

**TOWN OF PARADISE  
TRANSPORTATION FUND**

Audited Financial Statements  
and Compliance Report

June 30, 2013

TOWN OF PARADISE  
TRANSPORTATION FUND

Audited Financial Statements  
and Compliance Report

June 30, 2013 and 2012

Audited Financial Statements

Independent Auditor's Report .....	1
Balance Sheets .....	3
Statements of Revenues, Expenditures and Changes in Fund Balance .....	4
Notes to Financial Statements .....	5

Compliance Report

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the Transportation Development Act.....	7
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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Paradise, California

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

We have audited the accompanying financial statements of the Transportation Fund of the Town of Paradise (the Town), as of and for year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Fund of the Town of Paradise as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Town Council  
Town of Paradise, California

**Emphasis-of-Matter**

As discussed in Note B, the financial statements present only the Transportation Fund of the Town of Paradise and do not purport to, and do not, present fairly the financial position of the Town of Paradise as of June 30, 2013, the changes in financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

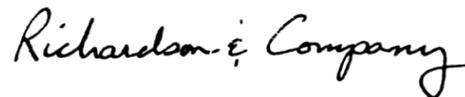
The financial statements of the Transportation Fund as of June 30, 2012, were audited by other auditors whose report dated March 19, 2013, expressed an unmodified opinion on those statements.

*Required Supplementary Information*

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014 on our consideration of the Town's internal control over financial reporting related to the Transportation Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, and the Transportation Development Act. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



January 22, 2014

TOWN OF PARADISE  
TRANSPORTATION FUND

BALANCE SHEETS

June 30, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Cash and investments	\$ 1,363,376	\$ 410,006
Due from other agencies	66,658	113,453
Due from other funds		1,023,136
Interest receivable	584	
<b>TOTAL ASSETS</b>	<b>\$ 1,430,618</b>	<b>\$ 1,546,595</b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 4,713	\$ 2,282
<b>TOTAL LIABILITIES</b>	4,713	2,282
 <b>FUND BALANCE</b>		
Restricted for transportation	1,425,905	1,544,313
<b>TOTAL FUND BALANCE</b>	1,425,905	1,544,313
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,430,618</b>	<b>\$ 1,546,595</b>

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

TOWN OF PARADISE  
TRANSPORTATION FUND

STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>REVENUES</b>		
Local Transportation Funds	\$ 695,985	\$ 682,969
State Transit Assistant Funds	153,616	118,182
Interest revenue	2,307	5,382
<b>TOTAL REVENUES</b>	<b>851,908</b>	<b>806,533</b>
<b>EXPENDITURES</b>		
Contributions for transit services	814,747	802,092
Streets and roads projects	17,666	21,282
<b>TOTAL EXPENDITURES</b>	<b>832,413</b>	<b>823,374</b>
<b>OTHER FINANCING USES</b>		
Transfer out	(137,903)	(2,607)
<b>TOTAL OTHER FINANCING USES</b>	<b>(137,903)</b>	<b>(2,607)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(118,408)</b>	<b>(19,448)</b>
Fund balance at beginning of year	1,544,313	1,563,761
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 1,425,905</b>	<b>\$ 1,544,313</b>

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

TOWN OF PARADISE  
TRANSPORTATION FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE A – ORGANIZATION

The Town of Paradise (the Town) receives funds under the provisions of the Transportation Development Act (TDA) from the Butte County Local Transportation Fund (LTF) primarily under Article 8, Sections 99400(c) and the State Transit Assistance Fund (STAF) under Article 4, Section 6731(b). The funds represent amounts available after the determination by the Butte County Association of Governments (BCAG), the transportation planning agency administering TDA funds, of amounts needed to meet the transportation needs of the County not otherwise being met. The Town's Article 8, Section 99400(c) LTF funds are to be used to support the transportation systems as defined in the TDA. The STAF Funds are to be used for public transit purposes only. The Town's contracts for bus services through BCAG's transit fund, Butte Regional Transit (BRT). The Transportation Fund is used to account for these TDA funds received by the Town.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Town of Paradise's Transportation Fund (the Fund) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity: The financial statements are intended to present the financial position and results of operations of only those transactions recorded in the Fund. The Fund is included in the financial statements of the Town.

Fund Accounting: The accounts of the Town are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The Town utilizes the special revenue fund type of the governmental fund group to account for the activities of the Fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by special revenue funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is generally 60 days. TDA revenues are recognized when all eligibility requirements have been met and the amounts are received within 60 days. The amount reported as deferred inflows of resources represent that do not meet both "measurable" and "available" criteria for recognition in the current period. Expenditures are recorded when the related fund liability is incurred.

When the restricted and non-restricted type resources are available for use, it is the Town's policy to use restricted resources first, then non-restricted resources as they are needed.

TOWN OF PARADISE  
TRANSPORTATION FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance: Restrictions of fund balance represent amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. The restrictions of fund balance are according to the provisions of the Transportation Development Act for transportation-related expenditures.

Transfers: The Town transfers Transportation funds to other Town funds that incur street and road expenditures.

NOTE C – CASH AND INVESTMENTS

The Transportation Fund’s cash is held in the Town Treasury. The Town maintains cash and investments in the State of California’s Local Agency Investment Fund (LAIF) and other Money Markey Funds and allocates interest to the various funds based upon the average daily cash balances. Investments held in the Town’s cash accounts are available on demand to the Transportation Fund and are stated at cost, which approximates fair value. The Town’s investment policy, interest rate risk and credit risk may be found in the notes to the Town of Paradise’s basic financial statements.

NOTE D – DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at June 30:

	2013	2012
Transportation Development Act:		
Local Transportation Fund		
Fiscal year 2012/2013	\$ 56,103	
Fiscal year 2011/2012		\$ 106,147
State Transit Assistance Fund		
Fiscal year 2012/2013	10,555	
Fiscal year 2011/2012		7,306
	\$ 66,658	\$ 113,453
Total due from other governments	\$ 66,658	\$ 113,453

NOTE E – FARE REVENUE RATIO

Transit operators are required to maintain a fare revenue to operating expenses ratio in order to be eligible for TDA funding. Since the Town contracts with the BRT for its transit services, no fare revenues are recorded in the Town of Paradise’s Transportation Fund financial statements. A fare revenue ratio is calculated for BRT in the BCAG audited financial statements.

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*  
AND THE TRANSPORTATION DEVELOPMENT ACT

To the Town Council  
Town of Paradise, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Fund of the Town of Paradise (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 22, 2014.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements 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. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated and received by the Town were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6666 and 6667 of the California Code of Regulations. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the TDA.

To the Town Council  
Town of Paradise, California

**Purpose of this Report**

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

*Richardson & Company*

January 22, 2014