | (4,225,825) | (4,116,232) |
| Total liabilities | (23,671,897) | (23,534,646) | | (400,022) | (23,671,897) | (23,934,668) |
| Net Assets: | | | | | | |
| Invested in capital assets, net of debt | 8,511,315 | 7,480,955 | | 0 | 8,511,315 | 7,480,955 |
| Restricted | 6,838,732 | 540,623 | | | 6,838,732 | 540,623 |
| Unrestricted | (14,175,076) | (6,830,958) | | (232,131) | (14,175,076) | (7,063,089) |
| Total Net Assets | \$1,174,971 | \$1,190,620 | | \$(232,131) | \$1,174,971 | \$958,489 |

The current actuarial study indicates that the net OPEB obligation at the end of the fiscal year June 30, 2011 is \$3,247,374. Because of the tremendous reduction in future OPEB obligations obtained through employee agreement, only a minimal \$123,052 was a required addition to liabilities for 2010/11. Please refer to the section on "Next Year's Budget and Assumptions" for additional information on how the Town plans to further decrease this obligation.

As mentioned earlier, the reader will notice a marked decrease in business-type activities. Onsite and building type activities are now accounted for as Governmental Activities. As those divisions were not self sustaining as previously designed, those divisions were combined and restructured in order to more efficiently share personnel resources of other governmental activity funds.

Table 2 below shows another perspective of the net assets of the Town. This year's Town revenues decreased by \$225,267 or 1.4 percent. As has been seen nationwide, recession recovery is slow. Property taxes, motor vehicle in-lieu, and charges for services all decreased. Only other taxes which includes sales tax, transient occupancy tax and franchise taxes are showing modest increases. The total cost of programs and services decreased by \$2,204,501 or 14 percent. While significant concessions were made by employees to reduce the salary and benefit expenses of the Town and departments cut operating expenses by as much as possible, the reporting of the GASB 45 OPEB liability resulted in the majority of the decreased expense that is reported.

Table 2
Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|-------------|--------------------------|---------------|--------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$1,135,641 | \$561,403 | | \$672,014 | \$1,135,641 | \$1,233,417 |
| Operating Contributions & Grants | 3,063,234 | 2,899,824 | | 66,045 | 3,063,234 | 2,965,869 |
| Capital Contributions & Grants | 754,047 | 1,331,716 | 335,242 | | 1,089,289 | 1,331,716 |
| General Revenues: | | | | | | |
| Property Taxes | 4,748,170 | 4,886,605 | | | 4,748,170 | 4,886,605 |
| Other Taxes | 2,812,393 | 2,644,865 | | | 2,812,393 | 2,644,865 |
| Motor vehicle in-lieu | 2,127,665 | 2,186,704 | | | 2,127,665 | 2,186,704 |
| Other general revenues | 617,863 | 558,141 | | 12,205 | 617,863 | 570,346 |
| Total Revenues | 15,259,013 | 15,069,258 | 335,242 | 750,264 | 15,594,255 | 15,819,522 |
| Program expenses | | | | | | |
| General Government | 1,660,087 | 1,852,001 | | | 1,660,087 | 1,852,001 |
| Community Development | 1,264,931 | 1,695,101 | | | 1,264,931 | 1,695,101 |
| Public Safety | 7,734,200 | 9,074,868 | | | 7,734,200 | 9,074,868 |
| Public Works | 1,063,625 | 352,393 | | | 1,063,625 | 352,393 |
| Parks & Recreation | 40,390 | 21,137 | | | 40,390 | 21,137 |
| Streets | 1,533,945 | 1,596,049 | | | 1,533,945 | 1,596,049 |
| Development Services | | | | 492,919 | | 492,919 |
| Wastewater | | | | 462,345 | | 462,345 |
| Unallocated Depreciation | 913,603 | 883,757 | | | 913,603 | 883,757 |
| Interest on Long Term Debt | 1,166,992 | 1,151,704 | | | 1,166,992 | 1,151,704 |
| Total Expenses | 15,377,773 | 16,627,010 | 0 | 955,264 | 15,377,773 | 17,582,274 |
| Excess (deficiency) before transfers & prior period adjustments | (118,760) | (1,557,752) | | (205,000) | 216,482 | (1,762,752) |
| Transfers | 103,111 | 145,220 | (103,111) | (145,220) | | |
| Prior Period Adjustments | | 679,297 | | (655,445) | | 23,852 |
| Increase (decrease) in net assets | \$(15,649) | \$(733,235) | \$232,131 | \$(1,005,665) | \$216,482 | \$(1,738,900) |

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds, (as presented in the balance sheet and the statement of revenues, expenditures and changes in fund balances), reported a combined fund balance of \$4,182,555. It reflects a 9.55% decrease in governmental fund balances.

General Fund Highlights

Over the course of the year, the Town council revised the Town budget several times. The budget was adjusted each time agreements were made with employee groups which included estimates of the savings negotiated. Budget adjustments were also approved at mid-year reflecting additional operating cuts required.

As would be expected in a period of slow economic recovery, some general fund revenue categories have increased, but any revenue categories tied to property assessed values are continuing to decline. General Fund revenues were down \$77,827 or less than one percent. Taxes and assessments were marginally up 0.81%. Fines and forfeitures and charges for services were also up slightly by \$77,827 and 26,186 respectively. Intergovernmental revenues decreased \$201,846 or 8.8%

Town staff, through shared sacrifice concessions, saved the Town substantial salary and benefit dollars. The Town negotiated employee concessions that both reduced expenses for the fiscal year reported and reduced future long term obligations for the Town as follows:

- ✓ As part of their multi-year agreement, the Police Officer's Association agreed to pay 50% of the employee CalPERS contribution and then as of November 1, 2010 they agreed to the remaining 50% with the equivalent 3.65% or 3.05% wage increase.
- ✓ As of September 27, 2010 Confidential/Mid-Management, General OE3, and Police Mid-Management agreed to a 6% salary reduction through the end of the year in addition to permanently swapping paying the employee CalPERS contribution for the equivalent salary increase.
- ✓ Also, as of September 27, 2010, all but one management group member agreed to pay 6% of the employee CalPERS contribution for the remainder of the fiscal year. One of the members agreed to waive 100 administrative leave hours for the year.
- ✓ As of October 24, 2010, the Professional Firefighters Association agreed to a 5% salary reduction through the end of the year in addition to permanently swapping paying the employee CalPERS contribution for the equivalent salary increase.
- ✓ The Town's FTE in July 2010 is 108.28, but with layoffs, early retirement, temporary hours reductions, and attrition the FTE is reduced by 7.83% to 99.80 in June 2011.

Also, departments reduced spending by purchasing only essential supplies. But as reflected under current expenditures, expenditures increased \$198,013 or 2.1 percent because of the increased costs of benefits and other fixed expenditures. Debt service principal and interest reflect an increase of \$115,739. \$15,000 is related to the scheduled debt service increase for the Pension Obligation Bond, and the rest is related to lease purchase contracts. The Pension Obligation Bond was issued to pay for the unfunded liability related to CalPERS pension benefits, and now the Town must pay the bondholders for the bonds issued. This bond issuance also greatly reduced the annual contribution rates for these benefits.

Expenses exceeded revenues by \$1,010,259 before transfers are reported. Net of transfers, the net change in general fund balance is a negative \$187,573. The ending general fund balance for June 30, 2011 is \$1,692,426 a 9.3% decrease compared to the prior year.

Other Key Governmental Funds

The animal control fund saw an increase of revenues and transfers in of \$28,347 during the year and a matching increase in expenditures and transfers of \$28,347. This means that there was no structural deficit for the year, but left the prior deficit virtually the same at \$22,305. The fund is owed \$103,117 in state mandated costs reimbursements, but as the State of California has deferred these payments for some time this amount has not been booked as a receivable due to uncertainty. A decision will need to be made to either increase fees to a point that fully funds the services provided or to decrease the amount of service provided as the deficit balance impacts the resources the Town has to provide other services.

The newly created and more efficient building safety and wastewater services fund had revenues and transfers of \$1,119,623. This includes an \$87,076 transfer from the general fund in order to balance the fund and eliminate the structural deficit. Expenses and transfers out were at the matching \$1,119,623 and the fund ended with a zero fund balance. This is the fund created by adding elements of the building (development services) fund and the onsite wastewater funds.

The gas tax fund reports a \$250,359 increase in revenues before transfers in from other funds. \$253,028 is prior Prop 42, Transportation Congestion Improvement Act, monies previous segregated in another fund that can now be used for regular and continuous street maintenance. The general fund contributed \$0 compared to \$155,399 the prior year. Expenses and transfers out were increased by \$29,292, but the fund balance ended positive at \$86,827.

With an increase of revenues of \$149,200 and an increase in expenditures of \$114,679, the local transportation fund increased its ending fund balance \$141,709 to \$1,151,988.

PROPRIETARY FUNDS

The proprietary funds are made up of the business-type activities (enterprise funds) and an internal service fund which is related to self insurance funding. The proprietary funds statement of revenues, expenses, and changes in net assets report what is equivalent to the "ending fund balance" in governmental funds. As mentioned before, the development service fund and onsite wastewater district fund were discontinued and elements of them combined to create a more efficient building safety and waste water service fund. The only activity recorded in these prior funds is to close out the funds and transfer the appropriate balances to governmental activities.

The net assets for the internal service fund for self insurance funding decreased to \$143,680 for the year compared to the prior year of \$350,534. These numbers are all a direct reflection of what the insurance JPA is able to offer the Town in terms of dividends.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At fiscal year end 2011, the Town had \$14,519,625, net of depreciation, in a broad range of capital assets, including police and fire equipment, buildings, roads, and vehicles as shown in table 3 below. This amount represents a net increase of \$780,160 after depreciation or 5.7 percent compared to last year. Before depreciation, the net increase (including additions and deductions) is \$2,328,365.

This year's major additions included:

- CAD/RMS dispatch communication system; hardware and software primarily financed through a lease purchase \$347,381
- Two super duty trucks and one dump truck for the public works streets operation primarily financed through a lease purchase 154,715
- Land purchased for a future fire station at the corner of Pentz and Pearson Roads 115,692

Table 3
Capital Assets at Year-end
(Net of Depreciation)

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|-------------------------|---------------------|--------------------------|-----------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land | \$1,540,247 | \$1,497,441 | | | \$1,540,247 | \$1,497,441 |
| Construction in progress | 400,887 | 1,188,845 | | | 400,887 | 1,188,845 |
| Buildings and improvements | 329,666 | 278,033 | | | 329,666 | 278,033 |
| Infrastructure | 11,093,937 | 10,027,274 | | | 11,093,937 | 10,027,274 |
| Machinery and equipment | 603,563 | 177,187 | | 46,353 | 603,563 | 223,540 |
| Vehicles | 551,325 | 521,674 | | 2,658 | 551,325 | 524,332 |
| Totals | <u>\$14,519,625</u> | <u>\$13,690,454</u> | | <u>\$49,011</u> | <u>\$14,519,625</u> | <u>\$13,739,465</u> |

The Town's fiscal year 2012 capital budget includes about \$1.1 million in street maintenance, rehabilitation, and new construction and design. With personnel shortages and budget constraints, the projects that are actually moving forward are some chip seal and overlay projects and some road rehabilitation work on South Libby. None of these projects are funded through the general fund, but are funded through various federal or state programs. The Town has purposely avoided any large lease purchase projects for the 2012 fiscal year. The only lease purchase approved was a \$40,565 lease for the purchase of some essential police equipment.

Debt

At year end, the Town had \$20.59 million in notes, bonds, capital leases, other post-employment benefits (OPEB), and compensative absences. \$1.1 million of that obligation is due within one year, a decrease of 1.4 percent as shown in table 4.

Table 4
Outstanding Debt at Year-end

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------|-------------------------|--------------|--------------------------|-----------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Notes payable | \$1,406,514 | \$1,426,946 | | | \$1,406,514 | \$1,426,946 |
| Bonds payable | 14,009,615 | 14,642,653 | | | 14,009,615 | 14,642,653 |
| Capital leases | 1,132,206 | 858,434 | | 111,545 | 1,132,206 | 969,979 |
| OPEB | 3,247,374 | 2,883,104 | | 241,218 | 3,247,374 | 3,124,322 |
| Compensated absences | 791,789 | 678,406 | | 31,490 | 791,789 | 709,896 |
| Total Liabilities | \$20,587,498 | \$20,489,543 | | \$384,253 | \$20,587,498 | \$20,873,796 |

By implementing a vesting schedule for new hires, starting an irrevocable trust to begin funding the future obligation, and by capping benefits for four of the six employee groups, the Town made considerable progress in reducing the OPEB obligation reported for 2010/11 as required by GASB 45. The Town is aggressively taking steps to further reduce this obligation as quickly as possible.

As can be seen through the reduction of notes payable and bonds payable, the only activity recorded in these categories was for the payment of debt service. No additional bonds or notes were issued in 2010/11. As indicated in the capital assets section, some lease purchases were approved in 2010/11 for the purchase of a new CAD/RMS dispatch system and public work trucks.

Please refer to Note 7 for more detailed information about the obligations outstanding.

THE TOWN AS TRUSTEE

The Town is the trustee, or fiduciary, for a number of donation and found money type funds. It is responsible for the assets in these funds and must only be used as indicated in the trust arrangements. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Assets and Liabilities and Changes in Fiduciary Assets and Liabilities. The activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds total assets as of June 30, 2011 are \$147,971.

NEXT YEAR'S BUDGET AND ASSUMPTIONS

At the issuance of these financial statements, nine of the twelve months has been completed of the 2011/12 fiscal year. With economic recovery still lagging in the community, the Town's elected and appointed officials have purposely not increased fees in order to encourage growth and business development. Also, while some improvement is being seen in consumer spending areas like sales taxes and franchise fees, property taxes are very slow to recover. The amended general fund budget for 2011/12 currently has \$9.3 million available for appropriations before considering transfers in. This is a 3.9% reduction in revenues compared to the year being reported. It is currently expected that 2012/13 will have a very similar revenue outlook with very slow recovery projected and some loss of some one time revenues.

Additional cutbacks, layoffs and employee concessions have been implemented for the 2011/12 fiscal year. A summary of employee concessions and reorganization is indicated below. Current general fund budgeted expenditures amount to \$10.3 million. The amended budget projects a \$377,162 general fund deficit.

- ✓ All but four employees are paying 100% of the CalPERS employee contribution which is 7% of salary for Miscellaneous Employees and 9% for Public Safety Employees. All employees are paying at least half of the CalPERS employee contribution.
- ✓ All but two employee units have agreed to cap the amount the Town contributes toward health insurance premiums as away to reduce the OPEB obligation. The Town is currently in negotiations with the final two employee groups to achieve this cap. According to the most recent actuary study received for the OPEB obligation, this reduced the present value of future benefits from \$45.8 million to \$28.9 million, a 37% reduction.
- ✓ A 5% salary reduction for two groups, 50% reduction to allowances for one group, and a waiver of the administrative leave payout provision for another group.
- ✓ By cutting back and restructuring in non general fund activities, the Town has eliminated the need for the general fund to transfer funds into any other fund in order to eliminate structural deficits.

Again, expecting that the financial situation for the 2012/13 budget (now just three months away) will be as challenging if not more challenging than the 2011/12 budget year, the Town will be doing more cutbacks and potentially more layoffs in order to balance the budget. Management and elected officials are evaluating other methods of providing public safety services. They are also prioritizing services and may have to reduce some of the services offered by the Town. Also of high importance will be establishing policy that minimizes unfunded liability and reduces the future obligations of the Town to a level that the Town can sustain.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Finance Department at 5555 Skyway, Paradise, California.

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TOWN OF PARADISE
STATEMENT OF NET ASSETS
June 30, 2011

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|--------------|
| ASSETS | | | |
| Cash and investments | \$ 2,284,066 | \$ - | \$ 2,284,066 |
| Restricted cash and investments with fiscal agents | 871,598 | | 871,598 |
| Accounts receivable | 1,755,441 | | 1,755,441 |
| Interest receivable | 3 | | 3 |
| Prepaid items | 17,148 | | 17,148 |
| Loans receivable | 4,991,136 | | 4,991,136 |
| Deferred charges - net of accumulated amortization | 407,851 | | 407,851 |
| Capital assets: | | | |
| Nondepreciable: | | | |
| Land and construction in progress | 1,941,134 | | 1,941,134 |
| Depreciable: | | | |
| Infrastructure, buildings, vehicles, and equipment | 20,059,722 | | 20,059,722 |
| Accumulated depreciation | (7,481,231) | | (7,481,231) |
| Total assets | 24,846,868 | | 24,846,868 |
| LIABILITIES | | | |
| Accounts payable | 334,564 | | 334,564 |
| Accrued wages | 243,838 | | 243,838 |
| Interest payable | 2,505,997 | | 2,505,997 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,141,426 | | 1,141,426 |
| Due in more than one year | 19,446,072 | | 19,446,072 |
| Total liabilities | 23,671,897 | | 23,671,897 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 8,511,315 | | 8,511,315 |
| Restricted for: | | | |
| Low/moderate housing | 504,235 | | 504,235 |
| Public safety | 115,990 | | 115,990 |
| Streets and roads | 2,411,023 | | 2,411,023 |
| Community development | 3,168,679 | | 3,168,679 |
| Wastewater and drainage | 638,805 | | 638,805 |
| Unrestricted | (14,175,076) | | (14,175,076) |
| Total net assets | \$ 1,174,971 | \$ - | \$ 1,174,971 |

The notes to the financial statements are an integral part of this statement.

TOWN OF PARADISE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

| | | Program Revenues | | |
|--------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants |
| | Expenses | | | |
| Governmental activities: | | | | |
| General government | \$ 1,660,087 | \$ 83,056 | \$ - | \$ - |
| Community development | 1,264,931 | 92,873 | 850,525 | |
| Public safety | 7,734,200 | 191,352 | 413,601 | 5,719 |
| Public works | 1,063,625 | 751,548 | | |
| Parks and recreation | 40,390 | 2,670 | | |
| Streets | 1,533,945 | 14,142 | 1,799,108 | 748,328 |
| Unallocated depreciation | 913,603 | | | |
| Interest on long-term debt | 1,166,992 | | | |
| Total governmental activities | 15,377,773 | 1,135,641 | 3,063,234 | 754,047 |
| Business-type activities: | | | | |
| Development service | | | | 165,271 |
| Wastewater | | | | 169,971 |
| Total business-type activities | | | | 335,242 |
| Total government | \$ 15,377,773 | \$ 1,135,641 | \$ 3,063,234 | \$ 1,089,289 |

General Revenues and Transfers:

Taxes:

Secured and unsecured property taxes

Sales and use taxes

Transient lodging tax

Franchise taxes

Real property transfer taxes

Other taxes

Revenues from other agencies

Motor vehicle in-lieu, unrestricted

Investment income

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of fiscal year

Net assets at end of fiscal year

The notes to the financial statements are an integral part of this statement.

| <u>Net (Expense) Revenue and Changes in Net Assets</u> | | |
|--|---|---------------------|
| <u>Net Governmental Activities</u> | <u>Net Business-type Activities</u> | <u>Total</u> |
| \$ (1,577,031) | \$ - | \$ (1,577,031) |
| (321,533) | | (321,533) |
| (7,123,528) | | (7,123,528) |
| (312,077) | | (312,077) |
| (37,720) | | (37,720) |
| 1,027,633 | | 1,027,633 |
| (913,603) | | (913,603) |
| (1,166,992) | | (1,166,992) |
| <u>(10,424,851)</u> | | <u>(10,424,851)</u> |
| | 165,271 | 165,271 |
| | <u>169,971</u> | <u>169,971</u> |
| | 335,242 | 335,242 |
| <u>(10,424,851)</u> | <u>335,242</u> | <u>(10,089,609)</u> |
| 4,748,170 | | 4,748,170 |
| 1,668,679 | | 1,668,679 |
| 161,990 | | 161,990 |
| 816,498 | | 816,498 |
| 34,063 | | 34,063 |
| 131,163 | | 131,163 |
| 99,566 | | 99,566 |
| 2,127,665 | | 2,127,665 |
| 149,358 | | 149,358 |
| 368,939 | | 368,939 |
| <u>103,111</u> | <u>(103,111)</u> | |
| <u>10,409,202</u> | <u>(103,111)</u> | <u>10,306,091</u> |
| (15,649) | 232,131 | 216,482 |
| <u>1,190,620</u> | <u>(232,131)</u> | <u>958,489</u> |
| <u>\$ 1,174,971</u> | <u>\$ -</u> | <u>\$ 1,174,971</u> |

TOWN OF PARADISE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2011

| | General Fund | Home Grant Fund |
|--|---------------------|-----------------------|
| ASSETS | | |
| Cash and investments | \$ - | \$ 11,965 |
| Restricted cash and investments with fiscal agents | 65 | |
| Accounts receivable | 700,968 | |
| Interest receivable | | |
| Prepaid items | 706 | |
| Due from other funds | | |
| Advances receivable | 1,879,772 | |
| Loans receivable | 3,046 | 3,187,708 |
| | <u>2,584,557</u> | <u>3,187,708</u> |
| Total assets | <u>\$ 2,584,557</u> | <u>\$ 3,199,673</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | \$ 125,905 | \$ - |
| Accrued wages | 192,644 | |
| Due to other funds | 375,095 | |
| Advances payable | 190,386 | |
| Deferred revenue | 8,101 | 3,187,708 |
| | <u>892,131</u> | <u>3,187,708</u> |
| Total liabilities | <u>892,131</u> | <u>3,187,708</u> |
| Fund Balances: | | |
| Nonspendable | | |
| Loans receivable | 3,046 | |
| Prepaid items | 706 | |
| Advances | 1,879,772 | |
| Restricted | | 11,965 |
| Unassigned | (191,098) | |
| | <u>1,692,426</u> | <u>11,965</u> |
| Total fund balances (deficit) | <u>1,692,426</u> | <u>11,965</u> |
| Total liabilities and fund balances | <u>\$ 2,584,557</u> | <u>\$ 3,199,673</u> |

The notes to the financial statements are an integral part of this statement.

| Redevelopment Agency Fund | Cal Home Rehabilitation Fund | Capital Improvement Fund | Other Governmental Funds | Totals |
|---------------------------------|------------------------------------|--------------------------------|--------------------------------|----------------------|
| \$ 2,742 | \$ 75,431 | \$ 16,870 | \$ 2,033,378 | \$ 2,140,386 |
| 372,982 | | | 498,551 | 871,598 |
| | | | 1,054,473 | 1,755,441 |
| 3 | | | | 3 |
| | | | 16,442 | 17,148 |
| | | | 1,675,267 | 1,675,267 |
| | | | 190,386 | 2,070,158 |
| 6,753 | 1,169,902 | | 623,727 | 4,991,136 |
| <u>\$ 382,480</u> | <u>\$ 1,245,333</u> | <u>\$ 16,870</u> | <u>\$ 6,092,224</u> | <u>\$ 13,521,137</u> |
| | | | | |
| \$ 4,316 | \$ - | \$ 16,870 | \$ 187,473 | \$ 334,564 |
| 4,315 | | | 46,879 | 243,838 |
| | | | 1,300,172 | 1,675,267 |
| 1,879,772 | | | | 2,070,158 |
| 6,753 | 1,169,902 | | 642,291 | 5,014,755 |
| <u>1,895,156</u> | <u>1,169,902</u> | <u>16,870</u> | <u>2,176,815</u> | <u>9,338,582</u> |
| | | | | |
| | | | | 3,046 |
| | | | 16,442 | 17,148 |
| | | | | 1,879,772 |
| 367,096 | 75,431 | | 3,942,054 | 4,396,546 |
| (1,879,772) | | | (43,087) | (2,113,957) |
| <u>(1,512,676)</u> | <u>75,431</u> | <u></u> | <u>3,915,409</u> | <u>4,182,555</u> |
| <u>\$ 382,480</u> | <u>\$ 1,245,333</u> | <u>\$ 16,870</u> | <u>\$ 6,092,224</u> | <u>\$ 13,521,137</u> |

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TOWN OF PARADISE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2011

Fund Balances - Governmental Funds \$ 4,182,555

Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the governmental funds because of the following:

Capital assets net of accumulated depreciation have not been included as financial resources in the governmental funds. 14,519,625

Deferred charges represent costs associated with the issuance of long-term debt, which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in the governmental funds.

Deferred charges 407,851

The liabilities below are not due and payable in the current period and, therefore, are not reported in the governmental funds.

| | | |
|---|------------------|--------------|
| Notes payable | \$ (1,406,514) | |
| Bonds payable, net of original issue discount | (14,009,615) | |
| Capital leases payable | (1,132,206) | |
| Other post-employment benefits | (3,247,374) | |
| Compensated absences | <u>(791,789)</u> | (20,587,498) |

Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds. (2,505,997)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 143,680

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized for transactions that do not represent available financial resources. In the statement of net assets and statement of activities, however, revenues and assets are reported regardless of when financial resources are available. 5,014,755

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,174,971

The notes to the financial statements are an integral part of this statement.

TOWN OF PARADISE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011

| | General Fund | Home Grant Fund |
|---|---------------------|-----------------------|
| Revenues: | | |
| Taxes and assessments | \$ 7,003,820 | \$ - |
| Licenses, permits, and impact fees | 25,441 | |
| Fines and forfeitures | 104,747 | |
| Use of money and property | 13,066 | |
| Intergovernmental revenues | 2,284,820 | |
| Charges for services | 133,753 | |
| Program income | | 35,916 |
| Other revenues | 147,122 | |
| Total revenues | <u>9,712,769</u> | <u>35,916</u> |
| Expenditures: | | |
| Current: | | |
| General government | 1,587,550 | |
| Community development | 332,589 | 27,254 |
| Public safety | 7,142,396 | |
| Public works | 260,084 | |
| Parks and recreation | 40,390 | |
| Streets | | |
| Capital outlay | 126,233 | |
| Debt service: | | |
| Principal | 980,488 | |
| Interest and fiscal charges | 253,298 | |
| Total expenditures | <u>10,723,028</u> | <u>27,254</u> |
| Excess of revenues over (under) expenditures | <u>(1,010,259)</u> | <u>8,662</u> |
| Other Financing Sources (Uses): | | |
| Proceeds from the issuance of debt | | |
| Transfers in | 909,762 | |
| Transfers out | (87,076) | (4,972) |
| Total other financing sources (uses) | <u>822,686</u> | <u>(4,972)</u> |
| Net change in fund balances | <u>(187,573)</u> | <u>3,690</u> |
| Fund balances (deficits) - July 1, 2010 | 1,865,727 | 8,275 |
| Prior period adjustments | 14,272 | |
| Fund balances (deficits) - July 1, 2010, restated | <u>1,879,999</u> | <u>8,275</u> |
| Fund balances (deficits) - June 30, 2011 | <u>\$ 1,692,426</u> | <u>\$ 11,965</u> |

The notes to the financial statements are an integral part of this statement.

| Redevelopment Agency Fund | Cal Home Rehabilitation Fund | Capital Improvement Fund | Other Governmental Funds | Totals |
|---------------------------------|------------------------------------|--------------------------------|--------------------------------|--------------|
| \$ 333,983 | \$ - | \$ - | \$ 214,659 | \$ 7,552,462 |
| | | | 756,644 | 782,085 |
| | | | 48,886 | 153,633 |
| 135 | 416 | | 23,199 | 36,816 |
| | | | 3,726,599 | 6,011,419 |
| | | | 68,644 | 202,397 |
| 8,941 | 9,885 | | 6,773 | 61,515 |
| 320 | | | 227,791 | 375,233 |
| 343,379 | 10,301 | | 5,073,195 | 15,175,560 |
| | | | 42,120 | 1,629,670 |
| 182,345 | | | 1,029,035 | 1,571,223 |
| | | | 434,411 | 7,576,807 |
| | | 46,955 | 695,830 | 1,002,869 |
| | | | | 40,390 |
| | | | 1,505,023 | 1,505,023 |
| | | 874,659 | 624,649 | 1,625,541 |
| 20,432 | | | 166,416 | 1,167,336 |
| 278,288 | | | 78,445 | 610,031 |
| 481,065 | | 921,614 | 4,575,929 | 16,728,890 |
| (137,686) | 10,301 | (921,614) | 497,266 | (1,553,330) |
| | | | 672,834 | 672,834 |
| | | 921,614 | 332,515 | 2,163,891 |
| (51,104) | (494) | | (1,539,275) | (1,682,921) |
| (51,104) | (494) | 921,614 | (533,926) | 1,153,804 |
| (188,790) | 9,807 | | (36,660) | (399,526) |
| (1,323,886) | 65,624 | | 3,966,341 | 4,582,081 |
| | | | (14,272) | |
| (1,323,886) | 65,624 | | 3,952,069 | 4,582,081 |
| \$ (1,512,676) | \$ 75,431 | \$ - | \$ 3,915,409 | \$ 4,182,555 |

TOWN OF PARADISE
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

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 measure only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

| | | |
|--|------------------|--------------------|
| NET CHANGE IN FUND BALANCES | | \$ (399,526) |
| Amounts reported for governmental activities in the Statement of Activities are different because of the following: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$1,625,510 exceed depreciation of \$913,603 in the current period. | 711,907 | |
| Capital assets and long-term debt transferred from business-type funds are not reported on the governmental funds. | (62,534) | |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | |
| Capital contributions | | 68,253 |
| Repayment of long-term receivables is treated as revenues in the governmental funds, but the repayment reduces long-term receivables in the Statement of Net Assets. | | |
| Issuance of long-term receivables is treated as expenditures in the governmental funds, but the issuance increases long-term receivables in the Statement of Net Assets. | | |
| Certain accrued interest revenues of long-term receivables are not available to pay for current period expenditures, and are not reported as revenues in the governmental funds, but the accrued interest increases the long-term receivables in the Statement of Net Assets. | | |
| Issuance of loans | \$ 534,019 | |
| Repayment of loans | (61,473) | |
| Loans written off | (198,536) | |
| Accrued interest | <u>112,542</u> | 386,552 |
| Deferred revenues, not recognized as revenues in the governmental fund statements because the revenues were not available within 60 days of close of fiscal year. This is the net change. | | 26,665 |
| Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but in the Statement of Net Assets, the repayment reduces long-term liabilities. | | |
| Repayment of debt principal is added back to fund balance | 1,167,336 | |
| Amortization expense of costs of issuance | (24,374) | |
| Proceeds from Issuance of long-term debt | <u>(672,834)</u> | 470,128 |
| In the governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use at the time of issuance. In the government-wide statements, the premium or discount is amortized over the life of the debt. | | |
| Amortization of original issue discount for the current period | | (3,259) |
| This is the amount of the change in the payable relating to other post-employment benefits payable in the current period. | | (364,270) |
| Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period. | | (529,328) |
| The amounts below, included in the Statement of Activities, do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds (net change): | | |
| Compensated absences | | (113,383) |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities. | | (206,854) |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | | <u>\$ (15,649)</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF PARADISE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2011

| | Business-type Activities Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|----------------------|--|--|--------|--|
| | Development Service Fund | Onsite Wastewater District Fund | Totals | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ 143,680 |
| Total current assets | | | | 143,680 |
| Total assets | | | | 143,680 |
| NET ASSETS | | | | |
| Unrestricted | | | | 143,680 |
| Total net assets | \$ - | \$ - | \$ - | \$ 143,680 |

TOWN OF PARADISE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

| | Business-type Activities Enterprise Funds | | | Governmental Activities- Internal Service Fund |
|--|--|--|-----------|---|
| | Development Service Fund | Onsite Wastewater District Fund | Totals | |
| Operating Revenues: | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ 171,005 |
| Total operating revenues | | | | 171,005 |
| Operating income | | | | 171,005 |
| Income (Loss) before capital contributions | | | | 171,005 |
| Capital contributions | 165,271 | 169,971 | 335,242 | |
| Income (loss) before transfers | 165,271 | 169,971 | 335,242 | 171,005 |
| Transfers out | (2,826) | (100,285) | (103,111) | (377,859) |
| Change in net assets | 162,445 | 69,686 | 232,131 | (206,854) |
| Net assets (deficit) at July 1, 2010 | (162,445) | (69,686) | (232,131) | 350,534 |
| Net assets (deficit) at June 30, 2011 | \$ - | \$ - | \$ - | \$ 143,680 |

TOWN OF PARADISE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

| | Business-type Activities Enterprise Funds | | | Governmental Activities- Internal Service Fund |
|--|--|--|-----------|---|
| | Development Service Fund | Onsite Wastewater District Fund | Totals | |
| Cash Flows from Operating Activities: | | | | |
| Receipts from customers | \$ 1,711 | \$ 47,053 | \$ 48,764 | \$ 171,005 |
| Payments to suppliers and users | 8,443 | 6,630 | 15,073 | |
| Payments to employees | (137,106) | (150,008) | (287,114) | |
| Net cash provided (used) by operating activities | (126,952) | (96,325) | (223,277) | 171,005 |
| Cash Flows from Non-Capital and Related Financing Activities: | | | | |
| Funds due to other funds | (251,494) | | (251,494) | |
| Funds due from other funds | 246,648 | | 246,648 | |
| Transfers out | (2,826) | (100,285) | (103,111) | (377,859) |
| Net cash provided(used) by non-capital and related financing activities | (7,672) | (100,285) | (107,957) | (377,859) |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Capital contributions | 130,377 | 142,331 | 272,708 | |
| Net cash provided (used) by capital and related financing activities | 130,377 | 142,331 | 272,708 | |
| Cash Flows from Investing Activities: | | | | |
| Interest on investments | | 37 | 37 | |
| Net cash provided by investing activities | | 37 | 37 | |
| Net increase(decrease) in cash and cash equivalents | (4,247) | (54,242) | (58,489) | (206,854) |
| Cash and cash equivalents - July 1, 2010 | 4,247 | 54,242 | 58,489 | 350,534 |
| Cash and cash equivalents - June 30, 2011 | \$ - | \$ - | \$ - | \$ 143,680 |
| Reconciliation of Cash and Cash Equivalents to Statement of Net Assets: | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ 143,680 |
| Total Cash and Investments | \$ - | \$ - | \$ - | \$ 143,680 |

(Continued)

The notes to the financial statements are an integral part of this statement.

TOWN OF PARADISE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011
(Continued)

| | Business-type Activities Enterprise Funds | | | Governmental Activities- Internal Service Fund |
|---|--|--|---------------------|---|
| | Development Service Fund | Onsite Wastewater District Fund | Totals | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ - | \$ - | \$ - | \$ 171,005 |
| Adjustments to reconcile operating income(loss) to net provided (used) by operating activities: | | | | |
| (Increase) Decrease in operating assets: | | | | |
| Accounts receivable | 1,711 | 47,053 | 48,764 | |
| Prepaid expenses | 9,502 | 6,934 | 16,436 | |
| Increase (Decrease) in operating liabilities: | | | | |
| Accounts payable | (1,059) | (304) | (1,363) | |
| Accrued wages | (6,729) | (7,677) | (14,406) | |
| Other post-employment benefits | (118,367) | (122,851) | (241,218) | |
| Compensated absences | (12,010) | (19,480) | (31,490) | |
| Net cash provided (used) by operating Activities | <u>\$ (126,952)</u> | <u>\$ (96,325)</u> | <u>\$ (223,277)</u> | <u>\$ 171,005</u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF PARADISE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

Assets

| | |
|----------------------|--------------------------|
| Cash and investments | \$ 146,650 |
| Due from others | <u>1,321</u> |
| Total assets | <u><u>\$ 147,971</u></u> |

Liabilities

| | |
|-------------------|--------------------------|
| Accounts payable | \$ 3,090 |
| Due to others | <u>144,881</u> |
| Total liabilities | <u><u>\$ 147,971</u></u> |

The notes to the financial statements are an integral part of this statement.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the Town of Paradise (Town), which is the primary government, along with the financial activities of its component units, which are entities for which the Town is financially accountable. Although they are separate legal entities, blended component units are, in substance, part of the Town's operations and are reported as an integral part of the Town's basic financial statements. The Town's component units, which are described below, are blended component units of the Town.

The Town Council serves in a separate session as the governing body of the Paradise Redevelopment Agency (Agency). Although the Agency is a legal entity apart from the Town, the Agency is included as a blended component unit in the accompanying financial statements. The financial activities of the foregoing entity have been aggregated and merged (termed "blending") with those of the Town in the accompanying financial statements, as it meets the criteria for inclusion as set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB No. 39.

The Agency was established by the Town Council to eliminate blight within the defined redevelopment area by encouraging and assisting planned development of low-income housing and commercial projects. Separate financial statements are prepared by the Agency and are available at the Town Administration offices.

B. Basis of Presentation

The Town's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Statements require that the financial statements described below be presented:

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (Town) and its component units. These statements include the financial activities of the overall Town government, except for fiduciary activities. Eliminations have been made to minimize double counting or internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

An internal service fund is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. This fund accounts for charges to other funds and departments for insurance premiums.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Change in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Town maintains thirteen agency funds.

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the Town’s major governmental and proprietary funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total or five percent of the overall total (including governmental and business type funds). The General Fund is always a major fund. The Town may also select other funds it believes should be presented as major funds.

The Town reported the following major governmental funds in the accompanying financial statements:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the Town.

Home Grant Fund

This fund accounts for Home Grant monies collected and spent by the Town.

Redevelopment Agency Fund

This fund is used to account for revenues and expenditures related to the Redevelopment Agency.

Cal Home Rehabilitation Fund

This fund is used to account for revenues and expenditures related to the Cal Home Rehabilitation Grant.

Capital Improvement Fund

This fund is used to account for the activities related to capital improvements of the Town.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Major Funds (Continued)

The Town reported the following major proprietary funds:

Development Service Fund

This fund previously accounted for the activities of providing development management to residents of the Town. During the fiscal year 2010/2011, it was determined by the Town to combine the Development Service Fund with the Onsite Wastewater District Fund (due to reduction of staffing in both funds, due to the sharing of certain functions and staffing for both funds, and both funds not being able to self-sustain without the support of the General Fund) into one special revenue fund: Building Safety and Waste Water Services Fund.

Onsite Wastewater District Fund

This fund previously accounted for the activities of onsite wastewater to residents of the Town. During the fiscal year 2010/2011, it was determined by the Town to combine the Development Service Fund with the Onsite Wastewater District Fund (due to reduction of staffing in both funds, due to the sharing of certain functions and staffing for both funds, and both funds not being able to self-sustain without the support of the General Fund) into one special revenue fund: Building Safety and Waste Water Services Fund.

D. Basis of Accounting

The government-wide and proprietary funds financial statements are reported using the *economic resources measurement* focus and along with the fiduciary fund using the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes; grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Town may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures/expenses. The Town's policy is to first apply restricted grant resources to such programs, followed by general revenues, if necessary.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the Town has established a liability for accrued sick leave and vacation in relevant funds. All vacation is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is set up for the current employees at the current rates of pay. If sick leave and vacation are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

F. Property Taxes

California Constitution Article XIII A, limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

| | <u>Secured</u> | <u>Unsecured</u> |
|------------------------|---------------------------------------|------------------|
| Valuation/Lien Date(s) | January 1 | January 1 |
| Levy Date(s) | July 1 | July 1 |
| Due Date(s) | November 1 (50%) February 1 (50%) | August 1 |
| Delinquency Date(s) | December 10 (Nov.) April 10 (Feb.) | August 31 |

The Town adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the Town receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The Town receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt including the final payment, which generally is received within 60 days after the fiscal year end.

G. Capital Assets

Capital assets, which include property, plant, equipment, construction in progress, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 5 to 25 |
| Infrastructure | 20 |
| Vehicles | 5 to 10 |
| Machinery and Equipment | 5 to 10 |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), require management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

I. New Accounting Pronouncements

The Town implemented the requirements of GASB Statement No. 54 and GASB Statement No. 59 during the fiscal year ended June 30, 2011.

GASB Statement No. 54

For the fiscal year ended June 30, 2011, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in Note 10 of these notes to the basic financial statements.

GASB Statement No. 59

For the fiscal year ended June 30, 2011, the Town implemented GASB Statement No. 59, "*Financial Instruments Omnibus*". This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The Town's budget ordinance requires that, in June of each year, the Town Manager must submit a preliminary budget that includes projected expenditures and the means of financing them to the Town Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the Town Council in June (of the current fiscal year). After adoption of the final budget, transfers of appropriations within a general fund department, or within other funds, can be made by the Town Manager. Budget modifications between funds; increases or decreases to a fund's overall budget; or transfers that affect capital projects, must be approved by the Town Council or Agency Board. Authorized amendments are normally made during the fiscal year.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting is employed by the Town.

There were no budgets prepared for the Home Grant Special Revenue Fund, Cluster Septic Special Revenue Fund, the Traffic Signal Special Revenue Fund, and Memorial Trail Special Revenue Fund.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Deficit Fund Balances

Major Governmental Fund

A deficit fund balance of \$1,512,676 exists in the Redevelopment Agency Fund. This fund balance deficit is primarily due to the Town incurring costs in excess of revenues.

Non-major Funds

A deficit fund balance of \$4,339 exists in the Cluster Septic Fund. This fund balance deficit is primarily due to the Town incurring costs in excess of revenues. The Town will alleviate this deficit as revenues are received.

A deficit fund balance of \$22,306 exists in the Animal Control Shelter Fund. This fund balance deficit is primarily due to the Town incurring costs in excess of revenues. The Town will alleviate this deficit as revenues are received.

C. Excess of Expenditures Over Appropriations

The following are funds in which certain expenditures exceeded appropriations for the fiscal year ended June 30, 2011:

| <u>Major Fund</u> | <u>Final Appropriation</u> | <u>Expenditures</u> | <u>Excess</u> |
|------------------------------|----------------------------|---------------------|---------------|
| General Fund | \$ 10,661,692 | \$ 10,723,028 | \$ 61,336 |
| <u>Non-major Funds</u> | | | |
| NARC Task Force Fund | 34,625 | 36,686 | 2,061 |
| EDBG Repayment Fund | 79,946 | 87,312 | 7,366 |
| School Resource Officer Fund | 115,375 | 116,468 | 1,093 |
| AVOID Fund | 30,000 | 69,733 | 39,733 |

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

| | |
|--|---------------------|
| Statement of net assets: | |
| Cash and investments | \$ 2,284,066 |
| Restricted cash and investments with fiscal agents | 871,598 |
| Fiduciary funds: | |
| Cash and investments | <u>146,650</u> |
| Total cash and investments | <u>\$ 3,302,314</u> |

Cash and investments as of June 30, 2011 consist of the following:

| | |
|--------------------------------------|---------------------|
| Petty cash | \$ 1,975 |
| Deposits with financial institutions | 237,304 |
| Investments | <u>3,063,035</u> |
| Total cash and investments | <u>\$ 3,302,314</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the Town's Investment Policy

The table below identifies the investment types that are authorized for the Town by the California Government Code (or the Town's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Town's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Town, rather than the general provisions of the California Government Code or the Town's investment policy. The Town's investment policy states that the maximum investment percentage allowed for money market accounts is 15%, but the total invested of the Town's pooled cash in money market accounts exceeded the 15% maximum.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|---------------------|---------------------------------------|--|
| Asset Backed Securities | 5 years | 20% | None |
| Bankers Acceptances | 270 days | 40% | None |
| Commercial Paper (avg. Maturity -31 days) | 31 days | 30% | None |
| Commercial Paper (avg. Maturity -180 days) | 180 days | 15% | None |
| Local Agency Investment Fund (LAIF) | N/A | Unlimited | \$50 million |
| Medium Term Notes | 5 years | 30% | None |
| Money Market Accounts | N/A | 15% | None |
| Mutual Funds | N/A | 15% | None |
| Negotiable Certificates of Deposit | 3 years | 30% | None |
| Repurchase Agreements | 1 year | 10% | None |
| Time Certificates of Deposit | 3 years | Unlimited | None |
| Treasury Bills and Notes | 5 years | Unlimited | None |
| U.S. Government and Agency Securities | 5 years | Unlimited | None |

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Town's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---------------------|---------------------------------------|--|
| U.S. Treasury Obligations | None | None | None |
| U.S. Agency Securities | None | None | None |
| Money Market Accounts | N/A | None | None |
| Certificates of Deposit with Banks and Savings & Loans | None | None | None |
| Investment Contracts | None | None | None |
| Commercial Paper, Prime Quality | None | None | None |
| Municipal Obligations | None | None | None |
| Banker's Acceptances, Prime Quality | 1 year | None | None |
| Local Agency Investment Fund (LAIF) | None | None | None |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Town's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity:

| Investment Type | Totals | Remaining Maturity (in Months) | | | | | |
|------------------------------|---------------------|--------------------------------|--------------------|-----------------|-----------------|-----------------|---------------------------|
| | | 12 Months Or Less | 13 to 24 Months | 25-36 Months | 37-48 Months | 49-60 Months | More Than 60 Months |
| State Investment Pool (LAIF) | \$ 16,857 | \$ 16,857 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Money Market Funds | 2,673,131 | 2,673,131 | | | | | |
| Held by Bond Trustees: | | | | | | | |
| Money Market Funds | 373,047 | 373,047 | | | | | |
| Totals | <u>\$ 3,063,035</u> | <u>\$ 3,063,035</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Town has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Town's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

| Investment Type | Amount | Minimum Legal Rating | Exempt From Disclosure | Rating as of Fiscal Year End | | | |
|------------------------------|---------------------|----------------------------|------------------------------|------------------------------|-------------|-------------|-------------------|
| | | | | AAA | AA | A | Not Rated |
| State Investment Pool (LAIF) | \$ 16,857 | N/A | \$ - | \$ - | \$ - | \$ - | \$ 16,857 |
| Money Market Funds | 2,673,131 | N/A | | 2,174,580 | | | 498,551 |
| Held by Bond Trustees: | | | | | | | |
| Money Market Funds | 373,047 | N/A | | 373,047 | | | |
| Totals | <u>\$ 3,063,035</u> | | <u>\$ -</u> | <u>\$ 2,547,627</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 515,408</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Town has no investments in any one issuer (other than mutual funds, money market funds, and external investment pools) that represent 5% or more of the total Town investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2011, all of the Town's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts as required by the California Government Code as stated above.

Investment in State Investment Pool

The Town is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Town's investment in this pool is reported in the accompanying financial statements at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2011, is as follows:

Current Interfund Balances

Current interfund balances arise from one fund advancing monies to another fund with the intent of being repaid in the next fiscal year.

| Receivable Fund | Payable Fund | Amount |
|---|--------------------|------------|
| <u>Non-major Fund - Special Revenue Fund:</u> | <u>Major Fund:</u> | |
| Local Transportation Fund | General Fund | \$ 375,095 |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Current Interfund Balances (Continued):

| Receivable Fund | Payable Fund | Amount |
|---|---|--------------|
| <u>Non-major Fund - Special Revenue Fund:</u> | <u>Non-major Funds - Special Revenue Funds:</u> | |
| Local Transportation Fund | Cluster Septic Fund | \$ 4,339 |
| Local Transportation Fund | Animal Control Shelter Fund | 23,174 |
| Local Transportation Fund | Gas Tax Fund | 278,976 |
| Local Transportation Fund | Narc Task Force Fund | 184 |
| Local Transportation Fund | SLESF Fund | 29,856 |
| Local Transportation Fund | CMAQ Fund | 35,297 |
| Local Transportation Fund | School Resource Officer Fund | 29,117 |
| Local Transportation Fund | CDBG Fund | 29,213 |
| Local Transportation Fund | Building Safety and Waste Water Services F | 194,749 |
| 95 Impact Road Fund | Building Safety and Waste Water Services F | 13,429 |
| 95 Impact Road Fund | AVOID Fund | 13,981 |
| 95 Impact Road Fund | First Time Home Buyer Fund | 99,659 |
| 95 Impact Road Fund | ARRA Fund | 213,377 |
| <u>Non-major Fund - Special Revenue Fund:</u> | <u>Non-major Fund - Capital Projects Fund:</u> | |
| 95 Impact Road Fund | Capital Leases Fund | 259,554 |
| 95 Impact Drainage Fund | Capital Leases Fund | 75,267 |
| | | \$ 1,675,267 |

Long-term Interfund Advances

At June 30, 2011, the funds below have made/received advances that were not expected to be repaid within one year.

The advance to the Redevelopment Agency (Agency) was to assist the Agency with administrative, operation, and program costs. The advance of \$1,879,772 for the Agency was composed of the following: \$43,316 is the balance as of June 30, 2011 of a loan that matures on March 21, 2012 and bears interest at 4.5%; \$657,595 is the balance as of June 30, 2011 of a loan that matures on July 1, 2015 and bears interest at 4.5%; \$479,613 is the balance as of June 30, 2011 of a loan that matures on March 1, 2016 and bears interest at 4.5%; \$699,248 is an advance that is to be repaid when funds become available to the Agency and carries an interest rate of 0%.

The advance to the General Fund was to assist the Town to pay for administrative, operational, and other costs of the General Fund. The advance of \$190,386 for the General Fund was composed of the following: \$28,476 is the balance as of June 30, 2011 of a loan that matures on July 1, 2012 and bears interest at 4.97%; \$109,785 is the balance as of June 30, 2011 of a loan that matures on March 15, 2014 and bears interest at 3.75%; \$52,125 is the balance as of June 30, 2011 of a loan that matures on January 1, 2016 and bears interest at 4.97%.

| Receivable Fund | Payable Fund | Amount |
|---|---------------------------|--------------|
| <u>Major Fund:</u> | <u>Major Fund:</u> | |
| General Fund | Redevelopment Agency Fund | \$ 1,879,772 |
| <u>Non-major Fund - Special Revenue Fund:</u> | <u>Major Fund:</u> | |
| Building Safety and Waste Water Services | General Fund | 190,386 |
| | | \$ 2,070,158 |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund Transfers

In general, the Town uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due. The transfers made out of two closed enterprise funds for the fiscal year 2010-11 were transferred to special revenue funds as explained in Note 1C.

Interfund transfers were as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|--|---------------------|----------------------|
| Major Governmental Funds: | | |
| General Fund | \$ 909,762 | \$ 87,076 |
| Home Grant Fund | | 4,972 |
| Redevelopment Agency Fund | | 51,104 |
| Cal Home Rehabilitation Fund | | 494 |
| Capital Improvement Fund | 921,614 | |
| Major Proprietary Funds: | | |
| Development Service Fund | | 2,826 |
| Onsite Wastewater District Fund | | 100,285 |
| Internal Service Fund: | | |
| Self Insurance Fund | | 377,859 |
| Non-major Governmental Funds: | | |
| Special Revenue Funds: | | |
| Animal Control Shelter Fund | | 29,897 |
| Gas Tax Fund | 71,694 | 104,884 |
| Traffic Safety Fund | | 26,000 |
| EDBG Repayment Fund | 70,634 | 16,686 |
| SLESF Fund | | 45,000 |
| Traffic Congestion Relief Fund | | 235,389 |
| CMAQ Fund | | 33,300 |
| BTA Memorial So Ext Grant Fund | | 86,750 |
| Traffic Signal Fund | | 12,080 |
| CalHome Grant Fund | | 32,459 |
| 95 Impact Signalization Fund | | 420 |
| 95 Impact FDFC Fund | | 18,284 |
| CDBG Fund | | 51,015 |
| Code Enforcement Reimbursement Fund | | 3,698 |
| 95 Impact Road Fund | | 9,408 |
| Building Safety and Waste Water Services | 185,709 | 134,520 |
| Low/Moderate Income Housing Fund | | 4,328 |
| 95 Impact Drainage Fund | | 30,054 |
| First Time Home Buyer Fund | | 32,709 |
| Local Transportation Fund | | 4,116 |
| ARRA Fund | | 628,278 |
| Capital Projects Fund: | | |
| Capital Leases Fund | 4,478 | |
| Total | <u>\$ 2,163,891</u> | <u>\$ 2,163,891</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 – LOANS RECEIVABLE

Housing Rehabilitation and Affordable Housing Loans

The Town engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the Town's terms. Although these loans are expected to be repaid in full, their balance has been offset by deferred revenue, as they are not expected to be repaid during the current fiscal year. The balance of the loans receivable arising from these programs at June 30, 2011, was \$4,988,090.

The general fund has loans receivable at June 30, 2011, of \$3,046 for employee computer loans. Under the agreements with the employees, the employees pay back these loans through payroll deductions.

NOTE 6 - CAPITAL ASSETS

A. Governmental Activities

Capital asset governmental activity for the fiscal year ended June 30, 2011 was as follows:

| | Balance at July 1, 2010 | Additions | Deletions | Transfers | Adjustments | Balance at June 30, 2011 |
|--|----------------------------|-------------------|------------------|--------------------|----------------|-----------------------------|
| Capital Assets, not being depreciated: | | | | | | |
| Land | \$ 1,497,441 | \$ 42,806 | \$ - | \$ - | \$ - | \$ 1,540,247 |
| Construction in progress | 1,188,845 | 874,659 | | (1,662,617) | | 400,887 |
| Total | <u>2,686,286</u> | <u>917,465</u> | | <u>(1,662,617)</u> | | <u>1,941,134</u> |
| Capital Assets, being depreciated: | | | | | | |
| Buildings and improvements | 1,654,827 | 76,010 | | | | 1,730,837 |
| Infrastructure | 11,791,016 | | | 1,662,617 | | 13,453,633 |
| Machinery and equipment | 986,159 | 469,280 | (51,250) | 192,252 | | 1,596,441 |
| Vehicles | 3,023,869 | 231,008 | (66,800) | 83,234 | 7,500 | 3,278,811 |
| Total | <u>17,455,871</u> | <u>776,298</u> | <u>(118,050)</u> | <u>1,938,103</u> | <u>7,500</u> | <u>20,059,722</u> |
| Less accumulated depreciation for: | | | | | | |
| Buildings and improvements | (1,376,794) | (24,377) | | | | (1,401,171) |
| Infrastructure | (1,763,742) | (595,954) | | | | (2,359,696) |
| Machinery and equipment | (808,972) | (89,257) | 51,250 | (145,899) | | (992,878) |
| Vehicles | <u>(2,502,195)</u> | <u>(204,015)</u> | <u>66,800</u> | <u>(80,576)</u> | <u>(7,500)</u> | <u>(2,727,486)</u> |
| Total | <u>(6,451,703)</u> | <u>(913,603)</u> | <u>118,050</u> | <u>(226,475)</u> | <u>(7,500)</u> | <u>(7,481,231)</u> |
| Capital Assets being depreciated, net | <u>11,004,168</u> | <u>(137,305)</u> | | <u>1,711,628</u> | | <u>12,578,491</u> |
| Capital Assets, net | <u>\$ 13,690,454</u> | <u>\$ 780,160</u> | <u>\$ -</u> | <u>\$ 49,011</u> | <u>\$ -</u> | <u>\$ 14,519,625</u> |

Depreciation expense of \$913,603 is shown in the statement of activities as unallocated depreciation.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - CAPITAL ASSETS (CONTINUED)

B. Business-type activities

Capital asset business-type activity for the fiscal year ended June 30, 2011 was as follows:

| | Balance at July 1, 2010 | Additions | Deletions | Transfers | Balance at June 30, 2011 |
|--|----------------------------|-------------|-------------|--------------------|-----------------------------|
| <u>Development Service Activity</u> | | | | | |
| Capital Assets, being depreciated: | | | | | |
| Vehicles | \$ 44,708 | \$ - | \$ - | \$ (44,708) | \$ - |
| Machinery and equipment | 114,191 | | | (114,191) | |
| Total Development Service | | | | | |
| Capital Assets, being depreciated | 158,899 | | | (158,899) | |
| Less - accumulated depreciation for: | | | | | |
| Vehicles | (44,708) | | | 44,708 | |
| Machinery and equipment | (87,703) | | | 87,703 | |
| Total accumulated depreciation | (132,411) | | | 132,411 | |
| Total Development Service | | | | | |
| Capital Assets, being depreciated, net | <u>\$ 26,488</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (26,488)</u> | <u>\$ -</u> |
| <u>Onsite Wastewater District Activity</u> | | | | | |
| Capital Assets, being depreciated: | | | | | |
| Vehicles | \$ 38,526 | \$ - | \$ - | \$ (38,526) | \$ - |
| Machinery and equipment | 78,061 | | | (78,061) | |
| Total Onsite Wastewater District | | | | | |
| Capital assets, being depreciated | 116,587 | | | (116,587) | |
| Less - accumulated depreciation for: | | | | | |
| Vehicles | (35,868) | | | 35,868 | |
| Machinery and equipment | (58,196) | | | 58,196 | |
| Total accumulated depreciation | (94,064) | | | 94,064 | |
| Total Onsite Wastewater District | | | | | |
| Capital assets, being depreciated, net | <u>\$ 22,523</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (22,523)</u> | <u>\$ -</u> |
| <u>Total Business-type Activities</u> | | | | | |
| Capital Assets, being depreciated: | | | | | |
| Vehicles | \$ 83,234 | \$ - | \$ - | \$ (83,234) | \$ - |
| Machinery and equipment | 192,252 | | | (192,252) | |
| Total Capital Assets, being | | | | | |
| depreciated | 275,486 | | | (275,486) | |
| Less - accumulated depreciation for: | | | | | |
| Vehicles | (80,576) | | | 80,576 | |
| Machinery and equipment | (145,899) | | | 145,899 | |
| Total Accumulated Depreciation | (226,475) | | | 226,475 | |
| Total Capital Assets, being | | | | | |
| depreciated, net | 49,011 | | | (49,011) | |
| Total Capital Assets, net | <u>\$ 49,011</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (49,011)</u> | <u>\$ -</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT

A. Compensated Absences

Town employees accumulate earned but unused vacation and sick leave benefits, which can be converted to cash at termination of employment. The Town has estimated that the due within one year balance of compensated absences is \$120,558. The remaining amounts are reported as non-current liabilities due in more than one year on the statement of net assets. No expenditure is reported for these amounts in the fund statements. In the statement of activities, the expenditure is allocated to each function based on usage. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2011, total \$671,231 for governmental activities.

B. Notes Payable

Notes payable at June 30, 2011, consisted of the following:

Note payable to Jeffords - the note bears interest at 8%, payable in monthly installments based upon a fifteen year amortization schedule, and matures in full on June 2, 2019. \$ 101,400

Note payable to Sweeney - the note bears interest at 6.5%, payable in monthly installments based upon a seven year amortization schedule, and matures in full on November 1, 2011. 5,114

2006 Subordinate Tax allocation notes - the notes bear interest at 4.85% and 5.10% and are payable on December 1 and June 1, and the principal matures in full on December 1, 2016. 1,300,000

\$ 1,406,514

The scheduled annual minimum debt service requirements at June 30, 2011, are as follows:

| Fiscal Year Ending June 30, | Notes Payable | | |
|--------------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2012 | \$ 14,545 | \$ 71,529 | \$ 86,074 |
| 2013 | 10,213 | 70,663 | 80,876 |
| 2014 | 11,061 | 69,816 | 80,877 |
| 2015 | 11,979 | 68,898 | 80,877 |
| 2016 | 12,974 | 67,903 | 80,877 |
| 2017-2019 | 1,345,742 | 37,698 | 1,383,440 |
| | <u>\$ 1,406,514</u> | <u>\$ 386,507</u> | <u>\$ 1,793,021</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

C. Bonds Payable

On April 1, 2007, the Town pursuant to an Agreement with the California Statewide Communities Development Authority issued \$10,918,154 of Pension Obligation Bonds. The aggregate total amount of the bonds for all agencies was \$87,475,699 which includes \$65,140,000 of Series A-1 current interest and \$22,335,699 of Series A-2 capital appreciation bonds. The Town only participated in the Series A-2 bonds. The issuance of the bonds provided monies to meet the Town's obligation to pay the Town's unfunded accrued actuarial liability (UAAL) and employer contribution amount to the California Public Employees Retirement System (PERS). The Town's obligation includes among others, the requirement to amortize the unfunded accrued liability over a multi-year period. On April 1, 2007, the Town contributed \$10,635,313 of the bond proceeds to PERS to fund a portion of the unfunded liability and the employer contribution amount for the Miscellaneous and Safety Plans that provides retirement benefits to the Town's employees and public safety officers. The Town paid cost of issuance fees of \$282,841.

Interest on Series A-2 capital appreciation bonds is payable on June 1 and December 1. The rate of interest varies from 5.160% to 5.694% per annum. Principal is payable in annual installments ranging from \$238,761 to \$648,234 commencing on June 1, 2010 and ending on June 1, 2031. The balance outstanding as of June 30, 2011 was \$9,633,623.

| Fiscal Year Ending June 30, | Bonds Payable | | |
|--------------------------------|---------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2012 | \$ 623,643 | \$ 186,357 | \$ 810,000 |
| 2013 | 609,441 | 225,559 | 835,000 |
| 2014 | 597,611 | 267,389 | 865,000 |
| 2015 | 580,547 | 309,453 | 890,000 |
| 2016 | 570,929 | 354,072 | 925,001 |
| 2017-2021 | 2,616,003 | 2,478,998 | 5,095,001 |
| 2022-2026 | 2,301,236 | 3,688,764 | 5,990,000 |
| 2027-2031 | 1,734,213 | 4,170,787 | 5,905,000 |
| | <u>\$ 9,633,623</u> | <u>\$ 11,681,379</u> | <u>\$ 21,315,002</u> |

On October 21, 2009, the Town issued the 2009 Tax Allocation Refunding Bonds in the amount of \$4,480,000. The refunding bond was used to refund the entire outstanding 2003 Tax Allocation Notes and the 2005 Tax Allocation Notes. The Refunding Bonds have a stated interest rate from 4.80% to 6.00% and mature on June 1, 2043. The Refunding Bonds are subject to redemption prior to their stated maturity, at the option of the Town, as a whole or in part pro rata among maturities and by lot within a maturity, on any date on or after June 1, 2019 from funds derived by the Town from any sources at a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon to the redemption date, without premium. The original issue bond discount on these bonds is being amortized over the life of the bonds and is included with long-term debt on the balance sheet. The principal balance outstanding at June 30, 2011 is \$4,375,992, which is net of the \$104,008 of unamortized original issue bond discount.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

C. Bonds Payable (Continued)

| Fiscal Year Ended June 30, | Bonds Payable | | |
|-------------------------------|---------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2012 | \$ - | \$ 262,855 | \$ 262,855 |
| 2013 | | 262,855 | 262,855 |
| 2014 | | 262,855 | 262,855 |
| 2015 | | 262,855 | 262,855 |
| 2016 | | 262,855 | 262,855 |
| 2017-2021 | 410,000 | 1,275,408 | 1,685,408 |
| 2022-2026 | 535,000 | 1,151,175 | 1,686,175 |
| 2027-2031 | 715,000 | 977,725 | 1,692,725 |
| 2032-2036 | 945,000 | 738,300 | 1,683,300 |
| 2037-2041 | 1,260,000 | 420,000 | 1,680,000 |
| 2042-2043 | 615,000 | 55,800 | 670,800 |
| | <u>4,480,000</u> | <u>5,932,683</u> | <u>10,412,683</u> |
| Less bond discount | (104,008) | | (104,008) |
| | <u>\$ 4,375,992</u> | <u>\$ 5,932,683</u> | <u>\$ 10,308,675</u> |

D. Capital Lease Obligations

The Town has entered into various lease agreements as lessee for financing the acquisition of capital assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of inception date.

GOVERNMENTAL ACTIVITIES

Inland Leasing, Inc.

During the fiscal year 2005-2006, the Town entered into an agreement to lease a Minolta copier at a zero percent interest rate. The lease requires monthly installments of \$289 until April 1, 2011. The lease obligations were paid off during the fiscal year 2010-2011 with the final principal payment of \$2,891.

Inland Leasing, Inc. #2

During the fiscal year 2005-2006, the Town entered into an agreement to lease a Minolta copier at a zero percent interest rate. The lease requires monthly installments of \$234 until February 1, 2011. The lease obligations were paid off during the fiscal year 2010-2011 with the final principal payment of \$1,870.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Municipal Finance Corporation #1

During the fiscal year 2001-2002, the Town entered into an agreement to lease a fire truck and a fire chief command vehicle. During fiscal year 2002-2003, the Town added an additional \$14,000 to the lease for additional vehicle equipment. The lease requires ten annual installments of \$48,061 until October 2011. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|------------------|
| 2012 | \$ 48,061 |
| Total minimum lease payments | 48,061 |
| Less: amount representing interest | (421) |
| Present value of minimum lease payments | <u>\$ 47,640</u> |

Inland Leasing Inc. #3

During the fiscal year 2006-2007, the Town entered into an agreement to lease a Bizhub 600F Copier with a zero percent interest rate. The lease requires monthly installments of \$253 until July 2011. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|----------------|
| 2012 | \$ 253 |
| Total minimum lease payments | 253 |
| Present value of minimum lease payments | <u>\$ 253</u> |

West America Bank Lease #2

During the fiscal year 2006-2007, the Town entered into an agreement to lease a fire station modular building, two Ford Escapes, and a 2007 Chevy Silverado. The lease requires annual installments of \$22,963 until November 2010. The lease obligations were paid off during the fiscal year 2010-2011 with the final principal payment of \$21,865.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

GOVERNMENTAL ACTIVITIES (CONTINUED)

West America Bank Lease #1

During the fiscal year 2003-2004, the Town entered into an agreement to lease a Wildland Pumper fire truck and one police command vehicle. The lease requires quarterly installments of \$6,690 until April 2009 and quarterly installments of \$4,888 thereafter until April 2014. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|-------------------------|
| 2012 | \$ 19,551 |
| 2013 | 19,551 |
| 2014 | <u>19,621</u> |
| Total minimum lease payments | 58,723 |
| Less: amount representing interest | <u>(4,171)</u> |
| Present value of minimum lease payments | <u><u>\$ 54,552</u></u> |

Municipal Finance Corporation #2

During the fiscal year 2005-2006, the Town entered into an agreement to lease various equipment and vehicles. The lease requires 6 annual installments of \$93,557 until October 2010. The total amount of the lease was for \$513,000. The lease obligations were paid off during the fiscal year 2010-2011 with the final principal payment of \$90,176.

West America Bank Lease #3

During the fiscal year 2006-2007, the Town entered into an agreement to lease various equipment and vehicles. The lease requires 10 semiannual installments of \$33,073 until January 2012. The total amount of the lease was for \$294,529. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|-------------------------|
| 2012 | <u>\$ 66,146</u> |
| Total minimum lease payments | 66,146 |
| Less: amount representing interest | <u>(1,741)</u> |
| Present value of minimum lease payments | <u><u>\$ 64,405</u></u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

GOVERNMENTAL ACTIVITIES (CONTINUED)

All Points Public Funding (Capital One) #1

During the fiscal year 2007-2008, the Town entered into an agreement to lease a fire engine. The lease requires 10 annual installments of \$45,527 until September 2016. The total amount of the lease was for \$373,523. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|-------------------|
| 2012 | \$ 45,527 |
| 2013 | 45,527 |
| 2014 | 45,527 |
| 2015 | 45,527 |
| 2016 | 45,527 |
| 2017 | 45,527 |
| Total minimum lease payments | 273,162 |
| Less: amount representing interest | <u>(40,073)</u> |
| Present value of minimum lease payments | <u>\$ 233,089</u> |

All Points Public Funding (Capital One) #2

During the fiscal year 2007-2008, the Town entered into an agreement to lease 5 Ford Crown Victorias and communication equipment for the cars. The lease requires 5 annual installments of \$59,753 until October 2011. The total amount of the lease was for \$272,643. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|------------------|
| 2012 | \$ 59,753 |
| Total minimum lease payments | 59,753 |
| Less: amount representing interest | <u>(2,735)</u> |
| Present value of minimum lease payments | <u>\$ 57,018</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

GOVERNMENTAL ACTIVITIES (CONTINUED)

All Points Public Funding (Capital One) #3

During the fiscal year 2007-2008, the Town entered into an agreement to lease a Crown Victoria and various other equipment for the Fire Station and City Hall. The lease requires 5 annual installments of \$18,188 until January 2012. The total amount of the lease was for \$82,988. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|------------------|
| 2012 | \$ 18,188 |
| Total minimum lease payments | 18,188 |
| Less: amount representing interest | (832) |
| Present value of minimum lease payments | <u>\$ 17,356</u> |

Municipal Finance Corporation #3

During the fiscal year 2007-2008, the Town entered into an agreement to lease various equipment (software, fire hose, tester, fire thermal imaging camera) for Animal Control and the Fire Station. The lease requires 3 annual installments of \$11,655 until April 2011. The total amount of the lease was for \$31,590. The lease obligations were paid off during the fiscal year 2010-2011 with the final principal payment of \$11,073.

Leasource Financial Services, Inc.

During the fiscal year 2008-2009, the Town entered into an agreement to lease various equipment and vehicles. The lease requires 5 annual installments of \$45,947 until February 2013. The total amount of the lease was for \$209,651. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|------------------|
| 2012 | \$ 45,947 |
| 2013 | 45,947 |
| Total minimum lease payments | 91,894 |
| Less: amount representing interest | (6,098) |
| Present value of minimum lease payments | <u>\$ 85,796</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Inland Leasing Inc. #4

During the fiscal year 2008-2009, the Town entered into an agreement to lease a Bizhub C 451F Copier with a zero percent interest rate. The lease requires monthly installments of \$364 until October 2013. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|------------------|
| 2012 | \$ 4,371 |
| 2013 | 4,371 |
| 2014 | <u>1,458</u> |
| Total minimum lease payments | <u>10,200</u> |
| Present value of minimum lease payments | <u>\$ 10,200</u> |

Leasource Financial Services, Inc. #2

During the fiscal year 2010-2011, the Town entered into an agreement to lease CAD/RMS Software and Hardware. The lease requires 14 semi-annual installments of \$29,584 until February 2017. The total amount of the lease was for \$358,803. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|-------------------|
| 2012 | \$ 59,167 |
| 2013 | 59,167 |
| 2014 | 59,167 |
| 2015 | 59,167 |
| 2016 | 59,167 |
| 2017 | <u>59,166</u> |
| Total minimum lease payments | 355,001 |
| Less: amount representing interest | <u>(47,761)</u> |
| Present value of minimum lease payments | <u>\$ 307,240</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Leasource Financial Services, Inc. #3

During the fiscal year 2010-2011, the Town entered into an agreement to lease a Ford Ranger Truck. The lease requires 10 semi-annual installments of \$2,086 until February 2015. The total amount of the lease was for \$19,000. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|------------------|
| 2012 | \$ 4,172 |
| 2013 | 4,172 |
| 2014 | 4,172 |
| 2015 | <u>4,172</u> |
| Total minimum lease payments | 16,688 |
| Less: amount representing interest | <u>(1,496)</u> |
| Present value of minimum lease payments | <u>\$ 15,192</u> |

Leasource Financial Services, Inc. #4

During the fiscal year 2010-2011, the Town entered into an agreement to lease Desktop computers, monitors, exchange server hardware and software, and HP StorageWorks network storage system and software. The lease requires 8 semi-annual installments of \$7,050 until February 2014. The total amount of the lease was for \$52,513. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|------------------|
| 2012 | \$ 14,101 |
| 2013 | 14,101 |
| 2014 | <u>14,101</u> |
| Total minimum lease payments | 42,303 |
| Less: amount representing interest | <u>(2,938)</u> |
| Present value of minimum lease payments | <u>\$ 39,365</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Leasource Financial Services, Inc. #5

During the fiscal year 2010-2011, the Town entered into an agreement to lease a Ford F750 dump truck and equipment. The lease requires 7 annual installments of \$14,497 until November 2016. The total amount of the lease was for \$88,714. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|------------------|
| 2012 | \$ 14,497 |
| 2013 | 14,497 |
| 2014 | 14,497 |
| 2015 | 14,497 |
| 2016 | 14,497 |
| 2017 | <u>14,497</u> |
| Total minimum lease payments | 86,982 |
| Less: amount representing interest | <u>(12,765)</u> |
| Present value of minimum lease payments | <u>\$ 74,217</u> |

Leasource Financial Services, Inc. #6

During the fiscal year 2010-2011, the Town entered into an agreement to lease two Ford F350 trucks and Equipment, and two Ford Crown Victoria cars and equipment. The lease requires 5 annual installments of \$27,921 until November 2014. The total amount of the lease was for \$127,954. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|-------------------|
| 2012 | \$ 27,921 |
| 2013 | 27,921 |
| 2014 | 27,921 |
| 2015 | <u>27,921</u> |
| Total minimum lease payments | 111,684 |
| Less: amount representing interest | <u>(11,651)</u> |
| Present value of minimum lease payments | <u>\$ 100,033</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Inland Leasing Inc. #5

During the fiscal year 2010-2011, the Town entered into an agreement to lease a Bizhub C552DS and Bizhub 601 Copiers with a zero percent interest rate. The lease requires monthly installments of \$431 until June 2016. The total amount of the lease was for \$25,850. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Payment</u> |
|---|-------------------------|
| 2012 | \$ 5,170 |
| 2013 | 5,170 |
| 2014 | 5,170 |
| 2015 | 5,170 |
| 2016 | <u>5,170</u> |
| Total minimum lease payments | <u>25,850</u> |
| Present value of minimum lease payments | <u><u>\$ 25,850</u></u> |

E. Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2011 was as follows:

| | July 1, 2010 Balance | Additions | Reductions | Transfers | June 30, 2011 Balance | Due Within One Year |
|---|-------------------------|---------------------|-----------------------|---------------------|--------------------------|------------------------|
| Government activities: | | | | | | |
| Notes payable | \$ 1,426,946 | \$ - | \$ (20,432) | \$ - | \$ 1,406,514 | \$ 14,545 |
| Bonds payable | 14,749,920 | | (636,297) | | 14,113,623 | 623,643 |
| Original Issue Discount | (107,267) | | 3,259 | | (104,008) | (3,259) |
| Capital leases | 858,434 | 672,834 | (510,607) | 111,545 | 1,132,206 | 385,939 |
| Other post-employment benefits | 2,883,104 | 2,156,863 | (2,033,811) | 241,218 | 3,247,374 | |
| Compensated absences | <u>678,406</u> | <u>81,893</u> | | <u>31,490</u> | <u>791,789</u> | <u>120,558</u> |
| Governmental activities long-term liabilities | <u>\$ 20,489,543</u> | <u>\$ 2,911,590</u> | <u>\$ (3,197,888)</u> | <u>\$ 384,253</u> | <u>\$ 20,587,498</u> | <u>\$ 1,141,426</u> |
| Business-type activities: | | | | | | |
| Capital leases | \$ 111,545 | \$ - | \$ - | \$ (111,545) | \$ - | \$ - |
| Other post-employment benefits | 241,218 | | | (241,218) | | |
| Compensated absences | <u>31,490</u> | | | <u>(31,490)</u> | | |
| Business-type activities long-term liabilities | <u>\$ 384,253</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (384,253)</u> | <u>\$ -</u> | <u>\$ -</u> |

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 –LONG-TERM DEBT (CONTINUED)

F. Deferred Charges

Issuance costs are capitalized and amortized over the terms of the respective debt issuance using the straight line method.

NOTE 8 - TOWN EMPLOYEES' RETIREMENT PLAN

Plan Description

The Town of Paradise's defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System, (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees' Retirement Law. The Town selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

Active Plan members are required to contribute 7% (9% for safety employees) of their annual covered salary. The Town makes a percentage (depending on the employee group that the employee belongs to) of the contributions required of Town employees on their behalf and for their account (the percentage was adjusted during the fiscal year 6/30/11). The Town is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The Town has a tier system in regards to Town Employees' Retirement Plan. The required employer contribution rates for the fiscal year 2010-2011 were as follows: Miscellaneous first tier employer contribution rate is 9.163%, Miscellaneous second tier employer contribution rate is 6.755%, Safety first tier employer contribution rate is 19.532%, and Safety second tier employer contribution rate is 15.592%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Funding Policy

The Town's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009 for the Miscellaneous Plan were \$238,805, \$250,159, and \$282,709, respectively, and equal 100% of the required contributions for each fiscal year. The Town's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010, and 2009 for the Safety Plan were \$601,553, \$603,650, and \$658,023, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

The post employment benefit plan is a single-employer defined healthcare plan administered by the Town. The Town provides postretirement medical benefits, as provided for in various collective bargaining agreements for retirees that meet certain criteria. Upon enrollment in the PERS medical program, health plans for employees retiring after enrollment shall be in accordance with PERS medical program regulations. Employees of the Town, who immediately upon termination, retire under the PERS retirement plan, and remain in the Town's medical plan, shall have a Town paid contribution towards the medical plan premium not to exceed the Town contribution to an active *employee/employee plus spouse/employee plus 2 persons* rate as prescribed in Town Resolution and PERS Health Plan Regulations.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The cap for retirees is based on the cap set for active employees by the Town. Upon revising the cap, PERS adjusts the retirees' caps and notifies the Town. From July 2010 to December 2010 the cap for retirees were as follows: \$398.11 (employee only), \$676.79 (employee plus spouse), and \$879.83 (employee plus 2 persons). From January 2011 to June 2011 the retirees' caps were as follows: \$398.11 (employee only), \$796.22 (employee plus spouse), and \$931.58 (employee plus 2 persons). The maximum amounts increase each year as CalPERS medical premiums increase, and also increase approximately 5% per year until the maximum amounts equal the maximum amounts that apply to active employees. After December 31, 2012, for two safety employee groups, the maximum amounts will increase each year as CalPERS medical premiums increase. For all other employee groups, these amounts do not increase after December 31, 2012.

For employees hired prior to February 1, 2011 (and for employees hired prior to January 1, 2011 for one employee group), there was no vesting period and employees became 100% vested at date of hire, but the employees need to meet eligibility requirements to receive the OPEB benefit.

At age 65, retired employees will be eligible for Medicare and the Town's contributions would be supplementary to the amount covered by Medicare. In addition, accumulated sick leave at time of retirement, not used for any other purpose, may be converted to supplement a health premium until the value is exhausted or the retiree reaches 65 or the surviving spouse reaches 65. The rate of sick leave conversion shall be fifty percent of the regular daily rate the employee was receiving at retirement.

Funding Policy

The Town contributes an amount sufficient to pay the current fiscal year's premium. For fiscal year 2010/2011, the Town contributed \$466,810, which consisted of current premiums. During the fiscal year 2010/2011, the Town began funding the OPEB liability by setting up a secure trust. As of June 30, 2011, the trust was funded in the amount of \$50,059. The Town intends to continue funding on a pay-as-you-go basis for the near future, and also intends to contribute approximately \$50,000 each year to the trust.

Annual OPEB and Net Obligation

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

| | |
|---|---------------------|
| Annual required contribution | \$ 2,185,779 |
| Interest on net OPEB obligation | 69,115 |
| Adjustment to annual required contribution | (98,031) |
| Annual OPEB cost (expense) | <u>2,156,863</u> |
| Contributions made | <u>(516,810)</u> |
| Increase in net OPEB obligation | 1,640,053 |
| Net OPEB obligation-beginning of fiscal year | 3,124,322 |
| Change in OPEB estimate to beginning balance | (1,517,001) |
| Adjusted Net OPEB obligation-beginning of fiscal year | <u>1,607,321</u> |
| Net OPEB obligation-end of fiscal year | <u>\$ 3,247,374</u> |

The change in OPEB estimate to beginning balance was due to a new actuarial report that was prepared for the fiscal year ended June 30, 2011 which included changes affecting the OPEB liability such as the setting up of a trust fund.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB and Net Obligation (Continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the preceding fiscal year were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contribution | Net OPEB Obligation (Asset) |
|-------------------------|---------------------|---|--------------------------------------|
| 6/30/2010 | \$ 3,571,180 | 12.5% | \$ 3,124,322 |
| 6/30/2011 | 2,156,863 | 24.0% | 3,247,374 |

The Plan does not issue a separate audited GAAP-basis postemployment benefits plan report.

Funded Status and Funding Progress

As of July 1, 2011 the most recent actuarial valuation date, the plan was 0.24% percent funded. The actuarial accrued liability for benefits was \$21,286,815, and the actuarial value of assets was \$50,059, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,236,756. The covered payroll (annual payroll of active employees covered by the plan) was \$5,903,592 and the ratio of the UAAL to the covered payroll was 359.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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.

Actuarial Methods and Assumptions

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

In the July 1, 2011 actuarial valuation, the entry age normal actuarial funding method was used. The actuarial assumptions included a 4.3% percent investment rate of return [this represents a weighted blend of what the Town expects to earn on its investments over the lifetime of the benefit program (4%) and the expected rate of return on the Trust Fund (7%)], an inflation rate of 3.0%, and healthcare cost trend rate as follows (CalPERS medical premiums are assumed to increase after 2012): 2013 (7.3%), 2014 (7.0%), 2015 (6.7%), 2016 (6.4%), 2017 (6.1%), 2018 (5.8%), and 2019 and thereafter (5.5%). A projected salary increase assumption rate was not used since the post-retirement medical benefits are not a function of salary. The actuarial report also states that the medical benefits are provided under a plan sponsored by CalPERS, which are considered to be "community rated" within the meaning of GASB 45, therefore, there was no need at this time to value an implicit subsidy in the premium rates charged to retirees. If at some future time this program ceases to be considered "community rated", it may be necessary to include the cost of subsidized premiums in the GASB 45 operating expense, which could significantly increase the Town's future GASB 45 costs. The actuarial value of assets is \$50,059. The Town has elected to use the Entry Age Normal actuarial funding method with a closed 30 year level dollar amortization of the unfunded actuarial accrued liability. The remaining amortization period at June 30, 2011 was twenty nine years.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

For new employees hired after February 1, 2011 (and January 1, 2011 for one of the employee groups), CalPERS retiree and spouse medical benefits shall vest as follows as is mandated by California Public Employees Retirement Law, Government Code Section 22893 (this vesting schedule represents time with a CalPERS agency, of which five of those years must be completed with the Town):

50% vested – 10 years of service

55% vested – 11 years of service

60% vested – 12 years of service

65% vested – 13 years of service

70% vested – 14 years of service

75% vested – 15 years of service

80% vested – 16 years of service

85% vested – 17 years of service

90% vested – 18 years of service

95% vested – 19 years of service

100% vested – 20 years of service (100% employee/90% spouse of a premium amount set by the state pursuant to GCS20069 and GCS22871.)

NOTE 10 – NET ASSETS AND FUND BALANCES

A. Net Assets

Net assets are the excess of all the Town's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which are determined at the government-wide and proprietary fund level and are described below.

Invested in capital assets, net of related debt describes the portion of net assets which is represented by the current net book value of the Town's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Town cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of net assets which are not restricted as to use.

B. Fund Balance

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. With the implementation of GASB Statement No. 54, the fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing body in the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing body.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

B. Fund Balance (Continued)

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Assignments can be made by either the governing body or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

A detailed schedule of fund balances as of June 30, 2011 is presented below:

| | General | Home Grant Fund | Redevelopment Agency Fund | Cal Home Rehabilitation Fund | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------------|--------------|-----------------------|---------------------------------|------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Nonspendable: | | | | | | | |
| Loans receivable | \$ 3,046 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,046 |
| Prepaid | 706 | | | | | 16,442 | 17,148 |
| Advances | 1,879,772 | | | | | | 1,879,772 |
| Total nonspendable fund balances | 1,883,524 | | | | | 16,442 | 1,899,966 |
| Restricted for: | | | | | | | |
| Low/Moderate Housing | | | | | | 60,495 | 60,495 |
| Special projects | | | | | | 265,905 | 265,905 |
| Debt service | | | 367,096 | | | 6,298 | 373,394 |
| Community development | | 11,965 | | 75,431 | | 348,063 | 435,459 |
| General plan | | | | | | 74,528 | 74,528 |
| Public safety | | | | | | 138,296 | 138,296 |
| Streets and roads | | | | | | 1,999,251 | 1,999,251 |
| Wastewater and drainage | | | | | | 643,144 | 643,144 |
| Capital projects | | | | | | 406,074 | 406,074 |
| Total restricted fund balances | | 11,965 | 367,096 | 75,431 | | 3,942,054 | 4,396,546 |
| Unassigned | (191,098) | | (1,879,772) | | | (43,087) | (2,113,957) |
| Total unassigned fund balances | (191,098) | | (1,879,772) | | | (43,087) | (2,113,957) |
| Total fund balances | \$ 1,692,426 | \$ 11,965 | \$ (1,512,676) | \$ 75,431 | \$ - | \$ 3,915,409 | \$ 4,182,555 |

NOTE 11 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218

Proposition 218, which was approved by the voters in November 1996, will regulate the Town's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 – CONTINGENCIES AND COMMITMENTS

The Town is involved in various litigations. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the Town's financial statements.

The Town has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed by the Town's management that any required reimbursements will not be material.

SERAF/ERAF Contingency

During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the ERAF and SERAF legislation, together with the effect of this legislation on the Town of Paradise and its Redevelopment Agency (Agency).

ERAF Contribution

Pursuant to AB 1389, a budget trailer bill, California redevelopment agencies were required to make ERAF contributions totaling \$350 million. In response to AB 1389, the California Redevelopment Association (CRA) filed a lawsuit against the State of California (California Redevelopment Association et al v. Genest), challenging the constitutionality of the required ERAF contributions. On April 30, 2009, the Sacramento Superior Court held in favor of CRA, ruling that AB 1389 was unconstitutional. On September 28, 2009, the State of California announced its decision not to appeal the decision in "Genest". Accordingly, the Superior Court's decision is now final and binding, and California redevelopment agencies will not be required to make the ERAF contributions pursuant to AB 1389.

SERAF Contributions

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow portions of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Agency's SERAF contributions were \$137,928 for the fiscal year 2009-2010 and \$28,397 for 2010-2011. It is the position of Agency officials that the SERAF contributions required by AB 26 4x are unconstitutional, and that the Agency is not obligated to make these contributions. However, the Agency has made the contribution for 2009-2010 and 2010-2011.

Recent Changes in Legislature Affecting California Redevelopment Agency

The Redevelopment Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act). The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of Continuation Act was to provide a voluntary alternative for local governments to continue redevelopment activities. Taken together, these Acts require the Agency and its sponsoring community (the Town) to take several legislative actions to implement their various provisions.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 – CONTINGENCIES AND COMMITMENTS (Continued)

Recent Changes in Legislature Affecting California Redevelopment Agency (Continued)

If the Town, as the Agency's sponsoring community, does not elect to continue the Agency under the provisions of the Continuation Act, the Agency will be deemed dissolved effective October 1, 2011. Under the provisions of the Dissolution Act, an "Enforceable Payment Obligation Schedule" (EOPS) will be adopted by the Agency and presented to the County Auditor-Controller for certification. The last official act of the Agency will be to provide a draft "Recognized Obligation Payment Schedule" (ROPS) to a successor agency. The ROPS is subject to an independent audit and a review by an independent oversight board. Once audited and accepted by the oversight board, the County Auditor & Controller is directed to retain an amount of tax increment sufficient to meet the ongoing cost of enforceable obligations, and then distribute the remainder of revenues to the affected taxing agencies.

If the Town elects to continue the Agency, the Town Council must enact a non-binding resolution of its intent to continue the Agency no later than October 1, 2011, and it must also enact an ordinance agreeing to comply with the Continuation Act no later than November 1, 2011. Pursuant to the Continuation Act, the Town must then make an annual payment, which may be reimbursed by the Agency. The required payment, which was calculated by the State Department of Finance and released to the Town on August 1, 2011, will be \$101,690 for FY 2011-12. Subsequent remittance payments will be calculated using a statutory ratio that will be applied to the FY 2011-12 payment and adjusted for inflation and other items.

On December 29, 2011, the State Supreme Court upheld that the State's Assembly Bill XI 26 (Dissolution Act) was not unconstitutional, but that the State's Assembly Bill XI 27 (Continuation Act) was unconstitutional. On January 10, 2012, the Town adopted a resolution to elect the Town as the Successor Agency of the Paradise Redevelopment Agency and the Successor Housing Agency of the Paradise Redevelopment Agency pursuant to Assembly Bill XI 26. On January 30, 2012, the Town adopted a resolution to establish a budgetary fund relating to the Successor Agency of the Paradise Redevelopment Agency. As the Successor Agency, the Town also readopted the Enforceable Obligation Payment Schedule. The Town also established a budgetary fund to account for the housing activities of the dissolved Paradise Redevelopment Agency.

NOTE 13 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town is a member of Northern California Cities Self Insurance Fund (NCCSIF), a joint powers agency which provides the Town with a shared risk layer of coverage above the self insured \$50,000 retention for liability and the self insured \$100,000 retention for workers compensation. The NCCSIF is composed of 21 member cities and is governed by a board of directors appointed by the member cities. The governing board has authority over budgeting and financing.

NCCSIF is a joint powers agency organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. NCCSIF provides claims processing administrative services, risk management services, and actuarial studies. It is governed by a member of each city/town. The Town council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. However, ultimate liability for payment of claims and insurance premiums resides with member cities.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 13 – RISK MANAGEMENT (CONTINUED)

NCCSIF is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities/town. If the JPA becomes insolvent, the Town is responsible only to the extent of any deficiency in its equity balance.

Upon termination of the JPA agreement, all property of NCCSIF will vest in the respective parties which theretofore transferred, conveyed or leased said property to NCCSIF. Any surplus of funds will be returned to the parties in proportion to actual balances of each equity.

The NCCSIF establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not recorded. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The participants as of June 30, 2011 were as follows:

| | | | | | | |
|----------|---------|---------|------------|-------------|-------------|-----------|
| Anderson | Corning | Galt | Jackson | Nevada City | Placerville | Rocklin |
| Auburn | Dixon | Gridley | Lincoln | Oroville | Red Bluff | Willows |
| Colusa | Folsom | Ione | Marysville | Paradise | Rio Vista | Yuba City |

The following is summary financial information of the NCCSIF for the liability and workers' compensation programs for the fiscal year ended June 30, 2011:

| | <u>Workers'</u> <u>Compensation</u> | <u>General</u> <u>Liability</u> |
|-----------------------------|--|------------------------------------|
| Total assets | \$ 36,420,150 | \$14,022,414 |
| Total liabilities | <u>24,569,403</u> | <u>7,922,513</u> |
| Net assets | <u>\$ 11,850,747</u> | <u>\$ 6,099,901</u> |
| Operating income | \$ 3,718,558 | \$ 3,109,311 |
| Operating expenses | <u>6,612,488</u> | <u>4,472,121</u> |
| Operating income (loss) | (2,893,930) | (1,362,810) |
| Non-Operating Income | <u>904,512</u> | <u>375,541</u> |
| Net income (loss) | (1,989,418) | (987,269) |
| Beginning retained earnings | <u>13,840,165</u> | <u>7,087,170</u> |
| Ending retained earnings | <u>\$ 11,850,747</u> | <u>\$ 6,099,901</u> |

NOTE 14 – SUBSEQUENT EVENTS

The Town approved the issuance of the 2011-12 Tax and Revenue Anticipation Note for the fiscal year 2011-2012. The Note is being issued for the purpose of replenishing a cash flow deficit in the Town's general fund, incurred as a result of the payment of current general fund expenditures, including current expenses, capital expenditures, and discharge of other obligations or indebtedness of the Town. The date of the note is September 7, 2011 and the maturity date is June 30, 2012. The principal amount of the Note is \$3,000,000 and the note has an interest rate of 2.30% per annum.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 14 – SUBSEQUENT EVENTS (CONTINUED)

On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act) (additional information on this legislation is available in Note 12). The California Redevelopment Association, the League of California Cities, and two cities have sued to prevent enforcement of the Acts. On August 11, 2011, the Supreme Court of California (Supreme Court) agreed to hear the lawsuit and committed to issuing a decision by January 15, 2012. The Supreme Court also issued a stay of many elements of the Acts, including dissolution, County actions required for continuation, and the required payment, until the Supreme Court rules on the merits of the case. The deadlines imposed by the Acts with respect to affirmation of continuation are expected to be re-set by the Supreme Court at that time, depending on its decision. If the Supreme Court upholds these Acts, the realization of any costs related to the Continuation Act is subject to an action by the Town Council taken subsequent to the issuance of this report. Should the Town Council elect to discontinue the Agency, it would then be dissolved and its rights, obligations and responsibilities would be assigned to a successor agency. If the Supreme Court upholds these Acts, the Town Council will consider the ordinance required for continuation of the Agency subsequent to the issuance of this report.

On August 22, 2011, the Redevelopment Agency adopted the Enforceable Obligation Payment Schedule. On September 15, 2011, the Redevelopment Agency adopted the draft Recognized Obligation Payment Schedule. No other actions have been taken in light of the stay orders issued by the California Supreme Court *California Redevelopment Assn. v. Matosantos* (S194861). If the Dissolution Act and Continuation Act are upheld, the Agency will be required to make a determination to continue or to dissolve the Agency. These actions will be taken subsequent to the issuance of this report.

On December 29, 2011, the State Supreme Court upheld that the State's Assembly Bill XI 26 (Dissolution Act) was not unconstitutional, but that the State's Assembly Bill XI 27 (Continuation Act) was unconstitutional. On January 10, 2012, the Town adopted a resolution to elect the Town as the Successor Agency of the Paradise Redevelopment Agency and the Successor Housing Agency of the Paradise Redevelopment Agency pursuant to Assembly Bill XI 26. On January 30, 2012, the Town adopted a resolution to establish a budgetary fund relating to the Successor Agency of the Paradise Redevelopment Agency. As the Successor Agency, the Town also re-adopted the Enforceable Obligation Payment Schedule. The Town also established a budgetary fund to account for the housing activities of the dissolved Paradise Redevelopment Agency.

The Town has evaluated subsequent events through the date of this report, which is March 26, 2012.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$14,272 was made to the fund statements, General Fund, to move the fund balance that was previously shown in three separate special revenue funds (Town Fund, Technical Equipment Replacement Fund, and Vehicle Sales Proceeds Fund) into the General Fund. The prior period adjustment was made due to the new definition of special revenue funds in accordance with the GABS 54.

A prior period adjustment of (\$1,535) was made to the fund statements, Town Fund, to move the fund balance that was previously shown in this special revenue fund into the General Fund.

A prior period adjustment of (\$2,795) was made to the fund statements, Technical Equipment Replacement Fund, to move the fund balance that was previously shown in this special revenue fund into the General Fund.

A prior period adjustment of (\$9,942) was made to the fund statements, Vehicle Sales Proceeds Fund, to move the fund balance that was previously shown in this special revenue fund into the General Fund.

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 16 – FINANCIAL STABILITY AND GOING CONCERN

The United States has entered into a financial credit crisis and although the United States Federal Government has taken actions that, at least in part, are intended to relieve and correct this financial credit crisis, future revenue and services could be severely impacted. In addition, the State of California is facing a budget deficit and a financial crisis of their own, and as a result the Town could be impacted by the decrease in revenue received from the State of California.

As of June 30, 2011, the Town's general fund cash balance has been depleted and there was no unassigned fund balance amount remaining to fund the ongoing activities of the Town (with a majority of the fund balance being categorized as nonspendable for advances due from the RDA fund) as of the fiscal year ended June 30, 2011. Additionally, the Town had net assets of \$1,174,971 in governmental activities, an annual OPEB cost for the fiscal year ended June 30, 2011 of \$2,156,863 and a UAAL amount of \$21,236,756 (per information provided in the GASB 45 Actuarial Valuation Report). The annual OPEB cost for the fiscal year ended June 30, 2012 is \$2,262,266 (per information provided in the GASB 45 Actuarial Valuation Report). Based on this information, the Town may not be able to continue as a going concern. Management's plans regarding these matters are noted below.

The management of the Town of Paradise will continue to take actions to protect the remaining resources of the Town. At the time these financial statements are issued, the Town has completed nine months of the 2011/12 fiscal year without any cash flow shortages and has been able to meet all of its financial obligations on a timely basis. There is no doubt from management perspective that the Town will successfully complete the remaining three months of the fiscal year with adequate cash flows and reserves proving its ability to continue as a going concern.

Management has in fact taken a number of steps to protect the financial solvency of the Town. Related to the Other Post Employment Benefit Obligations (OPEB), the Town is implementing every strategy possible to reduce the obligation as quickly as possible. During 2011/12 the Town negotiated medical premium contribution caps with four of its six employee units. It implemented a retiree health vesting schedule for new hires that went into effect in December 2010. Under this vesting schedule new hires will have to work at least 5 years for the Town and at least 10 years for a CalPERS agency before receiving 50% of the retiree health benefits. A new hire will have to have 20 years of CalPERS service to be eligible for 100% retiree health benefits. It has reduced its full time equivalent (FTE) workforce by 17.9% from when the OPEB obligation was first measured. Further, it has opened an irrevocable trust to begin funding the future obligation. The dollars contributed to the trust can only be used for OPEB obligations. As reflected in the most recent OPEB actuarial study, all of these actions reduced the present value of future benefits from \$45.8 million to \$28.90 million, a 37% reduction in one fiscal year. The Town is currently in negotiations with its final two employee units in order to achieve a cap with all employees and future retirees.

The Town has an ending general fund balance of \$1,692,426 and cash in its governmental funds of \$2,140,386 as of June 30, 2011, even after the cash advances and loans made to the Paradise Redevelopment Agency (RDA). Related to the amounts set aside for RDA advances and loans, the Town believes this was a fiscally responsible investment for the Town given that prior loans have been repaid without incident and that the Town is receiving 4.5% interest on the loans which is additional income for the general fund during a time when investment income is scarce. The Town will receive principal and interest payments toward these loans of \$304,311 during 2011/12 and \$259,046 during 2012/13 which will be used to rebuild undesignated reserves. All loans between the now dissolved RDA and Town are included on the Enforceable Obligation Payment Schedule (EOPS) for repayment. As successor agency to the RDA, the Town will be responsible for ensuring payment of all obligations included on the EOPS. Any advances not documented through a loan will be repaid through an annual \$250,000 administration

TOWN OF PARADISE
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 16 – FINANCIAL STABILITY AND GOING CONCERN (Continued)

fee included in the dissolution law as the minimum amount a successor agency will receive for administering the obligations of the former RDA. This means that within five years, by 2015/16 all loans and advances between the Town and the former RDA will be repaid. The RDA brought \$2.5 million for RDA projects and other local community agencies since its inception.

As indicated before, the Town has made drastic reductions in workforce in order to reduce expenses. Since the start of the recession, the Town has reduced its FTE equivalents from 110.06 to the currently projected 88.95 an over 19% reduction. In this current budget year, 2011/12, the Town has done sufficient cutbacks to ensure that all non-general funds are self sustaining and will not require transfers in from the general fund to balance. Management is currently looking at ways to restructure public safety divisions to achieve additional savings recognizing that the revenue picture for 2012/13 is not expected to rebound quickly and also recognizing that fixed expenditures are continuing to increase.

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF PARADISE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--------------------------------------|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Taxes and assessments: | | | | |
| Secured and unsecured property taxes | \$ 4,475,339 | \$ 4,387,209 | \$ 4,330,691 | \$ (56,518) |
| Sales and use taxes | 1,560,000 | 1,639,866 | 1,660,578 | 20,712 |
| Transient lodging taxes | 164,691 | 168,185 | 161,990 | (6,195) |
| Franchise taxes | 796,144 | 803,155 | 816,498 | 13,343 |
| Real property transfer taxes | 44,253 | 38,310 | 34,063 | (4,247) |
| Total taxes and assessments | <u>7,040,427</u> | <u>7,036,725</u> | <u>7,003,820</u> | <u>(32,905)</u> |
| Licenses, permits, and impact fees | <u>48,848</u> | <u>20,512</u> | <u>25,441</u> | <u>4,929</u> |
| Fines and forfeitures | <u>126,250</u> | <u>89,600</u> | <u>104,747</u> | <u>15,147</u> |
| Use of money and property: | | | | |
| Interest earned | <u>26,981</u> | <u>16,881</u> | <u>13,066</u> | <u>(3,815)</u> |
| Intergovernmental revenues: | | | | |
| Motor vehicle in-lieu tax | 2,204,130 | 2,132,182 | 2,127,665 | (4,517) |
| Homeowners property tax relief | 73,000 | 73,000 | 72,772 | (228) |
| Federal-other | 22,500 | 12,000 | 16,802 | 4,802 |
| State-other | <u>135,900</u> | <u>42,559</u> | <u>67,581</u> | <u>25,022</u> |
| Total intergovernmental revenues | <u>2,435,530</u> | <u>2,259,741</u> | <u>2,284,820</u> | <u>25,079</u> |
| Charges for services: | | | | |
| Police | 31,533 | 30,328 | 29,388 | (940) |
| Fire | 15,000 | 11,930 | 14,780 | 2,850 |
| Community development | 49,267 | 32,496 | 33,587 | 1,091 |
| Parks and recreation | 1,201 | 2,001 | 2,670 | 669 |
| Administration | <u>49,208</u> | <u>49,215</u> | <u>53,328</u> | <u>4,113</u> |
| Total charges for services | <u>146,209</u> | <u>125,970</u> | <u>133,753</u> | <u>7,783</u> |
| Other revenues | <u>10,540</u> | <u>127,403</u> | <u>147,122</u> | <u>19,719</u> |
| Total revenues | <u>9,834,785</u> | <u>9,676,832</u> | <u>9,712,769</u> | <u>35,937</u> |

(Continued)

TOWN OF PARADISE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
(Continued)

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|-------------|---|
| | Original | Final | Actual | |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Town council | \$ 41,016 | \$ 41,062 | \$ 36,768 | \$ 4,294 |
| Town manager | 150,661 | 150,109 | 145,453 | 4,656 |
| Town attorney | 175,620 | 178,610 | 209,008 | (30,398) |
| Financial services | 240,920 | 238,950 | 232,090 | 6,860 |
| Town clerk | 297,463 | 273,383 | 275,491 | (2,108) |
| Risk management | 97,339 | 99,613 | 95,702 | 3,911 |
| Non-departmental | 521,466 | 537,660 | 593,038 | (55,378) |
| Total general government | 1,524,485 | 1,519,387 | 1,587,550 | (68,163) |
| Community development: | | | | |
| Planning | 283,764 | 298,593 | 290,393 | 8,200 |
| Solid waste | 43,270 | 46,242 | 42,196 | 4,046 |
| Total community development | 327,034 | 344,835 | 332,589 | 12,246 |
| Public safety: | | | | |
| Police: | | | | |
| Administration | 672,972 | 694,469 | 683,527 | 10,942 |
| Operations | 2,369,717 | 2,362,478 | 2,321,589 | 40,889 |
| Communications | 795,874 | 786,346 | 762,476 | 23,870 |
| Motor pool operations | 183,253 | 190,299 | 168,017 | 22,282 |
| Fire: | | | | |
| Administration | 325,106 | 347,917 | 314,462 | 33,455 |
| Emergency operations center | 23,769 | 23,603 | 20,550 | 3,053 |
| Suppression | 2,848,054 | 2,813,055 | 2,827,628 | (14,573) |
| Volunteers | 65,502 | 34,250 | 44,147 | (9,897) |
| Total public safety | 7,284,247 | 7,252,417 | 7,142,396 | 110,021 |
| Public works: | | | | |
| Engineering | 240,594 | 235,274 | 260,084 | (24,810) |
| Total public works | 240,594 | 235,274 | 260,084 | (24,810) |
| Parks and Recreation | 51,374 | 44,536 | 40,390 | 4,146 |
| Capital outlay | 10,542 | 126,233 | 126,233 | |
| Debt service: | | | | |
| Principal | 1,028,557 | 1,028,556 | 980,488 | 48,068 |
| Interest and fiscal charges | 165,544 | 110,454 | 253,298 | (142,844) |
| Total debt service | 1,194,101 | 1,139,010 | 1,233,786 | (94,776) |
| Total expenditures | 10,632,377 | 10,661,692 | 10,723,028 | (61,336) |
| Excess of revenues over (under) expenditures | (797,592) | (984,860) | (1,010,259) | (25,399) |

(Continued)

TOWN OF PARADISE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011
(Continued)

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Other Financing Sources (Uses): | | | | |
| Transfers in | \$ 900,237 | \$ 1,018,997 | \$ 909,762 | \$ (109,235) |
| Transfers out | <u>(458,899)</u> | <u>(224,571)</u> | <u>(87,076)</u> | <u>137,495</u> |
| Total other financing sources (uses) | <u>441,338</u> | <u>794,426</u> | <u>822,686</u> | <u>28,260</u> |
| Net change in fund balance | <u>(356,254)</u> | <u>(190,434)</u> | <u>(187,573)</u> | <u>2,861</u> |
| Fund balance - July 1, 2010 | 1,865,727 | 1,865,727 | 1,865,727 | |
| Prior period adjustments | | | <u>14,272</u> | <u>14,272</u> |
| Fund balance - July 1, 2010, restated | <u>1,865,727</u> | <u>1,865,727</u> | <u>1,879,999</u> | <u>14,272</u> |
| Fund balance - June 30, 2011 | <u>\$ 1,509,473</u> | <u>\$ 1,675,293</u> | <u>\$ 1,692,426</u> | <u>\$ 17,133</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY FUND
For the Fiscal Year Ended June 30, 2011

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|----------------|----------------|--|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Taxes and assessments | \$ 366,851 | \$ 366,851 | \$ 333,983 | \$ (32,868) |
| Use of money and property | 176 | 176 | 135 | (41) |
| Program income | 8,838 | 8,838 | 8,941 | 103 |
| Other revenues | 640 | 640 | 320 | (320) |
| | | | | |
| Total revenues | 376,505 | 376,505 | 343,379 | (33,126) |
| | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | 207,555 | 208,155 | 182,345 | 25,810 |
| Debt service: | | | | |
| Principal | 28,588 | 28,588 | 20,432 | 8,156 |
| Interest and fiscal charges | 309,673 | 309,673 | 278,288 | 31,385 |
| | | | | |
| Total expenditures | 545,816 | 546,416 | 481,065 | 65,351 |
| | | | | |
| Excess of revenues over (under) expenditures | (169,311) | (169,911) | (137,686) | 32,225 |
| | | | | |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (52,256) | (52,256) | (51,104) | 1,152 |
| | | | | |
| Total other financing sources (uses) | (52,256) | (52,256) | (51,104) | 1,152 |
| | | | | |
| Net change in fund balance | (221,567) | (222,167) | (188,790) | 33,377 |
| | | | | |
| Fund balance (deficit), July 1, 2010 | (1,323,886) | (1,323,886) | (1,323,886) | |
| | | | | |
| Fund balance (deficit), June 30, 2011 | \$ (1,545,453) | \$ (1,546,053) | \$ (1,512,676) | \$ 33,377 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAL HOME REHABILITATION FUND
For the Fiscal Year Ended June 30, 2011

| | Budgeted Amounts | | | Variance with Final Budget |
|--|------------------|----------|-----------|-------------------------------|
| | Original | Final | Actual | Positive (Negative) |
| Revenues: | | | | |
| Use of money and property | \$ 100 | \$ 100 | \$ 416 | \$ 316 |
| Program income | | | 9,885 | 9,885 |
| Total revenues | 100 | 100 | 10,301 | 10,201 |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | 60,000 | 60,000 | | 60,000 |
| Total expenditures | 60,000 | 60,000 | | 60,000 |
| Excess of revenues over (under) expenditures | (59,900) | (59,900) | 10,301 | 70,201 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | | | (494) | (494) |
| Total other financing sources (uses) | | | (494) | (494) |
| Net change in fund balance | (59,900) | (59,900) | 9,807 | 69,707 |
| Fund balance, July 1, 2010 | 65,624 | 65,624 | 65,624 | |
| Fund balance, June 30, 2011 | \$ 5,724 | \$ 5,724 | \$ 75,431 | \$ 69,707 |

TOWN OF PARADISE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

Schedule of Funding Progress – Other Post-employment Benefits

| Actuarial Valuation Date | EntryAge Normal Cost Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded Liability (Excess Assets) | Funded Ratio | Annual Covered Payroll | UAAL as a % of Payroll |
|--------------------------------|--|---------------------------------|---|-----------------|------------------------------|------------------------------|
| 7/1/2010 | \$ 31,318,266 | \$ - | \$ 31,318,266 | 0.00% | \$ 5,888,935 | 531.8% |
| 7/1/2011 | 21,286,815 | 50,059 | 21,236,756 | 0.24% | 5,903,592 | 359.7% |

OTHER SUPPLEMENTAL INFORMATION

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TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|-----------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Use of money and property | \$ - | \$ - | \$ - | \$ - |
| Total revenues | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | 1,194,696 | 1,175,221 | 46,955 | 1,128,266 |
| Capital outlay | 874,659 | 874,659 | 874,659 | |
| Total expenditures | 2,069,355 | 2,049,880 | 921,614 | 1,128,266 |
| Excess of revenues over (under) expenditures | (2,069,355) | (2,049,880) | (921,614) | 1,128,266 |
| Other Financing Sources: | | | | |
| Transfers in | 2,069,355 | 2,049,880 | 921,614 | (1,128,266) |
| Total other financing sources | 2,069,355 | 2,049,880 | 921,614 | (1,128,266) |
| Net change in fund balance | | | | |
| Fund balance, July 1, 2010 | | | | |
| Fund balance, June 30, 2011 | \$ - | \$ - | \$ - | \$ - |

TOWN OF PARADISE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

| | Special Revenue Funds | | | |
|---|---------------------------|-----------------------------------|-------------------|-------------------------------|
| | Cluster Septic Fund | Animal Control Shelter Fund | Gas Tax Fund | Narc Task Force Fund |
| ASSETS | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ - |
| Restricted cash and investments with fiscal agent | | | | |
| Accounts receivable | | 6,527 | 393,318 | 184 |
| Prepaid items | | | | |
| Due from other funds | | | | |
| Advances receivable | | | | |
| Loans receivable | | | | |
| Total assets | <u>\$ -</u> | <u>\$ 6,527</u> | <u>\$ 393,318</u> | <u>\$ 184</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 1,240 | \$ 10,752 | \$ - |
| Accrued wages | | 4,419 | 16,763 | |
| Due to other funds | 4,339 | 23,174 | 278,976 | 184 |
| Deferred revenue | | | | |
| Total liabilities | <u>4,339</u> | <u>28,833</u> | <u>306,491</u> | <u>184</u> |
| Fund balances: | | | | |
| Nonspendable | | | | |
| Prepaid items | | | | |
| Restricted | | | 86,827 | |
| Unassigned | <u>(4,339)</u> | <u>(22,306)</u> | | |
| Total fund balances (deficits) | <u>(4,339)</u> | <u>(22,306)</u> | <u>86,827</u> | |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ 6,527</u> | <u>\$ 393,318</u> | <u>\$ 184</u> |

Special Revenue Funds

| Traffic Safety Fund | Special Projects Fund | EDBG Repayment Fund | HUD Revolving Loan Fund | SLESF Fund | Citizen Police Fund |
|---------------------------|-----------------------------|---------------------------|----------------------------------|------------------|------------------------|
| \$ 28,720 | \$ 270,501 | \$ 155,844 | \$ 150,728 | \$ - | \$ 10,403 |
| 6,167 | | | | 38,871 | |
| | | | 179,987 | | |
| <u>\$ 34,887</u> | <u>\$ 270,501</u> | <u>\$ 155,844</u> | <u>\$ 330,715</u> | <u>\$ 38,871</u> | <u>\$ 10,403</u> |
| \$ - | \$ 4,596 | \$ - | \$ - | \$ - | \$ - |
| | | 6,295 | | 29,856 | |
| | | | 179,987 | | |
| | 4,596 | 6,295 | 179,987 | 29,856 | |
| 34,887 | 265,905 | 149,549 | 150,728 | 9,015 | 10,403 |
| 34,887 | 265,905 | 149,549 | 150,728 | 9,015 | 10,403 |
| <u>\$ 34,887</u> | <u>\$ 270,501</u> | <u>\$ 155,844</u> | <u>\$ 330,715</u> | <u>\$ 38,871</u> | <u>\$ 10,403</u> |

(Continued)

TOWN OF PARADISE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011
(CONTINUED)

| | Special Revenue Funds | | | |
|---|---|------------------|--------------------------|--------------------------------------|
| | Traffic Congestion Relief Fund | CMAQ Fund | Asset Seizure Fund | BTA Memorial So Ext Grant Fund |
| ASSETS | | | | |
| Cash and investments | \$ 49,960 | \$ - | \$ 2,672 | \$ - |
| Restricted cash and investments with fiscal agent | | | | |
| Accounts receivable | | 35,297 | | |
| Prepaid items | | | | |
| Due from other funds | | | | |
| Advances receivable | | | | |
| Loans receivable | | | | |
| | | | | |
| Total assets | <u>\$ 49,960</u> | <u>\$ 35,297</u> | <u>\$ 2,672</u> | <u>\$ -</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued wages | | | | |
| Due to other funds | | 35,297 | | |
| Deferred revenue | | | | |
| | | | | |
| Total liabilities | | <u>35,297</u> | | |
| Fund balances: | | | | |
| Nonspendable | | | | |
| Prepaid items | | | | |
| Restricted | 49,960 | | 2,672 | |
| Unassigned | | | | |
| | | | | |
| Total fund balances (deficits) | <u>49,960</u> | | <u>2,672</u> | |
| Total liabilities and fund balances | <u>\$ 49,960</u> | <u>\$ 35,297</u> | <u>\$ 2,672</u> | <u>\$ -</u> |

Special Revenue Funds

| Traffic Signal Fund | Memorial Trail Fund | School Resource Officer Fund | CalHome Grant Fund | 95 Impact Signalization Fund | 95 Impact PDFC Fund |
|---------------------------|---------------------------|---------------------------------------|--------------------------|------------------------------------|---------------------------|
| \$ - | \$ 2,226 | \$ - | \$ 47,801 | \$ 64,810 | \$ 32,420 |
| | | 29,117 | | | |
| <u>\$ -</u> | <u>\$ 2,226</u> | <u>\$ 29,117</u> | <u>\$ 47,801</u> | <u>\$ 64,810</u> | <u>\$ 32,420</u> |
| \$ - | \$ - | \$ - | \$ 15 | \$ - | \$ - |
| | | 29,117 | | | |
| | | 29,117 | 15 | | |
| | 2,226 | | 47,786 | 64,810 | 32,420 |
| | 2,226 | | 47,786 | 64,810 | 32,420 |
| <u>\$ -</u> | <u>\$ 2,226</u> | <u>\$ 29,117</u> | <u>\$ 47,801</u> | <u>\$ 64,810</u> | <u>\$ 32,420</u> |

(Continued)

TOWN OF PARADISE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011
(CONTINUED)

| | Special Revenue Funds | | | |
|---|---------------------------|------------------|--|------------------------|
| | 95 Impact FDFC Fund | CDBG Fund | Code Enforcement Reimbursement Fund | 95 Impact Road Fund |
| ASSETS | | | | |
| Cash and investments | \$ 8,555 | \$ - | \$ - | \$ 43,439 |
| Restricted cash and investments with fiscal agent | | | | |
| Accounts receivable | | 40,483 | | |
| Prepaid items | | | | |
| Due from other funds | | | | 600,000 |
| Advances receivable | | | | |
| Loans receivable | | | | |
| | | | | |
| Total assets | <u>\$ 8,555</u> | <u>\$ 40,483</u> | <u>\$ -</u> | <u>\$ 643,439</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 11,270 | \$ - | \$ - |
| Accrued wages | | | | |
| Due to other funds | | 29,213 | | |
| Deferred revenue | | | | |
| | | | | |
| Total liabilities | | <u>40,483</u> | | |
| Fund balances: | | | | |
| Nonspendable | | | | |
| Prepaid items | | | | |
| Restricted | 8,555 | | | 643,439 |
| Unassigned | | | | |
| | | | | |
| Total fund balances (deficits) | <u>8,555</u> | | | <u>643,439</u> |
| | | | | |
| Total liabilities and fund balances | <u>\$ 8,555</u> | <u>\$ 40,483</u> | <u>\$ -</u> | <u>\$ 643,439</u> |

Special Revenue Funds

| Town Fund | Building Safety and Waste Water Services | Low/ Moderate Income Housing Fund | Abandoned Vehicle Fund | 95 Impact Drainage Fund | AVOID Fund | First Time Home Buyer Fund |
|-------------|---|---|------------------------------|----------------------------|------------------|----------------------------------|
| \$ - | \$ - | \$ 62,260 | \$ 4,178 | \$ 567,877 | \$ - | \$ - |
| | 21,419 | | 11,215 | | 15,201 | 100,258 |
| | 16,442 | | | 75,267 | | |
| | 190,386 | 443,740 | | | | |
| <u>\$ -</u> | <u>\$ 228,247</u> | <u>\$ 506,000</u> | <u>\$ 15,393</u> | <u>\$ 643,144</u> | <u>\$ 15,201</u> | <u>\$ 100,258</u> |
| \$ - | \$ 2,441 | \$ 824 | \$ 6 | \$ - | \$ 1,220 | \$ 599 |
| | 17,628 | 941 | 209 | | | |
| | 208,178 | | | | 13,981 | 99,659 |
| | | 443,740 | | | | |
| | 228,247 | 445,505 | 215 | | 15,201 | 100,258 |
| | 16,442 | | | | | |
| | (16,442) | 60,495 | 15,178 | 643,144 | | |
| | | 60,495 | 15,178 | 643,144 | | |
| <u>\$ -</u> | <u>\$ 228,247</u> | <u>\$ 506,000</u> | <u>\$ 15,393</u> | <u>\$ 643,144</u> | <u>\$ 15,201</u> | <u>\$ 100,258</u> |

(Continued)

TOWN OF PARADISE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011
(CONTINUED)

| | Special Revenue Funds | | | |
|---|---|---|-----------------------------|-----------------------------------|
| | Traffic Safety - DUI Impound Fees Fund | Technical Equipment Replacement Fund | General Plan Fee Fund | Vehicle Sales Proceeds Fund |
| ASSETS | | | | |
| Cash and investments | \$ 25,166 | \$ - | \$ 74,539 | \$ - |
| Restricted cash and investments with fiscal agent | | | | |
| Accounts receivable | | | | |
| Prepaid items | | | | |
| Due from other funds | | | | |
| Advances receivable | | | | |
| Loans receivable | | | | |
| | | | | |
| Total assets | <u>\$ 25,166</u> | <u>\$ -</u> | <u>\$ 74,539</u> | <u>\$ -</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 11 | \$ - |
| Accrued wages | | | | |
| Due to other funds | | | | |
| Deferred revenue | | | | |
| | | | | |
| Total liabilities | | | <u>11</u> | |
| Fund balances: | | | | |
| Nonspendable | | | | |
| Prepaid items | | | | |
| Restricted | 25,166 | | 74,528 | |
| Unassigned | | | | |
| | | | | |
| Total fund balances (deficits) | <u>25,166</u> | | <u>74,528</u> | |
| | | | | |
| Total liabilities and fund balances | <u>\$ 25,166</u> | <u>\$ -</u> | <u>\$ 74,539</u> | <u>\$ -</u> |

| Special Revenue Funds | | Capital Projects Funds | | Debt Service Fund | |
|---------------------------|-------------------|--------------------------------------|---------------------|--|---------------------|
| Local Transportation Fund | ARRA Fund | Transportation Capital Projects Fund | Capital Leases Fund | Wastewater Design Assessment District Fund | Totals |
| \$ 31,773 | \$ - | \$ 393,208 | \$ - | \$ 6,298 | \$ 2,033,378 |
| 143,039 | 213,377 | | 498,551 | | 498,551 |
| 1,000,000 | | | | | 1,054,473 |
| | | | | | 16,442 |
| | | | | | 1,675,267 |
| | | | | | 190,386 |
| | | | | | 623,727 |
| <u>\$ 1,174,812</u> | <u>\$ 213,377</u> | <u>\$ 393,208</u> | <u>\$ 498,551</u> | <u>\$ 6,298</u> | <u>\$ 6,092,224</u> |
| | | | | | |
| \$ 3,635 | \$ - | \$ - | \$ 150,864 | \$ - | \$ 187,473 |
| 624 | | | | | 46,879 |
| | 213,377 | | 334,821 | | 1,300,172 |
| 18,564 | | | | | 642,291 |
| <u>22,823</u> | <u>213,377</u> | | <u>485,685</u> | | <u>2,176,815</u> |
| | | | | | |
| 1,151,989 | | 393,208 | 12,866 | 6,298 | 16,442 |
| | | | | | 3,942,054 |
| | | | | | (43,087) |
| <u>1,151,989</u> | | <u>393,208</u> | <u>12,866</u> | <u>6,298</u> | <u>3,915,409</u> |
| <u>\$ 1,174,812</u> | <u>\$ 213,377</u> | <u>\$ 393,208</u> | <u>\$ 498,551</u> | <u>\$ 6,298</u> | <u>\$ 6,092,224</u> |

TOWN OF PARADISE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011

| | Special Revenue Funds | | | |
|---|---------------------------|-----------------------------------|-----------------|-------------------------------|
| | Cluster Septic Fund | Animal Control Shelter Fund | Gas Tax Fund | Narc Task Force Fund |
| Revenues: | | | | |
| Taxes and assessments | \$ - | \$ 131,163 | \$ - | \$ - |
| Licenses, permits, and impact fees | | 23,007 | | |
| Fines and forfeitures | | 2,145 | | |
| Use of money and property | | | | |
| Intergovernmental revenues | | | 996,604 | 36,686 |
| Charges for services | | 22,904 | | |
| Program income | | | | |
| Other revenues | | 59,017 | 5,176 | |
| Total revenues | | 238,236 | 1,001,780 | 36,686 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | | | | |
| Community development | | | | |
| Public safety | | 201,866 | | 36,686 |
| Public works | | | | |
| Streets | | | 834,782 | |
| Capital outlay | | | | |
| Debt service: | | | | |
| Principal | | 6,149 | 43,675 | |
| Interest and fiscal charges | | 324 | 3,306 | |
| Total expenditures | | 208,339 | 881,763 | 36,686 |
| Excess of revenues over (under) expenditures | | 29,897 | 120,017 | |
| Other Financing Sources (Uses): | | | | |
| Proceeds from the issuance of debt | | | | |
| Transfers in | | | 71,694 | |
| Transfers out | | (29,897) | (104,884) | |
| Total other financing sources (uses) | | (29,897) | (33,190) | |
| Net change in fund balances | | | 86,827 | |
| Fund balances (deficits) - July 1, 2010 | (4,339) | (22,306) | | |
| Prior period adjustments | | | | |
| Fund balances (deficits) - July 1, 2010, restated | (4,339) | (22,306) | | |
| Fund balances (deficits) - June 30, 2011 | \$ (4,339) | \$ (22,306) | \$ 86,827 | \$ - |

Special Revenue Funds

| Traffic Safety Fund | Special Projects Fund | EDBG Repayment Fund | HUD Revolving Loan Fund | SLESF Fund | Citizen Police Fund |
|---------------------------|-----------------------------|---------------------------|----------------------------------|---------------|------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 33,342 | | | | | |
| 97 | | 526 | 506 | 100,000 | 35 |
| | | | 6,773 | | |
| | 128,248 | 145 | | | 5,916 |
| 33,439 | 128,248 | 671 | 7,279 | 100,000 | 5,951 |
| | | | | | |
| | 179,579 | 85,942 | | | 549 |
| | | | | | |
| | | 1,320 | | 60,112 | 2,410 |
| | | 50 | | 4,348 | 90 |
| | 179,579 | 87,312 | | 64,460 | 3,049 |
| 33,439 | (51,331) | (86,641) | 7,279 | 35,540 | 2,902 |
| | | | | | |
| (26,000) | | 70,634 (16,686) | | (45,000) | |
| (26,000) | | 53,948 | | (45,000) | |
| 7,439 | (51,331) | (32,693) | 7,279 | (9,460) | 2,902 |
| 27,448 | 317,236 | 182,242 | 143,449 | 18,475 | 7,501 |
| | | | | | |
| 27,448 | 317,236 | 182,242 | 143,449 | 18,475 | 7,501 |
| \$ 34,887 | \$ 265,905 | \$ 149,549 | \$ 150,728 | \$ 9,015 | \$ 10,403 |

(Continued)

TOWN OF PARADISE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011
(CONTINUED)

| | Special Revenue Funds | | | |
|---|---|--------------|--------------------------|--------------------------------------|
| | Traffic Congestion Relief Fund | CMAQ Fund | Asset Seizure Fund | BTA Memorial So Ext Grant Fund |
| Revenues: | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Licenses, permits, and impact fees | | | | |
| Fines and forfeitures | | | | |
| Use of money and property | 356 | | 9 | |
| Intergovernmental revenues | | 33,300 | | 86,750 |
| Charges for services | | | | |
| Program income | | | | |
| Other revenues | | | 587 | |
| Total revenues | 356 | 33,300 | 596 | 86,750 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | | | | |
| Community development | | | | |
| Public safety | | | | |
| Public works | | | | |
| Streets | | | | |
| Capital outlay | | | | |
| Debt service: | | | | |
| Principal | | | | |
| Interest and fiscal charges | | | | |
| Total expenditures | | | | |
| Excess of revenues over (under) expenditures | 356 | 33,300 | 596 | 86,750 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from the issuance of debt | | | | |
| Transfers in | | | | |
| Transfers out | (235,389) | (33,300) | | (86,750) |
| Total other financing sources (uses) | (235,389) | (33,300) | | (86,750) |
| Net change in fund balances | (235,033) | | 596 | |
| Fund balances (deficits) - July 1, 2010 | 284,993 | | 2,076 | |
| Prior period adjustments | | | | |
| Fund balances (deficits) - July 1, 2010, restated | 284,993 | | 2,076 | |
| Fund balances (deficits) - June 30, 2011 | \$ 49,960 | \$ - | \$ 2,672 | \$ - |

Special Revenue Funds

| Traffic Signal Fund | Memorial Trail Fund | School Resource Officer Fund | CalHome Grant Fund | 95 Impact Signalization Fund | 95 Impact PDFC Fund |
|---------------------------|---------------------------|---------------------------------------|--------------------------|------------------------------------|---------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | 1,150 | 2,102 |
| | 8 | | | 220 | 109 |
| | | 116,468 | 225,000 | | |
| | | | | | |
| | 8 | 116,468 | 225,000 | 1,370 | 2,211 |
| | | | | | |
| | | | 169,196 | | |
| | | 116,468 | | | |
| | | | | | |
| | | 116,468 | 169,196 | | |
| | | | | | |
| | 8 | | 55,804 | 1,370 | 2,211 |
| | | | | | |
| (12,080) | | | (32,459) | (420) | |
| (12,080) | | | (32,459) | (420) | |
| (12,080) | 8 | | 23,345 | 950 | 2,211 |
| 12,080 | 2,218 | | 24,441 | 63,860 | 30,209 |
| | | | | | |
| 12,080 | 2,218 | | | 63,860 | 30,209 |
| | | | | | |
| \$ - | \$ 2,226 | \$ - | \$ 47,786 | \$ 64,810 | \$ 32,420 |

(Continued)

TOWN OF PARADISE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011
(Continued)

| | Special Revenue Funds | | | |
|---|---------------------------|-----------------|--|------------------------|
| | 95 Impact FDFC Fund | CDBG Fund | Code Enforcement Reimbursement Fund | 95 Impact Road Fund |
| Revenues: | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Licenses, permits, and impact fees | 1,682 | | | 14,086 |
| Fines and forfeitures | | | | |
| Use of money and property | 91 | | | 2,173 |
| Intergovernmental revenues | | 238,124 | | |
| Charges for services | | | | |
| Program income | | | | |
| Other revenues | | | | |
| Total revenues | <u>1,773</u> | <u>238,124</u> | | <u>16,259</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | | | | |
| Community development | | 187,109 | | |
| Public safety | | | | |
| Public works | | | | |
| Streets | | | | |
| Capital outlay | | | | |
| Debt service: | | | | |
| Principal | | | | |
| Interest and fiscal charges | | | | |
| Total expenditures | | <u>187,109</u> | | |
| Excess of revenues over (under) expenditures | <u>1,773</u> | <u>51,015</u> | | <u>16,259</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from the issuance of debt | | | | |
| Transfers in | | | | |
| Transfers out | (18,284) | (51,015) | (3,698) | (9,408) |
| Total other financing sources (uses) | <u>(18,284)</u> | <u>(51,015)</u> | <u>(3,698)</u> | <u>(9,408)</u> |
| Net change in fund balances | <u>(16,511)</u> | | <u>(3,698)</u> | <u>6,851</u> |
| Fund balances (deficits) - July 1, 2010 | 25,066 | | 3,698 | 636,588 |
| Prior period adjustments | | | | |
| Fund balances (deficits) - July 1, 2010, restated | <u>25,066</u> | | <u>3,698</u> | <u>636,588</u> |
| Fund balances (deficits) - June 30, 2011 | <u>\$ 8,555</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 643,439</u> |

Special Revenue Funds

| Town Fund | Building Safety and Waste Water Services | Low/ Moderate Income Housing Fund | Abandoned Vehicle Fund | 95 Impact Drainage Fund | AVOID Fund | First Time Home Buyer Fund |
|-----------|---|---|------------------------------|----------------------------|---------------|----------------------------------|
| \$ - | \$ - | \$ 83,496 | \$ - | \$ - | \$ - | \$ - |
| | 676,987 | | | 37,630 | | |
| | 13,399 | | | | | |
| | 10,534 | 164 | 237 | 2,171 | | |
| | | | 24,315 | | 69,733 | 387,401 |
| | 58 | | | | | |
| | 700,978 | 83,660 | 24,552 | 39,801 | 69,733 | 387,401 |
| | | 52,517 | | | | 354,692 |
| | 695,830 | | 9,109 | | 69,733 | |
| | 52,750 | | | | | |
| | 5,027 | 65,300 | | | | |
| | 753,607 | 117,817 | 9,109 | | 69,733 | 354,692 |
| | (52,629) | (34,157) | 15,443 | 39,801 | | 32,709 |
| | 1,440 | | | | | |
| | 185,709 | | | | | |
| | (134,520) | (4,328) | | (30,054) | | (32,709) |
| | 52,629 | (4,328) | | (30,054) | | (32,709) |
| | | (38,485) | 15,443 | 9,747 | | |
| 1,535 | | 98,980 | (265) | 633,397 | | |
| (1,535) | | | | | | |
| | | 98,980 | (265) | 633,397 | | |
| \$ - | \$ - | \$ 60,495 | \$ 15,178 | \$ 643,144 | \$ - | \$ - |

(Continued)

TOWN OF PARADISE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011
(CONTINUED)

| | Special Revenue Funds | | | |
|---|---|---|-----------------------------|-----------------------------------|
| | Traffic Safety - DUI Impound Fees Fund | Technical Equipment Replacement Fund | General Plan Fee Fund | Vehicle Sales Proceeds Fund |
| Revenues: | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Licenses, permits, and impact fees | | | | |
| Fines and forfeitures | | | | |
| Use of money and property | 86 | | 251 | |
| Intergovernmental revenues | | | | |
| Charges for services | 19,071 | | 26,669 | |
| Program income | | | | |
| Other revenues | | | | |
| Total revenues | 19,157 | | 26,920 | |
| Expenditures: | | | | |
| Current: | | | | |
| General government | | | | |
| Community development | | | | |
| Public safety | | | | |
| Public works | | | | |
| Streets | | | | |
| Capital outlay | | | | |
| Debt service: | | | | |
| Principal | | | | |
| Interest and fiscal charges | | | | |
| Total expenditures | | | | |
| Excess of revenues over (under) expenditures | 19,157 | | 26,920 | |
| Other Financing Sources (Uses): | | | | |
| Proceeds from the issuance of debt | | | | |
| Transfers in | | | | |
| Transfers out | | | | |
| Total other financing sources (uses) | | | | |
| Net change in fund balances | 19,157 | | 26,920 | |
| Fund balances (deficits) - July 1, 2010 | 6,009 | 2,795 | 47,608 | 9,942 |
| Prior period adjustments | | (2,795) | | (9,942) |
| Fund balances (deficits) - July 1, 2010, restated | 6,009 | | 47,608 | |
| Fund balances (deficits) - June 30, 2011 | \$ 25,166 | \$ - | \$ 74,528 | \$ - |

| Special Revenue Funds | | Capital Projects Funds | | Debt Service Fund | |
|---------------------------|-----------|--------------------------------------|---------------------|--|--------------|
| Local Transportation Fund | ARRA Fund | Transportation Capital Projects Fund | Capital Leases Fund | Wastewater Design Assessment District Fund | Totals |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 214,659 |
| | | | | | 756,644 |
| | | | | | 48,886 |
| 3,483 | | 1,328 | 815 | | 23,199 |
| 783,940 | 628,278 | | | | 3,726,599 |
| | | | | | 68,644 |
| | | | | | 6,773 |
| 28,644 | | | | | 227,791 |
| 816,067 | 628,278 | 1,328 | 815 | | 5,073,195 |
| | | | | | |
| | | | 39,822 | 2,298 | 42,120 |
| | | | | | 1,029,035 |
| | | | | | 434,411 |
| | | | | | 695,830 |
| 670,241 | | | | | 1,505,023 |
| | | | 624,649 | | 624,649 |
| | | | | | 166,416 |
| | | | | | 78,445 |
| 670,241 | | | 664,471 | 2,298 | 4,575,929 |
| | | | | | |
| 145,826 | 628,278 | 1,328 | (663,656) | (2,298) | 497,266 |
| | | | | | |
| | | | 671,394 | | 672,834 |
| | | | 4,478 | | 332,515 |
| (4,116) | (628,278) | | | | (1,539,275) |
| | | | | | |
| (4,116) | (628,278) | | 675,872 | | (533,926) |
| | | | | | |
| 141,710 | | 1,328 | 12,216 | (2,298) | (36,660) |
| | | | | | |
| 1,010,279 | | 391,880 | 650 | 8,596 | 3,966,341 |
| | | | | | (14,272) |
| | | | | | |
| 1,010,279 | | 391,880 | 650 | 8,596 | 3,952,069 |
| | | | | | |
| \$ 1,151,989 | \$ - | \$ 393,208 | \$ 12,866 | \$ 6,298 | \$ 3,915,409 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ANIMAL CONTROL SHELTER FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------------|---------------------------|--|
| Revenues: | | | |
| Charges for services | \$ 21,412 | \$ 22,904 | \$ 1,492 |
| Licenses, permits, and impact fees | 23,000 | 23,007 | 7 |
| Fines and forfeitures | 1,600 | 2,145 | 545 |
| Taxes and assessments | 131,466 | 131,163 | (303) |
| Other revenues | 21,523 | 59,017 | 37,494 |
| | <u>199,001</u> | <u>238,236</u> | <u>39,235</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 202,956 | 201,866 | 1,090 |
| Debt service: | | | |
| Principal | 6,149 | 6,149 | |
| Interest and fiscal charges | 9,046 | 324 | 8,722 |
| | <u>218,151</u> | <u>208,339</u> | <u>9,812</u> |
| Excess of revenues over (under) expenditures | <u>(19,150)</u> | <u>29,897</u> | <u>49,047</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | <u>(2,400)</u> | <u>(29,897)</u> | <u>(27,497)</u> |
| Total other financing sources (uses) | <u>(2,400)</u> | <u>(29,897)</u> | <u>(27,497)</u> |
| Net change in fund balance | (21,550) | | 21,550 |
| Fund balance (deficit), July 1, 2010 | <u>(22,306)</u> | <u>(22,306)</u> | |
| Fund balance (deficit), June 30, 2011 | <u><u>\$ (43,856)</u></u> | <u><u>\$ (22,306)</u></u> | <u><u>\$ 21,550</u></u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GAS TAX FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|------------------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 934,600 | \$ 996,604 | \$ 62,004 |
| Other revenues | 185 | 5,176 | 4,991 |
| | <u>934,785</u> | <u>1,001,780</u> | <u>66,995</u> |
| Expenditures: | | | |
| Current: | | | |
| Streets | 910,947 | 834,782 | 76,165 |
| Debt service: | | | |
| Principal | 43,675 | 43,675 | |
| Interest and fiscal charges | 32,509 | 3,306 | 29,203 |
| | <u>987,131</u> | <u>881,763</u> | <u>105,368</u> |
| Excess of revenues over (under) expenditures | <u>(52,346)</u> | <u>120,017</u> | <u>172,363</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 148,588 | 71,694 | (76,894) |
| Transfers out | (96,242) | (104,884) | (8,642) |
| | <u>52,346</u> | <u>(33,190)</u> | <u>(85,536)</u> |
| Net change in fund balance | | 86,827 | 86,827 |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | <u>\$ -</u> | <u>\$ 86,827</u> | <u>\$ 86,827</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NARC TASK FORCE FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|-----------------|-----------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 19,498 | \$ 36,686 | \$ 17,188 |
| Total revenues | 19,498 | 36,686 | 17,188 |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 34,625 | 36,686 | (2,061) |
| Total expenditures | 34,625 | 36,686 | (2,061) |
| Net change in fund balance | (15,127) | | 15,127 |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | \$ (15,127) | \$ - | \$ 15,127 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRAFFIC SAFETY FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|-----------|--|
| Revenues: | | | |
| Use of money and property | \$ 59 | \$ 97 | \$ 38 |
| Fines and forfeitures | 32,000 | 33,342 | 1,342 |
| Total revenues | 32,059 | 33,439 | 1,380 |
| Other Financing Sources (Uses): | | | |
| Transfers out | (26,000) | (26,000) | |
| Total other financing sources (uses) | (26,000) | (26,000) | |
| Net change in fund balance | 6,059 | 7,439 | 1,380 |
| Fund balance, July 1, 2010 | 27,448 | 27,448 | |
| Fund balance, June 30, 2011 | \$ 33,507 | \$ 34,887 | \$ 1,380 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|-------------------------|--------------------------|--|
| Revenues: | | | |
| Other revenues | \$ 125,000 | \$ 128,248 | \$ 3,248 |
| Total revenues | <u>125,000</u> | <u>128,248</u> | <u>3,248</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | <u>431,250</u> | <u>179,579</u> | <u>251,671</u> |
| Total expenditures | <u>431,250</u> | <u>179,579</u> | <u>251,671</u> |
| Net change in fund balance | (306,250) | (51,331) | 254,919 |
| Fund balance, July 1, 2010 | <u>317,236</u> | <u>317,236</u> | |
| Fund balance, June 30, 2011 | <u><u>\$ 10,986</u></u> | <u><u>\$ 265,905</u></u> | <u><u>\$ 254,919</u></u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EDBG REPAYMENT FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------------|--------------------------|--|
| Revenues: | | | |
| Other revenue | \$ 100 | \$ 145 | \$ 45 |
| Use of money and property | 50 | 526 | 476 |
| | <u>150</u> | <u>671</u> | <u>521</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | 66,890 | 85,942 | (19,052) |
| Debt service: | | | |
| Principal | 1,320 | 1,320 | |
| Interest | 11,736 | 50 | 11,686 |
| | <u>79,946</u> | <u>87,312</u> | <u>(7,366)</u> |
| Excess of revenues over (under) expenditures | <u>(79,796)</u> | <u>(86,641)</u> | <u>(6,845)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 87,655 | 70,634 | (17,021) |
| Transfers out | (40,586) | (16,686) | 23,900 |
| | <u>47,069</u> | <u>53,948</u> | <u>6,879</u> |
| Net change in fund balance | (32,727) | (32,693) | 34 |
| Fund balance, July 1, 2010 | <u>182,242</u> | <u>182,242</u> | |
| Fund balance, June 30, 2011 | <u><u>\$ 149,515</u></u> | <u><u>\$ 149,549</u></u> | <u><u>\$ 34</u></u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HUD REVOLVING LOAN FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|------------------|-------------------|--|
| Revenues: | | | |
| Program income | \$ 6,600 | \$ 6,773 | \$ 173 |
| Use of money and property | 400 | 506 | 106 |
| | <u>7,000</u> | <u>7,279</u> | <u>279</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | 60,000 | | 60,000 |
| | <u>60,000</u> | | <u>60,000</u> |
| Net change in fund balance | (53,000) | 7,279 | 60,279 |
| Fund balance, July 1, 2010 | 143,449 | 143,449 | |
| Fund balance, June 30, 2011 | <u>\$ 90,449</u> | <u>\$ 150,728</u> | <u>\$ 60,279</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SLESF FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|-----------------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 100,000 | \$ 100,000 | \$ - |
| Use of money and property | 20 | | (20) |
| | <u>100,020</u> | <u>100,000</u> | <u>(20)</u> |
| Total revenues | | | |
| | <u>100,020</u> | <u>100,000</u> | <u>(20)</u> |
| Expenditures: | | | |
| Current | | | |
| Public safety | 5,472 | | 5,472 |
| Debt service: | | | |
| Principal | 59,403 | 60,112 | (709) |
| Interest and fiscal charges | | 4,348 | (4,348) |
| | <u>64,875</u> | <u>64,460</u> | <u>415</u> |
| Total expenditures | | | |
| | <u>64,875</u> | <u>64,460</u> | <u>415</u> |
| Excess of revenues over (under) expenditures | 35,145 | 35,540 | 395 |
| | <u>35,145</u> | <u>35,540</u> | <u>395</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | (45,000) | (45,000) | |
| | <u>(45,000)</u> | <u>(45,000)</u> | |
| Total other financing sources (uses) | | | |
| | <u>(45,000)</u> | <u>(45,000)</u> | |
| Net change in fund balance | (9,855) | (9,460) | 395 |
| | <u>(9,855)</u> | <u>(9,460)</u> | <u>395</u> |
| Fund balance, July 1, 2010 | 18,475 | 18,475 | |
| | <u>18,475</u> | <u>18,475</u> | |
| Fund balance, June 30, 2011 | \$ 8,620 | \$ 9,015 | \$ 395 |
| | <u>\$ 8,620</u> | <u>\$ 9,015</u> | <u>\$ 395</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CITIZEN POLICE FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|-----------------|------------------|--|
| Revenues: | | | |
| Licenses, permits, and impact fees | \$ 15 | \$ - | \$ (15) |
| Other revenues | 5,000 | 5,916 | 916 |
| Use of money and property | 17 | 35 | 18 |
| | <u>5,032</u> | <u>5,951</u> | <u>919</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 2,185 | 549 | 1,636 |
| Capital outlay | | | |
| Debt service: | | | |
| Principal | 2,410 | 2,410 | |
| Interest and fiscal charges | 90 | 90 | |
| | <u>4,685</u> | <u>3,049</u> | <u>1,636</u> |
| Total expenditures | | | |
| | <u>4,685</u> | <u>3,049</u> | <u>1,636</u> |
| Net change in fund balance | 347 | 2,902 | 2,555 |
| Fund balance, July 1, 2010 | <u>7,501</u> | <u>7,501</u> | |
| Fund balance, June 30, 2011 | <u>\$ 7,848</u> | <u>\$ 10,403</u> | <u>\$ 2,555</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRAFFIC CONGESTION RELIEF FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------------|-------------------------|--|
| Revenues: | | | |
| Use of money and property | \$ 378 | \$ 356 | \$ (22) |
| Intergovernmental revenues | <u>266,137</u> | | <u>(266,137)</u> |
| Total revenues | <u>266,515</u> | <u>356</u> | <u>(266,159)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | <u>(203,000)</u> | <u>(235,389)</u> | <u>(32,389)</u> |
| Total other financing sources (uses) | <u>(203,000)</u> | <u>(235,389)</u> | <u>(32,389)</u> |
| Net change in fund balance | 63,515 | (235,033) | (298,548) |
| Fund balance, July 1, 2010 | <u>284,993</u> | <u>284,993</u> | |
| Fund balance, June 30, 2011 | <u><u>\$ 348,508</u></u> | <u><u>\$ 49,960</u></u> | <u><u>\$ (298,548)</u></u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CMAQ FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 538,000 | \$ 33,300 | \$ (504,700) |
| Total revenues | <u>538,000</u> | <u>33,300</u> | <u>(504,700)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | <u>(561,258)</u> | <u>(33,300)</u> | <u>527,958</u> |
| Total other financing sources (uses) | <u>(561,258)</u> | <u>(33,300)</u> | <u>527,958</u> |
| Net change in fund balance | (23,258) | | 23,258 |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | <u>\$ (23,258)</u> | <u>\$ -</u> | <u>\$ 23,258</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ASSET SEIZURE FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|------------------------|------------------------|--|
| Revenues: | | | |
| Use of money and property | \$ 5 | \$ 9 | \$ 4 |
| Other revenues | <u>500</u> | <u>587</u> | <u>87</u> |
| Total revenues | <u>505</u> | <u>596</u> | <u>91</u> |
| Net change in fund balance | 505 | 596 | 91 |
| Fund balance, July 1, 2010 | <u>2,076</u> | <u>2,076</u> | |
| Fund balance, June 30, 2011 | <u><u>\$ 2,581</u></u> | <u><u>\$ 2,672</u></u> | <u><u>\$ 91</u></u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BTA MEMORIAL SO EXT GRANT FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|-----------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 152,750 | \$ 86,750 | \$ (66,000) |
| Total revenues | 152,750 | 86,750 | (66,000) |
| Other Financing Sources (Uses): | | | |
| Transfers out | (161,175) | (86,750) | 74,425 |
| Total other financing sources (uses) | (161,175) | (86,750) | 74,425 |
| Net change in fund balance | (8,425) | | 8,425 |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | \$ (8,425) | \$ - | \$ 8,425 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SCHOOL RESOURCE OFFICER FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|-----------------|------------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 115,375 | \$ 116,468 | \$ 1,093 |
| Total revenues | 115,375 | 116,468 | 1,093 |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 115,375 | 116,468 | (1,093) |
| Total expenditures | 115,375 | 116,468 | (1,093) |
| Net change in fund balance | | | |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | \$ - | \$ - | \$ - |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CALHOME GRANT FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|------------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 476,541 | \$ 225,000 | \$ (251,541) |
| Total revenues | 476,541 | 225,000 | (251,541) |
| Expenditures: | | | |
| Current: | | | |
| Community development | 410,589 | 169,196 | 241,393 |
| Total expenditures | 410,589 | 169,196 | 241,393 |
| Excess of revenues over (under) expenditures | 65,952 | 55,804 | (10,148) |
| Other Financing Sources (Uses): | | | |
| Transfers out | (63,852) | (32,459) | 31,393 |
| Total other financing sources (uses) | (63,852) | (32,459) | 31,393 |
| Net change in fund balance | 2,100 | 23,345 | 21,245 |
| Fund balance, July 1, 2010 | 24,441 | 24,441 | |
| Fund balance, June 30, 2011 | \$ 26,541 | \$ 47,786 | \$ 21,245 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
95 IMPACT SIGNALIZATION FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|-----------|--|
| Revenues: | | | |
| Licenses, permits, and impact fees | \$ 830 | \$ 1,150 | \$ 320 |
| Use of money and property | 153 | 220 | 67 |
| Total revenues | 983 | 1,370 | 387 |
| Other Financing Sources (Uses): | | | |
| Transfers out | | (420) | (420) |
| Total other financing sources (uses) | | (420) | (420) |
| Net change in fund balance | 983 | 950 | (33) |
| Fund balance, July 1, 2010 | 63,860 | 63,860 | |
| Fund balance, June 30, 2011 | \$ 64,843 | \$ 64,810 | \$ (33) |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
95 IMPACT PDFC FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|-----------------|---------------|--|
| Revenues: | | | |
| Licenses, permits, and impact fees | \$ 1,800 | \$ 2,102 | \$ 302 |
| Use of money and property | 72 | 109 | 37 |
| Total revenues | 1,872 | 2,211 | 339 |
| Net change in fund balance | 1,872 | 2,211 | 339 |
| Fund balance, July 1, 2010 | 30,209 | 30,209 | |
| Fund balance, June 30, 2011 | \$ 32,081 | \$ 32,420 | \$ 339 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
95 IMPACT FDFC FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------------|------------------------|--|
| Revenues: | | | |
| Licenses, permits, and impact fees | \$ 1,500 | \$ 1,682 | \$ 182 |
| Use of money and property | 81 | 91 | 10 |
| | <u>1,581</u> | <u>1,773</u> | <u>192</u> |
| Total revenues | <u>1,581</u> | <u>1,773</u> | <u>192</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | (25,000) | (18,284) | 6,716 |
| | <u>(25,000)</u> | <u>(18,284)</u> | <u>6,716</u> |
| Total other financing sources (uses) | <u>(25,000)</u> | <u>(18,284)</u> | <u>6,716</u> |
| Net change in fund balance | (23,419) | (16,511) | 6,908 |
| Fund balance, July 1, 2010 | <u>25,066</u> | <u>25,066</u> | |
| Fund balance, June 30, 2011 | <u><u>\$ 1,647</u></u> | <u><u>\$ 8,555</u></u> | <u><u>\$ 6,908</u></u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CDBG FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|------------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 581,198 | \$ 238,124 | \$ (343,074) |
| Total revenues | 581,198 | 238,124 | (343,074) |
| Expenditures: | | | |
| Current: | | | |
| Community development | 345,282 | 187,109 | 158,173 |
| Capital outlay | 59,917 | | 59,917 |
| Total expenditures | 405,199 | 187,109 | 218,090 |
| Excess of revenues over (under) expenditures | 175,999 | 51,015 | (124,984) |
| Other Financing Sources (Uses): | | | |
| Transfers out | (175,999) | (51,015) | 124,984 |
| Total other financing sources (uses) | (175,999) | (51,015) | 124,984 |
| Net change in fund balance | | | |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | \$ - | \$ - | \$ - |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CODE ENFORCEMENT REIMBURSEMENT FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|---------|--|
| Revenues: | | | |
| Fines and forfeitures | \$ - | \$ - | \$ - |
| Total revenues | | | |
| Other Financing Sources (Uses): | | | |
| Transfers out | (3,698) | (3,698) | |
| Total other financing sources (uses) | (3,698) | (3,698) | |
| Net change in fund balance | (3,698) | (3,698) | |
| Fund balance, July 1, 2010 | 3,698 | 3,698 | |
| Fund balance, June 30, 2011 | \$ - | \$ - | \$ - |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
95 IMPACT ROAD FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|--|
| Revenues: | | | |
| Licenses, permits, and impact fees | \$ 10,000 | \$ 14,086 | \$ 4,086 |
| Use of money and property | 500 | 2,173 | 1,673 |
| | <u>10,500</u> | <u>16,259</u> | <u>5,759</u> |
| Total revenues | <u>10,500</u> | <u>16,259</u> | <u>5,759</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | (425,000) | (9,408) | 415,592 |
| | <u>(425,000)</u> | <u>(9,408)</u> | <u>415,592</u> |
| Total other financing sources (uses) | <u>(425,000)</u> | <u>(9,408)</u> | <u>415,592</u> |
| Net change in fund balance | (414,500) | 6,851 | 421,351 |
| Fund balance, July 1, 2010 | <u>636,588</u> | <u>636,588</u> | |
| Fund balance, June 30, 2011 | <u>\$ 222,088</u> | <u>\$ 643,439</u> | <u>\$ 421,351</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING SAFETY & WASTE WATER SERVICES FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|--|
| Revenues: | | | |
| Licenses, permits, and impact fees | \$ 666,190 | \$ 676,987 | \$ 10,797 |
| Fines and forfeitures | 9,200 | 13,399 | 4,199 |
| Use of money and property | 5,233 | 10,534 | 5,301 |
| Other revenues | 40 | 58 | 18 |
| | <u>680,663</u> | <u>700,978</u> | <u>20,315</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | 774,989 | 695,830 | 79,159 |
| Debt service: | | | |
| Principal | 52,750 | 52,750 | |
| Interest and fiscal charges | 12,517 | 5,027 | 7,490 |
| | <u>840,256</u> | <u>753,607</u> | <u>86,649</u> |
| Excess of revenues over (under) expenditures | <u>(159,593)</u> | <u>(52,629)</u> | <u>106,964</u> |
| Other Financing Sources (Uses): | | | |
| Proceeds from issuance of debt | 1,440 | 1,440 | |
| Transfers in | 260,157 | 185,709 | (74,448) |
| Transfers out | (116,615) | (134,520) | (17,905) |
| | <u>144,982</u> | <u>52,629</u> | <u>(92,353)</u> |
| Net change in fund balance | (14,611) | | 14,611 |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | <u>\$ (14,611)</u> | <u>\$ -</u> | <u>\$ 14,611</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOW/MODERATE INCOME HOUSING FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|------------------|--|
| Revenues: | | | |
| Taxes and assessments | \$ 91,765 | \$ 83,496 | \$ (8,269) |
| Use of money and property | 360 | 164 | (196) |
| | <u>92,125</u> | <u>83,660</u> | <u>(8,465)</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | 111,769 | 52,517 | 59,252 |
| Debt service: | | | |
| Principal | 1,772 | | 1,772 |
| Interest and fiscal charges | 65,306 | 65,300 | 6 |
| | <u>178,847</u> | <u>117,817</u> | <u>61,030</u> |
| Excess of revenues over (under) expenditures | <u>(86,722)</u> | <u>(34,157)</u> | <u>52,565</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | | | |
| Transfers out | <u>(2,555)</u> | <u>(4,328)</u> | <u>(1,773)</u> |
| Total other financing sources (uses) | <u>(2,555)</u> | <u>(4,328)</u> | <u>(1,773)</u> |
| Net change in fund balance | (89,277) | (38,485) | 50,792 |
| Fund balance, July 1, 2010 | <u>98,980</u> | <u>98,980</u> | |
| Fund balance, June 30, 2011 | <u>\$ 9,703</u> | <u>\$ 60,495</u> | <u>\$ 50,792</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ABANDONED VEHICLE FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|------------------------|-------------------------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 10,000 | \$ 24,315 | \$ 14,315 |
| Use of money and property | 40 | 237 | 197 |
| | | | |
| Total revenues | <u>10,040</u> | <u>24,552</u> | <u>14,512</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | <u>10,044</u> | <u>9,109</u> | <u>935</u> |
| | | | |
| Total expenditures | <u>10,044</u> | <u>9,109</u> | <u>935</u> |
| | | | |
| Net change in fund balance | (4) | 15,443 | 15,447 |
| | | | |
| Fund balance (deficit), July 1, 2010 | <u>(265)</u> | <u>(265)</u> | |
| | | | |
| Fund balance, June 30, 2011 | <u><u>\$ (269)</u></u> | <u><u>\$ 15,178</u></u> | <u><u>\$ 15,447</u></u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
95 IMPACT DRAINAGE FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------------|--------------------------|--|
| Revenues: | | | |
| Licenses, permits, and impact fees | \$ 13,500 | \$ 37,630 | \$ 24,130 |
| Use of money and property | 1,418 | 2,171 | 753 |
| | <u>14,918</u> | <u>39,801</u> | <u>24,883</u> |
| Total revenues | <u>14,918</u> | <u>39,801</u> | <u>24,883</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | (94,000) | (30,054) | 63,946 |
| | <u>(94,000)</u> | <u>(30,054)</u> | <u>63,946</u> |
| Total other financing sources (uses) | <u>(94,000)</u> | <u>(30,054)</u> | <u>63,946</u> |
| Net change in fund balance | <u>(79,082)</u> | <u>9,747</u> | <u>88,829</u> |
| Fund balance, July 1, 2010 | <u>633,397</u> | <u>633,397</u> | |
| Fund balance, June 30, 2011 | <u><u>\$ 554,315</u></u> | <u><u>\$ 643,144</u></u> | <u><u>\$ 88,829</u></u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AVOID FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|-----------------|-----------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 30,000 | \$ 69,733 | \$ 39,733 |
| Total revenues | 30,000 | 69,733 | 39,733 |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 30,000 | 69,733 | (39,733) |
| Total expenditures | 30,000 | 69,733 | (39,733) |
| Net change in fund balance | | | |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | \$ - | \$ - | \$ - |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRST TIME HOME BUYER FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|------------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 410,000 | \$ 387,401 | \$ (22,599) |
| Total revenues | 410,000 | 387,401 | (22,599) |
| Expenditures: | | | |
| Current: | | | |
| Community development | 386,197 | 354,692 | 31,505 |
| Total expenditures | 386,197 | 354,692 | 31,505 |
| Excess of revenues over (under) expenditures | 23,803 | 32,709 | 8,906 |
| Other Financing Sources (Uses): | | | |
| Transfers out | (23,803) | (32,709) | (8,906) |
| Total other financing sources (uses) | (23,803) | (32,709) | (8,906) |
| Net change in fund balance | | | |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | \$ - | \$ - | \$ - |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRAFFIC SAFETY - DUI IMPOUND FEES FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|------------------|------------------|--|
| Revenues: | | | |
| Use of money and property | \$ 34 | \$ 86 | \$ 52 |
| Charges for services | 14,500 | 19,071 | 4,571 |
| | <u>14,534</u> | <u>19,157</u> | <u>4,623</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 10,000 | | 10,000 |
| | <u>10,000</u> | | <u>10,000</u> |
| Net change in fund balance | 4,534 | 19,157 | 14,623 |
| Fund balance, July 1, 2010 | 6,009 | 6,009 | |
| Fund balance, June 30, 2011 | <u>\$ 10,543</u> | <u>\$ 25,166</u> | <u>\$ 14,623</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL PLAN FEE FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|-----------------|---------------|--|
| Revenues: | | | |
| Use of money and property | \$ 152 | \$ 251 | \$ 99 |
| Charges for services | 22,500 | 26,669 | 4,169 |
| | <u>22,652</u> | <u>26,920</u> | <u>4,268</u> |
| Total revenues | 22,652 | 26,920 | 4,268 |
| | <u>22,652</u> | <u>26,920</u> | <u>4,268</u> |
| Net change in fund balance | 22,652 | 26,920 | 4,268 |
| | <u>47,608</u> | <u>47,608</u> | |
| Fund balance, July 1, 2010 | 47,608 | 47,608 | |
| | <u>70,260</u> | <u>74,528</u> | <u>4,268</u> |
| Fund balance, June 30, 2011 | \$ 70,260 | \$ 74,528 | \$ 4,268 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|---------------------|--|
| Revenues: | | | |
| Use of money and property | \$ 2,000 | \$ 3,483 | \$ 1,483 |
| Intergovernmental revenues | 808,799 | 783,940 | (24,859) |
| Other revenues | 22,000 | 28,644 | 6,644 |
| | <u>832,799</u> | <u>816,067</u> | <u>(16,732)</u> |
| Total revenues | | | |
| Expenditures: | | | |
| Current: | | | |
| Streets | 682,905 | 670,241 | 12,664 |
| Debt service: | | | |
| Principal | 1,236 | | 1,236 |
| | <u>684,141</u> | <u>670,241</u> | <u>13,900</u> |
| Total expenditures | | | |
| Excess of revenues over (under) expenditures | 148,658 | 145,826 | (2,832) |
| Other Financing Sources (Uses): | | | |
| Transfers out | (246,175) | (4,116) | 242,059 |
| | <u>(246,175)</u> | <u>(4,116)</u> | <u>242,059</u> |
| Total other financing sources (uses) | | | |
| Net change in fund balance | (97,517) | 141,710 | 239,227 |
| Fund balance, July 1, 2010 | 1,010,279 | 1,010,279 | |
| Fund balance, June 30, 2011 | <u>\$ 912,762</u> | <u>\$ 1,151,989</u> | <u>\$ 239,227</u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ARRA FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|------------|--|
| Revenues: | | | |
| Intergovernmental revenues | \$ 163,962 | \$ 628,278 | \$ 464,316 |
| Total revenues | 163,962 | 628,278 | 464,316 |
| Other Financing Sources (Uses): | | | |
| Transfers out | (176,592) | (628,278) | (451,686) |
| Total other financing sources (uses) | (176,592) | (628,278) | (451,686) |
| Net change in fund balance | (12,630) | | 12,630 |
| Fund balance, July 1, 2010 | | | |
| Fund balance, June 30, 2011 | \$ (12,630) | \$ - | \$ 12,630 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRANSPORTATION CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------------|--------------------------|--|
| Revenues: | | | |
| Use of money and property | \$ 937 | \$ 1,328 | \$ 391 |
| Intergovernmental revenue | <u>187,693</u> | | <u>(187,693)</u> |
| Total revenues | <u>188,630</u> | <u>1,328</u> | <u>(187,302)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | <u>(215,000)</u> | | <u>215,000</u> |
| Total other financing sources (uses) | <u>(215,000)</u> | | <u>215,000</u> |
| Net change in fund balance | (26,370) | 1,328 | 27,698 |
| Fund balance, July 1, 2010 | <u>391,880</u> | <u>391,880</u> | |
| Fund balance, June 30, 2011 | <u><u>\$ 365,510</u></u> | <u><u>\$ 393,208</u></u> | <u><u>\$ 27,698</u></u> |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL LEASES FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|-----------|--|
| Revenues: | | | |
| Use of money and property | \$ 50 | \$ 815 | \$ 765 |
| Total revenues | 50 | 815 | 765 |
| Expenditures: | | | |
| Current: | | | |
| General government | 103,615 | 39,822 | 63,793 |
| Capital outlay | 1,044,631 | 624,649 | 419,982 |
| Total expenditures | 1,148,246 | 664,471 | 483,775 |
| Excess of revenues over (under) expenditures | (1,148,196) | (663,656) | 484,540 |
| Other Financing Sources: | | | |
| Transfers in | | 4,478 | 4,478 |
| Proceeds from issuance of debt | 1,148,246 | 671,394 | (476,852) |
| Total other financing sources | 1,148,246 | 675,872 | (472,374) |
| Net change in fund balance | 50 | 12,216 | 12,166 |
| Fund balance, July 1, 2010 | 650 | 650 | |
| Fund balance, June 30, 2011 | \$ 700 | \$ 12,866 | \$ 12,166 |

TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
WASTEWATER DESIGN ASSESSMENT DISTRICT FUND
For the Fiscal Year Ended June 30, 2011

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|-----------------|----------|--|
| Revenues: | | | |
| Taxes and assessments | \$ - | \$ - | \$ - |
| Total revenues | | | |
| Expenditures: | | | |
| Current: | | | |
| General government | 5,090 | 2,298 | 2,792 |
| Total expenditures | 5,090 | 2,298 | 2,792 |
| Net change in fund balance | (5,090) | (2,298) | 2,792 |
| Fund balance, July 1, 2010 | 8,596 | 8,596 | |
| Fund balance, June 30, 2011 | \$ 3,506 | \$ 6,298 | \$ 2,792 |

TOWN OF PARADISE
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

| | Hydrant Maintenance Fund | Department of Justice Livescan Fees Fund | Employee Bank Fund | SMIP Fund | Police Department Seizures Fund |
|----------------------|---|---|-------------------------------|----------------------|--|
| ASSETS | | | | | |
| Cash and investments | \$ - | \$ 1,566 | \$ 60 | \$ 1,338 | \$ 2,006 |
| Due from others | 1,218 | 103 | | | |
| Total Assets | <u>\$ 1,218</u> | <u>\$ 1,669</u> | <u>\$ 60</u> | <u>\$ 1,338</u> | <u>\$ 2,006</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,218 | \$ 1,669 | \$ - | \$ 203 | \$ - |
| Due to others | | | 60 | 1,135 | 2,006 |
| Total Liabilities | <u>\$ 1,218</u> | <u>\$ 1,669</u> | <u>\$ 60</u> | <u>\$ 1,338</u> | <u>\$ 2,006</u> |

| <u>Police Department Trading Card Fund</u> | <u>Chaplains- Disaster Relief Fund</u> | <u>Dr. Horlick Fund</u> | <u>Canine Protect Fund</u> | <u>Animal Control Fund</u> | <u>Police Fund</u> |
|--|--|---------------------------------|------------------------------------|------------------------------------|------------------------|
| \$ 1,745 | \$ 286 | \$ 21,430 | \$ 27,090 | \$ 77,635 | \$ 799 |
| <u>\$ 1,745</u> | <u>\$ 286</u> | <u>\$ 21,430</u> | <u>\$ 27,090</u> | <u>\$ 77,635</u> | <u>\$ 799</u> |
| \$ - 1,745 | \$ - 286 | \$ - 21,430 | \$ - 27,090 | \$ - 77,635 | \$ - 799 |
| <u>\$ 1,745</u> | <u>\$ 286</u> | <u>\$ 21,430</u> | <u>\$ 27,090</u> | <u>\$ 77,635</u> | <u>\$ 799</u> |

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TOWN OF PARADISE
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011
(CONTINUED)

| | Police Department Found Money Fund | Fire Fund | Total |
|----------------------|---|----------------------|-------------------|
| ASSETS | | | |
| Cash and investments | \$ 6,531 | \$ 6,164 | \$ 146,650 |
| Due from others | | | 1,321 |
| | | | <hr/> |
| Total Assets | <u>\$ 6,531</u> | <u>\$ 6,164</u> | <u>\$ 147,971</u> |
| | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 3,090 |
| Due to others | 6,531 | 6,164 | 144,881 |
| | | | <hr/> |
| Total Liabilities | <u>\$ 6,531</u> | <u>\$ 6,164</u> | <u>\$ 147,971</u> |

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TOWN OF PARADISE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2011

| | Balance July 1, 2010 | Additions | Deletions | Balance June 30, 2011 |
|---|-------------------------|-----------------|-------------------|--------------------------|
| HYDRANT MAINTENANCE FUND | | | | |
| ASSETS | | | | |
| Accounts receivable | \$ 1,726 | \$ - | \$ (1,726) | \$ - |
| Due from others | | 1,218 | | 1,218 |
| Total Assets | <u>\$ 1,726</u> | <u>\$ 1,218</u> | <u>\$ (1,726)</u> | <u>\$ 1,218</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 1,218 | \$ - | \$ 1,218 |
| Due to others | 1,726 | | (1,726) | |
| Total Liabilities | <u>\$ 1,726</u> | <u>\$ 1,218</u> | <u>\$ (1,726)</u> | <u>\$ 1,218</u> |
| DEPARTMENT OF JUSTICE LIVESCAN FEES FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 1,700 | \$ - | \$ (134) | \$ 1,566 |
| Due from others | | 103 | | 103 |
| Total Assets | <u>\$ 1,700</u> | <u>\$ 103</u> | <u>\$ (134)</u> | <u>\$ 1,669</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,700 | \$ 103 | \$ (134) | \$ 1,669 |
| Total Liabilities | <u>\$ 1,700</u> | <u>\$ 103</u> | <u>\$ (134)</u> | <u>\$ 1,669</u> |
| EMPLOYEE BANK FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 60 | \$ - | \$ - | \$ 60 |
| Total Assets | <u>\$ 60</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 60</u> |
| LIABILITIES | | | | |
| Due to others | \$ 60 | \$ - | \$ - | \$ 60 |
| Total Liabilities | <u>\$ 60</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 60</u> |
| SMIP FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 1,239 | \$ 109 | \$ (10) | \$ 1,338 |
| Interest receivable | 1 | | (1) | |
| Total Assets | <u>\$ 1,240</u> | <u>\$ 109</u> | <u>\$ (11)</u> | <u>\$ 1,338</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 94 | \$ 109 | \$ - | \$ 203 |
| Due to others | 1,146 | | (11) | 1,135 |
| Total Liabilities | <u>\$ 1,240</u> | <u>\$ 109</u> | <u>\$ (11)</u> | <u>\$ 1,338</u> |

(Continued)

TOWN OF PARADISE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2011
(Continued)

| | Balance July 1, 2010 | Additions | Deletions | Balance June 30, 2011 |
|--|-------------------------|---------------|---------------|--------------------------|
| POLICE DEPARTMENT SEIZURES FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 1,407 | \$ 599 | \$ - | \$ 2,006 |
| Total Assets | <u>\$ 1,407</u> | <u>\$ 599</u> | <u>\$ -</u> | <u>\$ 2,006</u> |
| LIABILITIES | | | | |
| Due to others | \$ 1,407 | \$ 599 | \$ - | \$ 2,006 |
| Total Liabilities | <u>\$ 1,407</u> | <u>\$ 599</u> | <u>\$ -</u> | <u>\$ 2,006</u> |
| POLICE DEPARTMENT TRADING CARD FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 1,738 | \$ 7 | \$ - | \$ 1,745 |
| Interest receivable | 1 | | (1) | |
| Total Assets | <u>\$ 1,739</u> | <u>\$ 7</u> | <u>\$ (1)</u> | <u>\$ 1,745</u> |
| LIABILITIES | | | | |
| Due to others | \$ 1,739 | \$ 7 | \$ (1) | \$ 1,745 |
| Total Liabilities | <u>\$ 1,739</u> | <u>\$ 7</u> | <u>\$ (1)</u> | <u>\$ 1,745</u> |
| CHAPLAINS-DISASTER RELIEF FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 285 | \$ 1 | \$ - | \$ 286 |
| Total Assets | <u>\$ 285</u> | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 286</u> |
| LIABILITIES | | | | |
| Due to others | \$ 285 | \$ 1 | \$ - | \$ 286 |
| Total Liabilities | <u>\$ 285</u> | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 286</u> |

(Continued)

TOWN OF PARADISE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2011
(Continued)

| | Balance July 1, 2010 | Additions | Deletions | Balance June 30, 2011 |
|----------------------------|-------------------------|---------------|--------------------|--------------------------|
| DR. HORLICK FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 21,342 | \$ 88 | \$ - | \$ 21,430 |
| Interest receivable | 15 | | (15) | |
| Total Assets | <u>\$ 21,357</u> | <u>\$ 88</u> | <u>\$ (15)</u> | <u>\$ 21,430</u> |
| LIABILITIES | | | | |
| Due to others | \$ 21,357 | \$ 88 | \$ (15) | \$ 21,430 |
| Total Liabilities | <u>\$ 21,357</u> | <u>\$ 88</u> | <u>\$ (15)</u> | <u>\$ 21,430</u> |
| CANINE PROTECT FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 26,980 | \$ 110 | \$ - | \$ 27,090 |
| Interest receivable | 19 | | (19) | |
| Total Assets | <u>\$ 26,999</u> | <u>\$ 110</u> | <u>\$ (19)</u> | <u>\$ 27,090</u> |
| LIABILITIES | | | | |
| Due to others | \$ 26,999 | \$ 110 | \$ (19) | \$ 27,090 |
| Total Liabilities | <u>\$ 26,999</u> | <u>\$ 110</u> | <u>\$ (19)</u> | <u>\$ 27,090</u> |
| ANIMAL CONTROL FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 130,984 | \$ - | \$ (53,349) | \$ 77,635 |
| Interest receivable | 76 | | (76) | |
| Total Assets | <u>\$ 131,060</u> | <u>\$ -</u> | <u>\$ (53,425)</u> | <u>\$ 77,635</u> |
| LIABILITIES | | | | |
| Due to others | \$ 131,060 | \$ - | \$ (53,425) | \$ 77,635 |
| Total Liabilities | <u>\$ 131,060</u> | <u>\$ -</u> | <u>\$ (53,425)</u> | <u>\$ 77,635</u> |

(Continued)

TOWN OF PARADISE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2011
(CONTINUED)

| | Balance July 1, 2010 | Additions | Deletions | Balance June 30, 2011 |
|---|-------------------------|-----------------|-------------------|--------------------------|
| POLICE FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 3,528 | \$ - | \$ (2,729) | \$ 799 |
| Interest receivable | 3 | | (3) | |
| Total Assets | <u>\$ 3,531</u> | <u>\$ -</u> | <u>\$ (2,732)</u> | <u>\$ 799</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,933 | \$ - | \$ (1,933) | \$ - |
| Due to others | 1,598 | | (799) | 799 |
| Total Liabilities | <u>\$ 3,531</u> | <u>\$ -</u> | <u>\$ (2,732)</u> | <u>\$ 799</u> |
| POLICE DEPARTMENT FOUND MONEY FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 2,564 | \$ 3,967 | \$ - | \$ 6,531 |
| Total Assets | <u>\$ 2,564</u> | <u>\$ 3,967</u> | <u>\$ -</u> | <u>\$ 6,531</u> |
| LIABILITIES | | | | |
| Due to others | 2,564 | 3,967 | - | 6,531 |
| Total Liabilities | <u>\$ 2,564</u> | <u>\$ 3,967</u> | <u>\$ -</u> | <u>\$ 6,531</u> |
| FIRE FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 6,323 | \$ - | \$ (159) | \$ 6,164 |
| Interest receivable | 5 | | (5) | |
| Total Assets | <u>\$ 6,328</u> | <u>\$ -</u> | <u>\$ (164)</u> | <u>\$ 6,164</u> |
| LIABILITIES | | | | |
| Due to others | \$ 6,328 | \$ - | \$ (164) | \$ 6,164 |
| Total Liabilities | <u>\$ 6,328</u> | <u>\$ -</u> | <u>\$ (164)</u> | <u>\$ 6,164</u> |

(Continued)

TOWN OF PARADISE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2011
(Continued)

| | Balance July 1, 2010 | Additions | Deletions | Balance June 30, 2011 |
|---------------------------|-------------------------|-----------------|--------------------|--------------------------|
| TOTAL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 198,150 | \$ 4,881 | \$ (56,381) | \$ 146,650 |
| Accounts receivable | 1,726 | | (1,726) | |
| Interest receivable | 120 | | (120) | |
| Due from others | | 1,321 | | 1,321 |
| | <u>199,996</u> | <u>6,202</u> | <u>(58,227)</u> | <u>147,971</u> |
| Total Assets | <u>\$ 199,996</u> | <u>\$ 6,202</u> | <u>\$ (58,227)</u> | <u>\$ 147,971</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 3,727 | \$ 1,430 | \$ (2,067) | \$ 3,090 |
| Due to others | 196,269 | 4,772 | (56,160) | 144,881 |
| | <u>199,996</u> | <u>6,202</u> | <u>(58,227)</u> | <u>147,971</u> |
| Total Liabilities | <u>\$ 199,996</u> | <u>\$ 6,202</u> | <u>\$ (58,227)</u> | <u>\$ 147,971</u> |



**Town of Paradise
Council Agenda Summary
Date: April 9, 2012**

Agenda Item: 2(c)

Originated by: Gina S. Will, Finance Director/Town Treasurer

Subject: Leasource Financial Services, Inc. Master Lease Agreement

Council Action Requested:

Approve a Resolution of the Town Council of the Town of Paradise Authorizing Execution of a Master Lease Agreement

Alternatives:

Refer the matter back to staff for further development and consideration.

Background:

On February 7, 2012, the Town Council approved authorizing the Town Manager to enter into a five year lease purchase agreement for the purchase of a public safety radio console and a public safety voice logger. Upon receipt of the lease purchase documents it was discovered that Town Council also needed to indicate through a resolution that the lease is a qualified tax-exempt obligation and that the Town would not be issuing other tax-exempt obligations exceeding \$10 million during the calendar year.

Approval of the resolution will allow staff to execute the documents necessary to enter into the lease purchase agreement.

Fiscal Impact Analysis:

The lease purchase is a five year agreement at 5.01% with monthly advance payments of \$770.70 per month. \$9,076 is currently in the 2011/12 general fund budget for debt service of this equipment. Approval of this monthly agreement will allow the Town to save \$5,993 in debt service payments for the 2011/12 fiscal year.

Leasource Financial Services, Inc.

1000 River Rock Dr., Suite 218, Folsom, CA 95630

Lease No. _____

**EQUIPMENT LEASE AGREEMENT
(Municipal Lease)**

| | | | | |
|---|--|--|--|--|
| Lessee Town of Paradise | | | | |
| Full Legal Name - Include DBA if Applicable | | | | |
| Billing Address 5555 Skyway | | City Paradise | State CA | Zip 95969-4931 |
| Supplier (Name and Address) | Quantity | Full Description of Equipment, Including Make, Model and Serial Number | | |
| See Schedule A | See Schedule A | See attached Schedule "A" | | |
| Term (From Equipment Acceptance) Months 60 | Frequency of Payments Monthly X | Rent (plus tax) \$ 770.70 | Initial Payment (to accompany lease) X First in advance | Total Cost \$ 41,000.00 Residual Value \$0.00 |
| Equipment Location: (if differs from Lessee billing address) | | | | |

Lessor will lease to Lessee and Lessee will lease from Lessor the above-described personal property (collectively and including replacements the "Equipment" and individually an "Item") under the terms of this equipment lease agreement ("lease") which are set forth here and on page 2 of this lease.

1. LESSEE'S OBLIGATIONS. Lessee's obligations as to an Item (other than as set forth in paragraph 2) commence when Lessor has any right or obligation as to the Item and end when the Item is returned to Lessor in accordance with paragraph 9 except as otherwise provided.

2. PAYMENTS. The rent shown above is based on the Total Cost. Actual rent will be calculated in the proportion that the actual cost paid by Lessor for the Equipment bears to the Total Cost. Applicable sales and use taxes will be added to the rent. If this transaction is not consummated, any initial rent payment may be retained by Lessor as partial compensation for Lessor's costs and expenses incurred. Any excess or deficiency between the initial rent payment and the rent payment as finally determined will be payable with or credited to the second rent payment. The second rent payment will be due on the 1st day of the month, or other period set forth above, following Lessee's execution of the Certificate of Acceptance for the Equipment if execution occurs on or before the 15th of the month and otherwise on the 15th of the following month, or other period set forth above. Subsequent rent will be due on the same day of each period set forth above, thereafter during the term, whether or not an invoice is rendered or received. Other amounts due hereunder are payable upon Lessee's receipt of an invoice therefor. Lessee will pay Lessor amounts due under this lease at Lessor's address shown above or as Lessor may otherwise notify Lessee. Amounts to be applied to the last rent payment(s) will be applied in inverse order until exhausted provided there has been no default under the lease. If there is a default, payments may be applied to Lessee's obligations as Lessor chooses.

3. NONAPPROPRIATION. If under state law Lessee is legally precluded from committing to make certain future rent payments due hereunder, this paragraph will apply. Lessee has appropriated the funds necessary to make all payments when due under the lease during Lessee's initial fiscal period during the lease term. Lessee agrees that in each succeeding fiscal year during the term of this lease Lessee will take all necessary steps to make a timely appropriation of funds in order to pay the rent and other payments due hereunder during that period, subject to the annual appropriations limitation imposed upon Lessee under state law. In the event that despite the best efforts of Lessee, Lessee determines that funds for any amounts under this lease will not be available or cannot be obtained during any succeeding fiscal period, Lessee may terminate this Lease prior to the commencement of such succeeding fiscal period by giving written notice to Lessor of such determination at least 60 days prior to the first day of such succeeding period for which an appropriation has not been made by Lessee and returning the Equipment as contemplated in paragraph 10. The written notice of termination on the grounds of nonappropriation by Lessee shall include a certificate signed by a duly authorized officer of Lessee stating that such event of nonappropriation is not the result or related to any intention by Lessee to, and Lessee shall not, acquire (or have the beneficial use of) items of property having functions similar to those of the Equipment or which provide similar benefits to Lessee and that no other funds of Lessee have been, or shall be, appropriated for such purpose during the subsequent fiscal period. Such failure to obtain proper appropriation of the full amount of funds necessary to pay amounts when due hereunder during any fiscal period subsequent to the current fiscal period shall terminate all of Lessee's right, title, and interest in and to the Equipment and obligations under this lease arising out of subsequent events, effective on the later of the last day of the last fiscal period for which appropriation of funds was properly obtained or completion of Lessee's surrender obligations.

4. LESSOR TERMINATION. If the Certificate of Acceptance has not been executed and delivered to Lessor, Lessor may terminate this Lease on notice to Lessee, in which case Lessee will assume all obligations and duties with respect to the Equipment, (a) subsequent to 60 days from the Lease date, (b) upon a material adverse change in Lessee's financial condition, (c) if the Equipment's actual cost would exceed the Total Cost or (d) if the lease is in default.

5. SOFTWARE. If any of the Equipment includes computer software, Lessor will only finance Lessee's cost to purchase or license the software. Lessor will not be a party to any related license agreement. In all other respects the software will be treated as an Item.

6. DELIVERY; ACCEPTANCE. Lessee will either (a) execute and deliver the Certificate of Acceptance or (b) give Lessor notice specifying any proper objection to any Item within 14 days of completion of Equipment delivery. If the Certificate of Acceptance is not furnished within this period, Lessor may terminate the lease as contemplated in paragraph 4. Upon direction by Lessor, Lessee will pay directly to the appropriate party any invoice applicable to an Item which may be furnished Lessor subsequent to the acceptance of the Equipment.

7. LOCATION; INSPECTION; USE. Lessee will keep, or permanently garage and not remove from such location for more than 30 days or from the United States for any period, each Item in Lessee's possession and control at the Equipment Location or such other location to which Lessor may consent in writing. Upon request, Lessee will advise Lessor as to the exact location of an Item. Lessor may inspect an Item during normal business hours, and Lessee will ensure Lessor's access for such purpose. Each Item will be operated carefully and properly in compliance with all applicable governmental, insurance and manufacturer's warranty requirements and all manufacturer's instructions.

8. MAINTENANCE; ALTERATIONS. Lessee will maintain each Item in good condition and repair and as specified in such requirements. Lessee will cause each Item of a type generally covered by a service contract to be covered under a contract providing sufficient coverage issued by a competent servicing entity. Lessee will not make any alterations or additions to an Item which detract from its economic value or functional utility except as stated in the second preceding sentence. Alterations or additions not readily removable or made to comply with governmental requirements will be deemed accessions and will be returned to Lessor with the Item.

9. LOSS AND DAMAGE; STIPULATED VALUE. Lessee will bear all risk of loss, theft, destruction or requisition of or damage to an Item ("Casualty Occurrence"). Lessee will give Lessor prompt notice of a Casualty Occurrence and will then repair the Item; provided, if Lessor decides the Item is lost, stolen, destroyed or damaged beyond repair or is requisitioned or suffers a constructive loss under an insurance policy carried hereunder, Lessee will pay Lessor the "Stipulated Value" equal to (a) any amounts due Lessor from Lessee at the time of the payment, (b) the remaining rents as to the Item with each discounted to present value at 3% per annum from the date due to the date of payment and (c) the percentage of the actual cost to Lessor of the Item indicated under "Residual Value" above similarly discounted. Upon such payment this lease will terminate as to the Item, with Lessee becoming entitled to Lessor's interest therein AS-IS, WHERE-IS without any warranty.

10. SURRENDER. Upon the expiration or earlier termination of this lease, Lessee will promptly return each Item, properly packed and crated with freight prepaid, to Lessor at a location Lessor specifies in the same condition and repair as at the commencement of the term hereof, reasonable wear and tear excepted; provided that at Lessor's request, Lessee will store an Item for up to 90 days after lease expiration. During the storage period Lessee will remain liable for all Lessee's lease obligations as to the Item except that no rent will be due. Lessee has no right to retain a Unit after lease expiration or the end of the storage period and Lessee will be liable for an additional rent for each period or portion of a period the Item is retained thereafter in addition to any other amounts contemplated herein.

11. TITLING; REGISTRATION. Except as Lessor may effect titling or registration, each Item subject to title registration laws will at all times be titled and/or registered by Lessee on behalf of Lessor in such a manner and jurisdiction as Lessor directs. Lessee will promptly notify Lessor of any necessary or advisable retitling and/or re-registration of an Item in a different jurisdiction.

12. TAXES. Lessee will pay as directed by Lessor or reimburse Lessor for all taxes and other governmental assessments (exclusive of federal and state taxes based on Lessor's net income) relative to the Equipment or this lease. Returns in connection with such obligations will, at Lessor's option, be prepared and filed by Lessor or by Lessee as Lessor directs.

13. INSURANCE. Lessee will maintain (a) all risk insurance on the Equipment for not less than its full replacement value naming Lessor as Loss Payee and (b) combined public liability and property damage insurance with a single limit of not less than \$500,000 per occurrence, or such other amount as Lessor may require on notice to Lessee, naming Lessor as an Additional Insured. This insurance must be in a form and with companies approved by Lessor, must name Lessee as a Named Insured, must provide at least ten (10) days advance written notice to Lessor of change or cancellation, must provide breach of warranty protection, where relevant, and must provide that the coverage is "primary". Insurance proceeds, at Lessor's option, will be applied to (a) the repair of applicable Items, (b) payment of the Stipulated Value and/or (c) payment of other obligations to Lessor. Any excess will belong to Lessee. Lessee appoints Lessor as its agent, in fact, to do all things necessary or advisable to secure payments under any policy contemplated hereby on account of a Casualty Occurrence. Lessee will cause Lessor to receive evidence reasonably satisfactory to Lessor of the coverage required above.

14. LESSOR'S PAYMENT. If Lessee fails to perform any lease obligation, Lessor may perform the obligation, and Lessee will reimburse Lessor's related costs.

EQUIPMENT LEASE AGREEMENT - PAGE 2

15. INDEMNITY. Lessee will indemnify, defend and hold harmless Lessor against any liabilities, losses, claims, actions and expenses, including court costs and legal expenses, incurred by Lessor relating to this lease or the Equipment, including claims of latent or other defects, strict liability claims (whether in either case relating to an event within the lease term) and claims for patent, trademark or copyright infringement. Each party will give the other notice of any covered event promptly after learning thereof.

16. DEFAULT. This lease will be in default if (a) Lessee fails to pay any amount hereunder when due; (b) Lessee fails to perform any other obligation hereunder or under any other agreement between Lessor and Lessee; (c) Lessee dies or is declared legally incompetent, if an individual; (d) a petition is filed by or against Lessee under the Bankruptcy Act or under any other law providing relief for debtors; (e) Lessee makes an assignment for the benefit of creditors, a receiver or trustee is appointed for Lessee, a proceeding contemplating winding up of Lessee's affairs is instituted, Lessee ceases business affairs or Lessee makes an abnormal transfer of a material portion of Lessee's assets; (f) an event described in (c), (d) or (e) occurs as to a guarantor of Lessee's obligations hereunder; or (g) there is a material misrepresentation to Lessor by Lessee or a guarantor in connection with this Lease.

17. REMEDIES. If the Lease is in default, Lessor may, at its option, do any one or more of the following: (a) use self-help and other lawful remedies to take possession of any Items; (b) sell or otherwise dispose of any Items in a manner which is commercially reasonable; (c) terminate this lease as to any Items on notice to Lessee; (d) recover from Lessee all amounts then due and owing hereunder, plus as reasonable liquidated damages, at Lessor's election (i) the Stipulated Value of the Equipment, upon the payment of which Lessee will become entitled to Lessor's interest in the Equipment AS-IS, WHERE-IS without any warranty whatsoever; (ii) if Lessor has sold an Item, the difference between the Stipulated Value of the Item and the net sales price (net of all Lessor's costs and expenses of sale) or (iii) if Lessor has not sold an Item (and has not exercised the remedy in clause (i)), the amount set by law using an 3% discount rate or (e) utilize any other remedy available to Lessor at law or in equity.

All remedies are cumulative and may be exercised concurrently or separately from time to time. Lessee will also pay Lessor all costs and expenses not offset against the proceeds of sale of any Equipment incurred by Lessor in enforcing the lease, including those incurred by using Lessor's salaried employees and those prior to filing of an action or in connection with a dismissed action. Any waiver by Lessor of a provision of this lease must be in writing, and forbearance by Lessor will not constitute a waiver. Post-default amounts will bear interest of 18% per annum or at such lesser default rate as set by law until paid.

18. ASSIGNMENT. Without the prior written consent of Lessor, Lessee will not sublet, transfer an interest in or allow a lien against any Item or transfer an interest in or allow a lien against this lease except a lien in an Item or this lease created by Lessor. Lessee's interest is not assignable by operation of law. All Lessors' rights under this lease and to the Equipment may be disposed of without notice to Lessee, but subject to the rights of Lessee hereunder. Lessee will acknowledge receipt of any notice of assignment in writing and will pay any assigned amounts as directed in the notice. If Lessor assigns this lease or any interest herein, Lessee will not assert against the assignee any claim or defense it may have against Lessor, and Lessee will pursue any rights on account thereof solely against Lessor personally, including if Lessor rejects the lease in a bankruptcy proceeding or Lessor interferes with Lessee's quiet enjoyment of any Equipment. No assignee will be obligated to perform any obligation of Lessor under this lease unless assumed by the assignee. Subject to the foregoing, this lease is for the benefit of, and binds, the heirs, legatees, personal representatives, successors and assigns of the parties.

19. OWNERSHIP, PERSONAL PROPERTY. This is a lease, and Lessee's rights to the Equipment are those solely of a lessee notwithstanding any trade-in or down payment Lessee may make. Lessee will mark the Equipment or Equipment Location at Lessor's request to indicate Lessor's ownership of the Equipment. Each Item will remain personally despite attachment to realty. Lessee will obtain and deliver to Lessor, upon Lessor's request, real property waivers in form satisfactory to Lessor from all persons claiming an interest in the real property on which an Item is or is to be located.

20. ADDITIONAL DOCUMENTS. Lessee will obtain and deliver to Lessor such documents as Lessor requests to protect its interest in this lease and the Equipment, and authorizes Lessor to file precautionary financing statements and fixture filings relative to this lease. Lessee will reimburse Lessor for all Lessor's search, filing and appraisal fees and other costs paid third parties in connection with this lease. Lessee will furnish Lessor such financial data or information relative to this lease or the Equipment as Lessor may from time to time reasonably request. If this lease is found to be a financing, Lessee will be deemed to have granted Lessor a security interest in the Equipment.

21. LATE PAYMENT. If Lessee fails to pay an amount hereunder within 10 days of when due, Lessee will pay Lessor (a) a 5% late charge, (b) amounts Lessor pays others in connection with collection of the amount and (c) Lessor's standard returned check charge, if relevant.

22. DEPOSIT. Any deposit Lessee furnishes in connection with this lease will not bear interest and may be applied by Lessor to any obligations of Lessee to Lessor which are in default. When Lessee has satisfied all Lessee's obligations hereunder, Lessor will return any remaining balance of the deposit to Lessee.

23. FEDERAL TAX MATTERS. Lessee and Lessor acknowledge that this lease is intended to provide Lessor (or the consolidated entities if Lessor is covered by a consolidated return) as to all interest payable under the lease (i) for purposes of Lessor's United States federal income tax obligations, tax free interest as provided by the Internal Revenue Code of 1986 as amended ("the Code") without any loss of deductibility of carrying costs and (ii) for purposes of Lessor's state income or franchise tax obligations, similar tax free and deductibility treatment if so provided under State law. Lessee agrees to take all actions required of Lessee for Lessor to have, and not to take any action which would preclude Lessee from having available, such treatment. If Lessor (i) loses the right to claim, does not have or does not claim (based upon the advice of the Lessor's tax counsel) such tax free interest or deductibility or (ii) if there is disallowed, deferred, or recaptured in whole or in part any such tax free interest or deductibility for any reason (unless due solely to Lessor's failure to claim the tax

free interest or deductibility on a timely basis) or (iii) there is after the date hereof any change in federal, state, local or foreign tax law or tax rates which the Lessor calculates has the direct effect of reducing the Lessor's net after tax return respecting the Lease (any of the

foregoing constituting a "Loss"), then Lessee shall pay to Lessor, on demand, an amount which, after payment of all taxes required to be paid by Lessor in respect to the receipt of such amount and after payment of all interest and penalties required to be paid by Lessor, shall restore Lessor to the same net after tax position Lessor would have enjoyed had such Loss not occurred. Upon Lessor's being notified by any tax authority of a potential Loss, Lessor agrees to notify Lessee promptly thereof. Lessor further agrees to exercise in good faith Lessor's best efforts, as determined in the sole discretion of Lessor's tax counsel to be reasonable for Lessor, to avoid the Lessee's payment of such additional amounts; provided that Lessor has sole discretion to determine whether to proceed, and, if so, what proceedings are appropriate, beyond the level of an auditing agent; and provided further, that Lessor shall not take any action unless Lessee shall indemnify Lessor in advance for all costs and expenses which Lessor would reasonably incur by reason of the action, including accountants' and attorneys' fees.

24. GENERAL. This lease contains the entire agreement between Lessor and Lessee concerning the lease of the Equipment and may be amended only by a written agreement signed by the party to be charged. Notices hereunder must be in writing and mailed with appropriate U.S. First Class Mail postage prepaid to the party involved at its respective address set forth above or at such other address as such party may provide the other on notice. Notices to Lessee will be effective upon deposit and to Lessor upon receipt. Each party will promptly notify the other of any change in address. The singular includes the plural and the word "Lessor" includes all assignees of Lessor. The liability of co-lessees is joint and several. Paragraph titles are not an aid in interpretation.

25. GOVERNING LAW; VENUE. THIS LEASE WILL BE GOVERNED BY THE INTERNAL LAWS OF CALIFORNIA. VENUE FOR ANY RELATED ACTION WILL BE IN AN APPROPRIATE COURT IN SOLANO COUNTY,, CALIFORNIA SELECTED BY LESSOR TO WHICH LESSEE CONSENTS OR IN ANOTHER COURT LESSOR SELECTS HAVING JURISDICTION OVER THE PARTIES.

26. NET LEASE; NO OFFSET. THIS IS A NET LEASE TERMINABLE BY LESSOR ONLY AS EXPRESSLY PROVIDED HEREIN AND NOT TERMINABLE BY LESSEE FOR ANY REASON INCLUDING THE FAILURE OF THE EQUIPMENT TO OPERATE PROPERLY. LESSEE'S OBLIGATION TO MAKE ALL PAYMENTS UNDER THIS LEASE IS ABSOLUTE AND UNCONDITIONAL AND WILL NOT BE SUBJECT TO ANY ABATEMENT, COUNTERCLAIM, RECOUPMENT, OFFSET OR DEFENSE. LESSEE'S OBLIGATIONS UNDER THIS LEASE, SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THE LEASE.

27. NO AGENCY. LESSEE ACKNOWLEDGES THAT NEITHER THE SUPPLIER NOR ANY FINANCIAL INTERMEDIARY NOR ANY AGENT OF EITHER IS AN AGENT OF LESSOR, THAT NONE OF SUCH PARTIES IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE AND THAT NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY ANY SUCH PARTY IS BINDING UPON LESSOR.

28. DISCLAIMER OF WARRANTIES. LESSEE ACKNOWLEDGES THAT THE EQUIPMENT AND THE SUPPLIER HAVE BEEN SELECTED BY LESSEE, THAT LESSOR MAKES NO WARRANTY AS TO LESSOR'S TITLE, THAT LESSEE LEASES THE EQUIPMENT "AS-IS" AND THAT THAT LESSOR SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTY AS TO THE EQUIPMENT. IF AN ITEM DOES NOT FUNCTION PROPERLY, LESSEE WILL MAKE ANY RESULTANT CLAIMS AGAINST THE SUPPLIER OR MANUFACTURER.

29. FINANCE LEASE; DIVISION 10 AND SIMILAR RIGHTS WAIVER. LESSEE AGREES THAT THIS LEASE WILL BE TREATED AS A "FINANCE LEASE" WITHIN DIVISION 10 OF THE CALIFORNIA COMMERCIAL CODE ("DIVISION 10"). THUS LESSEE WILL BE ENTITLED TO THE PROMISES AND WARRANTIES LESSOR RECEIVES UNDER EACH CONTRACT EVIDENCING LESSOR'S PURCHASE OF THE EQUIPMENT, INCLUDING ANY MANUFACTURER OR THIRD-PARTY WARRANTIES. LESSEE ACKNOWLEDGES THAT LESSOR HAS ADVISED LESSEE TO CONTACT THE EQUIPMENT SUPPLIER FOR A DESCRIPTION OF THOSE PROMISES AND WARRANTIES, INCLUDING ANY RELATED DISCLAIMERS OR LIMITATIONS, INCLUDING OF REMEDIES. CONSISTENT WITH LESSEE'S ASSUMPTION OF ALL EQUIPMENT RELATED RISKS AND THE TREATMENT OF THIS LEASE AS A "FINANCE LEASE," LESSEE WAIVES ANY RIGHTS, DEFENSES AND CLAIMS AGAINST LESSOR WHICH RELATE TO THE EQUIPMENT ARISING UNDER DIVISION 10 OR OTHER APPLICABLE LAW.

LESSEE'S INITIALS HERE: _____

By execution hereof Lessee requests Lessor to order the Equipment from the Supplier and to lease the Equipment to Lessee hereunder. Execution hereof by a duly authorized officer of Lessor indicates Lessor's acceptance of such offer. Lessee authorizes Lessor to insert identification data as to the Equipment above. Lessee warrants that Lessee will use the Equipment solely for commercial or business purposes. Lessee recognizes that Lessor will check Lessee's credit references and history and advise others as to Lessor's experience with Lessee and consents thereto. Lessee certifies and warrants that the financial data and other information which Lessee has submitted or will submit to Lessor is or will be a true and complete statement of the matters covered.

Lessor and Lessee have executed this lease as of

(Date)

Lessor: Leasource Financial Services, Inc.

Town of Paradise

Print Legal Name of Lessee Above

By: _____
Thomas L. Cadle

President _____
Title _____

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Charles L. Rough, Jr.

Town Manager _____
Title _____

By: _____ Title _____

EXHIBIT A

EXTRACT OF MINUTES from BOARD RESOLUTION

Lessee: **Town of Paradise**

At a duly called meeting of the governing body of **Town of Paradise** (the "Lessee"), held on the _____ day of _____, **2012**, the following resolution was introduced and adopted.

RESOLVED, whereas the governing body of Lessee has determined that a true and very real need exists for the acquisition of the Equipment described in the Master Lease/Purchase Agreement (the "Lease") with **Leasource Financial Services, Inc.** (the "Lessor") presented to this meeting. Lessee has determined that it is necessary, desirable and in their best interest to enter into the Lease for the purposes therein specified, and the execution and delivery are hereby approved, ratified and confirmed, and

WHEREAS, the governing body of Lessee has taken the necessary steps, including any legal bidding requirements, under applicable law to arrange for the acquisition of such Equipment. Lessee designates and confirms that persons executing this Lease are authorized to execute, deliver and witness any and all related documents necessary to the consummation of this Lease.

NOW, THEREFORE BE IT RESOLVED that:

- a. the governing body of Lessee hereby represents that this Lease is to be a "qualified tax-exempt obligation" pursuant to Section 265(b)(3)(C) of the IRS Code of 1986 (the "Code") as amended; and
- b. Lessee has not issued, and reasonably anticipates that it will not issue Tax-Exempt obligations in the amount exceeding \$10,000,000.00, during the current calendar year.

The undersigned further certifies that the above resolution has not been repealed or amended and remains in full force and effect and further certifies that the above and foregoing Master Lease/Purchase Agreement is the same as presented at said meeting of the governing body of Lessee.

Lessee: **Town of Paradise**

By: _____
Charles L. Rough, Jr. **Town Manager**

Date: _____, **2012**

EXHIBIT B

OPINION OF LESSEE'S COUNSEL

(Please furnish this or similar form on Attorney's Letterhead)

Lessee: **Town of Paradise**

Date of Agreement: _____, **2012**

Gentlemen:

As counsel for **Town of Paradise** ("Lessee"), I have examined duly executed originals of the Master Lease/Purchase Agreement (the "Agreement") dated _____, **2012**, between Lessee and **Leasource Financial Services, Inc.** ("Lessor"), and the proceedings taken by Lessee to authorize and execute the Agreement. Based upon the foregoing examination and upon an examination of such other documents and matters of law as I have deemed necessary or appropriate, I am of the opinion that:

1. Lessee is a political sub-division, legally existing under the laws of the State of California.
2. The Agreement has been duly authorized, executed and delivered by Lessee, pursuant to constitutional, statutory and/or home rule provision which authorizes this transaction and the Resolution, attached as Exhibit A to the Agreement.
3. The Agreement is a legal, valid and binding obligation of Lessee, enforceable in accordance with its terms. In the event the Lessor obtains a judgment against Lessee in money or damages, as a result of an event of default under the Agreement, Lessee will be obligated to pay such judgment.
4. To the best of my knowledge, no litigation is pending or threatened in any court or other tribunal, state or federal, in any way questioning or affecting the validity of the resolution or the Agreement.
5. The signatures of the officers of Lessee, which appear on the Agreement, are true and genuine; I know said officers and know them to hold the offices set forth below their names.

Respectfully submitted,

Counsel

EXHIBIT C

CERTIFICATE OF LESSEE

(Schedule #)

I, the undersigned, am a duly authorized officer of **Town of Paradise** under that certain Master Lease/Purchase Agreement dated _____, **2012** (the "Agreement"), with **Leasource Financial Services, Inc** as Lessor (the "Lessor"), do hereby certify that:

INCUMBENCY OF OFFICERS AND SIGNATURES: I have custody of the records of Lessee and the following officers of the Lessee are duly elected or appointed and hold the office or title set forth opposite each individual's name, and the signatures opposite their names are true and correct, and where required, have been filed with the appropriate officials of the State, and each such individual has the authority to enter into the Agreement on behalf of the Lessee:

The person executing documents is:

By: _____

Charles L. Rough, Jr. **Town Manager**
(Signature required)

ESSENTIAL USE: Lessee has an immediate need for and expects to make use of the aforementioned Equipment, the need for which is not temporary or expected to diminish in the foreseeable future. Such Equipment will be used only for the purpose of performing one or more of Lessee's governmental or proprietary functions consistent with the permissible scope of its authority.

CERTIFICATE OF APPROPRIATIONS: Monies for all rental payments to be made under the Lease for the **fiscal year ending June 2012** are available from unexhausted and unencumbered appropriations and/or funds within Lessee's budget for such fiscal year; and that appropriations and/or funds have been designated for the payment of those rental payments that may come due under the Agreement in such fiscal year.

This Certificate is based upon facts, circumstances, estimates and expectations of the Lessee as of the date on which the Agreement was executed, and to the best of my knowledge and belief, as of this date, such facts, circumstances and estimates are true and correct and such expectations are reasonable.

Lessee: **Town of Paradise**

By: _____

Officers Name Title
(Another Officer must sign this line to authorize main signer of documents)

EXHIBIT D

DESCRIPTION OF THE EQUIPMENT

(Schedule #1)

Representations, Warranties & Covenants. Lessee hereby represents and covenants that its representations, warranties and covenants set forth in Master Lease/Purchase Agreement dated _____, 2012, by and between Leasource Financial Services, Inc as Lessor and **Town of Paradise**, as Lessee are true and correct as though made on the date of commencement of Rental Payments under this Section.

The Lease. The terms and provisions of the Agreement (other than to the extent that they relate solely to other Schedules or equipment listed on other Schedules) are hereby incorporated into this Schedule by reference and made a part hereof. This Schedule shall constitute a separate and independent Lease.

| QTY | -----DESCRIPTION----- |
|-----|-----------------------|
|-----|-----------------------|

Vendor #1: j.e.i.

**3087 Alhambra Drive
Cameron Park, CA 95682
Phone: 530-677-3210**

- (1) Digital Voice Recorder, 28 Analog Input Channels, SATA Archive System, Tower Configuration
- (1) Speakers, powered desktop, stereo Network Client Software, Installation CD, LAN Connectivity for DVR recorder series

Vendor #2: Day Wireless Systems

**121 West 16th Street
Chico, CA 95928-6501
Phone: 530-362-0890**

- (2) Replacements and Installation to Upgrade Dispatch Workstations

Lessee: **Town of Paradise**

By: _____
Charles L. Rough, Jr. **Town Manager**

Exhibit E

**AMORTIZATION SCHEDULE
(Schedule #1)**

| | Date | Payment | Interest | Principal | Purchase Option Price |
|----|-------------|----------------|-----------------|------------------|--------------------------------------|
| 1 | 03/19/2012 | 770.70 | 0.00 | 770.70 | 42,279.30 |
| 2 | 04/19/2012 | 770.70 | 167.97 | 602.73 | 41,612.54 |
| 3 | 05/19/2012 | 770.70 | 165.46 | 605.24 | 40,944.14 |
| 4 | 06/19/2012 | 770.70 | 162.93 | 607.77 | 40,274.09 |
| 5 | 07/19/2012 | 770.70 | 160.39 | 610.31 | 39,602.40 |
| 6 | 08/19/2012 | 770.70 | 157.84 | 612.86 | 38,929.06 |
| 7 | 09/19/2012 | 770.70 | 155.29 | 615.41 | 38,254.06 |
| 8 | 10/19/2012 | 770.70 | 152.72 | 617.98 | 37,577.40 |
| 9 | 11/19/2012 | 770.70 | 150.14 | 620.56 | 36,899.08 |
| 10 | 12/19/2012 | 770.70 | 147.54 | 623.16 | 36,219.09 |
| 11 | 01/19/2013 | 770.70 | 144.94 | 625.76 | 35,537.43 |
| 12 | 02/19/2013 | 770.70 | 142.33 | 628.37 | 34,854.09 |
| 13 | 03/19/2013 | 770.70 | 139.71 | 630.99 | 34,169.07 |
| 14 | 04/19/2013 | 770.70 | 137.07 | 633.63 | 33,482.37 |
| 15 | 05/19/2013 | 770.70 | 134.43 | 636.27 | 32,793.98 |
| 16 | 06/19/2013 | 770.70 | 131.77 | 638.93 | 32,103.90 |
| 17 | 07/19/2013 | 770.70 | 129.10 | 641.60 | 31,412.12 |
| 18 | 08/19/2013 | 770.70 | 126.42 | 644.28 | 30,718.64 |
| 19 | 09/19/2013 | 770.70 | 123.73 | 646.97 | 30,023.46 |
| 20 | 10/19/2013 | 770.70 | 121.03 | 649.67 | 29,326.57 |
| 21 | 11/19/2013 | 770.70 | 118.32 | 652.38 | 28,627.96 |
| 22 | 12/19/2013 | 770.70 | 115.59 | 655.11 | 27,927.64 |
| 23 | 01/19/2014 | 770.70 | 112.86 | 657.84 | 27,225.60 |
| 24 | 02/19/2014 | 770.70 | 110.11 | 660.59 | 26,521.83 |
| 25 | 03/19/2014 | 770.70 | 107.35 | 663.35 | 25,816.33 |
| 26 | 04/19/2014 | 770.70 | 104.58 | 666.12 | 25,109.10 |
| 27 | 05/19/2014 | 770.70 | 101.80 | 668.90 | 24,400.13 |
| 28 | 06/19/2014 | 770.70 | 99.01 | 671.69 | 23,689.41 |
| 29 | 07/19/2014 | 770.70 | 96.21 | 674.49 | 22,976.95 |
| 30 | 08/19/2014 | 770.70 | 93.39 | 677.31 | 22,262.74 |
| 31 | 09/19/2014 | 770.70 | 90.56 | 680.14 | 21,546.77 |
| 32 | 10/19/2014 | 770.70 | 87.72 | 682.98 | 20,829.04 |
| 33 | 11/19/2014 | 770.70 | 84.87 | 685.83 | 20,109.54 |
| 34 | 12/19/2014 | 770.70 | 82.01 | 688.69 | 19,388.28 |
| 35 | 01/19/2015 | 770.70 | 79.13 | 691.57 | 18,665.24 |
| 36 | 02/19/2015 | 770.70 | 76.24 | 694.46 | 17,940.43 |
| 37 | 03/19/2015 | 770.70 | 73.34 | 697.36 | 17,213.83 |
| 38 | 04/19/2015 | 770.70 | 70.43 | 700.27 | 16,485.45 |
| 39 | 05/19/2015 | 770.70 | 67.51 | 703.19 | 15,755.28 |
| 40 | 06/19/2015 | 770.70 | 64.57 | 706.13 | 15,023.31 |
| 41 | 07/19/2015 | 770.70 | 61.62 | 709.08 | 14,289.54 |
| 42 | 08/19/2015 | 770.70 | 58.66 | 712.04 | 13,553.97 |
| 43 | 09/19/2015 | 770.70 | 55.69 | 715.01 | 12,816.59 |
| 44 | 10/19/2015 | 770.70 | 52.70 | 718.00 | 12,077.40 |
| 45 | 11/19/2015 | 770.70 | 49.71 | 720.99 | 11,336.39 |
| 46 | 12/19/2015 | 770.70 | 46.69 | 724.01 | 10,593.56 |
| 47 | 01/19/2016 | 770.70 | 43.67 | 727.03 | 9,848.90 |
| 48 | 02/19/2016 | 770.70 | 40.64 | 730.06 | 9,102.41 |
| 49 | 03/19/2016 | 770.70 | 37.59 | 733.11 | 8,354.09 |
| 50 | 04/19/2016 | 770.70 | 34.53 | 736.17 | 7,603.93 |
| 51 | 05/19/2016 | 770.70 | 31.45 | 739.24 | 6,851.92 |
| 52 | 06/19/2016 | 770.70 | 28.37 | 742.33 | 6,098.06 |
| 53 | 07/19/2016 | 770.70 | 25.27 | 745.43 | 5,342.35 |

| | | | | | |
|--------------|------------|-----------|----------|-----------|----------|
| 54 | 08/19/2016 | 770.70 | 22.15 | 748.55 | 4,584.78 |
| 55 | 09/19/2016 | 770.70 | 19.03 | 751.67 | 3,825.35 |
| 56 | 10/19/2016 | 770.70 | 15.89 | 754.81 | 3,064.05 |
| 57 | 11/19/2016 | 770.70 | 12.74 | 757.96 | 2,300.88 |
| 58 | 12/19/2016 | 770.70 | 9.57 | 761.13 | 1,535.84 |
| 59 | 01/19/2017 | 770.70 | 6.40 | 764.30 | 768.92 |
| 60 | 02/19/2017 | 770.70 | 3.22 | 767.48 | 0.00 |
| Grand Totals | | 46,242.00 | 5,242.00 | 41,000.00 | |

Lessee: **Town of Paradise**

By: _____
Charles L. Rough, Jr. **Town Manager**

EXHIBIT F

ACCEPTANCE CERTIFICATE

(Schedule #1)

To Lessor: Leasource Financial Services, Inc.

In accordance with the terms of the Master Lease/Purchase Agreement dated _____, **2012**, (the "Lease") between **Leasource Financial Services, Inc.** ("Lessor"), and the undersigned ("Lessee"), Lessee hereby certifies and represents to, and agrees with, Lessor as follows:

1. The Equipment, as such term is defined in the Lease, has been delivered as per outlined in Exhibit D - Description of the Equipment to the Lease and accepted on the date indicated below.

2. Lessee has conducted such inspection and/or testing of the Equipment as it deems necessary and appropriate and hereby acknowledges that it accepts the Equipment for all purposes.

3. No Event of Default, as such term is defined in the Lease, and no event, which with notice or lapse of time, or both, would become an Event of Default, has occurred and is continuing at the date hereof.

4. Number of Payments: **60**

5. Payment Mode: **Monthly Advance**

6. Payment Amount: **\$770.70**

Lessee: **Town of Paradise**

By: _____
Charles L. Rough, Jr. **Town Manager**

Acceptance Date: _____, **2012**

EXHIBIT G

INSURANCE COVERAGE REQUIREMENTS

(Schedule #1)

To: Lessee's Insurance Agent

1. In accordance with Article VIII, Section 8.03 of the Agreement, we have instructed the insurance agent named below. Please fill in name, address, telephone number and fax number.

Agency _____

Address: _____

City/State/Zip _____

Contact: _____

Phone: (____) _____ Fax: (____) _____

Equipment Description: **Refer to Exhibit D**

Insurable Value: **\$41,000.00**

PLEASE SHOW AS ADDITIONAL INSURED AND LOSS PAYEE ON THE CERTIFICATE

Name: **WestAmerica Bank**

Address: **4550 Mangels Blvd MACA-1B**

City: **Fairfield, CA 94534-4082**

Contact: **Dave Hicks**

Fax: **707-863-6868**

to issue:

- a. All Risk Physical Damage Insurance on the leased equipment evidenced by a Certificate of Insurance and Long Form Loss Payable Clause naming Leasource Financial Services, Inc as loss payee.
Coverage Required: Full Replacement Value
- b. Public Liability Insurance evidence by a Certificate of Insurance.
Minimum Coverage Required: \$500,000.00 per person, \$500,000.00 aggregate bodily injury liability, \$100,000.00 property damage liability

OR (check one)

____ 2. Pursuant to Article VIII, Section 8.03 of the Agreement, we are self-insured for all risk, physical damage, and public liability and will provide proof of such self-insurance in letterform together with a copy of the statute authorizing this form of insurance.

____ 3. Proof of insurance coverage will be provided prior to the time that the equipment is delivered to us.

Lessee: **Town of Paradise**

By: _____
Charles L. Rough, Jr. Town Manager

EXHIBIT H

NOTICE OF ASSIGNMENT

(Schedule #1)

Leasource Financial Services, Inc (the "Lessor") hereby gives notice to **Town of Paradise** (the "Lessee") that Lessor has assign all rights, title and interest in the Master lease/Purchase Agreement (the "Lease") dated _____, **2012**.

The Agreement has been assigned to:

WestAmerica Bank
4550 Mangels Blvd MACA-1B
Fairfield, CA 94534-4082

Please acknowledge your acceptance of the assignment, and your agreement to make payments due under the Lease directly to the Assignee by the signature of a duly authorized officer in the space provided below, and return this with the Lease attached.

Lessor: **Leasource Financial Services, Inc.**

By: _____
Thomas L Cadle, Principal

Acknowledged and accepted:

Lessee: **Town of Paradise**

By: _____
Charles L. Rough, Jr. **Town Manager**

**TOWN OF PARADISE
RESOLUTION NO. 12-__**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF PARADISE
AUTHORIZING EXECUTION OF A MASTER LEASE AGREEMENT**

WHEREAS, the Town Council of the Town of Paradise has determined that a true and very real need exists for the acquisition of the Equipment described in the Master Lease/Purchase Agreement (the “Lease” with **Leasource Financial Services, Inc.** (the “Lessor”) presented to this meeting. The Town of Paradise has determined that it is necessary, desirable and in their best interest to enter into the Lease for the purposes therein specified, and the execution and delivery are hereby approved, ratified and confirmed, and

WHEREAS, the Town Council of the Town of Paradise has taken the necessary steps, including any legal bidding requirements, under applicable law to arrange for the acquisition of such Equipment. The Town of Paradise designates and confirms that the Town Manager in executing this Lease is authorized to execute, deliver and witness any and all related documents necessary to the consummation of this Lease.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Paradise as follows:

Section 1. The Town Council of the Town of Paradise hereby represents that this Lease is to be a “qualified tax-exempt obligation” pursuant to Section 265(b)(3)(C) of the IRS code of 1986 (the “Code”) as amended.

Section 2. The Town of Paradise has not issued, and reasonably anticipates that it will not issue Tax-Exempt obligations in the amount exceeding \$10,000,000.00, during the current calendar year.

PASSED AND ADOPTED by the Paradise Town Council of the Town of Paradise, County of Butte, State of California, on this 9th day of April 2012, by the following vote:

AYES:

NOES:

ABSENT:

NOT VOTING:

Steve “Woody” Culleton, Mayor

ATTEST:

JOANNA GUTIERREZ, Town Clerk

APPROVED AS TO FORM:

DWIGHT L. MOORE, Town Attorney



**Town of Paradise
Council Agenda Summary
Date: April 9, 2012**

Agenda Item: 2(d)

Originated by: Charles L. Rough, Jr., Town Manager
Reviewed by: Lauren Gill, Assistant Town Manager
Subject: Wastewater Treatment Options for the Town of Paradise

Council Action Requested:

1. Review the two wastewater treatment options- Chico Option and Tuscan Ridge Option; AND
2. Choose one of the wastewater options; OR
3. Direct Staff in an alternative direction.

Background:

See the attached report "Town of Paradise Wastewater Treatment Historical Background and Comparative Analysis."

Recommendation

The attached report provides the basis for the final analysis and recommendation by staff; and that is to provide a wastewater treatment alternative to the downtown and commercial areas in Town by the most expedient and least expensive method.

As indicated in NorthStar's estimate, based on a design flow of 822,000, the construction cost for the Tuscan Ridge option is \$41,130,000 and the construction cost for the Chico option is \$28,779,000. Although construction timelines are fairly similar, permitting timelines and processes vary widely between the two options. Preliminary discussions with the California Regional Water Quality Control Board staff indicate policy shifts occurring that favor regional approaches to wastewater treatment.

In terms of environmental benefits, both options are an improvement to the environment in that wastewater treatment will be provided to the downtown and commercial areas in Town. The downtown has historically and will continue to experience a severe lack of land area and adequate soils for wastewater treatment. Although the Tuscan Ridge option would provide tertiary treatment of the golf course without pumping water from the aquifer, the land available at the golf course is not adequate for the dispersal and treatment of the Town's estimated 822,000 gpd of effluent.

Given the critical factors of time, money and capacity, staff is recommending that Council give direction to staff to move forward with the Chico option by preparing a detailed project description, begin negotiations with the City of Chico on details for

wastewater treatment through their water pollution control plant, seek grant funding opportunities, and begin the processing of setting up a wastewater district.

Fiscal Impact Analysis:

There will be costs associated with additional pre-development studies and work product. However, these pre-development costs will be brought back for further Council review and consideration. Funding will come from grants and forms of funding assistance, that in no way impacts the Town's general fund.

TOWN OF PARADISE
WASTEWATER TREATMENT
HISTORICAL BACKGROUND AND COMPARATIVE ANALYSIS

INTRODUCTION:

The single greatest obstacle to business and economic growth, including more jobs, investment, and re-investment in Paradise, has been the lack of a sewer system serving the commercial areas of our Town.

This has been the Town's unfortunate legacy, as well as the primary obstacle that the Town has had to contend with as a result of a misguided City Council decision in 1993, that completely reversed and set-aside thousands of dollars over the years that were spent on studies, bonds sold, and even a district formed to sewer the commercial areas of our community.

It was an example of a tremendous lost opportunity that has profoundly set the Town back in being able to diversify and strengthen its business economy, to realize greater local consumer choices and job opportunities for our citizens, and to increase Town revenues that would have vastly improved essential services, such as police and fire services, and streets and roads maintenance and improvements.

This lack of a fundamental sewer infrastructure to serve our commercial areas makes business growth and expansion far more complicated, more costly, and less cost-effective for our existing business community, and in attracting outside business interest in our community.

In other words, while the Town does everything right in terms of a well-documented record of pro-business and business growth-oriented goals, policies, practices, and programs that include but are not limited to one of the more streamlined business development review and approval processes in the county, a pro-active business assistance team that works with and nurtures prospective business development projects, keeping development fees the lowest in the county, and providing such incentives as development fee payment deferral and mitigation programs; the lack of a basic commercial sewer system seriously undermines, as well as contradicts these well-intentioned efforts.

With the lack of a commercial sewer system, and with the complications surrounding the application of commercial septic systems, the Town is simultaneously sending out two conflicting messages – that we're pro-business in terms of goals, policies, practices, and programs, but anti-business in terms of the wastewater infrastructure serving our commercial areas.

This is not to say that the Town hasn't tried to make the best of a difficult situation with few options since sewers were rejected in 1993. Our onsite wastewater management program is a

highly regarded program by the state, and has done a tremendous job in preventing ground water and surface water contamination in our community.

The Town of Paradise currently relies upon over 11,000 individual septic systems to treat and disperse wastewater generated by residential and commercial land uses. The degree and intensity of use for each property in the community is limited to the capacity to safely dispose of wastewater on site.

As the Town has grown and evolved, the need for a better means of wastewater collection and treatment, especially in our commercial areas, has become more urgent. This is particularly true within the Town's more intensively developed Downtown and other commercial areas where septic system failures are increasing and available land for replacement leach fields is constrained, or non-existent.

Over the last three decades, even before the Town's incorporation, the effects of wastewater from the Town's onsite systems have been studied as to their impacts on local streams. These early reports indicated that although carefully monitored and repaired onsite systems represented a permanent solution for residential areas, the Town's commercial areas would be severely limited if a more permanent solution was not attained.

Early reports predicted serious economic impact on the Town's commercial sector. Even in a healthy economy, many of our commercial businesses cannot afford the high cost of septic system repairs or replacement; or the alternative, which is such limitations on their business operations as limiting the number of tables allowed in restaurants, the number of chairs in a salon, or the number employees that a business can hire. Septic systems even limit, or altogether prevent existing businesses or commercial property owners from expanding, or developing their property to its fullest potential.

Restrictions such as these, not only limit jobs and profits. They also have a deleterious effect on the overall local economy and its ability to grow, broaden, and diversify in the good times, as well as makes our narrow local economy that much more weak and vulnerable during the kind of long, sustained economic downturn that we're presently experiencing.

There has been an extended history of studying and planning for a sewer system to serve the commercial areas in Paradise. The following studies and reports support these claims and set the foundation for current and ongoing wastewater treatment solutions.

HISTORICAL BACKGROUND

Butte County General Plan Water & Sewer Element (1969)

This *preliminary* sewer system plan for Paradise and adjacent Upper Ridge communities was developed in 1969 by Butte County. This developed into a more comprehensive plan called the Eden Ridge and Basin Sewer Service Area Plan (Cook, 1972,) which proposed a gravity sewer

system connected to trunk sewers located on Clark and Pentz Roads treated by aerated lagoons and effluent disposal by land irrigation in the vicinity of Butte College.

A few years later as part of the general improvements to the Skyway, the beginning of a central wastewater collection system was started. Approximately 765 feet of 8 and 10 inch diameter trunk sewer pipe was installed under the Skyway, which may no longer be suitable for use in any newly proposed district.

Wastewater Management Study – Phase I Report (May, 1983) by James M. Montgomery, Consulting Engineers, Inc.

In a Water Quality Management Plan for Paradise and Magalia completed in 1979, it was concluded that much of Paradise was suitable for the continued use of on-site septic systems, and that centralized wastewater treatment should be constructed to serve the central Skyway area. It was also noted that additional water quality data should be collected to fully assess the operation of the onsite systems in Paradise.

To perform the recommended water quality monitoring and to evaluate the operation of the onsite systems more fully, the Town of Paradise initiated the process by receiving a Federal Clean Water Grant from the State Water Resources Control Board. The firm of James. M. Montgomery, Consulting Engineers, Inc. was selected to do the Step I Facilities Planning Study in 1980.

The objective of this original study was to evaluate the cumulative impacts of existing wastewater management practices in the entire Town of Paradise and to identify existing and potential water quality or public health problems associated with the continued use of onsite wastewater treatment systems. Based upon an evaluation of water quality data, soil characteristics, groundwater hydrology, topography, and septic system performance, it appeared that septic systems in major portions of Paradise are adequate. Through careful planning, proper maintenance and repair of failing systems, the need for centralized facilities in this area may be postponed or avoided. (Letter from Patrick L. Burke, Project Engineer dated May 3, 1983)

The project team found that the most severe water quality degradation occurred in the Upper and Middle Honey Run and Lower Skyway Basins, which encompass approximately 1,000 acres of dense commercial development. The report recommended that centralized wastewater management facilities be considered for these areas. (p.2-3)

The report further recommended that preventative planning and educational measures be adopted to ensure the continued effectiveness of onsite wastewater treatment for the remainder of the Town, which is largely residential. The report claimed that Paradise is the largest, incorporated unsewered community in California and called for further testing to determine the extent of water quality degradation in the central commercial area. (p.2-4)

Wastewater Management Study Supplementary Phase I Report (March, 1984) by George Tchobanoglous, Consultant – Davis, California

The Town of Paradise and the Regional Quality Control Board jointly agreed to conduct further tests during a wet period (May-July, 1983) and a dry period (September-October, 1983.) The results of the additional sampling and an ensuing analysis were presented in this report by George Tchobanoglous.

After collecting and analyzing water quality data, soil characteristics, groundwater hydrology, topography, onsite system performance, along with the data collected in the 1983 Montgomery Report, it was concluded that the level of wastewater treatment provided by well-managed and controlled onsite systems were adequate and that centralized wastewater management facilities were not warranted at the time. However, the report stated that as the Town continued to develop, centralized facilities would be needed along portions of the central Skyway area because of hydro-geological limitations. (p. 29)

The report called for short and long term needs to address the issue. Short term needs included regulations for new construction; regulations for commercial development along the central Skyway area; and adoption of a Sewage Disposal Ordinance. Long-term needs included an onsite wastewater management district; public education; possible sewerage treatment along the central Skyway area; and plans for the disposal of septage. (p.30)

The report states that it was prudent and mandatory for the Town to develop a long-range plan for providing centralized wastewater management in the central Skyway area, as future commercial development may not be possible without a wastewater treatment facility. The long-range planning effort called for an analysis of alternative collection systems; the identification of potential wastewater treatment sites; effluent and sludge treatment; and disposal options. (p.32-35)

In summary, this study reported high ground water, a shallow soil mantel and concentrated commercial development on small lots, as the reasons for needed wastewater treatment. In order to accommodate future development, plans should be made for centralized wastewater management for selected locations along the central Skyway area. (p.42)

Wastewater Management Plan Phase II Report (1985) by R.A. Ryder & Associates

This report studied the conditions posed in the Phase I Report, comprehensively studied and evaluated alternatives, and provided recommendations to manage wastewater disposal in order to protect public health, protect water quality, and retain and enhance social and economic vitality within the Town of Paradise. (Ryder, September 9, 1985)

While the first two reports focused primarily on Skyway, this report mentions that Clark Road commercial and industrial areas would also need treatment in the future due to shallow soils and the increased capacity for density in the future. (Ryder p. VI-10)

This report studied various methods and locations for both treatment and disposal and also studied the viability of an onsite wastewater district to ensure effective functioning of existing systems.

The recommendation was for the Town to adopt an onsite wastewater management zone; form a special assessment district to provide sewer treatment and disposal at a plant constructed on lower Neal Road; to provide for septage handling and disposal; provide hazardous waste receiving storage and transfer; and to hire an engineering and financial consultant to provide definite concepts for funding, land acquisition and implementation of both the onsite wastewater management zone and central area waster system.

Sewer Project Feasibility Study, (March 1989) by Kennedy/Jenks/Chilton

Continued study of the feasibility of different types of treatment and collection were the subject of this report. The recommendation was to proceed with the formation of a Special Assessment District to fund the design and construction of a conventional gravity sewer system for Skyway and Clark commercial corridors, with an aerated lagoon system and an advanced treatment system for further treatment prior to discharge onto property south of Neal Road near Elliot Spring (former McKnight Ranch property). (K/J/C March, 1989). An Environmental Impact Report was prepared by Quad Consultants in 1989.

On October 25, 1990, via Town of Paradise Resolution No. 90-47, the Town Council officially formed a Wastewater Design Assessment District for the purpose of developing a wastewater collection, treatment and disposal facility. The proposed sewer system was to serve only the core commercial area of the community.

Pursuant to the procedural requirements of California State Law, a protest hearing was convened on November 29, 1990 during which a number of citizens expressed concerns and voiced opposition to the formation of the district and the subsequent development of a sewer system for the Town. However, the volume of written and verbal protests received by the Town was insufficient to prevent progress toward formation of the district and development of the planned sewer system. At the conclusion of the hearing, the Town Council adopted Town Resolution No. 90-55, thereby overruling the protests.

Opposition to the project then manifested itself into an effort to recall seated members of the Town Council based upon their support for the project. The recall effort was successful in that four of the five seated Council members were recalled and four new members were sworn into office on July 21, 1992. Efforts to dismantle the Wastewater Design Assessment District proceeded rapidly and on January 5, 1993, unanimous direction was given by the new Town Council that all work regarding the development of a sewer system to serve the core commercial areas of the Town be stopped. Subsequent resolutions were adopted on March 30, 1993 to begin the retirement of bonds and to formally abandon the sewer project.

RECENT BACKGROUND

As stated above in the historical timeline, the Town has explored many options, alternatives and locations for implementing a comprehensive alternative to on-site wastewater treatment and disposal. Because of the unfortunate decision to stop the progress of sewerage the downtown and commercial corridors, business owners, property owners, developers and investors have all suffered the consequences. The consequences, which were predicted by all of the early studies and reports listed previously, are now being recorded in the maintenance and repair records for our commercial systems by our Onsite Wastewater Management District staff.

For instance, in reviewing Onsite records and discussing wastewater issues with Onsite staff, several businesses lack the physical area to repair their current wastewater system, which will require business closures unless alternate treatment is found off site. Several other businesses have completed expensive repairs to their engineered systems totaling as much as \$250,000. We have six businesses in Town that currently have a "holding tank" that requires pumping every three months. This is not only expensive, but limits their business capacity to small retail and limits their employees to a maximum of two. These are very real statistics that currently exist throughout our commercial business zones.

In recent discussions with Onsite staff, an informal survey was taken of the downtown and former RDA project area. The purpose was to determine the extent of failures over the next 5-10 years and also to determine if those failures would have constraints such as high water tables and small parcels. Nearly every parcel in the downtown will have issues and experience expensive repairs. This will further impact the businesses downtown that are already experiencing economic issues.

In 2000, the Town Council adopted the Downtown Master Plan, which identified a clustered septic wastewater treatment system as critically important to the physical and economic revitalization of the Downtown.

The adopted Redevelopment Plan, in 2003, further identified and listed as a priority redevelopment funded project, a wastewater collection and treatment system that would serve the Downtown and parts of the RDA Project Area.

Since that time, the Town and its redevelopment agency evaluated various possible sites for a clustered septic wastewater treatment plant, both inside and outside of Town.

Town staff, NorthStar Engineering, and PID, among others, met to review previous work and look into possible solutions. This leads us to a more recent report by North Star Engineering entitled "*Final Wastewater Treatment & Collection Feasibility Study for the Town of Paradise Downtown Community Cluster System.*" This report analyzed the feasibility and cost associated with the construction of a community wastewater collection system designed to serve a defined area that would transport the wastewater to an off-site location.

This current effort took all prior studies and information into account, plus had the added benefit of applying new and improved methods of testing and treatment. All new and prior analyses concur that eliminating reliance on individual septic systems would allow businesses to develop and expand based upon the needs of the business and customer demand instead of being subject to the strict limitations of on-site wastewater disposal. However, the Town has lost the ability to use Redevelopment funding for this important infrastructure and the Town has also lost a previous EDA grant that covered the cost of the 1990 collection system.

On August 2, 2011, the Town Council considered and discussed a Council Agenda Summary prepared by key members of Town staff providing an outline of three primary conceptual options for providing a community wastewater system for the Downtown area and other commercial corridors within the Town of Paradise. The main purpose of the agenda summary was to provide an opportunity for the Town Council to identify the most preferable wastewater system solution and provide direction to staff regarding the conduct of additional research and identification of steps toward the eventual establishment of a community wastewater system.

The potential area of benefit is at this time envisioned to include the Downtown, all of that area formerly known as the Redevelopment Project Area (RDA) and potentially other commercial areas of the Town that are not included within the RDA or the Downtown, e.g., the Clark Road commercial corridor from Pearson Road to Wagstaff Road. There are approximately 1,206 parcels in the conceptual area of benefit along Skyway, Pearson Road and Clark Road.

The three conceptual options considered are briefly described as follows:

Option 1: This option consists of a STEP (Septic Tank Effluent Pump) collection system with the construction of a secondary treatment plant located on lower Skyway west of the Town limits. A STEP system requires each property to have an appropriately sized septic tank to hold and separate the effluent, which is then transported through a pressurized network of pipes to a Membrane Bio Reactor (MBR) treatment system. The dispersal field area, although adequate for the initial phase of the collection system (Downtown and smaller adjacent commercial and residential areas), cannot accommodate future phases to include all RDA areas, most of the Pearson and Clark Road commercial corridors.

Option 2: This option would involve partnering with the owner of an 18-hole golf course located on lower Skyway and includes wastewater re-use for the golf course irrigation and a potential future housing development project. The system would be designed to transport effluent via a gravity pipe buried within the Skyway public right-of-way from the Town of Paradise to the golf course. Variations to the gravity system with pumping stations and storage tanks may be necessary depending on the ultimate design. The need for one or more large storage ponds to store approximately 90-days worth of treated sewage during the wet season is one drawback to this option. In addition, it is apparent from a recent Engineer's report that the golf course could accommodate the land application of treated effluent generated by all phases of this project.

Option 3: This concept was developed through preliminary discussions between staff and the City of Chico and provides the possibility of a mutually beneficial arrangement between the two jurisdictions. The Town of Paradise would tie into Chico's existing sewer collection system which conveys sewage to their state-of-the-art water pollution control plant, which has adequate capacity for all phases of the collection system. The system would be designed to transport effluent via a gravity pipe buried within the Skyway public right-of-way from the Town of Paradise to the City of Chico's collection system. Some pumping stations and storage tanks may be necessary, as in Option No. 2. Further discussions with the City of Chico and Butte County are needed to finalize the details of this system. This option eliminates the necessity for onsite septic tanks and minimizes ongoing maintenance and pumping costs. This option also eliminates the need for the Town to acquire a State Regional Water Quality Control Board's Waste Discharge Permit since the City of Chico already has a permit for the operation of their treatment plant. Obtaining such a permit would require extensive compliance monitoring and reporting and would be expensive to maintain.

At the conclusion of their discussion, the Town Council directed staff to further research the advantages and disadvantages for Option No. 2, the City of Chico option; and Option No. 3, the Tuscan Ridge Golf Course option. Staff's research in this regard focused on the following issues:

- The differences between the two alternatives in terms of regulations, permits, regulatory processes, expediency and complexity;
- The differences in cost and time to construct each alternative's collection system;
- The differences and opportunities for funding and financing for each alternative;
- An estimate regarding which alternative is the least expensive, including the life cycle costs for the end user customer;
- A determination of which alternative represents the least liability exposure for the Town and its customers;
- A determination of which alternative retains for the Town Council more local control; and
- A determination of what environmental benefits are provided by each alternative.

The following discussion is a compare/contrast analysis between the two options that the Council directed staff to further develop. The discussion also includes an Updated Conceptual Flow and Cost Estimate for Expanded Commercial Corridors Servicing Skyway, Pearson and Clark Roads, dated February 20, 2012, by NorthStar Engineering.

DISCUSSION

Regulatory Requirement Comparisons:

The California Regional Water Quality Control Board (RWQCB) permits the operations of wastewater treatment facilities. The regulatory process for issuing permits to new facilities is extensive and according to RWQCB staff, standards for operation are becoming more rigorous

as environmental concerns and liabilities increase in the State. The RWQCB staff has also expressed that substantial policy shifts are occurring that will allow fewer treatment plants and require a more regional approach to wastewater treatment.

Although both options require permitting through the State RWQCB, the City of Chico currently has both collection and discharge permits and the Town would only be required to obtain a collection permit for the installation and operation of its sewer trunk line. The entire environmental review and permitting process for this option could take up to 2 years.

The Tuscan Ridge option would require a Waste Discharge Permit for the treatment and dispersal of treated wastewater. Such permits establish stringent performance standards and set parameters for sampling and reporting frequencies. The permit is also fluid and may be altered by the State when more stringent environmental safeguards are created throughout the State. The entire environmental review and permitting process for this option could take up to 3 years and it is questionable as to whether the State RWQCB would permit a wastewater treatment plant facility that is large enough to accommodate the entire projected wastewater flows. The Tuscan Ridge area has very shallow soils without optimum conditions and there are no acceptable dispersal rates that would allow all of the wastewater from the Paradise service area to be dispensed at this site. For this and other reasons, the State RWQCB has expressed their strong preference for the Chico option.

Currently the existing septic system serving the golf course at Tuscan Ridge is only allowed to disperse the treated septage effluent 6 months out of the year. If this same condition were required by the State RWQCB for the Paradise community wastewater system, the storage pond sizing would be substantially larger than current estimates. A permit for the construction and operation of the storage ponds is required from the California Division of Safety of Dams. A permit may also be required under Butte County Resolution 87-108, which is purportedly being amended; and, therefore may not be an impediment to this option. It is estimated that the permitting process from the State RWQCB and the Division of Safety of Dams for the Tuscan Ridge option would take an additional 12 months longer than the Chico option.

The Butte County Local Area Formation Commission (LAFCO) exercises some control over regional facilities. However, if the Town's newly created wastewater district remains within the Town's established boundaries and if the pipe to Chico remains closed, LAFCO would not be involved in the regulatory process.

Both options will include a gravity pipe to be placed in the established Skyway right-of-way, which will require an encroachment permit that would be issued administratively by the Butte County Public Works Department. The encroachment permit would most likely be subject to conditions of approval addressing traffic control, construction safety, roadway repair, etc. In addition, the Tuscan Ridge project must also undergo permitting and environmental review processes through Butte County to establish a planned unit development on the site.

In comparing the regulatory requirements for both options, the Chico option would require less cost and time in the permitting processes.

Construction Cost Estimates

At the August 2, 2011, Town Council meeting NorthStar Engineering provided initial estimates for the three options. During the meeting, Mo West, owner of Tuscan Ridge, claimed that the estimates were not accurate. He provided a Preliminary Engineer's Report from a wastewater treatment company that suggested the cost for the complete build-out of the Tuscan Ridge Option at 534,000 gpd would be \$8,365,416. A subsequent review by staff, and NorthStar Engineering, determined that this report addressed only the cost of the treatment plant, which is a small portion of the total costs. Not included in the Tuscan Ridge owner's cost estimate were the costs associated with:

- The collection system throughout the Town of Paradise
- The conveyance system that carries the wastewater from the Town limits to Tuscan Ridge
- Engineering and Construction Administration for the collection and conveyance system
- Upgrades to the spray dispersal system at the golf course, including monitoring wells
- CEQA compliance and State permitting, including Antidegradation analysis
- Storage pond construction and permitting (45 million gallon capacity at that time)

Construction Costs of all Phases

A recent Engineer's report provided by NorthStar Engineering has provided updated construction cost estimates for the expanded project boundaries that are now comprised in four phases (see attached report.) The new project boundaries include the prior Skyway corridor areas that comprised the former Redevelopment areas (RDA) and are also includes those areas on Skyway that are between the former RDA areas and extending west of Neal Road. Also included in the new service area is the Clark Road commercial corridor between Buschmann and Wagstaff roads. The Pearson Road corridor between Skyway and Clark roads is still included. The total wastewater flow anticipated from this entire service area is estimated at 822,000 gpd when all hook-ups are made.

Given this adjusted design flow of 822,000, the total construction cost for the Tuscan Ridge option, comprising the three components of collection/conveyance, treatment and dispersal is \$41,130,000. The total construction cost for the Chico option which majority of the construction is comprised of just collection and conveyance systems is \$28,779,000. There are no additional up-front construction costs for treatment or dispersal associated with the Chico option, because the Chico WPCP is already in place and has the capacity to accommodate the entire wastewater flows from the Paradise project.

Operational and Maintenance Costs for the Treatment Plant

It is important to note that Operational Costs do not include the Total Fee for Service Cost that the end user customer pays. The Operational Cost is a part of the consumer fee but other costs such as Financing Cost, Collection System Maintenance Costs, Annual Permit Costs and Life Cycle Costs (replacement) are included when assessing the Total Fee for Service Cost. Financing Costs have variables such as; grants received, interest rate secured, duration of loans, etc. Collection System Maintenance Costs will be secured by a contract yet to be negotiated. Life Cycle Costs are dependent on which option is chosen, and for the Chico option will be considerably less because the components of the system to be replaced will not include a treatment plant as they would for the Tuscan Ridge option.

Chico Option:

In preliminary discussions, the City of Chico has indicated that the charge to the Town of Paradise for their wastewater flows would be negotiated in an agreement between the two cities, similar to what they have with Chico State University. The arrangement would be a fee based primarily on the volume flowing into the Chico system. Under this model, Paradise would be treated much like a large industry that had a straight pipe discharge into the Chico collection system and would be charged a consumption rate. Currently the rate that CSUC pays is an average \$2.05/ccf (748 gallons). It is impossible at this point to determine the rate that we would be charged, but for comparison purposes, staff assumed a rate increase of 10% for non-resident status. For Chico residents, a typical household with an average wastewater flow of 200 gpd would be apportioned an Operational Cost of approximately \$18.00/month. This is a flat cost to the end user and does not fluctuate with the amount of wastewater collected from the Paradise service area. As discussed above, other fees would be added to this Operational Cost including a volumetric cost associated with the maintenance of the trunkline and the treatment plant capacity.

The Chico WPCP operation costs, as well as sampling and State RWQCB permit reporting, will be maintained by the City of Chico. These maintenance costs are at a reduced rate compared to the Tuscan Ridge option because the City of Chico already has personnel, a maintenance program, a sampling and testing program, a facilities operations program, and a permit reporting program in place. Additionally, the workload created by inflow from Paradise, will be small proportionate to the existing flows already received from Chico; therefore, the cost per gallon to operate and maintain this treatment plant will be effectively less than if a new treatment plant were built.

Maintenance of the collection and conveyance system would be the same for either option except that the Chico option requires maintenance of an automated lift station at the Butte Creek Crossing and an additional 4.8 miles of gravity trunk line extending into the City of Chico's collection system.

Tuscan Ridge Option:

Operational Costs for the Tuscan Ridge option include at least three certified, full-time employees to run the treatment plant. Components of the Operational Costs would also include minimum weekly laboratory testing, septage solids removal, data collection and report writing. Maintenance of the storage ponds as well as a sludge handling component of the treatment plant is also necessary. Approximately 5 cubic yards of sludge will be generated at the plant on a daily basis and will require off-site disposal. Dam maintenance as per the permit issued by the Division of Safety of Dams will be required for the approximate 16 acres of storage ponds (20 feet deep). Dam data collection may be required on a weekly basis as well as reports submitted annually. Maintenance of the collection and conveyance system in the Tuscan option is the same as the Chico option except the Chico option has an additional 4.8 miles of trunk line.

It is estimated that the Operational Costs would be approximately \$350,000/yr. When the full build out of an 822,000 gallon per day system is achieved in the Paradise service area, this cost will result in approximately \$.87/ccf (748 gallons) end user fee. For an average household with a wastewater flow of 200 gpd this Operational Cost would be about \$7.00/month which is less than the similar Chico operational cost of \$18/month. This fee is tripled, though, when only a third of the total wastewater collection occurs and doubled when only half of the total collection occurs. In other words, the operational cost for the Tuscan Ridge option is only realized at full build-out of the system.

The other costs that make up the remaining components of the Total Fee for Service would apply more to the Tuscan Ridge option than to the Chico option. Finance Costs will be higher because the Tuscan option is shown to cost almost \$30 million more. Additional costs associated with the Tuscan option include a permit that the Town of Paradise would have with the State RWQCB. This permit has maintenance requirements including extensive quarterly and annual reporting and weekly and sometimes daily monitoring of wells, creeks, piezometers and run-off. Life Cycle Costs needed for the complete replacement of the treatment plant and dispersal system components must also be added into the Tuscan option. These “extra” costs not associated with the Chico option would be significant and cause the Total Fee for Service to the end use for the Tuscan Ridge option to be substantial.

Costs to increase the treatment component of the facility as the collection system is expanded through the town at full build-out:

The Chico WPCP has unused capacity of 5 million gallons per day in their plant and on their State waste discharge requirement permit. The Chico plant has no known immediate expansion costs associated with increased flows from Paradise.

The Tuscan Ridge option contains Membrane Batch Reactors or other treatment units that are modular in design. Increased capacity is engineered into the design; therefore, as flows increase and plant capacity is expanded, the costs increase for the additional plant modules.

Projected Construction Timelines

| SEWER PROJECT CONSTRUCTION – TENTATIVE TIMELINE* | | |
|---|---------------------|----------------------|
| Task | Chico Option | Tuscan Option |
| Environmental Review Process | 15 mos. | 20 mos. |
| Other Regulatory Permitting Processes | 24 mos. | 36 mos. |
| District Set-up | 15 mos. | 15 mos. |
| Actual Construction | 15 mos. | 15 mos. |
| TOTAL | 3-4 YEARS | 5-6 YEARS |
| * Not actual times. Many tasks can be done concurrently. Some tasks depend on weather. Outside agency permitting timelines are hard to guesstimate. | | |

Once the environmental review is completed and federal, state and local permits are secured; the construction times, including the bid process for both options, are estimated to be the same at approximately 1.25 years. Both options are identical in engineering and construction within the town limits and down to the Tuscan Ridge Golf Course entrance. From there, the Chico option differs in that the gravity main continues down Skyway to a lift station close to the Butte Creek crossing. After the lift station there is a connection station close to the Chico City limits. The Tuscan Ridge option turns south at the golf course entrance off of Skyway. Here the gravity main enters the golf course carrying the wastewater to the treatment plant located therein.

Environmental Review Process

Development of either system will be subject to environmental review pursuant to the California Environmental Quality Act (CEQA). It is likely that an Environmental Impact Report will be required to be drafted, circulated, finalized and certified for either option.

While both options share the same collection and conveyance corridors with similar potential environmental impacts, the Tuscan Ridge Golf Course option will likely require a more detailed analysis of potentially adverse effects as a result of its storage, land application and disposal components. These components do not exist with the Chico option as environmental impacts to be reviewed because the Chico wastewater treatment plant has already undergone CEQA review and approvals.

The Tuscan Ridge Golf Course option involves treating the wastewater effluent from the Town of Paradise and irrigating the golf course with the treated water, which requires the construction of a 20-acre wastewater storage pond. The pond must be able to store treated wastewater during the rainy season, as the soils are not adequate to handle the required

amount of treated wastewater and rain water simultaneously. For this reason, wastewater treatment, storage and dispersal at the golf course will raise environmental issues not shared with the Chico option.

It should also be noted that although the Tuscan Ridge Golf Course property is assigned a Butte County General Plan land use designation and zoning that can potentially accommodate a 175 dwelling planned unit development, no environmental document has been circulated or certified pursuant to CEQA requirements nor have any project applications (e.g. tentative subdivision map) been submitted to Butte County for such a project.

In consideration of the circumstances outlined above, it appears that the Chico option may present a more straightforward, perhaps more expedient and less costly path through the CEQA environmental review process for the Town of Paradise. Below is an example of the EIR review process stating minimum timelines.

| SEWER PROJECT EIR/EIS – TENTATIVE TIMELINE | | |
|---|------------------------------|------------------------------|
| Task | Chico Option | Tuscan Option |
| Prepare, distribute RFP and execute contract with EIR/EIS consultant | 4 weeks | 4 weeks |
| Signed contract & receipt of project information, including project description | 2 weeks | 2 weeks |
| Prepare draft Project Description and NOP/NOI | 4 weeks | 4 weeks |
| Town review of Project Description/NOP/NOI | 1 week | 1 week |
| Finalize NOP/NOI | 1 week | 2 weeks |
| Schedule/conduct public scoping session | 2 weeks | 2 weeks |
| NOP public circulation | 30 days | 30 days |
| Consultant prepares ARDEIR/DEIS | 12 weeks | 16 weeks |
| Town review ARDEIR/DEIS | 4 weeks | 4 weeks |
| Consultant prepares Screencheck DEIR/DEIS | 4 weeks | 4 weeks |
| Town review Screencheck | 1 week | 2 weeks |
| Consultant prepares public review DEIR/DEIS | 3 weeks | 4 weeks |
| DEIR/DEIS public review | 45 days | 45 days |
| Consultant prepares FEIR/FEIS | 6 weeks | 6 weeks |
| Town reviews FEIR/FEIS | 3 weeks | 4 weeks |
| Consultant prepares Screencheck FEIR/FEIS | 2 weeks | 3 weeks |
| Continued on next page | | |
| Town review Screencheck FEIR/FEIS | 1 week | 2 weeks |
| Consultant finalizes FEIR/FEIS and MMP | 1 week | 2 weeks |
| Hearing(s)/action on project | Min. of 10 days ¹ | Min. of 10 days ¹ |
| Total minimum | +/-62 weeks | +/-73 weeks |
| Notes: 1. CEQA requires that public agencies be provided with responses to their comments at least 10 days before the final action on the project. Typically, the Final EIR is completed at least 10 days before the final decision. The Town may choose to hold/schedule/coordinate any hearing(s) for the project only after the Final EIR has been completed. | | |

Environmental Benefits

Use of treated wastewater to irrigate the 120 acre golf course may eliminate the need to pump up to 885,000 gallons of Tuscan Aquifer groundwater per day during warm, dry periods, as is the current practice. Eliminating the use of groundwater for irrigating the golf course will reduce the potential for deep aquifer drawdown. Tertiary treatment of the wastewater would be required for surface irrigation use. (Note: 885,000 gallons is derived from the Paradise flows of 822,000, the additional flows from the Tuscan Ridge housing complex, and rainwater storage.)

City of Chico staff have indicated that the Chico Water Pollution Contract Plant (WPCP) contributes approximately two-tenths of a percent to the total volume of water in the Sacramento River measured upstream of the treatment plant outfall. In addition, the water flowing into the river from the treatment plant outfall is of equal or higher quality than river water upstream of the outfall.

The Paradise Irrigation District (PID) has water rights to and draws water from its impoundments on Little Butte Creek, a tributary of Butte Creek, which is in turn a tributary of the Sacramento River. Prior to the establishment of the PID, water in Little Butte Creek ultimately flowed to the Sacramento River. None of the water provided by the PID to the Town of Paradise now finds its way to the Sacramento River. If the Chico option is chosen and implemented, up to 822,000 gallons per day of Little Butte Creek water will be returned to the Sacramento River, adding to its volume and potentially benefitting fish, wildlife and downstream users. This would partially restore the natural water cycle that had been in place prior to the establishment of the PID and the Town of Paradise.

Agriculture is a large downstream user of Sacramento River water. Farmers and ranchers are allowed water uptake directly proportionate to the volumes passing through the river. This was the impetus behind Assembly Bill 134, which passed in 2011, allowing the Sacramento Sanitation District to apply for a water rights permit to sell the recycled water that it discharges into the Sacramento River to downstream users, such as farmers. Therefore, water from Paradise passing through the Chico WPCP will directly benefit downstream agriculture by allowing more water uptake to be available to farmers and ranchers. This activity will also reduce the use of deep wells and reduce the possibility of deep aquifer drawdown.

In conclusion, both the Chico and the Tuscan Ridge Golf Course options promote environmentally beneficial purposes through the use of treated wastewater. One option will provide green golf course fairways, and the other will provide food through agriculture.

Capacity to collect, treat and disperse 822,000 gallons of wastewater/day

Wastewater treatment has three major components: (1) collection and conveyance, which is the process of getting the wastewater to the plant; (2) treatment, which is the actual

“cleansing” of the wastewater and which occurs at the plant site; and (3) discharge or dispersal, which is the elimination of the treated wastewater, either into a river, or into the ground via leaching fields or by some other means. Permitting is required at all levels by the State Regional Water Quality Control Board (RWQB) and is discussed at length in the next section of this report. The question of capacity must first be established.

Chico Option - The City of Chico is currently working with Carollo Engineering to update their Sanitary Sewer Master Plan Update (SSMPU). This report evaluates the City's sewer collection system with respect to growth projections and land-use designations identified in its 2030 General Plan, and provides a guideline for the development of the City's collection system for the next 20 years. Additional analysis is needed to determine the exact impacts associated with connection of the Town of Paradise to the City's sewer collection system; however, the most recent estimates indicate that the Town of Paradise may contribute up to one million gallons per day of wastewater flow to the City's collection system. This assumes connection would occur in the southeast portion of the city in the vicinity of the Skyway. It is important to note that this preliminary analysis assumes a "closed" system which prohibits sewage connections outside of the designated service area. Chico's Water Pollution Control Plant (WPCP) serves the residents of the Greater Chico Urban Area and also reserves the capacity to serve the County/City's Nitrate Action Project. Current estimates identify capacity at the plant sufficient to handle treatment of the proposed flows from the Town's commercial district as proposed in this report.

The City of Chico has a Wastewater Discharge Requirement permit from the RWQCB and a Federal National Pollutant Discharge Elimination System permit which allows them to discharge into the Sacramento River. As mentioned above, the permit requirements assures that the discharge meets or exceeds water quality standards thus providing a resource benefitting downstream agriculture, wildlife and communities.

Tuscan Option - At the Tuscan Ridge site, the County Assessor's records indicate that the parcels that make up the golf course cover a total land area of 150 acres. It has been estimated in a recent report by NorthStar Engineering that an area of 235 acres would be necessary to accommodate the wastewater flows from this project on a year-round basis. This estimation is derived from the parameters of the very shallow soils, the underlying “lava cap” of the Tuscan formation, the evaporation and evapotranspiration rates of the treated wastewater once it is sprayed onto the ground and the amount of annual rainfall in that area. This amount does not include the amount of pond area needed, which at a 20-foot depth requires at least 20 acres of pond storage. Basically, because of the very shallow soils, the Tuscan Ridge site simply does not have the necessary land space to accommodate the size of the dispersal area needed for this project.

Associated Legal Issues and Local Control Concerns

California Constitution Article XI, section 7 authorizes cities to adopt sanitary ordinances. In addition, California cities are expressly authorized to construct, establish and maintain drains

and sewers. See Government Code section 38900. To establish a specific area within the Town where wastewater services would be available to properties, the Town Council would need to adopt an ordinance setting forth, at a minimum, the following:

- A description of the wastewater collection system.
- The boundaries of the special wastewater service area.
- The scope of the wastewater services.
- The connection requirements.
- The connection fees and adoption procedure.
- The charges for the wastewater services and adoption procedure.

If a special benefit assessment is used to finance the design, construction, and other costs associated with a wastewater collection system, the assessment would need to comply with the procedural requirements of California Constitution Article XIII D, section 4. LAFCo would have no involvement in the formation of the special benefit assessment. In addition, a special assessment would have to comply with the procedural requirements of Government Code section 53750 et seq.

To commence the above procedure, the Town would need to provide an engineer report to the property owners within the proposed assessment area. The engineer report would describe the proposed project, its estimated cost, and how the special benefit would be apportioned. Thereafter, the property owners would vote for or against the proposed assessment. If there are more ballots against the assessment than for it, the assessment cannot be imposed. In tabulating the ballots, they are weighted based on the financial impact on a parcel.

Legal Review – Easement

To transport the wastewater from Paradise to Tuscan Ridge, the Town would need to obtain easements from the County of Butte. Under the Chico option, the Town would need easements from the County and Chico.

Legal Review – Chico Wastewater Treatment Agreement

Under the Chico option, the Town and Chico would need to enter into a comprehensive agreement that sets forth the rights and obligations of each party concerning the wastewater collection and treatment system, including wastewater capacity, ownership and maintenance of the wastewater collection system, fees and duration. Given the costs associated with the proposed wastewater collection system, the agreement should be for at least 50 years with renewal rights.

Legal Review – Tuscan Ridge Option

If the Tuscan Ridge option is selected, the Town should consider owning the location and wastewater treatment system so that the Town could directly provide quality control concerning the operation and maintenance of the system.

FUNDING FOR THE PROJECT:

The biggest hurdle for this project will be funding. As the report pointed out, the primary funding for the project, both in a direct sense, as well as in terms of leveraging other funding sources, was going to be redevelopment, as it applied to the Downtown and greater Redevelopment Project Area. However, the dissolution of redevelopment no longer makes that approach possible.

One of the Town's immediate tasks once the Town Council decides on which option they wish to pursue, comes down to developing a very comprehensive project description that becomes the basis for pursuing the various federal and state grants, as well as special interest funding assistance legislation. This will help reduce the project's overall pre-development and development costs, and minimize the cost to the customers.

While staff realizes that the availability of federal and state grant funding is limited, we also strongly believe that the Town of Paradise, as one of the largest non-sewered municipalities, has a compelling case for various types of funding or assistance that is available.

FINAL ANALYSIS AND RECOMMENDATION TO COUNCIL:

This report's comparison between the two options clearly indicates that the Chico option is superior to the Tuscan Ridge option in terms of the total cost of the project (which is directly related to the end cost to the customer), the overall timeline for completion of the project, less regulatory permitting complexities and requirements, the ability to handle the amount of gallons per day that the Town's commercial district would generate, and less liability exposure to the Town. Both options offer very positive but different environmental benefits.

While the City of Chico staff has been very helpful in providing our Town staff with information that we needed for the purpose of this comparative analysis, it needs to be stated unequivocally that neither the Chico City Council nor its management or staff have endorsed, or at this point, support accepting or treating the effluent from the Town of Paradise commercial areas.

If the Town Council decides to support pursuing the Chico option further, we would want to, in the very near future, arrange a presentation before the Chico City Council with the hope of obtaining their approval to further explore and evaluate the feasibility of this project with the Town of Paradise.

Clearly, this type of cooperative project between two local government jurisdictions, in which one jurisdiction, such as Paradise, utilizes the resources of Chico, would generate revenue that might help stabilize Chico's future rate payers. Additionally, this could financially sustain their wastewater treatment plant for future growth and development, which not only represents a potential win-win for both communities, but speaks to the very heart of regionalism. It is extremely important to be open to regional approaches by addressing issues and challenges that go well beyond jurisdictional boundaries, not only for economic reasons, but also as a way to share and preserve resources for the future.

NorthStar ENGINEERING

March 6, 2012

Mr. Doug Danz, REHS
Onsite Sanitary Official
Town of Paradise
5555 Skyway
Paradise, CA 95969

**Re: DRAFT Updated Conceptual Flow and Cost Estimates for Expanded Commercial Corridors
Serving Skyway, Pearson and Clark Road Corridors**

Dear Doug,

This memo is a follow up to the *Preliminary Conceptual Review of Three Options for Sewer Service for the Town of Paradise Downtown and Commercial Corridors Supplementing the Final Wastewater Treatment & Collection Feasibility Study for the Town of Paradise Downtown Community Cluster System, April, 2010* (3 Options Review) dated July 27, 2011 and summarizes most recent conceptual flow and cost estimates for the Skyway, Pearson and Clark Road corridors. This expanded scope of work was performed per your request on February 10, 2012 and based on our email and telephone conversations.

The scope of work included:

- Estimating wastewater flows for the Clark Road corridor from roughly Wagstaff Road to Buschmann Road and areas along Skyway between RDA areas identified in the *Final Wastewater Treatment & Collection Feasibility Study for the Town of Paradise Downtown Community Cluster System, April, 2010* (Final Report) prepared by NorthStar Engineering and developing an updated design flow for an expanded conceptual Downtown Community Cluster System service area. In keeping with the Final Report conventions, this expanded service area is identified as Phase IV.
- Developing conceptual costs for a collection system to serve the areas identified above. Two cost estimates have been prepared, one for conveyance to Tuscan Ridge Golf Course and one to a conceptual point along Skyway to tie into the City of Chico sewer collection system. The Blue Oaks option analyzed in the 3 Options Review was not analyzed.
- Developing conceptual costs for an MBR treatment system capable of providing disinfected tertiary recycled water as defined in Title 22 standards for recycled water for irrigation.
- Developing conceptual sizing and costs for a year round spray and pond system for dispersal of the total flow from the Paradise commercial corridors and 26,400gpd from the proposed 165 residential units at the golf course. The estimate uses the year round spray and average seasonal rainfall scenario for sizing and construction cost estimates. All other assumptions used in the Final Report remain.

Estimated Wastewater Flows for the New Conceptual Service Area

Description

Town staff directed NorthStar to develop updated flow estimates for expanded areas of study, specifically, the Clark Road corridor from Wagstaff Road to Buschmann Road and areas along Skyway between RDA areas identified Final Report. These new study areas were combined with the Final Report Study area. Flows were estimated using the average commercial and residential flows derived as part of the Final

Report and the average commercial (65%) and residential (35%) distribution found in the DRA and RDA 1 through 7 study areas.

Using our existing GIS model developed for the 2010 Final Report, NorthStar identified the following:

The Clark Road study area is comprised of approximately 190 acres with approximately 190 parcels with an estimated wastewater projected flow of 226,000gpd.

The additional Skyway study area is comprised of approximately 112 acres with approximately 170 parcels with an estimated wastewater projected flow of 133,000gpd.

The current study area of Skyway, Clark Road, Pearson Road corridors is comprised of approximately 870 acres with approximately 1,206 parcels with an estimated wastewater design flow of 822,000gpd.

An exhibit depicting the conceptual areas of service and a breakdown of the flow estimates are attached.

Option #1 – Tuscan Ridge Golf Course

Description

The Town has been approached by the developer of Tuscan Ridge Golf Course with the proposal of recycling wastewater for golf course irrigation. Under this option wastewater effluent from the project area will be conveyed to the Tuscan Ridge Golf Course property located along the south side of the Skyway approximately 3.2 miles west of the current Town Limits. The Town would construct, maintain, and operate the treatment and dispersal facilities on the golf course property. Treatment is assumed to be tertiary with disinfection (Title 22 Standards). In addition, the developer anticipates the construction of 165 residential units around the golf course. The Town would accept flow from these units and treat the effluent to the California Department of Public Health Standards for unrestricted reuse. Using the base flow rate anticipated from the Town of 822,000gpd and assuming an average daily flow rate from the residential units of 160gpd, the total average daily flow would be approximately 848,000gpd. This option would require treatment facilities and operation to meet the requirements for disinfected tertiary recycled water. Recycled wastewater from the Town and the proposed development would be used to irrigate the golf course.

Based on the design flow and assumptions above, the pond size is conservatively estimated at 289 acre feet with a spray field of 235 acres. Assuming a total depth of 20 feet with 1.5 feet of freeboard and 4 to 1 side slopes on a square pond, the footprint of the pond would be approximately 20 acres.

The estimate of costs assumes the use of an MBR wastewater treatment system to treat and deliver Title 22 recycled water for unrestricted reuse.

Estimated Cost

| | |
|--|---------------------|
| Environmental Analysis (CEQA) and Permitting | \$400,000 |
| Studies and Design | \$2,400,000 |
| Property Acquisition (minor r/w and permitting) | \$ 600,000 |
| Collection System in Town of Paradise (Phase IV) | \$18,400,000 |
| Transport Line, Crossroads to Tuscan Ridge (3.2 miles) | \$2,000,000 |
| Treatment Plant (848,000 gpd Tertiary plus disinfection) | \$10,900,000 |
| Dispersal and Ponds System | \$3,000,000 |
| Construction Administration and Inspection | <u>\$3,430,000</u> |
| Total | \$41,130,000 |

Cost/gallon/day = \$48 per gallon/day capacity

Cost/connection = \$41,130,000/ (1,206 + 165) = \$30,001 per connection

Option #2 – City of Chico

Description

Town Staff have engaged in discussions with the City of Chico to explore the feasibility of connecting the Project Area to the City of Chico Water Pollution Control Plant (WPCP). Under this option, the Town of Paradise would only be responsible for construction and operation of conveyance facilities in the Town limits. A trunk line from the Town of Paradise to the City of Chico, approximately 8 miles west of the current Town Limits would be constructed and connected to the City of Chico municipal sewer system. The Town of Paradise would be responsible for the construction and collection and conveyance of sewage within the Town limits as well as the construction of the conveyance to the connection point in the City system. The Town of Paradise would assume all responsibilities for wastewater operation and maintenance of the conveyance system outside of Chico city limits. The Town of Paradise would become a customer of the City of Chico.

Estimated Cost

| | |
|---|---------------------|
| Environmental Analysis (CEQA) and Permitting | \$400,000 |
| Studies and Design | \$1,659,000 |
| Property Acquisition (minor r/w and permitting) | \$ 600,000 |
| Phase IV Collection System (gravity collection) | \$18,900,000 |
| Trunk Line to Chico, 8 miles | \$4,800,000 |
| Construction Administration and Inspection | \$2,370,000 |
| City of Chico Application fee (based on time and materials) | \$50,000 |
| Total | \$28,779,000 |

Cost/gallon/day = \$35 per gallon/day capacity

Cost/connection = $\$35/1,206 = \$23,863$ per connection

Summary, Recommendations and Next Steps

The following steps are recommended in going forward with this project.

1. Explore project funding opportunities for both the conventional municipal and onsite waste dispersal options.
2. Continue coordination with the City of Chico on details of rate structure and relationship to better define the connection, capacity and service fees.
3. Perform a Full Life Cycle Cost Analysis for the selected options.
 - a. This analysis should take construction, operation and maintenance, full infrastructure replacement costs and debt service.
 - b. Use the Tuscan Ridge option as a point of comparison for the City of Chico option to verify that the Chico option is still the best option for the Town in terms of cost.
4. Using the information gathered above, develop a projection of monthly sewer rates for the two options.
5. Prepare a "Preliminary Engineering Report."
6. Prepare documents for State Revolving Fund application.

NorthStar Engineering


Dominickus J. Weigel III



March 6, 2012

DOWNTOWN COMMUNITY CLUSTER SYSTEM

Preliminary Opinion of Costs

PROJECTED WASTEWATER FLOWS Updated

Project: Town of Paradise DCCS

Project Data Summary

| SECTION | PROJECT AREAS | | | | | PROJECTED FLOWS | | | |
|------------|---------------|----------|----------|-------|--------|-----------------|-------------|------------|---------------|
| | RES | COMM | TOTAL | % RES | % COMM | RES | COMM | I&I | TOTAL |
| DRA | 15.2 Ac | 77.7 Ac | 92.9 Ac | 16.4% | 83.6% | 62,749 gpd | 59,956 gpd | 9,293 gpd | 131,998 gpd |
| RDA-1 | 29.7 Ac | 67.1 Ac | 96.8 Ac | 30.7% | 69.3% | 36,085 gpd | 51,962 gpd | 9,682 gpd | 97,729 gpd |
| RDA-2 | 52.7 Ac | 24.2 Ac | 76.9 Ac | 68.6% | 31.4% | 33,826 gpd | 19,967 gpd | 7,692 gpd | 61,485 gpd |
| RDA-3 | 26.9 Ac | 58.5 Ac | 85.4 Ac | 31.5% | 68.5% | 57,157 gpd | 45,124 gpd | 8,539 gpd | 110,820 gpd |
| RDA-4 | 16.8 Ac | 71.4 Ac | 88.1 Ac | 19.0% | 81.0% | 31,617 gpd | 55,168 gpd | 8,814 gpd | 95,599 gpd |
| RDA-5 | 12.9 Ac | 43.8 Ac | 56.7 Ac | 22.8% | 77.2% | 43,133 gpd | 33,764 gpd | 5,668 gpd | 82,564 gpd |
| RDA-6 | 35.6 Ac | 13.3 Ac | 48.9 Ac | 72.8% | 27.2% | 40,940 gpd | 10,977 gpd | 4,892 gpd | 56,809 gpd |
| RDA-7 | 3.8 Ac | 15.7 Ac | 19.4 Ac | 19.5% | 80.5% | 16,285 gpd | 12,656 gpd | 1,944 gpd | 30,885 gpd |
| SKYWAY ADD | 39.4 Ac | 72.6 Ac | 112.0 Ac | 35.2% | 64.8% | 65,413 gpd | 56,604 gpd | 11,200 gpd | 133,217 gpd |
| CLARK RD | 66.8 Ac | 123.2 Ac | 190.0 Ac | 35.2% | 64.8% | 110,969 gpd | 96,024 gpd | 19,000 gpd | 225,993 gpd |
| PHASE I | 45.0 Ac | 144.8 Ac | 189.7 Ac | 23.7% | 76.3% | 98,835 gpd | 111,918 gpd | 18,975 gpd | 229,728 gpd |
| PHASE II | 141.4 Ac | 298.8 Ac | 440.2 Ac | 32.1% | 67.9% | 221,435 gpd | 232,178 gpd | 44,020 gpd | 497,632 gpd |
| PHASE III | 193.7 Ac | 371.6 Ac | 565.2 Ac | 34.3% | 65.7% | 321,793 gpd | 289,574 gpd | 56,524 gpd | 667,891 gpd |
| PHASE IV | 299.8 Ac | 567.4 Ac | 867.2 Ac | 34.6% | 65.4% | 498,175 gpd | 442,202 gpd | 86,724 gpd | 1,027,101 gpd |

| TOTALS | <u>AREA</u> | <u>PROJECTED GROSS FLOW</u> | <u>DESIGN FLOW</u> |
|-----------|-------------|-----------------------------|--------------------|
| PHASE I | 189.7 Ac | 229,728 gpd | 184,000 gpd |
| PHASE II | 440.2 Ac | 497,632 gpd | 398,000 gpd |
| PHASE III | 565.2 Ac | 667,891 gpd | 534,000 gpd |
| PHASE IV | 867.2 Ac | 1,027,101 gpd | 822,000 gpd |

Notes

1. DRA - Downtown Revitalization District
2. RDA - Town of Paradise Redevelopment Agency
3. PHASE I - Comprises DRA and RDA-1.
4. PHASE II - Comprises DRA and RDA-1 through RDA-4.
5. PHASE III - Comprises DRA and RDA-1 through DRA-7.
6. Phase IV Comprises of DRA, RDA 1 through 7 and "Service Gaps" on Skyway Between RDAs and Clark Road Corridor
6. Infiltration and Inflow (I&I) from tanks and risers is assumed at 100 gpd/ac.
7. Design Flow is based on 80% of Projected Flow and Rounded to the Nearest 1,000 gpd.

DOWNTOWN COMMUNITY CLUSTER SYSTEM

Preliminary Opinion of Costs

COLLECTION (TUSCAN)

Updated

Project: Town of Paradise DCCS

| | | | Quantity | Units | Unit Cost Range | Total Cost Range | | |
|---|--------|----|-------------|-------------|---------------------|---------------------|-----|------|
| Estimated Construction Costs for Conventional Sewer Collection and Conveyance to Treatment (Update Based on Questa Report) and Preliminary Skyway and Clark Road Corridor System with 165 Units at Tuscan Ridge 848,000GPD | | | | | | | | |
| | | | | | Low | High | Low | High |
| On Lot Facilities | | | | | | | | |
| Pump Existing Septic Tanks ¹ | 1,206 | ea | \$325.00 | \$450.00 | \$391,950 | \$542,700 | | |
| Abandon Existing Septic Tanks | 1,206 | ea | \$750.00 | \$1,200.00 | \$904,500 | \$1,447,200 | | |
| Reroute Building Plumbing as Necessary | 1,206 | ea | \$400.00 | \$600.00 | \$482,400 | \$723,600 | | |
| 4" Service Lateral (unpaved Area) | 30,150 | lf | \$30.00 | \$40.00 | \$904,500 | \$1,206,000 | | |
| 4" Service Lateral (paved Area) | 30,150 | lf | \$50.00 | \$60.00 | \$1,507,500 | \$1,809,000 | | |
| Collection System | | | | | | | | |
| DRA (From Questa Report) | | | | | | | | |
| 12" Gravity Sewer - Zone 1 | 3,955 | lf | \$80.00 | \$100.00 | \$316,400 | \$395,500 | | |
| 8" Gravity Sewer - Zone 2 | 7,615 | lf | \$80.00 | \$100.00 | \$609,200 | \$761,500 | | |
| 8" Gravity Sewer- Deep Trenching - Zone 2 | 1,870 | lf | \$110.00 | \$120.00 | \$205,700 | \$224,400 | | |
| 8" Gravity Sewer - Zone 3 | 255 | lf | \$80.00 | \$100.00 | \$20,400 | \$25,500 | | |
| 3" Pressure Sewer Line - Zone 3 | 390 | lf | \$50.00 | \$60.00 | \$19,500 | \$23,400 | | |
| Lift Station -Zone 3 | 1 | ea | \$40,000.00 | \$50,000.00 | \$40,000 | \$50,000 | | |
| Manhole | 29 | ea | \$5,000.00 | \$7,000.00 | \$145,000 | \$203,000 | | |
| Clean Outs | 7 | ea | \$350 | \$500 | \$2,450 | \$3,500 | | |
| Skyway Corridor | | | | | | | | |
| 6" to 12" Gravity Sewer | 32,531 | lf | \$80.00 | \$100.00 | \$2,602,480 | \$3,253,100 | | |
| 3" Pressure Sewer Line | 0 | lf | \$50.00 | \$60.00 | \$0 | \$0 | | |
| Lift Station | 0 | ea | \$40,000.00 | \$50,000.00 | \$0 | \$0 | | |
| Manhole | 108 | ea | \$5,000.00 | \$7,000.00 | \$542,183 | \$759,057 | | |
| Pearson Corridor | | | | | | | | |
| 6" to 12" Gravity Sewer | 24,335 | lf | \$80.00 | \$100.00 | \$1,946,800 | \$2,433,500 | | |
| 3" Pressure Sewer Line | 4,054 | lf | \$50.00 | \$60.00 | \$202,700 | \$243,240 | | |
| Lift Station | 2 | ea | \$40,000.00 | \$50,000.00 | \$80,000 | \$100,000 | | |
| Manhole | 81 | ea | \$5,000.00 | \$7,000.00 | \$405,583 | \$567,817 | | |
| Clark Corridor | | | | | | | | |
| 6" to 12" Gravity Sewer | 13,695 | lf | \$80.00 | \$100.00 | \$1,095,600 | \$1,369,500 | | |
| 3" Pressure Sewer Line | 2,051 | lf | \$50.00 | \$60.00 | \$102,550 | \$123,060 | | |
| Lift Station | 1 | ea | \$40,000.00 | \$50,000.00 | \$40,000 | \$50,000 | | |
| Manhole | 46 | ea | \$5,000.00 | \$7,000.00 | \$228,250 | \$319,550 | | |
| Collection Subtotal | | | | | \$12,795,647 | \$16,634,123 | | |
| Contingency @ 25% | | | | | \$3,198,912 | \$4,158,531 | | |
| Collection Estimated Cost | | | | | \$15,994,558 | \$20,792,654 | | |
| Collection Average Cost | | | | | \$18,393,606 | | | |
| Conveyance | | | | | | | | |
| Conveyance to Treatment Tuscan Ridge | 16,896 | lf | \$80 | \$100 | \$1,351,680 | \$1,689,600 | | |
| Contingency @ 25% | | | | | \$337,920 | \$422,400 | | |
| Conveyance Estimated Cost | | | | | \$1,689,600 | \$2,112,000 | | |
| Conveyance Average Cost | | | | | \$1,900,800 | | | |
| Tuscan Ridge Collection and Conveyance | | | | | \$17,684,158 | \$22,904,654 | | |
| Tuscan Ridge Collection and Conveyance Average | | | | | \$20,294,406 | | | |

DOWNTOWN COMMUNITY CLUSTER SYSTEM

Preliminary Opinion of Costs

COLLECTION (CHICO)

Updated

Project: Town of Paradise DCCS

| | | Quantity | Units | Unit Cost Range | | Total Cost Range | |
|--|--------|----------|-------------|-----------------|---------------------|---------------------|------|
| Estimated Construction Costs for Conventional Sewer Collection and Conveyance to Treatment (Update Based on Questa Report) and Preliminary Skyway and Clark Road Corridor System 822,000GPD | | | | Low | High | Low | High |
| On Lot Facilities | | | | | | | |
| Pump Existing Septic Tanks ¹ | 1,206 | ea | \$325.00 | \$450.00 | \$391,950 | \$542,700 | |
| Abandon Existing Septic Tanks | 1,206 | ea | \$750.00 | \$1,200.00 | \$904,500 | \$1,447,200 | |
| Reroute Building Plumbing as Necessary | 1,206 | ea | \$400.00 | \$600.00 | \$482,400 | \$723,600 | |
| 4" Service Lateral (unpaved Area) | 30,150 | lf | \$30.00 | \$40.00 | \$904,500 | \$1,206,000 | |
| 4" Service Lateral (paved Area) | 30,150 | lf | \$50.00 | \$60.00 | \$1,507,500 | \$1,809,000 | |
| Collection System | | | | | | | |
| DRA (From Questa Report) | | | | | | | |
| 12" Gravity Sewer - Zone 1 | 3,955 | lf | \$80.00 | \$100.00 | \$316,400 | \$395,500 | |
| 8" Gravity Sewer - Zone 2 | 7,615 | lf | \$80.00 | \$100.00 | \$609,200 | \$761,500 | |
| 8" Gravity Sewer- Deep Trenching - Zone 2 | 1,870 | lf | \$110.00 | \$120.00 | \$205,700 | \$224,400 | |
| 8" Gravity Sewer - Zone 3 | 255 | lf | \$80.00 | \$100.00 | \$20,400 | \$25,500 | |
| 3" Pressure Sewer Line - Zone 3 | 390 | lf | \$50.00 | \$60.00 | \$19,500 | \$23,400 | |
| Lift Station -Zone 3 | 1 | ea | \$40,000.00 | \$50,000.00 | \$40,000 | \$50,000 | |
| Manhole | 29 | ea | \$5,000.00 | \$7,000.00 | \$145,000 | \$203,000 | |
| Clean Outs | 7 | ea | \$350 | \$500 | \$2,450 | \$3,500 | |
| Skyway Corridor | | | | | | | |
| 6" to 12" Gravity Sewer | 32,531 | lf | \$80.00 | \$100.00 | \$2,602,480 | \$3,253,100 | |
| 3" Pressure Sewer Line | 0 | lf | \$50.00 | \$60.00 | \$0 | \$0 | |
| Lift Station | 0 | ea | \$40,000.00 | \$50,000.00 | \$0 | \$0 | |
| Manhole | 108 | ea | \$5,000.00 | \$7,000.00 | \$542,183 | \$759,057 | |
| Pearson Corridor | | | | | | | |
| 6" to 12" Gravity Sewer | 24,335 | lf | \$80.00 | \$100.00 | \$1,946,800 | \$2,433,500 | |
| 3" Pressure Sewer Line | 4,054 | lf | \$50.00 | \$60.00 | \$202,700 | \$243,240 | |
| Lift Station | 2 | ea | \$40,000.00 | \$50,000.00 | \$80,000 | \$100,000 | |
| Manhole | 81 | ea | \$5,000.00 | \$7,000.00 | \$405,583 | \$567,817 | |
| Clark Corridor | | | | | | | |
| 6" to 12" Gravity Sewer | 13,695 | lf | \$80.00 | \$100.00 | \$1,095,600 | \$1,369,500 | |
| 3" Pressure Sewer Line | 2,051 | lf | \$50.00 | \$60.00 | \$102,550 | \$123,060 | |
| Lift Station | 1 | ea | \$40,000.00 | \$50,000.00 | \$40,000 | \$50,000 | |
| Manhole | 46 | ea | \$5,000.00 | \$7,000.00 | \$228,250 | \$319,550 | |
| Equalization | | | | | | | |
| 1,000,000-gal Equalization Tank at Treatment Site | 1 | ea | \$800,000 | \$1,500,000 | \$800,000 | \$1,500,000 | |
| Collection Subtotal | | | | | \$13,595,647 | \$16,634,123 | |
| Contingency @ 25% | | | | | \$3,398,912 | \$4,158,531 | |
| Collection Estimated Cost | | | | | \$16,994,558 | \$20,792,654 | |
| Collection Average Cost | | | | | \$18,893,606 | | |
| Conveyance | | | | | | | |
| Conveyance to City of Chico | 42,240 | lf | \$80 | \$100 | \$3,379,200 | \$4,224,000 | |
| Contingency @ 25% | | | | | \$844,800 | \$1,056,000 | |
| Conveyance Estimated Cost | | | | | \$4,224,000 | \$5,280,000 | |
| Conveyance Average Cost | | | | | \$4,752,000 | | |
| City of Chico Collection and Conveyance | | | | | \$21,218,558 | \$26,072,654 | |
| City of Chico Collection and Conveyance Average | | | | | \$23,645,606 | | |

DOWNTOWN COMMUNITY CLUSTER SYSTEM

Preliminary Opinion of Costs

TREATMENT (MBR) Updated

Project: Town of Paradise DCCS

Design Flow - 848,000 gpd

Phase IV

1,206 Paradise Connections and 165 Tuscan Ridge Connections

Total Connections 1,371

| Quantity Units | Unit Cost Range | | Total Cost Range | |
|----------------|-----------------|------|------------------|------|
| | Low | High | Low | High |

MBR with Septage

Treatment

MBR Equip; Including Membrane, Chem Cleaning, and Controls.

1 ls

\$1,800,000 \$2,500,000 \$1,800,000 \$2,500,000

Headworks, EQ, Solids Management @ 50% MBR Eq

50 %

\$900,000 \$1,250,000

Septage Receiving

1 ls

\$150,000 \$200,000 \$150,000 \$200,000

Disinfection

1 ls

\$260,000 \$350,000 \$260,000 \$350,000

Laboratory Equipment

1 ls

\$100,000 \$125,000 \$100,000 \$125,000

Material Sub Total **\$3,210,000 \$4,425,000**

Sales Tax 8.25% **\$264,825 \$365,063**

Installation @ 150% Equipment Costs 150% **\$4,815,000 \$6,637,500**

Contingency @ 25% of Material Costs **\$802,500 \$1,106,250**

MBR Estimated Treatment Cost **\$9,092,325 \$12,533,813**

MBR Treatment Average Cost **\$10,813,069**

DOWNTOWN COMMUNITY CLUSTER SYSTEM

Preliminary Opinion of Costs

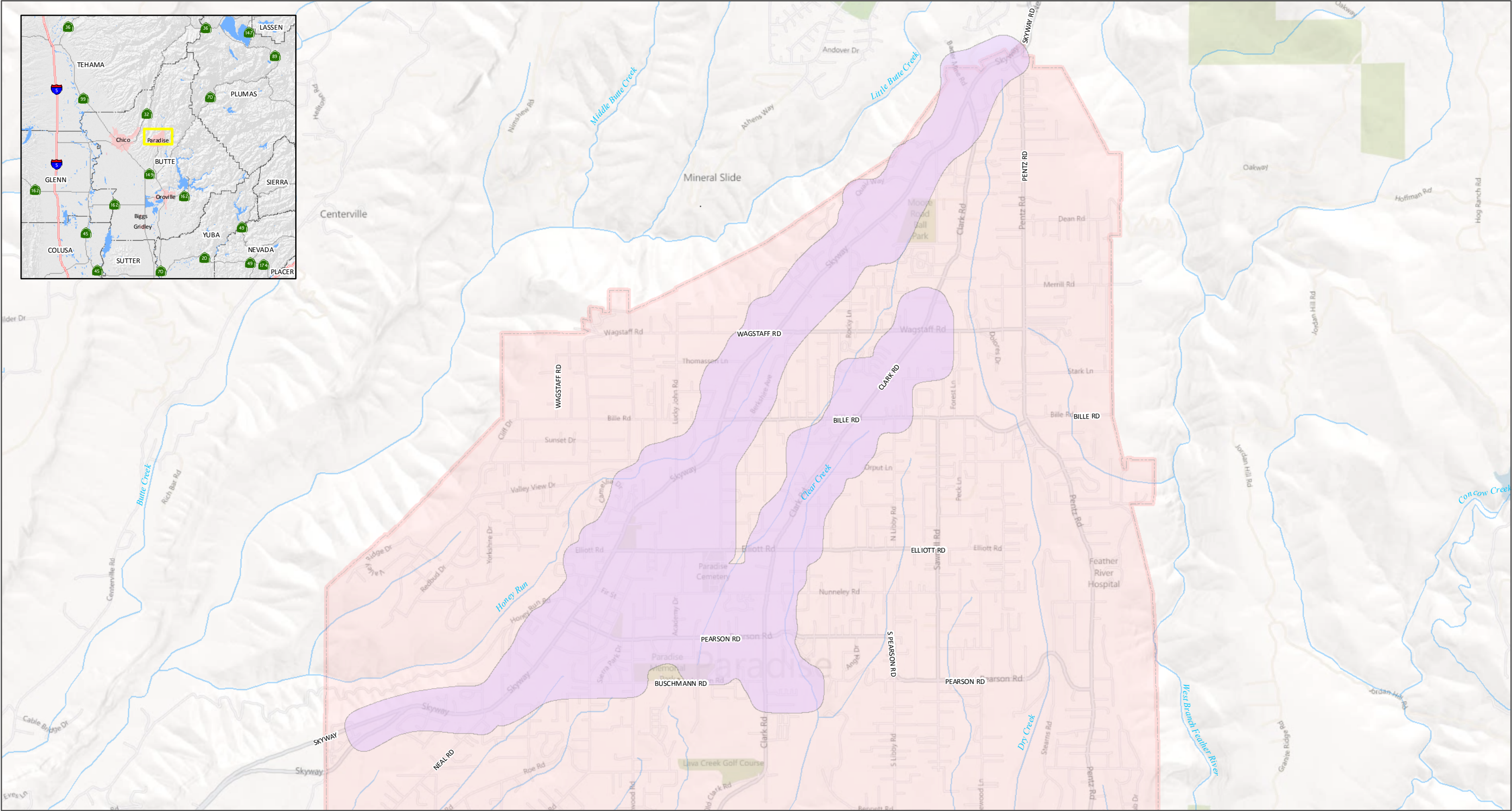
Updated

DISPERSAL (SPRAY)

Project: Town of Paradise DCCS
PHASE IV - 848,000GPD

| | | Quantity | Units | Unit Cost Range | | Total Cost Range | |
|---|--------------|---------------|-------|--------------------------------|-----------------|--------------------|--------------------|
| Year-round Spray and Wet Period Storage (Average Precipitation) | | | | Low | High | Low | High |
| Spray Field | | 235 ac | | | | | |
| Pumping Systems | 10 ea | | | \$20,000 | \$25,000 | \$200,000 | \$250,000 |
| Controls | 1 ls | | | \$50,000 | \$75,000 | \$50,000 | \$75,000 |
| Header Pipe | 21,000 lf | | | \$5 | \$10 | \$105,000 | \$210,000 |
| Sprinkler Line | 240 ac | | | \$1,000 | \$2,000 | \$240,000 | \$480,000 |
| | | | | Material Sub Total | | \$595,000 | \$1,015,000 |
| Sales Tax | | 8.25% | | | | \$49,088 | \$83,738 |
| Installation @20% of Material Costs | | | | | | \$119,000 | \$203,000 |
| | | | | Spray Sub Total | | \$763,088 | \$1,301,738 |
| Pond Surface Area | | 20 ac | | | | | |
| Liner 60Mil Liner (Installed) | 1,045,440 sf | | | \$0.55 | \$0.75 | \$574,992 | \$784,080 |
| Piping | 1 ls | | | \$100,000 | \$200,000 | \$100,000 | \$200,000 |
| Electrical | 1 ls | | | \$60,000 | \$100,000 | \$60,000 | \$100,000 |
| | | | | Pond Material Sub Total | | \$734,992 | \$1,084,080 |
| Earthwork | | | | | | | |
| Mobilization | 1 ls | | | \$10,000 | \$15,000 | \$10,000 | \$15,000 |
| Excavate Pond to Subgrade | 25,129 cy | | | \$16 | \$20 | \$402,069 | \$502,587 |
| Fine Grading | 2 ac | | | \$10,000 | \$15,000 | \$20,000 | \$30,000 |
| Underdrain Construction | 1905 lf | | | \$10 | \$14 | \$19,050 | \$26,670 |
| Liner Anchor Trench | 5,600 lf | | | \$10 | \$14 | \$56,000 | \$78,400 |
| Erosion Control - Seed and Mulch | 5 ac | | | \$2,000 | \$2,500 | \$9,142 | \$11,428 |
| | | | | Earthwork Sub total | | \$516,262 | \$664,085 |
| Land Acquisition | | 0.0 ac | | \$10,000 | \$25,000 | \$0 | \$0 |
| Contingency @ 25% of Material Costs | | | | | | \$332,498 | \$524,770 |
| | | | | Total | | \$2,346,839 | \$3,574,672 |
| | | | | Average Cost | | \$2,960,756 | |

2012 Potential Areas of Service

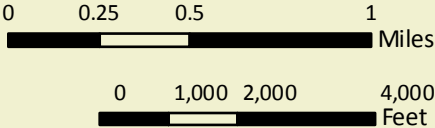


Data Source: Parcels - BCAG, Town of Paradise
Topographic: Microsoft Virtual Earth
Map Date: March 6, 2012



Figure 1

Town of Paradise Limits Potential Areas of Service



NorthStar
ENGINEERING