



TOWN OF PARADISE

5555 SKYWAY • PARADISE, CALIFORNIA 95969-4931
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Redevelopment Agency Staff:

Charles L. Rough, Jr., Executive Director
Lauren Gill, Assistant Executive Director
Joanna Gutierrez, Agency Secretary
Gina Will, Treasurer
Dwight L. Moore, Agency Counsel

Redevelopment Agency

Board of Directors:

Steve "Woody" Culleton, Chairman
Tim Titus, Vice Chairman
Scott Lotter
Joe DiDuca
Alan White

PARADISE REDEVELOPMENT AGENCY AGENDA

SPECIAL MEETING - 3:00 PM - January 30, 2012

In accordance with the Americans with Disabilities Act, if you need a special accommodation to participate, please contact the Town Clerk/Agency Secretary's Dept., at 872-6291 at least 48 hours in advance of the meeting. Hearing assistance devices for the hearing impaired are available from the Town Clerk/Agency Secretary.

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/Agency Secretary 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 within 72 hours of a Regular Meeting will be available for public inspection at the time the subject writing or document is distributed to a majority of the subject body. The information will be available at the Town Hall in the Town Clerk/Agency Secretary's Department at 5555 Skyway, Paradise, California, during regular business hours 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. Call to Order

2. AGENCY CONSENT

Roll call vote will be taken one time for all of the Consent Calendar agenda items.

- 2a. Approve Minutes of the July 5, Regular Meeting; and, the June 28, 2011, August 22, 2011 and the September 15, 2011 Special Meeting Minutes.

3. AGENCY CONSIDERATION

- 3a. Consider: (1) Adopting Resolution No. 12-01, approving a Resolution of the Paradise Redevelopment Agency Adopting a Revised Enforceable Obligation Payment Schedule in Accordance with Assembly Bill No. 1X26; **(ROLL CALL VOTE)** and (2) Adopting Resolution No. 12-02, approving a Resolution of the Paradise Redevelopment Agency Adopting a Revised Recognized Obligation Payment Schedule in accordance with Assembly Bill No. 1X26; **(ROLL CALL VOTE)** and, (3) Authorizing the Executive Director and Agency Treasurer in their capacity as the Town Manager and the Finance Director/Town Treasurer of the Successor Agency of the Town of Paradise to transfer assets, and/or terminate/rename bank accounts in accordance with Assembly Bill No. 1X26; **(ROLL CALL VOTE)** and, (4) Following the Boards review of the Fiscal year 2010-11 audit report, staff recommends that the Board receive and file the Report as submitted.

4. ADJOURNMENT

STATE OF CALIFORNIA) COUNTY OF BUTTE)	SS.
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:	

TOWN/ASSISTANT TOWN CLERK SIGNATURE	

**MINUTES
PARADISE REDEVELOPMENT AGENCY
REGULAR MEETING - July 5, 2011**

The Regular Meeting of the Paradise Redevelopment Agency was called to order by Chairman White at 6:45 p.m. in the Town Hall Council Chambers, located at 5555 Skyway, Paradise, CA following the 6:00 p.m. Regular Town Council meeting.

AGENCY DIRECTORS PRESENT: Steve "Woody" Culleton, Scott Lotter, Tim Titus and Alan White, Chairman.

AGENCY DIRECTORS ABSENT: Joe DiDuca.

STAFF PRESENT: Agency Secretary Gutierrez, Executive Director Rough, Agency Counsel Moore, Assistant Director Gill, and Agency Treasurer Will.

2. AGENCY CONSENT

Agenda Item 2(a): MOTION by Lotter, seconded by Titus, approved the Minutes of the March 1, 2011, Special Meeting. Roll call vote was unanimous with DiDuca absent and not voting.

RDA (MIN) [APPR]
Approved Minutes of the 3/1/11 Regular Council Meeting.

Agenda Item 2(b): MOTION by Lotter, seconded by Titus, adopted Resolution No. 11-02, A Resolution of the Paradise Redevelopment Agency of the Town of Paradise Authorizing Destruction of Certain Records Maintained in the Town Clerk Department Pursuant to Government Code Section 34090. Roll call vote was unanimous with DiDuca absent and not voting.

RDA (RES) [ADOPT] Res No 11-02, Approving Destruction of Certain Records Maintained in the Town Clerk Department. (1310-10-08)

3. AGENCY CONSIDERATION – None.

4. PUBLIC COMMUNICATION – None.

5. CLOSED SESSION – None.

6. ADJOURNMENT

MOTION by Titus seconded by Culleton, adjourned the Redevelopment Agency meeting at 6:50 p.m.

Approved:

Alan White, Chairman

Joanna Gutierrez, CMC, Agency Secretary

**MINUTES
PARADISE REDEVELOPMENT AGENCY
SPECIAL MEETING - JUNE 28, 2011**

The Special Meeting of the Paradise Redevelopment Agency was called to order by Chairman White at 5:25 p.m. in the Town Hall Council Chambers, located at 5555 Skyway, Paradise, CA following the 9:00 a.m. Special Town Council meeting.

AGENCY DIRECTORS PRESENT: Steve “Woody” Culleton, Joe DiDuca, Scott Lotter, Tim Titus and Alan White, Chairman.

AGENCY DIRECTORS ABSENT: None.

STAFF PRESENT: Agency Secretary Gutierrez, Executive Director Rough, Assistant Executive Director Gill, Treasurer Will and Agency Counsel Moore.

2. AGENCY CONSIDERATION

Executive Director Rough reported to Council that the future of redevelopment is uncertain as the State budget has not yet been voted on; that the budget proposes either elimination of redevelopment agencies or the exaction of a certain amount of money out of agencies redevelopment funds across the state; and discussed the potential impacts of this legislation to the Town’s redevelopment agency, if enacted.

Agenda Item 2(c): MOTION by Titus, seconded by Culleton, adopted Resolution No. 11-01, A Resolution of the Paradise Redevelopment Agency Adopting the Final Fiscal Year 2011/2012 Non-Housing and Housing Budgets. Roll call vote was unanimous.

RDA (RES) [APPR] Res. No. 11-1, Adopting Final FY 2011/2012 Non Housing & Housing Budgets. (1330-10-06)

3. ADJOURNMENT

The Redevelopment Agency Special Meeting was adjourned at 5:30 p.m.

Approved:

Alan White, Chairman

Joanna Gutierrez, Agency Secretary

**MINUTES
PARADISE REDEVELOPMENT AGENCY
SPECIAL MEETING – 11:00 A .M. – August 22, 2011**

The Special Meeting of the Paradise Redevelopment Agency of the Town of Paradise was called to order by Vice Chairman Culleton at 11:00 a.m. in the Council Chambers, Town Hall, 5555 Skyway, Paradise, California, followed by the pledge of allegiance to the flag.

REDEVELOPMENT AGENCY DIRECTORS PRESENT: Scott Lotter, Tim Titus and Steve “Woody” Culleton, Vice Chairman.

REDEVELOPMENT AGENCY DIRECTORS ABSENT: Joe DiDuca and Alan White, Chairman.

STAFF PRESENT: Agency Secretary Gutierrez, Executive Director Rough, Agency Counsel Moore, Assistant Executive Director Gill, Agency Treasurer Will, Community Development Director Baker and Police Chief Buzzard.

2. AGENCY CONSIDERATION

Executive Director Rough reported to the Redevelopment Agency Board that it is necessary for the Board to report the amount of the redevelopment agency debt to the State Controller and that the proposed resolution would adopt an Enforceable Obligation Payment Schedule as defined in Health and Safety Code Section 34167 as required by Assembly Bill No 26 (AB1X26). Agency Treasurer Will discussed the payment schedules attached to the resolution and answered questions of the Board members.

Agenda Item 2a: MOTION by Lotter, seconded by Titus, adopted Resolution No. 11-03, A Resolution of the Paradise Redevelopment Agency Adopting an Enforceable Obligation Payment Schedule in Accordance with Assembly Bill No. 26. Roll call vote of those present was unanimous; DiDuca and White absent and not voting.

RDA (RES) [ADOPT]
Res No 11-03,
Enforceable Obligation
Payment Schedule.
(1310-20-03)

3. ADJOURNMENT

The Redevelopment Agency meeting was adjourned at 11:10 a.m.

APPROVED:

Steve “Woody” Culleton, Vice Chairman

Joanna Gutierrez, Agency Secretary

**MINUTES
PARADISE REDEVELOPMENT AGENCY
SPECIAL MEETING - September 15, 2011**

The Special Meeting of the Paradise Redevelopment Agency of the Town of Paradise was called to order by Chairman White at 10:55 a.m. in the Council Chambers, Town Hall, 5555 Skyway, Paradise, California, following the 9:30 a.m. Paradise Town Council Special Meeting.

REDEVELOPMENT AGENCY DIRECTORS PRESENT: Steve "Woody" Culleton, Joe DiDuca, Scott Lotter, Tim Titus and Alan White, Chairman.

REDEVELOPMENT AGENCY DIRECTORS ABSENT: None.

STAFF PRESENT: Agency Secretary Gutierrez, Executive Director Rough, Agency Counsel Moore, Assistant Executive Director Gill and Agency Treasurer Will.

2. AGENCY CONSIDERATION

Agenda Item 2a: MOTION by Titus, seconded by Culleton, adopted Resolution No. 11-04, A Resolution of the Paradise Redevelopment Agency Adopting a Draft Recognized Obligation Payment Schedule in Accordance with Assembly Bill No. 26. (The schedule identifies Agency payment obligations for the 2011/12 fiscal year and specifically for January through June, 2012, and includes the pass through obligations of the Paradise Redevelopment Agency that it has had since its inception). Roll call vote was unanimous.

RDA (RES) [ADOPT]
Obligation Payment
Schedule. (1310-20-03)

3. ADJOURNMENT

Chairman White adjourned the Redevelopment Agency meeting at 11:00 a.m.

APPROVED:

ALAN WHITE, Chairman

JOANNA GUTIERREZ, Agency Secretary



**PARADISE REDEVELOPMENT AGENCY
AGENCY AGENDA REPORT
Date: January 30, 2012**

Agenda Item: 3a

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

Subject: Paradise Redevelopment Agency Dissolution

Council Action Requested:

1. Approve a Resolution of the Paradise Redevelopment Agency Adopting a Revised Enforceable Obligation Payment Schedule in Accordance with Assembly Bill No. 1X26; and
2. Approve a Resolution of the Paradise Redevelopment Agency Adopting a Revised Recognized Obligation Payment Schedule in accordance with Assembly Bill No. 1X26; and
3. Authorize the Executive Director and Agency Treasurer in their capacity as the Town Manager and the Finance Director/Town Treasurer of the Successor Agency of the Town of Paradise to transfer assets, and/or terminate/rename bank accounts in accordance with Assembly Bill No. 1X26; and
4. Following the Boards review of the Fiscal year 2010-11 audit report, staff recommends that the Board receive and file the Report as submitted

Alternatives:

Decline to approve the actions requested.

Background:

As the Paradise Redevelopment Agency Board is aware, the State of California has passed Bill 1X26, and the California Supreme Court has upheld the law that dissolves California Redevelopment Agencies as of January 31, 2012. On January 10, 2012 the Town Council of the Town of Paradise elected to become the Successor Agency of the Paradise Redevelopment Agency.

Discussion:

Instructions and interpretation of Bill No. 1X26 has been perplexing at best, but it is clear that by January 31, 2012 it is in the best interest of the Successor Agency for the Paradise Redevelopment Agency to amend the Enforceable Obligation Payment Schedule and the Recognized Obligation Payment Schedule in order to insure that appropriate funds can be forwarded to the Successor Agency in order to pay obligations that are due through June 30, 2012. These obligations are clearly defined on the schedule attached. If adopted, these schedules will be sent to Butte County Auditor and to the California Department of Finance, and will also be posted on the Town of Paradise Successor Agency website in order to further document these obligations.

Further, it is clear that all assets of the Paradise Redevelopment Agency should be inventoried and properly accounted for. The Town Attorney and the majority of city attorneys have determined that as a matter of law all assets will automatically transfer to the Town of Paradise as Successor Agency to the Paradise Redevelopment Agency on February 1, 2012. As a

precaution, it is requested that authority be given to the Town Manger and the Finance Director/Town Treasurer to take whatever action necessary to ensure that these assets are properly transferred in accordance with Bill No. 1X26. These assets include, but may not be limited to the following:

Properties:

052-222-015 786,790, and 794 Birch Street
052-223-027 5456 Black Olive Drive
052-225-019 176 Pearson Road

Bank Accounts:

Paradise Redevelopment Agency Housing	Wells Fargo Bank	xxxxxx0309
Paradise Redevelopment Agency Non-Housing	Wells Fargo Bank	xxxxxx0572
Paradise Redevelopment Agency	LAIF	xxx4004

Revolving Loans:

Paradise Redevelopment Agency Housing
Paradise Redevelopment Agency Non-Housing

Please refer to Management’s Discussion and Analysis within the 2010/11 audited financial statements of the Paradise Redevelopment Agency for staff’s summary and comments on the Agency’s financial activities for the year.

FINANCIAL IMPACT:

There is no additional financial obligation created by adopting these payment schedules or by taking these actions. They are created only to summarize the obligations for the Successor Agency which are separate from the debt obligations of the Town of Paradise.

**PARADISE REDEVELOPMENT AGENCY
RESOLUTION NO. 12-___**

**A RESOLUTION OF THE PARADISE REDEVELOPMENT AGENCY
ADOPTING A REVISED ENFORCEABLE OBLIGATION PAYMENT SCHEDULE
IN ACCORDANCE WITH ASSEMBLY BILL NO. 1X26**

WHEREAS, Assembly Bill No. 26 (AB1X26) requires California Redevelopment Agencies to adopt an enforceable obligation payment schedule as defined in Health and Safety Code section 34167; and

WHEREAS, on August 22, 2011, the Paradise Redevelopment Board of Directors adopted an Enforceable Obligation Payment Schedule; and

WHEREAS, the Executive Director has had the Treasurer prepare a revised Enforceable Obligation Payment Schedule for review and adoption by the Paradise Redevelopment Board of Directors.

NOW, THEREFORE, BE IT RESOLVED BY THE PARADISE REDEVELOPMENT BOARD OF DIRECTORS OF THE TOWN OF PARADISE as follows:

Section 1. The Paradise Redevelopment Board of Directors hereby approves and adopts the revised Enforceable Obligation Payment Schedule attached as Exhibit “A”.

Section 2. The Executive Director or designee is authorized to take all necessary actions to comply with the laws applicable to the revised Enforceable Obligation Payment Schedule.

Section 3. All accounts of the Paradise Redevelopment Agency shall be transferred to the Successor Agency in accordance with AB1X26.

PASSED AND ADOPTED by the Paradise Redevelopment Agency at a meeting on January ___, 2012, by the following vote:

AYES:

NOES:

ABSENT:

NOT VOTING:

Steve “Woody” Culleton, Chairperson

ATTEST:

APPROVED AS TO FORM:

JOANNA GUTIERREZ, Agency Secretary

DWIGHT L. MOORE, Agency Counsel

OTHER OBLIGATION PAYMENT SCHEDULE
Per AB 26 - Section 34167 and 34169

	Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Payments by month						
						Jan	Feb	Mar	Apr	May	June	Total
1)	Pass Through Agreement	BUTTE COUNTY--GENERAL	Pass Through Obligation - Tier 1	13,930.24	13,930.24				6,965.12			\$ 6,965.12
2)	Pass Through Agreement	BUTTE COUNTY--WELFARE	Pass Through Obligation - Tier 1	5,350.49	5,350.49				2,675.25			\$ 2,675.25
3)	Pass Through Agreement	BUTTE COUNTY--LIBRARY	Pass Through Obligation - Tier 1	1,477.76	1,477.76				738.88			\$ 738.88
4)	Pass Through Agreement	KIMSHEW CEMETERY	Pass Through Obligation - Tier 1	0.00	0.00				0.00			\$ -
5)	Pass Through Agreement	PARADISE CEMETERY	Pass Through Obligation - Tier 1	1,161.22	1,161.22				580.61			\$ 580.61
6)	Pass Through Agreement	BUTTE MOSQUITO ABATEMENT DIST.	Pass Through Obligation - Tier 1	1,503.91	1,503.91				751.96			\$ 751.96
7)	Pass Through Agreement	PARADISE PARK & RECREATION	Pass Through Obligation - Tier 1	5,453.21	5,453.21				2,726.61			\$ 2,726.61
8)	Pass Through Agreement	PARADISE UNIFIED SCHOOL	Pass Through Obligation - Tier 1	36,747.15	36,747.15				18,373.58			\$ 18,373.58
9)	Pass Through Agreement	BUTTE COUNTY SCHOOLS	Pass Through Obligation - Tier 1	4,507.72	4,507.72				2,253.86			\$ 2,253.86
10)	Pass Through Agreement	BUTTE COMMUNITY COLLEGE	Pass Through Obligation - Tier 1	7,194.35	7,194.35				3,597.18			\$ 3,597.18
11)	Pass Through Agreement	TOWN OF PARADISE	Pass Through Obligation - Tier 1	26,420.11	26,420.11				13,210.06			\$ 13,210.06
12)	Pass Through Agreement	PARADISE IRRIGATION	Pass Through Obligation - Tier 1	2,155.64	2,155.64				1,077.82			\$ 1,077.82
13)												\$ -
14)												\$ -
15)												\$ -
16)												\$ -
17)												\$ -
18)												\$ -
19)												\$ -
20)												\$ -
21)												\$ -
22)												\$ -
23)												\$ -
24)												\$ -
25)												\$ -
26)												\$ -
27)												\$ -
28)												\$ -
Totals - Other Obligations				\$ 105,901.80	\$ 105,901.80	\$ -	\$ -	\$ -	\$ 52,950.93	\$ -		\$ 52,950.93

** Include only payments to be made after the adoption of the EOPS.

*** All payment amounts are estimates

ENFORCEABLE OBLIGATION PAYMENT SCHEDULE

Per AB 26 - Section 34167 and 34169

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation as of 1/1/12	Total Due During Fiscal Year	Payments by month						
					Jan**	Feb	Mar	April	May	June	Total
1) 2006 Tax Allocation Note	Wells Fargo Bank	Note issued to fund CIPs	1,300,000.00	63,675.00						31,837.50	\$ 31,837.50
2) 2009 Tax Allocation Bond	Wells Fargo Bank	Issued to refinance 2003 & 2005 Notes	4,480,000.00	262,855.00						131,427.50	\$131,427.50
3) Land Purchase	Jeffords	Purchase of 5456 Black Olive	96,779.85	17,201.76	1,433.48	1,433.48	1,433.48	1,433.48	1,433.48	1,433.48	\$ 8,600.88
4) Land Purchase	Sweeney	Purchase of 174 Pearson	0.00	5,197.30							\$ -
5) Town Loan #4 dated 03/21/07	Town of Paradise	Administration Expense Loan	43,315.72	45,264.93			45,264.93				\$ 45,264.93
6) Town Loan #5 dated 07/01/10	Town of Paradise	Administration Expense Loan	537,392.13	149,794.64						149,794.64	\$149,794.64
7) Town Loan #6 dated 03/01/11	Town of Paradise	Administration Expense Loan	479,613.00	109,251.83			109,251.83				\$109,251.83
8) Contract for audit services	Moss, Levy, Hartzheim	2010/11 Audit	1,328.00	6,128.00		1,328.00					\$ 1,328.00
9) Bond & Note Admin Fees	Wells Fargo Bank	Administration Fees	0.00	4,000.00							\$ -
10) Internal Service Costs	Town of Paradise	Insurance, utilities, etc - Admin Fees	1,988.52	5,527.00	331.42	331.42	331.42	331.42	331.42	331.42	\$ 1,988.52
11) Administration Fees	Town of Paradise	5/12 Administration Fees	100,850.15	100,850.15		100,850.15					\$100,850.15
12)											\$ -
13)											\$ -
14)											\$ -
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27)											\$ -
28)											\$ -
29)											\$ -
30)											\$ -
Totals - This Page			\$ 7,041,267.37	\$ 769,745.61	\$ 1,764.90	\$ 103,943.05	\$ 156,281.66	\$ 1,764.90	\$ 1,764.90	\$ 314,824.54	\$580,343.95
Totals - Page 2			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals - Page 3			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals - Page 4			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals - Other Obligations			\$ 52,950.93	\$ 105,901.80	\$ -	\$ -	\$ -	\$ 52,950.93	\$ -	\$ -	\$ 52,950.93
Grand total - All Pages			\$ 7,094,218.30	\$ 875,647.41	\$ 1,764.90	\$ 103,943.05	\$ 156,281.66	\$ 54,715.83	\$ 1,764.90	\$ 314,824.54	\$633,294.88

**PARADISE REDEVELOPMENT AGENCY
RESOLUTION NO. 12-___**

**A RESOLUTION OF THE PARADISE REDEVELOPMENT AGENCY
ADOPTING A REVISED RECOGNIZED OBLIGATION PAYMENT SCHEDULE
IN ACCORDANCE WITH ASSEMBLY BILL NO. 1X26**

WHEREAS, Assembly Bill No. 26 (AB1X26) requires California Redevelopment Agencies to prepare a recognized obligation payment schedule as defined in Health and Safety Code section 34169; and

WHEREAS, on September 15, 2011, the Paradise Redevelopment Board of Directors adopted a draft Recognized Obligation Payment Schedule; and

WHEREAS, the Executive Director has had the Treasurer prepare a revised draft Recognized Obligation Payment Schedule for review and adoption by the Paradise Redevelopment Board of Directors.

NOW, THEREFORE, BE IT RESOLVED BY THE PARADISE REDEVELOPMENT BOARD OF DIRECTORS OF THE TOWN OF PARADISE as follows:

Section 1. The Paradise Redevelopment Board of Directors hereby approves and adopts the revised Recognized Obligation Payment Schedule attached as Exhibit "A".

Section 2. The Executive Director or designee is authorized to take all necessary actions to comply with the laws applicable to the revised Recognized Obligation Payment Schedule.

Section 3. The revised Recognized Obligation Payment Schedule shall be provided to the Successor Agency in accordance with AB1X26.

PASSED AND ADOPTED by the Paradise Redevelopment Agency at a meeting on January ___, 2012, by the following vote:

AYES:

NOES:

ABSENT:

NOT VOTING:

Steve "Woody" Culleton, Chairperson

ATTEST:

APPROVED AS TO FORM:

JOANNA GUTIERREZ, Agency Secretary

DWIGHT L. MOORE, Agency Counsel

RECOGNIZED OBLIGATION PAYMENT SCHEDULE
 Per AB 1X 26 - 27

Project Name / Debt Obligation	Payee	Description	Payment Source	Total Outstanding Debt or Obligation as of 1/1/12	Total Due During Fiscal Year	Payments by month						Total
						Jan	Feb	Mar	Apr	May	June	
1) 2006 Tax Allocation Note	Wells Fargo Bank	Note issued to fund CIPs	Redevelopment Property Tax Trust Fund (formerly tax increment) & Low and Moderate Income Housing Fund	1,300,000.00	63,675.00						31,837.50	\$ 31,837.50
2) 2009 Tax Allocation Bond	Wells Fargo Bank	Issued to refinance 2003 & 2005 Notes	Redevelopment Property Tax Trust Fund (formerly tax increment) & Low and Moderate Income Housing Fund	4,480,000.00	262,855.00						131,427.50	\$131,427.50
3) Land Purchase	Jeffords	Purchase of 5456 Black O	Redevelopment Property Tax Trust Fund (formerly tax increment)	96,779.85	17,201.76	1,433.48	1,433.48	1,433.48	1,433.48	1,433.48	1,433.48	\$ 8,600.88
4) Land Purchase	Sweeney	Purchase of 174 Pearson	Redevelopment Property Tax Trust Fund (formerly tax increment)	0.00	5,197.30							\$ -
5) Town Loan #4 dated 03/21/07	Town of Paradise	Administration Expense	Redevelopment Property Tax Trust Fund (formerly tax increment)	43,315.72	45,264.93			45,264.93				\$ 45,264.93
6) Town Loan #5 dated 07/01/10	Town of Paradise	Administration Expense	Redevelopment Property Tax Trust Fund (formerly tax increment)	537,392.13	149,794.64						149,794.64	\$149,794.64
7) Town Loan #6 dated 03/01/11	Town of Paradise	Administration Expense	Redevelopment Property Tax Trust Fund (formerly tax increment)	479,613.00	109,251.83			109,251.83				\$109,251.83
8) Contract for audit services	Moss, Levy, Hartzheim	2010/11 Audit	Administrative Cost Allowance	1,328.00	6,128.00		1,328.00					\$ 1,328.00
9) Bond & Note Admin Fees	Wells Fargo Bank	Administration Fees	Administrative Cost Allowance	0.00	4,000.00							\$ -
10) Internal Service Costs	Town of Paradise	Insurance, utilities, etc	Administrative Cost Allowance	1,988.52	5,527.00	331.42	331.42	331.42	331.42	331.42	331.42	\$ 1,988.52
11) Administration Fees	Town of Paradise	5/12 Administration Fees	Administrative Cost Allowance	100,850.15	100,850.15		100,850.15					\$100,850.15
12)												\$ -
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29)												\$ -
30)												\$ -
Totals - This Page				\$ 7,041,267.37	\$ 769,745.61	\$ 1,764.90	\$ 103,943.05	\$ 156,281.66	\$ 1,764.90	\$ 1,764.90	\$ 314,824.54	\$580,343.95
Totals - Page 2				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals - Page 3				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals - Page 4				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals - Other Obligations				\$ 52,950.93	\$ 105,901.80	\$ -	\$ -	\$ -	\$ 52,950.93	\$ -	\$ -	\$ 52,950.93
Grand total - All Pages				\$ 7,094,218.30	\$ 875,647.41	\$ 1,764.90	\$ 103,943.05	\$ 156,281.66	\$ 54,715.83	\$ 1,764.90	\$ 314,824.54	\$633,294.88

RECOGNIZED OBLIGATION PAYMENT SCHEDULE***
OTHER OBLIGATIONS
 Per AB 1X 26 - 27

	Project Name / Debt Obligation	Payee	Description	Payment Source	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011/12	Payments by month						
							Jan	Feb	Mar	Apr	May	June	Total
1)	Pass Through Agreement	BUTTE COUNTY--GENERAL	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	6,965.12	13,930.24				6,965.12		\$ 6,965.12	
2)	Pass Through Agreement	BUTTE COUNTY--WELFARE	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	2,675.25	5,350.49				2,675.25		\$ 2,675.25	
3)	Pass Through Agreement	BUTTE COUNTY--LIBRARY	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	738.88	1,477.76				738.88		\$ 738.88	
4)	Pass Through Agreement	KIMSHEW CEMETERY	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	0.00	0.00				0.00		\$ -	
5)	Pass Through Agreement	PARADISE CEMETERY	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	580.61	1,161.22				580.61		\$ 580.61	
6)	Pass Through Agreement	BUTTE MOSQUITO ABATEMENT DIST.	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	751.96	1,503.91				751.96		\$ 751.96	
7)	Pass Through Agreement	PARADISE PARK & RECREATION	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	2,726.61	5,453.21				2,726.61		\$ 2,726.61	
8)	Pass Through Agreement	PARADISE UNIFIED SCHOOL	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	18,373.58	36,747.15				18,373.58		\$ 18,373.58	
9)	Pass Through Agreement	BUTTE COUNTY SCHOOLS	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	2,253.86	4,507.72				2,253.86		\$ 2,253.86	
10)	Pass Through Agreement	BUTTE COMMUNITY COLLEGE	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	3,597.18	7,194.35				3,597.18		\$ 3,597.18	
11)	Pass Through Agreement	TOWN OF PARADISE	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	13,210.06	26,420.11				13,210.06		\$ 13,210.06	
12)	Pass Through Agreement	PARADISE IRRIGATION	Pass Through Obligation - Tier 1	Redevelopment Property Tax Trust Fund (formerly tax increment)	1,077.82	2,155.64				1,077.82		\$ 1,077.82	
13)												\$ -	
14)												\$ -	
15)												\$ -	
16)												\$ -	
17)												\$ -	
18)												\$ -	
19)												\$ -	
20)												\$ -	
21)												\$ -	
22)												\$ -	
23)												\$ -	
24)												\$ -	
25)												\$ -	
26)												\$ -	
27)												\$ -	
28)												\$ -	
Totals - Other Obligations					\$ 52,950.93	\$ 105,901.80	\$ -	\$ -	\$ -	\$ 52,950.93	\$ -	\$ -	\$ 52,950.93

*** All payment amounts are estimates

**THE REDEVELOPMENT AGENCY
OF THE TOWN OF PARADISE**

BASIC FINANCIAL STATEMENTS

June 30, 2011

**THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
 BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011**

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets..... 8

Statement of Activities..... 9

Fund Financial Statements:

Balance Sheet – Governmental Funds 10

Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets 11

Statement of Revenues, Expenditures, and Changes in Fund
 Balances – Governmental Funds..... 12

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities 13

Notes to Basic Financial Statements..... 14

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual – Low/Moderate Income Housing Special Revenue Fund 31

Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual – Redevelopment Agency Special Revenue Fund..... 32

Other Supplementary Information

Computation of Low and Moderate Income Housing Fund Excess Surplus..... 34

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*** 35

Independent Auditor’s Report on California Redevelopment Agencies Compliance 37

Schedule of Findings 39



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INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board
The Redevelopment Agency of the Town of Paradise
Town of Paradise, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the Town of Paradise (Agency), a component unit of the Town of Paradise (Town), California, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency'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 as to 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 and each major fund of the Agency as of June 30, 2011, and the respective changes in financial position, thereof, for the fiscal year ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to the basic financial statements effective July 1, 2010, the Agency adopted the provisions of 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 December 20, 2011, on our consideration of the Agency'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 pages 3 through 7 and the budgetary comparison schedules of the Low/Moderate Income Housing Special Revenue Fund and the Redevelopment Agency Special Revenue Fund on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The Computation of Low and Moderate Income Housing Fund Excess Surplus is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Computation of Low and Moderate Income Housing Fund Excess Surplus is the responsibility of management and was derived from and relates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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, California
December 20, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- ✓ Agency tax increment (property taxes) decreased 8 percent
- ✓ Net Assets decreased \$263,753 or 4.3 percent
- ✓ Total long-term debt increased \$166,125 or 2.2 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 Agency as a whole and present a longer-term view of the Agency'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 Agency's operations in more detail than the government-wide statements by providing information about the Agency's most significant funds.

REPORTING THE AGENCY AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the Agency 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.

The Agency's assets decreased 6.1 percent or \$92,874 to \$1.4 million, and overall the Agency's total net assets decreased by \$263,753 or 4.3 percent from a year ago. Long-term debt increased by 2.2 percent and while debt due in more than one year decreased slightly, debt due in one year increased \$228,260. Table 1 below shows a summary of the Net Assets.

**Table 1
Net Assets**

	Governmental Activities	
	2011	2010
Current and other assets	\$1,062,828	\$1,155,702
Capital assets	<u>361,905</u>	<u>361,905</u>
Total Assets	<u>1,424,733</u>	<u>1,517,607</u>
Long term liabilities (due in more than one year)	(7,403,625)	(7,465,760)
Other liabilities	<u>(362,548)</u>	<u>(129,534)</u>
Total liabilities	<u>(7,766,173)</u>	<u>(7,595,294)</u>
Net Assets:		
Restricted for debt service	308,580	357,170
Restricted for low/moderate income housing	504,235	540,623
Unrestricted	<u>(7,154,255)</u>	<u>(6,975,480)</u>
Total Net Assets	<u>\$(6,341,440)</u>	<u>\$(6,077,687)</u>

Property Tax revenues for the Agency fell 8 percent compared to the prior year. While community development activities were cut back 57 percent, total net assets continue to decrease as expenses and obligations exceed revenues and assets. Table 2 below shows another perspective of the net assets of the Agency.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2011	2010
Revenues		
General Revenues:		
Property taxes	\$417,479	\$453,693
Use of money and property	299	625
Other revenues	<u>2,850</u>	<u>1,994</u>
Total Revenues	<u>420,628</u>	<u>456,312</u>
Program expenses		
Community development	231,394	536,924
Interest and fiscal charges	<u>397,555</u>	<u>357,577</u>
Total Expenses	<u>628,949</u>	<u>894,501</u>
Excess (deficiency) before transfers	(208,321)	(438,189)
Transfers	<u>(55,432)</u>	<u>(130,750)</u>
Increase (decrease) in net assets	<u>\$(263,753)</u>	<u>\$(568,939)</u>

THE AGENCY'S FUNDS

The Agency has two major government funds. The Low/Moderate Income Housing Special Revenue Fund accounts for the activities related to low-and moderate income housing projects. The Redevelopment Agency Special Revenue Fund accounts for other redevelopment activities. As illustrated by table 3 below, revenues through tax increment property taxes are decreasing for both funds. Also, it is apparent that management curtailed the expenses for both funds through reduced projects. Even after curtailing activities, fund balances for the funds decreased 39% to \$60,495 and 1% to \$367,096 for the Low/Moderate Income Housing Fund and the Redevelopment Agency Fund respectively. It should be noted that the Redevelopment Agency Fund includes the accounting for the issuance of a \$4.48 million bond in 2010 in essence used to refinance and retire \$1.6 million and \$2.3 million notes of the Agency.

Table 3
Changes in Fund Balances – Governmental Funds

	Low/Moderate Income Housing Special Revenue Fund		Redevelopment Agency Special Revenue Fund	
	2011	2010	2011	2010
Revenues:				
Property taxes	\$83,496	\$90,739	\$333,983	\$362,954
Use of money and property	164	176	135	449
Other revenues		17,454	9,261	9,875
Total Revenues	83,660	108,369	343,379	373,278
Expenditures:				
Community development	52,517	111,442	182,345	436,132
Debt service:				
Principal			313,279	4,170,948
Cost of issuance				134,279
Interest and fiscal charges	65,300	60,260	278,288	251,284
Total Expenditures	117,817	171,702	773,912	4,992,643
Excess (deficiency) before other financing sources	(34,157)	(63,333)	(430,533)	(4,619,365)
Other Financing Sources (Uses)				
Proceeds from issuance of debt			479,613	5,137,595
Original issue discount				(109,575)
Transfers in from Town of Paradise		244		307
Transfers out to Town of Paradise	(4,328)	(5,341)	(51,104)	(125,960)
Net Change in Fund Balances	(38,485)	(68,430)	(2,024)	283,002
Beginning fund balance	98,980	167,410	369,120	86,118
Ending fund balance	<u>\$60,495</u>	<u>\$98,980</u>	<u>\$367,096</u>	<u>\$369,120</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

There was no change in capital assets from 2010 to 2011. The Agency continues to have land holdings valued at \$361,905.

Debt

At fiscal year end, the Agency had \$7.7 million in notes, bonds, advances, and compensated absences compared to \$7.5 million the prior fiscal year, a modest 2.2 percent increase. Amounts due within one year jumped from \$58,623 to \$286,883. It should be noted however, that the majority of this marked increase are amounts owed to the Town of Paradise and, if necessary, these commitments to the Town can be restructured.

Table 4
Outstanding Debt at Fiscal Year-end

	2011		2010	
	Total long-term debt	Amount due within one year	Total long-term debt	Amount due within one year
Notes payable to Town of Paradise	\$1,180,524	\$251,188	\$742,361	41,450
Notes payable to other	1,406,514	14,545	1,426,946	20,432
Bonds payable	4,480,000		4,480,000	
Original Issue Discount	(104,008)	(3,259)	(107,267)	(3,259)
Advances from the Town	699,248		950,645	
Compensated absences	<u>28,230</u>	<u>24,409</u>	<u>31,698</u>	
Total Liabilities	\$7,690,508	\$286,883	\$7,524,383	\$58,623

NEXT YEAR'S BUDGET AND ASSUMPTIONS

The Agency is truly in a state of limbo for the 2011/12 fiscal year. In June of 2011 the California State Legislature passed legislation to eliminate redevelopment agencies or require that annually an agency pay a portion of the tax increment revenues back to the State in order to continue redevelopment projects. The constitutionality of this legislation has been questioned by redevelopment agencies and a lawsuit is currently pending with the California Supreme Court which will decide the fate of redevelopment agencies statewide. The Supreme Court has promised a decision by mid January 2012.

The Agency has completed some preliminary analysis using the assumption that the Agency could be allowed to continue by paying a portion of its tax increment revenues to the State. With as little as a 2 percent average increase in tax increment revenues from now until the end of the Agency's life,

calculations show that there would be additional funds available for redevelopment projects over and above debt service and State obligations. Since inception, the Agency has averaged an over 23 percent increase in tax revenue. As such, if allowed, the Agency will likely enact the required ordinance to continue.

With economic recovery still lagging in the community, the Agency recognized that tax increment through property taxes would likely decrease again in 2011/12. Therefore, the Agency has decreased revenues in the 2011/12 budget. The Agency has also suspended all projects for the near future. All staff time and salaries have been eliminated from the budget. Staff is completing essential reporting and debt service activities only. Again, the Agency is focusing on debt service only during 2011/12 in order to stretch decreasing tax increment receipts as far as it will go.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

	Governmental Activities
Cash and investments	\$ 65,002
Cash and investments with fiscal agents	372,982
Interest receivable	3
Loans receivable	450,493
Deferred charges - net of accumulated amortization	174,348
Capital assets - not being depreciated	361,905
Total Assets	1,424,733

LIABILITIES

Accounts payable	5,140
Accrued payroll	5,256
Interest payable	65,269
Long-term debt:	
Due in one year	286,883
Due in more than one year	7,403,625
Total Liabilities	7,766,173

NET ASSETS

Restricted for:	
Debt service	308,580
Low/moderate income housing	504,235
Unrestricted	(7,154,255)
Total Net Assets (Deficit)	\$ (6,341,440)

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

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Expenses:					
Community development	\$ (231,394)	\$ -	\$ -	\$ -	\$ (231,394)
Interest and fiscal charges	(397,555)				(397,555)
Total Governmental Activities	\$ (628,949)	\$ -	\$ -	\$ -	(628,949)
General Revenues:					
Property taxes					417,479
Use of money and property					299
Other revenues					2,850
Transfers to the Town of Paradise					<u>(55,432)</u>
Total General Revenues and Transfers					<u>365,196</u>
Change in Net Assets					(263,753)
Net Assets (Deficit) - Beginning					<u>(6,077,687)</u>
Net Assets (Deficit) - Ending					<u>\$ (6,341,440)</u>

**THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	Low/Moderate Income Housing Special Revenue Fund	Redevelopment Agency Special Revenue Fund	Totals
ASSETS			
Cash and investments	\$ 62,260	\$ 2,742	\$ 65,002
Cash and investments with fiscal agents		372,982	372,982
Interest receivable		3	3
Loans receivable	443,740	6,753	450,493
Total Assets	\$ 506,000	\$ 382,480	\$ 888,480
LIABILITIES			
Accounts payable	\$ 824	\$ 4,316	\$ 5,140
Accrued payroll	941	4,315	5,256
Deferred revenue	443,740	6,753	450,493
Total Liabilities	445,505	15,384	460,889
FUND BALANCES			
Restricted	60,495	367,096	427,591
Total Fund Balances	60,495	367,096	427,591
Total Liabilities and Fund Balances	\$ 506,000	\$ 382,480	\$ 888,480

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

FUND BALANCES - GOVERNMENTAL FUNDS	\$	427,591
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds Balance Sheet because of the following:</p>		
Loans receivable are not available to pay for current period expenditures and therefore, are offset by deferred revenue in the governmental funds.		450,493
Capital assets used in Governmental Activities are not current assets or financial resources and therefore, are not reported in the Governmental Funds Balance Sheet. Capital assets at historical cost		361,905
Deferred charges represent costs associated with the issuance of long-term debt, which is deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures in governmental funds during the year of issuance.		174,348
<p>The liabilities below are not due and payable in the current period and therefore, are not reported in the Governmental Funds Balance Sheet:</p>		
Accrued interest on long term obligations		(65,269)
Advances from the Town of Paradise		(699,248)
Notes payable		(2,587,038)
Bonds payable, net of original issue discount		(4,375,992)
Compensated absences		(28,230)
		<hr style="border-top: 1px solid black;"/>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(6,341,440)</u>

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

	Low/Moderate Income Housing Special Revenue Fund	Redevelopment Agency Special Revenue Fund	Totals
REVENUES			
Property taxes	\$ 83,496	\$ 333,983	\$ 417,479
Use of money and property	164	135	299
Other revenues		9,261	9,261
Total Revenues	83,660	343,379	427,039
EXPENDITURES			
Current:			
Community development	52,517	182,345	234,862
Debt service:			
Principal		313,279	313,279
Interest and fiscal charges	65,300	278,288	343,588
Total Expenditures	117,817	773,912	891,729
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,157)	(430,533)	(464,690)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt		479,613	479,613
Transfers out to Town of Paradise	(4,328)	(51,104)	(55,432)
Total Other Financing Sources (Uses)	(4,328)	428,509	424,181
NET CHANGE IN FUND BALANCES	(38,485)	(2,024)	(40,509)
FUND BALANCES, JULY 1, 2010	98,980	369,120	468,100
FUND BALANCES, JUNE 30, 2011	\$ 60,495	\$ 367,096	\$ 427,591

**THE REDEVELOPMENT AGENCY OF THE 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 Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES \$ (40,509)

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:

Loans receivable issued are an expenditure and principal on loans receivable received is a revenue in the governmental funds. However, in the government-wide statements, these transactions increase or decrease the loans receivable.

Principal payment received (6,411)

Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the net change in compensated absences for the current period.

3,468

Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period.

(38,058)

Debt proceeds provide current financial resources to 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 in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of debt principal is an expenditure in the governmental funds, but in the Statement of Net Assets, the repayment reduces long-term liabilities.

Proceeds from issuance of debt (net of original issue discount)	\$ (479,613)	
Amortization of issuance costs not reported in governmental funds	(12,650)	
Repayment of long-term debt (net of original issue discount)	310,020	(182,243)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (263,753)

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Description and Significant Accounting Policies

A. Description of the Redevelopment Agency and Redevelopment Plan

The Redevelopment Agency of the Town of Paradise (Agency) was formed under the provisions of the Community Redevelopment Law (California Health and Safety Code).

The Agency is an integral part of the Town of Paradise (Town) and, accordingly, the accompanying financial statements are included as a component of the basic financial statements of the Town.

The financial statements of the Redevelopment Agency of the Town of Paradise have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's 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 and (b) grants and contributions that are restricted to meeting the operational needs of a particular program. 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 Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on each major individual fund, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the Agency's major governmental funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of the grand total of all fund types excluding fiduciary funds. The Agency has determined that all its funds are major funds.

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

Low/Moderate Income Housing Special Revenue Fund – This fund accounts for the portion of Agency and County tax increment funds received for redevelopment related purposes and set aside for low-and-moderate income housing.

Redevelopment Agency Special Revenue Fund – This fund accounts for property tax increments and expenditures related to redevelopment.

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Description and Significant Accounting Policies (Continued)

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and 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.

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 Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after 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 Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is 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.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

E. Accounting Policies

Revenue

The Agency's primary source of revenue is property taxes which are allocated to the Agency in the following manner:

- a. The assessed valuation of all property in the project area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment roll.
- b. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the Town and other districts receiving taxes from the project area.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 – Description and Significant Accounting Policies (Continued)

E. Accounting Policies (Continued)

Revenue (Continued)

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the Town. Conversely, any increase in the tax rate or assessed calculation or any elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the Town.

The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the Town, the State and Federal Government, interest income, and the issuance of Agency debt.

Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

The California Community Redevelopment Law provides that assessed valuations of a redevelopment project are, in effect, frozen at the level existing when the redevelopment plan is adopted, and all property taxes produced from this valuation continue to flow to all public agencies levying taxes on property in the project. Taxes produced from any increases in the assessed valuation of a project over the “frozen base” may be allocated to a redevelopment agency to pay or repay costs incurred on behalf of the project. The assessed valuation of a project may be temporarily or permanently reduced below the frozen base as a result of ownership of property by a redevelopment agency pending resale to a developer (temporary), or because permanent reduction of the assessed valuation will cause a concurrent reduction of the frozen base so that the production of tax increment from new development will not be impaired.

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 REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Description and Significant Accounting Policies (Continued)

E. Accounting Policies (Continued)

Property Taxes (Continued)

The Agency adopted an alternative method of property tax distribution (the “Teeter Plan”). Under this method, the Agency receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The Agency 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.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA.

Formal budgetary integration is employed as a management control device.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Amortization of Debt Expenses and Related Discounts (Deferred Charges)

The cost of issuance of debt and related discount is being amortized on the straight line method over the life of the debt on the government-wide statements.

I. Capital Assets

The Agency’s capital assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair value when received.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation of all capital assets is charged as an expense against operations each fiscal year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net assets as a reduction in the book value of capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital asset constructed, net of interest earned on the invested proceeds over the same period.

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Description and Significant Accounting Policies (Continued)

J. Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the Agency has established a liability for accrued sick leave and vacation in relevant funds. All vacation is accrued when incurred in the government-wide 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.

K. Net Assets

Government-wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributions, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets”.

Fund Financial Statements

In the fund financial statements with the implementation of GASB Statement No. 54, governmental funds report fund balance is either non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, or unassigned fund balance. See Note 6 for additional information regarding the governmental fund balances.

L. New Accounting Pronouncements

The Agency 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 Agency 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 6 of these notes to the basic financial statements.

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Description and Significant Accounting Policies (Continued)

L. New Accounting Pronouncements (Continued)

GASB Statement No. 59

For the fiscal year ended June 30, 2011, the Agency 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 – 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	\$ 65,002
Cash and investments with fiscal agents	<u>372,982</u>
Total cash and investments	<u>\$ 437,984</u>

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

Pooled cash and investments with the Town of Paradise	\$ 62,260
Investments	<u>375,724</u>
Total cash and investments	<u>\$ 437,984</u>

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 2 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and the Agency’s Investment Policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency’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 trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency’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/Amount of Portfolio	Maximum Investment in One Issuer
Negotiable Certificates of Deposits	3 years	30%	None
State of California Local Agency Investment Fund (State Pool)	N/A	\$50,000,000	\$50,000,000
U.S. Treasury Obligations	5 years	Unlimited	None
U.S. Government Agency Issues	5 years	Unlimited	None
Repurchase Agreements	1 year	10%	None
Asset Backed Securities	5 years	20%	None
Bankers Acceptances	270 days	40%	None
Commercial Paper	31-180 days	15-30%	None
Medium Term Notes	5 years	30%	None
Money Market Account	Unlimited	15%	None
Mutual Funds	Unlimited	15%	None
Time Certificates of Deposits	3 years	Unlimited	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency’s investment policy. The table below identifies the investment types that are authorized for investments held by trustee. 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/Amount of Portfolio	Maximum Investment in One Issuer
Certificate of Deposit with Banks and Savings & Loans	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Municipal Obligations, Prime Quality	None	None	None
Bankers Acceptances, Prime Quality	None	None	None
Commercial Paper, Prime Quality	None	None	None
Money Market Funds, Prime Quality	None	None	None
Investment Contracts	None	None	None
Repurchase Agreements, Approved by Bond Insurer	None	None	None
State of California Local Agency Investment Fund (State Pool)	N/A	None	None

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 2 – 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 is to change in market interest rates. One of the ways that the Agency 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 Agency's investments and those held by trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Totals	12 Months Or less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
State Investment Pool	\$ 2,742	\$ 2,742	\$ -	\$ -	\$ -	\$ -	\$ -
Held by Trustee:							
Money Market Funds	372,982	372,982					
Totals	\$ 375,724	\$ 375,724	\$ -	\$ -	\$ -	\$ -	\$ -

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency has no investments (including investments held by 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 obligations 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 Agency'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	\$ 2,742	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,742
Held by Trustee:							
Money Market Funds	372,982	N/A		372,982			
Totals	\$ 375,724		\$ -	\$ 372,982	\$ -	\$ -	\$ 2,742

**THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 2 – Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the Agency contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency 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 Agency’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 Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2011, Agency investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the Agency to buy the securities:

Investment Type	Amount
Money market funds	\$ 372,982

See the Town of Paradise’s Annual Financial Report for more information relating to custodial credit risk for amounts reported as cash pooled with the Town of Paradise.

Investment in State Investment Pool

The Agency 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 Agency’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency’s pro-rate 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 3 – Loans Receivable

The Agency 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 loan recipients (e.g. homeowners) who agree to spend these funds in accordance with the Agency’s terms. The balance of the loans receivable arising from these programs at June 30, 2011 was \$450,493.

**THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 4 – Capital Assets

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

	July 1, 2010 Balance	Additions	Deletions	June 30, 2011 Balance
Capital assets, not being depreciated:				
Land	\$ 361,905	\$ -	\$ -	\$ 361,905
Total capital assets, not being depreciated	361,905			361,905
Capital assets, net	<u>\$ 361,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361,905</u>

Note 5 – Long-Term Debt

The following is a summary of long-term debt activities of the Agency for the fiscal year ended June 30, 2011.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amount due within one year
Notes Payable	\$ 2,169,307	\$ 479,613	\$ 61,882	\$ 2,587,038	\$ 265,733
Bonds Payable	4,480,000			4,480,000	
Original Issue Discount	(107,267)		(3,259)	(104,008)	(3,259)
Advances from the Town	950,645		251,397	699,248	
Compensated Absences	31,698		3,468	28,230	24,409
Totals	<u>\$ 7,524,383</u>	<u>\$ 479,613</u>	<u>\$ 313,488</u>	<u>\$ 7,690,508</u>	<u>\$ 286,883</u>

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
Note payable to Paradise Public Authority - the note bears interest at 4.85% and 5.10%, is payable on December 1 and June 1, and matures in full on on December 1, 2016.	1,300,000
Note payable to Town of Paradise - the note bears interest at 4.5%, payable in annual installments based upon a five year amortization schedule, and matures in full on March 21, 2012.	43,316
Note payable to Town of Paradise - the note bears interest at 4.5%, payable in annual installments based upon a five year amortization schedule, and matures in full on July 1, 2015.	657,595
Note payable to Town of Paradise - the note bears interest at 4.5%, payable in annual installments based upon a five year amortization schedule, and matures in full on March 1, 2016.	479,613
	<u>\$ 2,587,038</u>

**THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 5 – Long-Term Debt (Continued)

Notes Payable (Continued)

The annual requirements to amortize long-term debt outstanding at June 30, 2011 are as follows:

Fiscal Year Ended June 30,	Note Payable - Jeffords		
	Principal Amount	Interest Amount	Total
2012	\$ 9,431	\$ 7,771	\$ 17,202
2013	10,213	6,988	17,201
2014	11,061	6,141	17,202
2015	11,979	5,223	17,202
2016	12,974	4,228	17,202
2017-2019	45,742	5,860	51,602
	<u>\$ 101,400</u>	<u>\$ 36,211</u>	<u>\$ 137,611</u>

Fiscal Year Ended June 30,	Note Payable - Sweeney		
	Principal Amount	Interest Amount	Total
2012	\$ 5,114	\$ 83	\$ 5,197
	<u>\$ 5,114</u>	<u>\$ 83</u>	<u>\$ 5,197</u>

Fiscal Year Ended June 30,	Note Payable - Paradise Public Authority		
	Principal Amount	Interest Amount	Total
2012	\$ -	\$ 63,675	\$ 63,675
2013		63,675	63,675
2014		63,675	63,675
2015		63,675	63,675
2016		63,675	63,675
2017	1,300,000	31,838	1,331,838
	<u>\$ 1,300,000</u>	<u>\$ 350,213</u>	<u>\$ 1,650,213</u>

Fiscal Year Ended June 30,	Note Payable - Town of Paradise		
	Principal Amount	Interest Amount	Total
2012	\$ 43,316	\$ 1,949	\$ 45,265
	<u>\$ 43,316</u>	<u>\$ 1,949</u>	<u>\$ 45,265</u>

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 5 – Long-Term Debt (Continued)

Notes Payable (Continued)

The annual requirements to amortize long-term debt outstanding at June 30, 2011 are as follows (Continued):

Fiscal Year Ended June 30,	Note Payable - Town of Paradise		
	Principal Amount	Interest Amount	Total
2012	\$ 120,203	\$ 29,592	\$ 149,795
2013	125,612	24,183	149,795
2014	131,265	18,530	149,795
2015	137,171	12,623	149,794
2016	143,344	6,450	149,794
	<u>\$ 657,595</u>	<u>\$ 91,378</u>	<u>\$ 748,973</u>

Fiscal Year Ended June 30,	Note Payable - Town of Paradise		
	Principal Amount	Interest Amount	Total
2012	\$ 87,669	\$ 21,583	\$ 109,252
2013	91,615	17,637	109,252
2014	95,737	13,515	109,252
2015	100,045	9,207	109,252
2016	104,547	4,704	109,251
	<u>\$ 479,613</u>	<u>\$ 66,646</u>	<u>\$ 546,259</u>

Bonds Payable

On October 21, 2009, the Agency issued the 2009 Tax Allocation Refunding Bonds in the amount of \$4,480,000. The refunding bonds were 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 Agency, 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 Agency 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. As of June 30, 2011, the balance of the 2009 Tax Allocation Refunding Bonds was \$4,375,992 which is net of the \$104,008 of unamortized original bond discount.

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 5 – Long-Term Debt (Continued)

Bonds Payable (Continued)

Fiscal Year Ended June 30,	2009 Tax Allocation Refunding Bonds		
	Principal Amount	Interest Amount	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
	4,480,000	5,932,683	10,412,683
	(104,008)		(104,008)
	<u>\$ 4,375,992</u>	<u>\$ 5,932,683</u>	<u>\$ 10,308,675</u>

Advances from the Town

As of June 30, 2011, a total of \$699,248 is outstanding on advances that have been received by the Agency from the Town that were used for operating purposes. The advances will be repaid when funds become available to the Agency. The advances carry an interest rate of 0%.

Note 6 - Net Assets and Fund Balances

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Assets

Net Assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net Assets as determined at the Government-wide 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 Agency'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 Agency 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 housing purposes.

Unrestricted describes the portion of Net Assets which is not restricted as to use.

B. Fund Balances

As of June 30, 2011, 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.

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 - Net Assets and Fund Balances (Continued)

B. Fund Balances (Continued)

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.

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

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

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

	Low/Moderate Income Housing Special Revenue Fund	Redevelopment Agency Special Revenue Fund	Total Governmental Funds
Restricted for:			
Housing	\$ 60,495	\$ -	\$ 60,495
Debt service		367,096	367,096
Total restricted fund balances	<u>60,495</u>	<u>367,096</u>	<u>427,591</u>
Total fund balances	<u>\$ 60,495</u>	<u>\$ 367,096</u>	<u>\$ 427,591</u>

Note 7 – Commitments and Contingencies

Under the terms of federal, county, and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditures were disallowed, the Agency believes such disallowances, if any, would be immaterial.

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 7 – Commitments and Contingencies (Continued)

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 (the 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 are \$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.

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 7 – Commitments and Contingencies (Continued)

SERAF/ERAF Contingency (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.

Note 8 – Subsequent Event

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 7). 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.

Note 9 – Financial Condition

The Agency had a deficit in net assets of (\$6,341,440) at June 30, 2011. The Agency projects future resources will be sufficient to pay long-term obligations as they become due. Any remaining deficit at the end of the Agency's life will be absorbed by the Town's General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 91,765	\$ 91,765	\$ 83,496	\$ (8,269)
Use of money and property	360	360	164	(196)
Total Revenues	<u>92,125</u>	<u>92,125</u>	<u>83,660</u>	<u>(8,465)</u>
EXPENDITURES				
Current:				
Community development	111,274	111,769	52,517	59,252
Debt service:				
Principal	1,772	1,772		1,772
Interest and fiscal charges	65,306	65,306	65,300	6
Total Expenditures	<u>178,352</u>	<u>178,847</u>	<u>117,817</u>	<u>61,030</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(86,227)</u>	<u>(86,722)</u>	<u>(34,157)</u>	<u>52,565</u>
OTHER FINANCING SOURCES (USES)				
Transfers out to Town of Paradise	(2,555)	(2,555)	(4,328)	(1,773)
Total Other Financing Sources (Uses)	<u>(2,555)</u>	<u>(2,555)</u>	<u>(4,328)</u>	<u>(1,773)</u>
NET CHANGE IN FUND BALANCE	<u>(88,782)</u>	<u>(89,277)</u>	<u>(38,485)</u>	<u>50,792</u>
FUND BALANCE, JULY 1, 2010	<u>98,980</u>	<u>98,980</u>	<u>98,980</u>	
FUND BALANCE, JUNE 30, 2011	<u>\$ 10,198</u>	<u>\$ 9,703</u>	<u>\$ 60,495</u>	<u>\$ 50,792</u>

**THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 366,851	\$ 366,851	\$ 333,983	\$ (32,868)
Use of money and property	176	176	135	(41)
Other revenues	9,478	9,478	9,261	(217)
Total Revenues	<u>376,505</u>	<u>376,505</u>	<u>343,379</u>	<u>(33,126)</u>
EXPENDITURES				
Current:				
Community development	207,555	208,155	182,345	25,810
Debt service:				
Principal	28,588	28,588	313,279	(284,691)
Interest and fiscal charges	309,673	309,673	278,288	31,385
Total Expenditures	<u>545,816</u>	<u>546,416</u>	<u>773,912</u>	<u>(227,496)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(169,311)</u>	<u>(169,911)</u>	<u>(430,533)</u>	<u>(260,622)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt			479,613	479,613
Transfers out to Town of Paradise	(52,256)	(52,256)	(51,104)	1,152
Total Other Financing Sources (Uses)	<u>(52,256)</u>	<u>(52,256)</u>	<u>428,509</u>	<u>480,765</u>
NET CHANGE IN FUND BALANCE	(221,567)	(222,167)	(2,024)	220,143
FUND BALANCE, JULY 1, 2010	<u>369,120</u>	<u>369,120</u>	<u>369,120</u>	
FUND BALANCE, JUNE 30, 2011	<u>\$ 147,553</u>	<u>\$ 146,953</u>	<u>\$ 367,096</u>	<u>\$ 220,143</u>

OTHER SUPPLEMENTARY INFORMATION

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE

Computation of Low and Moderate Income Housing Fund Excess Surplus

For the Fiscal Year Ended June 30, 2011

	<u>Low and Moderate Housing Funds All Project Funds</u>
Fund balance at June 30, 2011	<u>\$ 60,495</u>
Available low and moderate income housing funds	<u>\$ 60,495</u>
Limitation (greater of \$1,000,000 or four years set-aside)	
Set-aside for last four years:	
2009-2010	\$ 90,739
2008-2009	90,456
2007-2008	89,388
2006-2007	76,568
Total set-aside	<u>347,151</u>
Base limitation	<u>\$ 1,000,000</u>
Greater amount	<u>\$ 1,000,000</u>
Computed Excess Surplus	<u>NONE</u>



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

Members of the Governing Board
The Redevelopment Agency of the Town of Paradise
Town of Paradise, California

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the Town of Paradise (Agency), a component unit of the Town of Paradise, as of and for the fiscal year ended June 30, 2011 which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 20, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to management of the Agency in a separate letter dated December 20, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the component unit financial statements of the Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is discussed in the Schedule of Findings as item 2011-1.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Agency's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Agency's Board of Directors, management, and the California State Controller's Office Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 20, 2011



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT ON CALIFORNIA REDEVELOPMENT AGENCIES COMPLIANCE

Members of the Governing Board
The Redevelopment Agency of the Town of Paradise
Town of Paradise, California

Compliance

We have audited the Redevelopment Agency of the Town of Paradise (Agency)'s compliance with the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller applicable to the Agency for the fiscal year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management. Our responsibility is to express an opinion on Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on State laws and regulations occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is discussed in the Schedule of Findings as item 2011-1. Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the compliance requirements under *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller.

In our opinion, except for the noncompliance described in the preceding paragraph, the Agency complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of

expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Agency's Board of Directors, management, and the California State Controller's Office Division of Accounting and Reporting, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 20, 2011

THE REDEVELOPMENT AGENCY OF THE TOWN OF PARADISE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Finding 2011-1 – 5 Year Implementation Plan

During the compliance audit for the Redevelopment Agency, we noted that the Agency did not hold a public hearing to review the five-year implementation plan, which is to take place no earlier than two years and no later than three years after the adoption of the implementation plan.

Criteria

Health and Safety Code section 33490(c) states: “Every agency, at least once within the five-year term of the plan, shall conduct a public hearing and hear testimony of all interested parties for the purpose of reviewing the redevelopment plan and the corresponding implementation plan for each redevelopment project within the jurisdiction and evaluating the progress of the redevelopment project. The hearing required by this subdivision shall take place no earlier than two years and no later than three years after the adoption of the implementation plan.”

Effect:

The Agency is not in compliance with Health and Safety Code section 33490(c).

Recommendation:

We recommend that the Agency address this issue as soon as possible.

Agency’s Response:

The Agency intends to comply with an official public hearing as quickly as possible and prior to the end of the current 2011-2012 fiscal year. At the June 24, 2010 and the March 11, 2011 Agency meetings it was discussed that until tax increment increases, the Agency has neither plans nor funding to do additional projects in the immediate future. Also, with the pending legislative elimination of redevelopment agencies statewide, it is uncertain whether the Paradise Redevelopment Agency will continue.