



NORTHSTAR COMMUNITY SERVICES DISTRICT

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

**JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS**

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NORTHSTAR COMMUNITY SERVICES DISTRICT

JUNE 30, 2014

BOARD OF DIRECTORS

Frank Seelig - President

Darrell Smith – Vice President

Jeann Green - Director

Nancy Ives - Director

Cathy Stewart - Director

* * * *

General Manager
Mike Staudenmayer

NORTHSTAR COMMUNITY SERVICES DISTRICT

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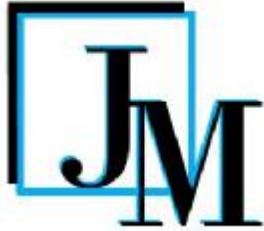
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James Marta & Company, LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northstar Community Services District
Truckee, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Northstar Community Services District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 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 and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Northstar Community Services District as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Schedule of Funding Progress – Other Postemployment Benefits, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

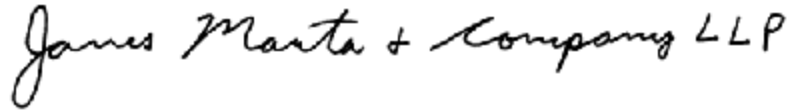
The supplementary information, which consists of the statement of changes in assets and liabilities for the fiduciary funds, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, which consists of the statement of changes in assets and liabilities for the fiduciary funds, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

As further discussed in Note 1D to the financial statements, the District has created 3 internal service funds to recover the costs of providing certain services. These funds were part of the general fund in prior years.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2015 on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
May 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

This discussion and analysis section of the Northstar Community Services District's (District or NCSD) Financial Statements is intended to provide a narrative overview and analysis of the basic financial activities of the District as of and for the year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position at June 30, 2014 was \$ 66,318,517
- The District's total revenue (Inclusive of Capital Contributions): \$ 10,478,159
- Business-Type Activities total revenue (Inclusive of Capital Contributions):
 - Water: \$ 2,077,395
 - Sewer: \$ 2,625,465
- Governmental Activities total revenue: \$ 5,775,299
- The District's total expenses: \$ 10,762,341

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements present a broad overview of the District's finances. Within this view, all District operations are categorized and reported as either governmental or business-type activities. These government-wide statements are designed to be more business-like in that all activities are consolidated and provide a snapshot of the District as a whole.

The statement of net position focuses on resources available for future operations. In simple terms, this statement presents a snapshot of the total assets and total liabilities of the District and the net difference. The net difference is further separated into amounts invested in capital assets, net of related debt and amounts that are unrestricted.

The statement of activities focuses on the costs of the District's programs and the extent to which the programs rely on property taxes and other revenues. This statement simplifies the user's analysis when determining the extent to which programs are self-supporting and/or subsidized by general revenue.

Both of the previously mentioned government-wide financial statements distinguish functions of the District that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, fire, fuels management, roads maintenance, snow removal, and trails maintenance. The business-type activities of the District include water, sewer, and solid waste.

Fund Financial Statements focus on the individual parts of the District, reporting the operations in more detail than the government-wide statements by providing information about the District's most significant funds. The fund financial statements separately focus on governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements to gain a better understanding of the long-term impact of near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities represented by the government-wide financial statements.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Projects Fund. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The Capital Projects Fund accounts for the financial activities of the Northstar Community Services District Community Facilities District #1 (CFD), whose purpose is the acquisition and construction of major capital facilities within the District.

Proprietary Funds are used to account for activities by which the District provides goods or services on a fee basis. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The types of proprietary funds utilized by the District are enterprise funds and internal service funds.

Enterprise funds provide goods or services to the public for a fee. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The intent is that the costs of providing services be financed or recovered primarily through user charges. The District uses enterprise funds to account for water, sewer and solid waste operations.

Internal service funds account for goods and services provided on a cost-reimbursement basis by one department to another department within the District. The District uses internal service funds to account for maintenance operations, fleet, and administration.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The types of fiduciary funds utilized by the District are agency funds. Agency Funds are used to account for the assets held by the District as an agent for the CFD.

Notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

Required supplementary information provides a budgetary comparison schedule for the General Fund in the Schedules of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual. It also provides a schedule showing the trend of the actuarially accrued liability for benefits compared to the actuarial value of accumulated plan assets in the Schedule of Funding Progress for Other Postemployment Benefits.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Supplementary information provides a schedule of a schedule of receipt and disbursement activity for the 2005 and 2006 series bonds of the CFD as represented in the Statement of Changes in Assets and Liabilities for Fiduciary Funds.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The statement of activities reports information about the District's activities in a way that will help answer this question. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities and the statement of net position report the net position and the changes in net position for the District. However, considerations should also be given to other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation.

A summary of the District's Statement of Net Position comparing the current and prior fiscal years is presented in Table A-1.

Table A-1
Statement of Net Position
6/30/2014

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|----------------------|--------------------------|---------------------|----------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| ASSETS | | | | | | |
| Current assets | \$ 9,777,348 | \$ 9,636,558 | \$ 6,690,662 | \$ 4,388,204 | \$ 16,468,010 | \$14,024,762 |
| Capital assets | 24,946,750 | 25,323,601 | 28,486,486 | 29,338,262 | 53,433,236 | 54,661,863 |
| Total Assets | 34,724,098 | 34,960,159 | 35,177,148 | 33,726,466 | 69,901,246 | 68,686,625 |
| LIABILITIES | | | | | | |
| Current liabilities | 786,319 | 818,002 | 1,369,063 | 53,779 | 2,155,382 | 871,781 |
| Noncurrent liabilities | 1,178,904 | 1,032,171 | 248,443 | 179,974 | 1,427,347 | 1,212,145 |
| Total liabilities | 1,965,223 | 1,850,173 | 1,617,506 | 233,753 | 3,582,729 | 2,083,926 |
| NET POSITION | | | | | | |
| Investment in capital assets, net of related debt | 24,946,750 | 25,323,601 | 28,486,486 | 29,338,262 | 53,433,236 | 54,661,863 |
| Unrestricted | 7,812,125 | 7,786,385 | 5,073,156 | 4,154,451 | 12,885,281 | 11,940,836 |
| Total net position | <u>\$ 32,758,875</u> | <u>\$ 33,109,986</u> | <u>\$ 33,559,642</u> | <u>\$33,492,713</u> | <u>\$ 66,318,517</u> | <u>\$66,602,699</u> |

Total net position amounted to \$66.32 million in fiscal year 2014. The major component of this category is "Investment in capital assets, net of related debt," which represents the District's investment in capital assets, net of the amount borrowed to purchase these assets. The District has not required long-term debt to fund capital projects. Therefore, "Investment in capital assets, net of related debt" is equal to "Capital assets" for both governmental and business-type activities. Total net position decreased by \$284,182 mostly due to a decrease in capital assets for both governmental and business-type activities due to an increase in accumulated depreciation.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Total assets for business-type activities increased \$1.45 million mainly due to an increase in current assets in the amount of \$2.30 million. Those current assets increased due to an increase in cash and cash equivalents for both water and sewer funds when compared to the prior fiscal year which came about mostly as a result of a 50 percent increase in the capital fee billing component of water and sewer rates.

Current liabilities for governmental activities decreased \$31,683; whereas business-type activities increased \$1.32 million mainly because of amounts due to other funds. This increase in the liability of the amount due to other funds for business-type activity is also represented by the current assets of the governmental activities which show an increased asset, due from other funds.

A condensed version of the Statement of Activities comparing the current and prior fiscal years is presented in Table A-2.

Table A-2
Statement of Activities
6/30/2014

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| REVENUE | | | | | | |
| General Revenue | | | | | | |
| NCSD property taxes | \$ 3,978,774 | \$ 3,971,252 | | | \$ 3,978,774 | \$ 3,971,252 |
| Snow and fuels mgt assessments | 640,352 | 601,731 | | | 640,352 | 601,731 |
| Interest earnings | 40,955 | 55,246 | \$ 47,028 | \$ 23,194 | 87,983 | 78,440 |
| Miscellaneous | - | 48,296 | 50,710 | 26,917 | 50,710 | 75,213 |
| Total general revenue | <u>4,660,081</u> | <u>4,676,525</u> | <u>97,738</u> | <u>50,111</u> | <u>4,757,819</u> | <u>4,726,636</u> |
| Program Revenues | | | | | | |
| Capital contributions | - | - | - | 1,153,162 | - | 1,153,162 |
| Grants | 371,918 | 33,738 | - | - | 371,918 | 33,738 |
| Charges for services | <u>743,300</u> | <u>435,307</u> | <u>4,605,122</u> | <u>4,118,677</u> | <u>5,348,422</u> | <u>4,553,984</u> |
| Total revenue | <u>5,775,299</u> | <u>5,145,570</u> | <u>4,702,860</u> | <u>5,321,950</u> | <u>10,478,159</u> | <u>10,467,520</u> |
| EXPENSES | | | | | | |
| General government | 48,115 | 945,371 | | | 48,115 | 945,371 |
| Public safety | 4,182,062 | 3,767,609 | | | 4,182,062 | 3,767,609 |
| Streets | 236,154 | 90,608 | | | 236,154 | 90,608 |
| Trails | 609,582 | 102,933 | | | 609,582 | 102,933 |
| Capital projects | 482,822 | 967,182 | | | 482,822 | 967,182 |
| Unallocated depreciation | 567,675 | 571,402 | | | 567,675 | 571,402 |
| Water and sewer | | | <u>4,635,931</u> | <u>3,655,036</u> | <u>4,635,931</u> | <u>3,655,036</u> |
| Total expenses | <u>6,126,410</u> | <u>6,445,105</u> | <u>4,635,931</u> | <u>3,655,036</u> | <u>10,762,341</u> | <u>10,100,141</u> |
| OTHER SOURCES (USES) | | | | | | |
| Transfers In (Out) | <u>-</u> | <u>(2,031,483)</u> | <u>-</u> | <u>2,031,483</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET POSITION | (351,111) | (3,331,018) | 66,929 | 3,698,397 | (284,182) | 367,379 |
| NET POSITION, beginning of year | <u>33,109,986</u> | <u>36,441,004</u> | <u>33,492,713</u> | <u>29,794,316</u> | <u>66,602,699</u> | <u>66,235,320</u> |
| NET POSITION, end of year | <u>\$ 32,758,875</u> | <u>\$ 33,109,986</u> | <u>\$ 33,559,642</u> | <u>\$ 33,492,713</u> | <u>\$ 66,318,517</u> | <u>\$ 66,602,699</u> |

While the statement of net position shows the position of net assets, the statement of activities provides answers as to the nature and source of these changes.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Governmental activities:

Both property tax and snow and fuels management assessments saw an increase of 0.2% and 6.4%, respectively, over the prior year. Overall, however, general revenue was down 0.4%. This was due to a reduction of \$62,587 in miscellaneous revenue and interest earnings.

Program revenues increased by approximately 12%. This was mostly due to a 1,000% increase in grant revenue over the prior year. This grant revenue was used for the forest fuels management program (public safety) and trails. Charges for services represents a 70.8% increase over the prior year due to reimbursable activity within the public safety, streets, and trails divisions.

Overall expenditures were down by 4.9% which came from both decreases and increases. In prior years, administration was considered a component of general government. Because administration is now classified as an internal service fund, the only expenses left within general government are collection fees for property and parcel taxes and any investment fees. Streets and trails both experienced increases due to the 2013 slurry seal project (C14-021) and martis valley trail project (C14-022), respectively.

Business-Type activities:

Program revenues showed a decrease of 11.6% even though charges for services increased by 11.8%. This is because the District received a capital contribution of \$1.15 million in the prior year for the Glades Water and Sewer facilities.

Overall, expenses are 26.8% higher than the prior year. This is mainly due to the allocation of the internal service funds which are represented as part of other departmental expense within the statement of revenues, expenses and changes in net position for enterprise funds.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

BUDGETARY HIGHLIGHTS

Each year the District Board of Directors adopts annual operating and capital budgets. The operating budget includes proposed expenses and the means of financing them. The operating budget remains in effect the entire year but may be revised by the Board of Directors as required. Budget vs. actual reports are provided to the Board of Directors on a quarterly basis and to management on a monthly basis.

Table A-3 shows current and prior fiscal year Budget vs. Actual comparison for the General Fund

Table A-3
Budget vs. Actual - General Fund
6/30/2014

| | Budget | | Actual | | Variance Favorable / (Unfavorable) | |
|---|--------------|--------------|--------------|--------------|---------------------------------------|------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue | | | | | | |
| Taxes and assessments | \$ 4,667,238 | \$ 4,249,240 | \$ 4,619,126 | \$ 4,572,983 | \$ (48,112) | \$ 323,743 |
| Fees and other non-tax revenue | 253,140 | 211,159 | 333,937 | 186,806 | 80,797 | (24,353) |
| Interest | - | 91,000 | 36,298 | 44,616 | 36,298 | (46,384) |
| Fire mitigation fees | 6,000 | 3,000 | 6,788 | 6,824 | 788 | 3,824 |
| Service revenue | - | 213,000 | - | 127,365 | - | (85,635) |
| Administrative fees | - | 30,610 | - | 114,312 | - | 83,702 |
| Grant revenue | 774,292 | 66,337 | 371,918 | 33,738 | (402,374) | (32,599) |
| Other | 138,000 | 38,000 | 402,575 | 48,296 | 264,575 | 10,296 |
| Total revenue | 5,838,670 | 4,902,346 | 5,770,642 | 5,134,940 | (68,028) | 232,594 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 46,672 | 909,143 | 48,115 | 810,945 | (1,443) | 98,198 |
| Public safety | 4,702,909 | 3,335,961 | 4,298,462 | 3,767,609 | 404,447 | (431,648) |
| Streets | 358,482 | 681,715 | 246,425 | 90,608 | 112,057 | 591,107 |
| Trails | 663,482 | 127,838 | 619,853 | 102,933 | 43,629 | 24,905 |
| Capital outlay | 106,222 | 369,723 | 102,780 | 375,000 | 3,442 | (5,277) |
| Total expenditures | 5,877,767 | 5,424,380 | 5,315,635 | 5,147,095 | 562,132 | 277,285 |
| Excess (deficiency) of revenue over expenditures before other sources | (39,097) | (522,034) | 455,007 | (12,155) | 494,104 | 509,879 |
| Other Sources | | | | | | |
| Operating transfers from other sources | - | 472,755 | - | - | - | (472,755) |
| Excess (deficiency) of revenue and other sources over expenditures | \$ (39,097) | \$ (49,279) | \$ 455,007 | \$ (12,155) | \$ 494,104 | \$ 37,124 |

The District budgeted \$5.84 million in general fund revenue and recognized \$5.77 million. The District budgeted \$5.88 million in general fund expenditures and recognized \$5.32 million.

The budget to actual variance in revenue was mainly due to grant revenue being under budget by \$402,374 while fees and other non-tax revenue and other were over budget by \$80,797 and \$264,575, respectively. The \$562,132 or 9.6% budget to actual variance in expenditures was mainly due to decreased expenditures for the public safety and streets categories when compared to budget.

Overall, there is a favorable variance of \$494,104 when comparing budget to actual for the General Fund.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

CAPITAL ASSETS

A comparison of Capital Assets for the current and prior fiscal year is presented in Table A-4.

Table A-4
Capital Assets at June 30, 2014

| | <u>FY 2014</u> | <u>FY 2013</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|--|----------------------|----------------------|--------------------------|------------------------------|
| Governmental Activities | | | | |
| Land | \$ 7,598,216 | \$ 7,598,216 | \$ - | 0% |
| Work in progress | | | | |
| General fund | 789,267 | 664,757 | 124,510 | 19% |
| Capital projects fund | 117,341 | 117,341 | - | 0% |
| Buildings and improvements | 15,963,267 | 15,955,026 | 8,241 | 0% |
| Equipment | 1,066,054 | 1,007,981 | 58,073 | 6% |
| Vehicles and equipment | 3,579,715 | 3,579,715 | - | 0% |
| Software | 78,587 | 78,587 | - | 0% |
| | <u>29,192,447</u> | <u>29,001,623</u> | <u>190,824</u> | <u>1%</u> |
| Less accumulated depreciation | <u>(4,245,697)</u> | <u>(3,678,022)</u> | <u>(567,675)</u> | |
| Governmental activities capital assets, net | <u>24,946,750</u> | <u>25,323,601</u> | <u>(376,851)</u> | <u>-1%</u> |
| Business-type Activities | | | | |
| Land | 675,195 | 675,195 | - | 0% |
| Work in progress | 384,330 | 372,607 | 11,723 | 3% |
| Building and improvements | 20,167,905 | 20,167,905 | - | 0% |
| Equipment | 840,353 | 840,353 | - | 0% |
| Vehicles and equipment | 707,941 | 707,941 | - | 0% |
| Software | 79,917 | 79,917 | - | 0% |
| Water/sewer system | 19,027,191 | 19,027,191 | - | 0% |
| | <u>41,882,832</u> | <u>41,871,109</u> | <u>11,723</u> | <u>0%</u> |
| Less accumulated depreciation | <u>(13,396,348)</u> | <u>(12,532,847)</u> | <u>(863,501)</u> | <u>7%</u> |
| Business-type activities capital assets, net | <u>28,486,484</u> | <u>29,338,262</u> | <u>(851,778)</u> | <u>-3%</u> |
| Totals | <u>\$ 53,433,234</u> | <u>\$ 54,661,863</u> | <u>\$ (1,228,629)</u> | <u>-2%</u> |

As indicated in Table A-4, the combined net capital assets of Governmental and Business-type Activities decreased by \$1.23 million, after considering accumulated depreciation. Governmental activities show an increase of \$190,824 before accumulated depreciation due mostly to the increase in work in progress for the general fund. Business-type activities show an increase of \$11,723 before accumulated depreciation.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The increase in work in progress is representative of capital projects that are in progress, but were not yet completed as of 6/30/2014. For the general fund, these are the Springbrook utility billing module (C14-023), admin building (C14-015), rescue vehicle 32 replacement (C14-017), and the station 31 deck addition (C14-025). For business-type activities, the project is the water meter data collection system (C14-010).

LONG-TERM LIABILITIES

The District's long-term liabilities at year end included estimated compensated absences for employees totaling \$816,416 for governmental activities and \$131,204 for business-type activities. The long-term portion of retiree termination benefits was \$42,695. Long-term liabilities for Other Post-Employment Benefits (OPEB) for governmental activities and business-type activities totaled \$337,210 and \$117,241, respectively.

DEBT WITHOUT GOVERNMENT COMMITMENT

During 2005 and 2006, bonded debt was issued by a special assessment district known as the Northstar Community Services District Community Facilities District #1 to finance infrastructure improvements and facilities within the Northstar area. The District has no legal responsibility with respect to the re-payment of the debt associated with the bonds. However, the District is responsible for managing a portion of the construction and improvements financed by the CFD and it is also responsible as the CFD's agent for the receipts and disbursements of the CFD.

At June 30, 2013, the outstanding principal amount of bonded debt outstanding for the CFD was \$111,860,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Facing the general uncertainty in the economy, the District will continue to budget conservatively for general fund revenues in anticipation that the assessed value of property within the District will not rebound significantly in the upcoming year. Business-type revenue is expected to increase due to the District entering the fourth year of a five-year rate increase for services which also includes an increase in fees to support capital expenditures.

The District will continue to be mindful of expenditures and look for ways to capitalize on trends that will allow for economies of scale and the more efficient use of resources.

The District continues to contract with the Placer County Water Authority (PCWA) to manage the operation of specific PCWA water systems. The District will be reimbursed for District employee time and other costs associated with providing the service.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Northstar Community Services District, 908 Northstar Drive, Truckee, California.

BASIC FINANCIAL STATEMENTS

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 6,269,160 | \$ 3,683,657 | \$ 9,952,817 |
| Investments | 1,615,063 | 2,333,769 | 3,948,832 |
| Accounts receivable | 308,351 | 330,104 | 638,455 |
| Due from other governments | 173,577 | 152,295 | 325,872 |
| Due from other funds | 1,272,542 | - | 1,272,542 |
| Prepaid expenses | 138,655 | 190,837 | 329,492 |
| Capital assets, net | 24,946,750 | 28,486,486 | 53,433,236 |
| Total assets | <u>34,724,098</u> | <u>35,177,148</u> | <u>69,901,246</u> |
| LIABILITIES | | | |
| Accounts payable | 662,048 | 78,024 | 740,072 |
| Accrued liabilities | 106,854 | 18,495 | 125,349 |
| Due to other funds | - | 1,272,544 | 1,272,544 |
| Long-Term Liabilities: | | | |
| Due within one year | 17,417 | - | 17,417 |
| Due in longer than one year | 1,178,904 | 248,443 | 1,427,347 |
| Total liabilities | <u>1,965,223</u> | <u>1,617,506</u> | <u>3,582,729</u> |
| NET POSITION | | | |
| Investment in capital assets, net of related debt | 24,946,750 | 28,486,486 | 53,433,236 |
| Unrestricted | 7,812,125 | 5,073,156 | 12,885,281 |
| Total net position | <u>\$ 32,758,875</u> | <u>\$ 33,559,642</u> | <u>\$ 66,318,517</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

| Functions | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business Type Activities | Total |
|---------------------------------------|---------------------|-------------------------|--|----------------------------|--------------------------------|----------------------|
| Governmental activities: | | | | | | |
| General government | \$ 48,115 | \$ - | \$ - | \$ (48,115) | \$ - | \$ (48,115) |
| Public safety | 4,182,062 | 372,020 | 269,277 | (3,540,765) | - | (3,540,765) |
| Streets | 236,154 | 70,282 | - | (165,872) | - | (165,872) |
| Trails | 609,582 | 300,998 | 102,641 | (205,943) | - | (205,943) |
| Capital projects | 482,822 | - | - | (482,822) | - | (482,822) |
| Unallocated depreciation | 567,675 | - | - | (567,675) | - | (567,675) |
| Total governmental activities | <u>\$ 6,126,410</u> | <u>\$ 743,300</u> | <u>\$ 371,918</u> | <u>(5,011,192)</u> | <u>-</u> | <u>(5,011,192)</u> |
| Business-type activities: | | | | | | |
| Water | \$ 2,319,667 | \$ 2,019,476 | \$ - | | (300,191) | (300,191) |
| Sewer | 2,316,264 | 2,585,646 | - | | 269,382 | 269,382 |
| Total business-type activities | <u>\$ 4,635,931</u> | <u>\$ 4,605,122</u> | <u>\$ -</u> | | <u>(30,809)</u> | <u>(30,809)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | 3,978,774 | - | 3,978,774 |
| Snow and fuels management assessments | | | | 640,352 | - | 640,352 |
| Capital contributions | | | | - | - | - |
| Interest earnings | | | | 40,955 | 47,028 | 87,983 |
| Miscellaneous revenue | | | | - | 50,710 | 50,710 |
| Total general revenue | | | | <u>4,660,081</u> | <u>97,738</u> | <u>4,757,819</u> |
| Change in net position | | | | (351,111) | 66,929 | (284,182) |
| Net position - beginning of year | | | | <u>33,109,986</u> | <u>33,492,713</u> | <u>66,602,699</u> |
| Net position - end of year | | | | <u>\$ 32,758,875</u> | <u>\$ 33,559,642</u> | <u>\$ 66,318,517</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

| ASSETS | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|--------------------------------|----------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 3,669,627 | \$ 2,229,335 | \$ 5,898,962 |
| Investments | 1,615,063 | - | 1,615,063 |
| Accounts receivables | 265,526 | - | 265,526 |
| Due from other funds | 1,257,296 | - | 1,257,296 |
| Due from other governments | 173,577 | - | 173,577 |
| Prepaid expenses | 137,378 | - | 137,378 |
| Total Assets | <u><u>\$ 7,118,467</u></u> | <u><u>\$ 2,229,335</u></u> | <u><u>\$ 9,347,802</u></u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ 379,710 | \$ 151,168 | \$ 530,878 |
| Other accrued expenses | 74,670 | - | 74,670 |
| Total Liabilities | <u><u>454,380</u></u> | <u><u>151,168</u></u> | <u><u>605,548</u></u> |
| Fund Balance | | | |
| Nonspendable | 137,378 | - | 137,378 |
| Committed | 1,624,266 | 2,078,167 | 3,702,433 |
| Unassigned | 4,902,443 | - | 4,902,443 |
| Total Fund Balance | <u><u>6,664,087</u></u> | <u><u>2,078,167</u></u> | <u><u>8,742,254</u></u> |
| Total Liabilities and Fund Balance | <u><u>\$ 7,118,467</u></u> | <u><u>\$ 2,229,335</u></u> | <u><u>\$ 9,347,802</u></u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

| | | |
|---|----|-----------|
| Total Fund Balance - Governmental Funds | \$ | 8,742,254 |
|---|----|-----------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets: in governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

| | | |
|--------------------------|--|-------------|
| Capital assets at cost | | 29,192,447 |
| Accumulated depreciation | | (4,245,697) |

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

| | | |
|-------------------------------|--|-----------|
| Compensated Absences | | (816,416) |
| Retiree Termination Benefits | | (42,695) |
| Other Postemployment Benefits | | (337,210) |

| | | |
|--|--|----------------|
| Long-term liabilities already recognized in internal service funds | | <u>266,192</u> |
|--|--|----------------|

| | | |
|---|----|-------------------|
| Total net position - Governmental Activities: | \$ | <u>32,758,875</u> |
|---|----|-------------------|

NORTHSTAR COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

JUNE 30, 2014

| | General Fund | Capital Projects Fund | Total |
|---------------------------------|---------------------|--------------------------|---------------------|
| REVENUE | | | |
| Taxes and assessments | \$ 4,619,126 | \$ - | \$ 4,619,126 |
| Fees and other non-tax revenue | 333,937 | - | 333,937 |
| Interest | 36,298 | 4,657 | 40,955 |
| Fire mitigation fees | 6,788 | - | 6,788 |
| Grant revenue | 371,918 | - | 371,918 |
| Other | 402,575 | - | 402,575 |
| Total revenue | <u>5,770,642</u> | <u>4,657</u> | <u>5,775,299</u> |
| EXPENDITURES | | | |
| General government | 48,115 | - | 48,115 |
| Public safety | 4,298,462 | - | 4,298,462 |
| Streets | 246,425 | - | 246,425 |
| Trails | 619,853 | - | 619,853 |
| Capital Outlay | 102,780 | 350,238 | 453,018 |
| Disbursements to developers | - | 220,628 | 220,628 |
| Total expenditures | <u>5,315,635</u> | <u>570,866</u> | <u>5,886,501</u> |
| Net change in fund balances | 455,007 | (566,209) | (111,202) |
| FUND BALANCE, beginning of year | <u>6,209,080</u> | <u>2,644,376</u> | <u>8,853,456</u> |
| FUND BALANCE, end of year | <u>\$ 6,664,087</u> | <u>\$ 2,078,167</u> | <u>\$ 8,742,254</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2014

| | | |
|--|----|-----------|
| Net Change in Fund Balances - Governmental Funds | \$ | (111,202) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| <p>Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p> | | |
| Expenditures for capital outlay | | 190,824 |
| Depreciation expense | | (567,675) |
| <p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was:</p> | | |
| | | (87,774) |
| Amount transferred to internal service fund: | | 145,284 |
| <p>Retiree termination benefits: In governmental funds, retiree termination benefits are measured by the amounts paid during the period. In the statement of activities, retiree termination benefits are measured by the amounts earned. The difference between retiree termination benefits paid and earned was:</p> | | |
| | | 27,618 |
| Amount transferred to internal service fund: | | 42,695 |
| <p>Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between OPEB costs paid and earned was:</p> | | |
| | | (69,094) |
| Amount transferred to internal service fund: | | 78,213 |
| | | 78,213 |
| Changes in net position of governmental activities: | \$ | (351,111) |

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY – ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

| <u>ASSETS</u> | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|----------------------|---------------------|----------------------|
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,364,876 | \$ 2,318,781 | \$ 3,683,657 |
| Accounts receivable | 199,379 | 130,725 | 330,104 |
| Due from other governments | 60,009 | 92,286 | 152,295 |
| Investments | 1,103,015 | 1,230,754 | 2,333,769 |
| Prepaid expenses | 94,851 | 95,986 | 190,837 |
| Total current assets | <u>2,822,130</u> | <u>3,868,532</u> | <u>6,690,662</u> |
| Noncurrent assets: | | | |
| Property, land and equipment | 30,568,358 | 11,314,476 | 41,882,834 |
| Less: accumulated depreciation | <u>(7,565,687)</u> | <u>(5,830,661)</u> | <u>(13,396,348)</u> |
| Total noncurrent assets | <u>23,002,671</u> | <u>5,483,815</u> | <u>28,486,486</u> |
| Total assets | <u>25,824,801</u> | <u>9,352,347</u> | <u>35,177,148</u> |
| | | | |
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Accounts payable | 71,116 | 6,908 | 78,024 |
| Accrued wages and related items | 12,013 | 6,482 | 18,495 |
| Due to other funds | <u>792,497</u> | <u>480,047</u> | <u>1,272,544</u> |
| Total current liabilities | 875,626 | 493,437 | 1,369,063 |
| Noncurrent liabilities: | | | |
| Compensated absences | 98,193 | 33,010 | 131,203 |
| Other postemployment benefits liabilities | <u>58,620</u> | <u>58,620</u> | <u>117,240</u> |
| Total noncurrent liabilities | <u>156,813</u> | <u>91,630</u> | <u>248,443</u> |
| Total liabilities | <u>1,032,439</u> | <u>585,067</u> | <u>1,617,506</u> |
| | | | |
| <u>NET POSITION</u> | | | |
| Invested in capital assets, net of related debt | 23,002,671 | 5,483,815 | 28,486,486 |
| Unrestricted | <u>1,789,691</u> | <u>3,283,465</u> | <u>5,073,156</u> |
| Total net position | <u>\$ 24,792,362</u> | <u>\$ 8,767,280</u> | <u>\$ 33,559,642</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION****PROPRIETARY – ENTERPRISE FUNDS****FOR THE YEAR ENDED JUNE 30, 2014**

| OPERATING REVENUE | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---------------------------------|----------------------|---------------------|----------------------|
| Service charges | \$ 2,019,476 | \$ 2,585,646 | \$ 4,605,122 |
| Other | 35,710 | 15,000 | 50,710 |
| Total operating revenue | <u>2,055,186</u> | <u>2,600,646</u> | <u>4,655,832</u> |
| OPERATING EXPENSES | | | |
| Wages | 560,563 | 128,575 | 689,138 |
| Employee benefits | 277,000 | 84,894 | 361,894 |
| Maintenance | 97,400 | 15,747 | 113,147 |
| Purchased services | - | 1,043,942 | 1,043,942 |
| Professional services | 111,317 | 311,447 | 422,764 |
| Utilities | 92,208 | 4,741 | 96,949 |
| Other departmental expense | 507,868 | 464,081 | 971,949 |
| Dues and memberships | 708 | 579 | 1,287 |
| Office and shop expense | 17,792 | 4,887 | 22,679 |
| Miscellaneous | 38,968 | 9,712 | 48,680 |
| Depreciation | 615,843 | 247,659 | 863,502 |
| Total operating expenses | <u>2,319,667</u> | <u>2,316,264</u> | <u>4,635,931</u> |
| Operating income (loss) | (264,481) | 284,382 | 19,901 |
| NONOPERATING REVENUE (EXPENSE) | | | |
| Interest revenue | <u>22,209</u> | <u>24,819</u> | <u>47,028</u> |
| CHANGE IN NET POSITION | (242,272) | 309,201 | 66,929 |
| NET POSITION, beginning of year | <u>25,034,634</u> | <u>8,458,079</u> | <u>33,492,713</u> |
| NET POSITION, end of year | <u>\$ 24,792,362</u> | <u>\$ 8,767,280</u> | <u>\$ 33,559,642</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY – ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

| | Water | Sewer | Total |
|--|--------------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 2,017,554 | \$ 2,597,347 | \$ 4,614,901 |
| Payments for services and supplies | (834,079) | (1,848,442) | (2,682,521) |
| Payments of employee salaries | (555,389) | (124,139) | (679,528) |
| Payments of employee benefits | (230,312) | (63,113) | (293,425) |
| Interfund reimbursements | 938,523 | 547,121 | 1,485,644 |
| Net cash provided (used) by operating activities | 1,336,297 | 1,108,774 | 2,445,071 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (11,724) | - | (11,724) |
| Net cash provided (used) by capital and related financing activities | (11,724) | - | (11,724) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (337,119) | (344,541) | (681,660) |
| Interest received | 36,065 | 41,964 | 78,029 |
| Net cash provided (used) by investing activities | (301,054) | (302,577) | (603,631) |
| NET INCREASE (DECREASE) IN CASH | 1,023,519 | 806,197 | 1,829,716 |
| CASH AND CASH EQUIVALENTS, beginning of year | 341,357 | 1,512,584 | 1,853,941 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 1,364,876 | \$ 2,318,781 | \$ 3,683,657 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (264,481) | \$ 284,382 | \$ 19,901 |
| Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 615,843 | 247,659 | 863,502 |
| (Increase) decrease in: | | | |
| Accounts receivable | (31,963) | 3,431 | (28,532) |
| Due from other funds | 938,523 | 547,121 | 1,485,644 |
| Due from other governments | (5,669) | (6,730) | (12,399) |
| Prepaid expenses | 1,396 | 4,350 | 5,746 |
| Increase (decrease) in: | | | |
| Accounts payable | 30,786 | 2,344 | 33,130 |
| Accrued wages | 5,174 | 4,436 | 9,610 |
| Compensated absences | 36,110 | 11,203 | 47,313 |
| OPEB | 10,578 | 10,578 | 21,156 |
| Net cash provided (used) by operating activities | \$ 1,336,297 | \$ 1,108,774 | \$ 2,445,071 |

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

ASSETS

Current assets:

| | | |
|---------------------------|----|----------------|
| Cash and cash equivalents | \$ | 370,198 |
| Accounts receivable | | 42,825 |
| Due from other funds | | 15,246 |
| Prepaid expenses | | <u>1,277</u> |
| Total assets | | <u>429,546</u> |

LIABILITIES

Current liabilities:

| | | |
|---------------------------------|--|---------------|
| Accounts payable | | 131,170 |
| Accrued wages and related items | | <u>32,184</u> |
| Total current liabilities | | 163,354 |

Noncurrent liabilities:

| | | |
|---|--|----------------|
| Compensated absences | | 187,979 |
| Other postemployment benefits liabilities | | <u>78,213</u> |
| Total noncurrent liabilities | | <u>266,192</u> |

| | | |
|-------------------|--|----------------|
| Total liabilities | | <u>429,546</u> |
|-------------------|--|----------------|

NET POSITION

| | | |
|--------------|----|----------|
| Unrestricted | \$ | <u>-</u> |
|--------------|----|----------|

NORTHSTAR COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

| | |
|-----------------------------------|------------------|
| OPERATING REVENUE | |
| Charges for services | \$ 2,369,142 |
| Other | 4,486 |
| Total operating revenue | <u>2,373,628</u> |
| OPERATING EXPENSES | |
| District operations & maintenance | 706,918 |
| Fleet operations & maintenance | 99,832 |
| Administration | <u>1,579,808</u> |
| Total operating expenses | <u>2,386,558</u> |
| Operating income (loss) | (12,930) |
| NONOPERATING REVENUE (EXPENSE) | |
| Investment income | <u>12,930</u> |
| CHANGE IN NET POSITION | - |
| NET POSITION, beginning of year | - |
| NET POSITION, end of year | <u>\$ -</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

| | |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from internal charges | \$ 2,326,317 |
| Cash received from other sources | 4,486 |
| Payments for employee salaries & benefits | (1,410,406) |
| Payments for services and supplies | (585,344) |
| Net cash provided by operating activities | <u>335,053</u> |
| CASH FLOWS FROM NONCAPITAL ACTIVITIES | |
| FINANCING ACTIVITIES | |
| Interfund transfers | (17,439) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>12,930</u> |
| NET INCREASE IN CASH | 330,544 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>39,654</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 370,198</u> |
| RECONCILIATION OF OPERATING INCOME | |
| (LOSS) TO NET CASH PROVIDED (USED) BY | |
| OPERATING ACTIVITIES | |
| Operating income (loss) | (12,930) |
| Adjustment to reconcile operating income (loss) to net cash | |
| provided (used) by operating activities: | |
| (Increase) decrease in: | |
| Accounts receivable | (42,825) |
| Prepaid expenses | (1,277) |
| Increase (decrease) in: | |
| Accounts payable | 96,589 |
| Accrued wages and related items | 29,304 |
| Compensated absences | 187,979 |
| Other postemployment benefits liabilities | 78,213 |
| Net cash provided by operating activities | <u>\$ 335,053</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

| <u>ASSETS</u> | Series 2005 <u>Bonds</u> | Series 2006 <u>Bonds</u> | <u>Total</u> |
|-------------------------------|-----------------------------|-----------------------------|----------------------|
| Cash and cash equivalents | <u>9,742,503</u> | <u>5,279,219</u> | <u>\$ 15,021,722</u> |
| <u>LIABILITIES</u> | | | |
| Due to others | <u>\$ 9,742,503</u> | <u>\$ 5,279,219</u> | <u>\$ 15,021,722</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

Northstar Community Services District (the "District") was founded on November 20, 1990, and is an unincorporated political subdivision of the State of California. The District's operations are governed by an elected board of directors consisting of five members. The District provides fire protection services, fuels management services, water, sewer and solid waste services, snow removal and roads maintenance services to the citizens residing within District boundaries. In addition, the District is responsible for maintaining a multi-use recreational trail.

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The Board of Directors is the level of government which has governance responsibilities over all activities related to operations of the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board, since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display financial information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: invested in capital assets, net of related debt; restricted or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

B. BASIS OF PRESENTATION (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is not allocated by function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e. balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District funds are as follows:

Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

Capital Projects Fund is used to account for the acquisition and construction of major capital facilities funded by special taxes levied by the Community Facilities District (CFD) for the benefit of CFD properties.

Proprietary – Enterprise Funds:

Water Fund is used to account for the delivery of water services.

Sewer Fund is used to account for the delivery of sewer and solid waste services.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Internal Service Funds

The Northstar Community Services District employs the use of several Internal Service Funds. The District is the primary recipient of the goods and services provided by the Internal Service Funds and those funds recover their full cost of providing services, including the cost of capital assets (depreciation, related debt service, or estimated replacement cost) by charging the other District funds in which they support. The three Internal Service Funds utilized by the District are shown below:

Fund 010 - District Operations & Maintenance. This fund consists of the activities of the operations crew and engineering staff required in support of overall District operations.

Fund 020 - Fleet Operations & Maintenance. This fund consists of the fiscal activities required to purchase, maintain, and repair the vehicle and small equipment fleet that belong to the District, with the exception of vehicles and equipment specifically dedicated to Fire, Snow (blowers, sweeper, and grader), and PRD/CSA (Kodiak).

Fund 510 – Administration. This department includes the operational areas of General Management, Human Resources, Information Technology (IT)/Geographic Information System (GIS), Accounting functions, and the Board of Directors.

Fiduciary Funds:

The Agency Funds are used to account for assets held by the District as an agent for the bondholders. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate fiduciary fund financial statements.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of net position/balance sheet, the District considers all short-term highly liquid investments, including restricted assets, and amounts held with the fiscal agent to be cash and cash equivalents. Amounts held with the fiscal agent are available on demand to the District.

F. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

| | | |
|----------------------------|----------|-------|
| Buildings and Improvements | 15 – 50 | Years |
| Water and Sewer System | 10 – 100 | Years |
| Vehicles and Equipment | 5 – 25 | Years |
| Software | 7 | Years |

G. DUE FROM OTHER GOVERNMENTS

The District's receivables include amounts due from other governmental agencies and consist mostly of tax revenues and user fees. Management has determined that the District's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

H. COMPENSATED ABSENCES

District employees are entitled to certain compensated absences based on the length of their employment, which will be paid to them upon separation from the District. Compensated absences accumulate and are accrued when they are earned and reported as a liability in the government-wide financial statements.

I. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

I. FUND BALANCE (CONTINUED)

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

J. USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on managements' informed estimates and judgments, with consideration given to materiality. Actual results could differ from those amounts.

K. PROPERTY TAX

The District receives property taxes to support its operations. Secured property taxes are levied as an enforceable lien on property as of March 1. Taxes are payable in two installments, on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Placer bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

2. CASH AND INVESTMENTS

A. CASH AND EQUIVALENTS

The District's cash balances at June 30, 2014 are:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Fiduciary Activities</u> | <u>Total</u> |
|-----------------------------------|------------------------------------|-------------------------------------|---------------------------------|----------------------|
| Deposits: | | | | |
| US Bank | \$ 657,953 | \$ - | \$ - | \$ 657,953 |
| Charles Schwab Money Market | 9,202 | 6,011 | - | 15,213 |
| Cash with Fiscal Agent: | | | | |
| Wells Fargo Mello Roos Funds | 2,229,335 | - | \$ 15,021,722 | 17,251,057 |
| Pooled Funds: | | | | |
| Local Agency Investment Fund | <u>3,372,670</u> | <u>3,677,646</u> | <u>-</u> | <u>7,050,316</u> |
| Total Cash and Equivalents | <u>\$ 6,269,160</u> | <u>\$ 3,683,657</u> | <u>\$ 15,021,722</u> | <u>\$ 24,974,539</u> |

Pooled Funds:

The District is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours' notice. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. The monies held in the LAIF are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

2. CASH AND INVESTMENTS (CONTINUED)

Deposits - Custodial Credit Risk

The carrying amount of the District's accounts was \$657,953 and the bank balances were \$673,311 at June 30, 2014. Deposits held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities. All cash held by financial institutions at June 30, 2014 was fully insured or collateralized.

Cash with Fiscal Agent

At June 30, 2014, funds totaling \$15,021,722 were held at Wells Fargo Bank in various accounts related to the Special Tax Bonds issued in 2005 and 2006 for the construction of facilities and payment of the Special Tax Bonds.

B. INVESTMENTS

Authorized Deposits/Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, The District may invest in the following types of investments:

| <u>Authorized Investment Type</u> | <u>Investment Rating (S&P)</u> | <u>Maximum % of Portfolio</u> | <u>Limit Per Issuer</u> | <u>Maximum Maturity</u> |
|---|------------------------------------|-------------------------------|-------------------------|-------------------------|
| US Treasury bills, notes and bonds | AAA | 70 | None | 5 Years |
| Government Agencies Securities | AAA | 70 | 50% | 5 Years |
| Local Agency Investment Fund (LAIF) | N/A | 50 | None | 3 Years |
| Bonds, notes or other indebtedness of the State of California | AA | 10 | None | 5 Years |
| Bankers Acceptances | N/A | 20 | 10% | 180 days |
| Commercial Paper | A1 | 15 | 10% | 270 days |
| Time Deposits | Top 25% of peer group | 20 | \$500,000 | 2 Years |
| Repurchase Agreements | N/A | 20 | 10% | N/A |
| Corporate Obligations | A | 30 | 10% | 5 Years |
| Mutual Funds | AAA | 15 | 10% | 3 Years |
| Other Government Sponsored Pools | AAAf | 20 | 10% | 3 Years |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The mutual funds are considered short term.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

As of June 30, 2014, The District had the following investments:

| Investment Type | Fair Value | Investment Maturities | | |
|-----------------|--------------|-----------------------|--------------|--------------|
| | | <1yr | 1-3 yrs | >3yrs |
| Corporate Notes | \$ 2,430,735 | \$ 256,424 | \$ 1,031,602 | \$ 1,142,709 |
| Municipal Bonds | 1,518,097 | 775,386 | 667,889 | 74,822 |
| Total | \$ 3,948,832 | \$ 1,031,810 | \$ 1,699,491 | \$ 1,217,531 |

Credit Risk

The District’s investment philosophy sets the tone for its policies, practices, procedures and objectives that control the investment function. The investment of funds will be guided by the primary goals of safety, liquidity, diversification, and reasonable market rate of return. The investment function will have additional goals of: assuring ongoing compliance with Federal, State, and local laws governing the investment of funds kept by the District, maintaining reserves for long term projects and contingencies, and establishing quality standards and limits to the type of investments made and with which institutions investments are placed. Goals will be carried out in the context of the “Prudent Investment Rule” which states that “investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

| Credit Rating (S&P) | Municipal Bonds | Corporate Notes | Totals |
|------------------------|--------------------|--------------------|--------------|
| AA+ | \$ - | \$ 117,609 | \$ 117,609 |
| A | 1,160,102 | 364,255 | 1,524,357 |
| A- | 357,994 | 494,735 | 852,729 |
| BBB+ | - | 377,025 | 377,025 |
| BBB | - | 608,034 | 608,034 |
| BBB- | - | 469,078 | 469,078 |
| Totals | \$ 1,518,096 | \$ 2,430,736 | \$ 3,948,832 |

Concentration of Credit Risk

The District places limits on the amount it may invest in anyone issuer. At June 30, 2014, the District had no concentration of credit risk.

Investments in securities of any one issuer consisting of 5% or more of total investments are as follows:

| | Fair Value | % of Portfolio |
|---|--------------|----------------|
| California State General Obligation Bonds | \$ 1,160,102 | 29.38% |
| Illinois State General Obligation Bonds | \$ 357,994 | 9.07% |

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

3. PROPERTY AND EQUIPMENT

Capital assets activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

| | Balance June 30, 2013 | Additions | Deletions | Balance June 30, 2014 |
|-----------------------------------|--------------------------|---------------------|-------------|--------------------------|
| Not subject to depreciation | | | | |
| Land | \$ 7,598,216 | \$ - | \$ - | \$ 7,598,216 |
| Construction In Progress | | | | |
| General Fund | 664,757 | 124,510 | - | 789,267 |
| Capital Project Fund | 117,341 | - | - | 117,341 |
| Total Not subject to Depreciation | <u>8,380,314</u> | <u>124,510</u> | - | <u>8,504,824</u> |
| Subject to Depreciation | | | | |
| Buildings and Improvements | 15,955,026 | 8,241 | - | 15,963,267 |
| Equipment | 1,007,981 | 58,073 | - | 1,066,054 |
| Vehicles and Equipment | 3,579,715 | - | - | 3,579,715 |
| Software | 78,587 | - | - | 78,587 |
| Total depreciable | <u>20,621,309</u> | <u>66,314</u> | - | <u>20,687,623</u> |
| Less accumulated depreciation | (3,678,022) | (567,675) | - | (4,245,697) |
| Total capital assets, net | <u>\$ 25,323,601</u> | <u>\$ (376,851)</u> | <u>\$ -</u> | <u>\$ 24,946,750</u> |

Business-Type Activities:

| | Balance June 30, 2013 | Additions | Deletions | Balance June 30, 2014 |
|-----------------------------------|--------------------------|---------------------|-------------|--------------------------|
| Not subject to depreciation | | | | |
| Land | \$ 675,195 | \$ - | \$ - | \$ 675,195 |
| Construction In Progress | 372,607 | 11,723 | - | 384,330 |
| Total Not subject to Depreciation | <u>1,047,802</u> | <u>11,723</u> | - | <u>1,059,525</u> |
| Subject to Depreciation | | | | |
| Buildings and Improvements | 20,167,905 | - | - | 20,167,905 |
| Equipment | 840,353 | - | - | 840,353 |
| Vehicles and Equipment | 707,941 | - | - | 707,941 |
| Software | 79,917 | - | - | 79,917 |
| Water /Sewer System | 19,027,191 | - | - | 19,027,191 |
| Total depreciable | <u>40,823,307</u> | - | - | <u>40,823,307</u> |
| Less accumulated depreciation | (12,532,847) | (863,501) | - | (13,396,348) |
| Total capital assets, net | <u>\$ 29,338,262</u> | <u>\$ (851,778)</u> | <u>\$ -</u> | <u>\$ 28,486,484</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

4. INTERFUND TRANSACTIONS

As of June 30, 2014, the interfund receivable and payable balances were as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-----------------------|----------------------------------|-------------------------------|
| General Fund | \$ 1,257,296 | |
| Water Fund | | \$ 792,497 |
| Sewer Fund | | 480,047 |
| Internal Service Fund | 15,248 | |
| Total | <u>\$ 1,272,544</u> | <u>\$ 1,272,544</u> |

5. CONTINGENCIES

As of June 30, 2014, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

6. EMPLOYEE RETIREMENT PLAN

A. PLAN DESCRIPTION

Northstar Community Services District participates in the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

B. FUNDING POLICY

The District makes the contributions required of active plan members, which is 7% of their salary, and Northstar Community Services District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 for employees in the Miscellaneous Plan was 20.731% of annual payroll for those receiving 2.7% at 55 and 6.250% for those receiving 2.0% at 62. For the Safety Plan, the contribution rate was 26.149% of annual payroll for those receiving 3% at 50 and 21.669% for those receiving 3% at 55. The contribution requirements of the plan members are established by the state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013, and 2012 were \$1,058,495, \$1,011,401 and \$851,120, respectively, and equal 100% of the required contributions for each year.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

C. ANNUAL PENSION COST

The required contribution for the year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members, and (c) 3% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the plan's assets was determined using a technique that stabilizes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gain and/or losses. The plan's unfunded actuarial liability is being amortized over the remaining period of 21 years.

7. GENERAL LONG-TERM DEBT

A schedule of changes in long-term liabilities for the year ended June 30, 2014 is shown below:

Governmental Activities

| | Balance July 1, 2013 | Additions | Deductions | Balance June 30, 2014 | Due Within One Year |
|-------------------------------|---------------------------------|-------------------|-------------------|----------------------------------|------------------------------------|
| Other Postemployment benefits | \$ 268,116 | \$ 77,812 | \$ 8,718 | \$ 337,210 | \$ - |
| Retiree Termination Benefits | 70,313 | - | 27,618 | 42,695 | 17,417 |
| Compensated Absences | 728,642 | 87,774 | - | 816,416 | - |
| | <u>\$ 1,067,071</u> | <u>\$ 165,586</u> | <u>\$ 36,336</u> | <u>\$ 1,196,321</u> | <u>\$ 17,417</u> |

Business-Type Activities

| | Balance July 1, 2013 | Additions | Deductions | Balance June 30, 2014 | Due Within One Year |
|-------------------------------|---------------------------------|------------------|-------------------|----------------------------------|------------------------------------|
| Other Postemployment benefits | \$ 96,084 | \$ 22,867 | \$ 1,710 | \$ 117,241 | \$ - |
| Compensated Absences | 83,890 | 47,314 | - | 131,204 | - |
| | <u>\$ 179,974</u> | <u>\$ 70,181</u> | <u>\$ 1,710</u> | <u>\$ 248,445</u> | <u>\$ -</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

8. DEBT WITHOUT GOVERNMENT COMMITMENT

During 2005 and 2006, bonded debt was issued by a special assessment district known as Community Facilities District #1 (CFD) to finance infrastructure improvements and facilities within the District's boundaries. The District has no legal responsibility with respect to the payment of the debt and the proceeds will be used for various projects in the County of Placer and Northstar Community Services District. Therefore, the District has not recorded it as a liability. The debt is to be repaid from a special tax levied on properties within the CFD. The District is responsible for a portion of the construction and improvements financed by the special assessment district. Therefore, the related capital projects fund is reflected in the District's financial statements. The District also acts as the CFD's agent with respect to the receipts, disbursements and balances. These amounts are reported as agency fund transactions. The following includes information related to the outstanding debt as of June 30, 2014.

In December 2005, the Northstar Community Services District Community Facilities District No. 1 issued Special Tax Bonds, Series 2005 in the amount of \$56,125,000, with interest rates ranging from 3.80% to 5.55%.

In December 2006, the Northstar Community Services District Community Facilities District No. 1 issued Special Tax Bonds, Series 2006 in the amount of \$58,590,000, with interest rates ranging from 3.90% to 5.00%.

At June 30, 2014, the outstanding bonds consisted of the following:

| <u>Description</u> | <u>Date Of Issue</u> | <u>Interest Rates</u> | <u>Maturity Date Sept 1,</u> | <u>Amount of Original Issue</u> | <u>Outstanding July 1, 2013</u> | <u>Redeemed Current Year</u> | <u>Outstanding June 30, 2014</u> |
|--------------------|------------------------------|-----------------------|--------------------------------------|---|-------------------------------------|--------------------------------------|--------------------------------------|
| Series 2005 | 2005 | 3.80% - 5.55% | 2036 | \$ 56,125,000 | \$ 54,975,000 | \$ 465,000 | \$ 54,510,000 |
| Series 2006 | 2006 | 3.90% - 5.00% | 2037 | 58,590,000 | 57,745,000 | 395,000 | 57,350,000 |
| | | | | <u>\$ 114,715,000</u> | <u>\$ 112,720,000</u> | <u>\$ 860,000</u> | <u>\$ 111,860,000</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

8. DEBT WITHOUT GOVERNMENT COMMITMENT (CONTINUED)

The annual requirements to pay the bonds outstanding as of June 30, 2014 are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|--------------------------|-----------------------|----------------------|-----------------------|
| 2015 | \$ 1,035,000 | \$ 5,804,329 | \$ 6,839,329 |
| 2016 | 1,220,000 | 5,751,491 | 6,971,491 |
| 2017 | 1,415,000 | 5,688,339 | 7,103,339 |
| 2018 | 1,625,000 | 5,614,970 | 7,239,970 |
| 2019 | 1,850,000 | 5,530,088 | 7,380,088 |
| 2020-2024 | 13,195,000 | 25,888,583 | 39,083,583 |
| 2025-2029 | 21,565,000 | 21,399,914 | 42,964,914 |
| 2030-2034 | 32,895,000 | 14,294,780 | 47,189,780 |
| 2035-2038 | 37,060,000 | 3,999,118 | 41,059,118 |
| | <u>\$ 111,860,000</u> | <u>\$ 93,971,612</u> | <u>\$ 205,831,612</u> |

9. OTHER POSTEMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

Northstar Community Services District participates in the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit healthcare plan as permitted under the Public Employees Medical and Hospital and Care Act (PEMHCA). The District is required to contribute minimum employer contributions incurred by the CalPERS medical program for the retiree's lifetime or until coverage is discontinued. In fiscal year 2014, minimum employer contributions were \$119 per month per retiree.

B. FUNDING POLICY

The District's Board of Directors is only funding the plan on a pay-as-you-go basis. The Board will review the funding requirements and policy annually.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over an amortization period of 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

| | Admin | Fire | Operations | Fuels | Total |
|--|------------------|------------------|-------------------|----------------|------------------|
| Annual required Contribution | \$ 17,741 | \$ 58,281 | \$ 23,225 | \$2,788 | \$ 102,035 |
| Interest on net OPEB obligation | 2,541 | 7,908 | 3,843 | 276 | 14,568 |
| Adjustment to annual required contribution | (2,778) | (8,644) | (4,202) | (301) | (15,925) |
| Annual OPEB cost (expense) | 17,504 | 57,545 | 22,866 | 2,763 | 100,678 |
| Contributions made | (2,818) | (5,897) | (1,710) | (3) | (10,428) |
| Increase in net OPEB obligation | 14,686 | 51,648 | 21,156 | 2,760 | 90,250 |
| Net OPEB obligation - beginning of year | 63,527 | 197,694 | 96,084 | 6,895 | 364,200 |
| Net OPEB obligation - end of year | <u>\$ 78,213</u> | <u>\$249,342</u> | <u>\$ 117,240</u> | <u>\$9,655</u> | <u>\$454,450</u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three fiscal years is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|------------------------|---|------------------------|
| June 30, 2012 | \$ 107,533 | 7.33% | \$ 277,870 |
| June 30, 2013 | \$ 94,502 | 8.65% | \$ 364,200 |
| June 30, 2014 | \$ 100,678 | 10.36% | \$ 454,450 |

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. METHODS AND ASSUMPTIONS

The annual required contribution was determined as part of a June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.0% investment rate of return, (b) 3.25% projected annual salary increase and health care cost trend increasing 4.5% annually

10. NON-MONETARY TRANSACTION

The District entered into a barter transaction with Northstar Community Housing Corporation during the fiscal year ended June 30, 2007 in which water and sewer connection and user fees were exchanged for employee housing services. Employee housing services will end once the credit has been exhausted or in thirty years, whichever comes first. Any credit not used by the end of the 30-year period will be paid to the District. As a result of this transaction, the District has a prepaid asset in the proprietary funds balance sheet of \$190,837 at June 30, 2014.

11. FUND BALANCES

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

| | General Fund | Capital Projects Fund | Totals |
|---------------------|---------------------|-----------------------------|---------------------|
| Nonspendable: | | | |
| Prepaid Expenses | \$ 137,378 | \$ - | \$ 137,378 |
| Committed: | | | |
| Capital projects | - | 2,078,167 | 2,078,167 |
| Fire | 836,691 | - | 836,691 |
| Roads | 261,332 | - | 261,332 |
| Admin | 526,243 | - | 526,243 |
| Total committed | <u>1,624,266</u> | <u>2,078,167</u> | <u>3,702,433</u> |
| Unassigned | 4,902,443 | - | 4,902,443 |
| Total Fund Balances | <u>\$ 6,664,087</u> | <u>\$ 2,078,167</u> | <u>\$ 8,742,254</u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

12. RISK MANAGEMENT

The District is a member of two jointly governed organizations, which provide coverage for various potential losses. For workers' compensation losses, property, general and auto liability and auto physical damage the District is a member of Special Districts Risk Management Authority (SDRMA). For property, general and auto liability and auto physical damage, the District's fire department is a member of Fire Agencies Insurance Risk Authority (FAIRA).

SDRMA and FAIRA are governed by Boards consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available separately from the respective agencies. Condensed information for SDRMA and FAIRA are as follows:

| | <u>SDRMA</u> <u>June 30, 2014</u> | <u>FAIRA</u> <u>June 30, 2014</u> |
|------------------------|--------------------------------------|--------------------------------------|
| Total Assets | \$ 103,447,984 | \$ 3,248,917 |
| Total Liabilities | \$ 50,078,187 | \$ 132,423 |
| Net Position | \$ 53,369,797 | \$ 3,116,494 |
| Total Revenues | \$ 52,110,542 | \$ 2,949,790 |
| Total Expenses | \$ 54,386,242 | \$ 2,888,207 |
| Change in Net Position | \$ (2,275,700) | \$ 61,583 |

13. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2014 through May 14, 2015, the date the financial statements were issued. Management is not aware of any subsequent events other than the issuance of refunding bonds described below that would require recognition or disclosure in the accompanying financial statements.

In July 2014, the District issued Special Tax Refunding bonds to refund a portion of CFD No. 1 Special Tax Bonds, Series 2005 and Series 2006, fund a deposit to the parity reserve fund for the Bonds and pay the costs of issuance. Interest on the bonds is payable every September 1 and March 1 beginning on September 1, 2014. Principal on the bonds will be payable on September 1 beginning on September 1, 2015. The bonds will currently refund \$21,140,000 of the 2005 and 2006 Special Tax Bonds.

The bonds carry interest rates of 4.00% and 5.00% and will fully mature on September 1, 2026.

**REQUIRED SUPPLEMENTARY
INFORMATION**

NORTHSTAR COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Favorable (Unfavorable) |
|--|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Unfavorable)</u> |
| REVENUE | | | | |
| Taxes and assessments | \$ 4,667,238 | \$ 4,667,238 | \$ 4,619,126 | \$ (48,112) |
| Fees and other non-tax revenue | 253,140 | 253,140 | 333,937 | 80,797 |
| Interest | - | - | 36,298 | 36,298 |
| Fire mitigation fees | 6,000 | 6,000 | 6,788 | 788 |
| Grant revenue | 774,292 | 774,292 | 371,918 | (402,374) |
| Other | <u>138,000</u> | <u>138,000</u> | <u>402,575</u> | <u>264,575</u> |
| Total revenue | <u>5,838,670</u> | <u>5,838,670</u> | <u>5,770,642</u> | <u>(68,028)</u> |
| EXPENDITURES | | | | |
| General government | 46,672 | 46,672 | 48,115 | (1,443) |
| Public safety | 4,702,909 | 4,702,909 | 4,298,462 | 404,447 |
| Streets | 358,482 | 358,482 | 246,425 | 112,057 |
| Trails | 663,482 | 663,482 | 619,853 | 43,629 |
| Capital Outlay | <u>106,222</u> | <u>106,222</u> | <u>102,780</u> | <u>3,442</u> |
| Total expenditures | <u>5,877,767</u> | <u>5,877,767</u> | <u>5,315,635</u> | <u>562,132</u> |
| NET CHANGES IN FUND BALANCES | (39,097) | (39,097) | 455,007 | 494,104 |
| FUND BALANCE, beginning of year | <u>6,209,080</u> | <u>6,209,080</u> | <u>6,209,080</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$ 6,169,983</u></u> | <u><u>\$ 6,169,983</u></u> | <u><u>\$ 6,664,087</u></u> | <u><u>\$ 494,104</u></u> |

NORTHSTAR COMMUNITY SERVICES DISTRICT

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS**

FOR THE YEAR ENDED JUNE 30, 2014

| <u>Actuarial Valuation Date</u> | <u>Actuarial Accrued Liability (AAL) Entry Age (a)</u> | <u>Actuarial Value of Assets (b)</u> | <u>Unfunded Liability (UAAL) (a-b)</u> | <u>Funded Status (b/a)</u> | <u>Annual Covered Payroll (c)</u> | <u>UAAL as a % of payroll ([a-b]/c)</u> |
|---|--|--|--|------------------------------------|---|---|
| June 30, 2010 | \$ 632,805 | \$ - | \$ 632,805 | 0% | \$ 2,849,895 | 22.2% |
| June 30, 2013 | \$ 820,225 | \$ - | \$ 820,225 | 0% | \$ 2,937,660 | 27.9% |

NORTHSTAR COMMUNITY SERVICES DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

PURPOSE OF SCHEDULES

A Budgetary Comparison Schedule

The District employs budget control by account codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations by object level, which is a category of account codes such as salaries and benefits or charges for services. The originally adopted and final revised budget for the General Fund is presented as Required Supplementary Information. The budgeting is done on the cash basis which is an other comprehensive basis of accounting.

B - Schedule of Funding Progress - Other Postemployment Benefits

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

**SUPPLEMENTARY
INFORMATION**

NORTHSTAR COMMUNITY SERVICES DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| <u>ASSETS</u> | <u>Balance</u> June 30, 2013 | <u>Receipts</u> | <u>Disbursements</u> | <u>Balance</u> June 30, 2014 |
|---------------------------|---------------------------------|---------------------|----------------------|---------------------------------|
| Cash and cash equivalents | | | | |
| Series 2005 Bonds | \$ 10,308,969 | \$ 2,878,236 | \$ 3,444,702 | \$ 9,742,503 |
| Series 2006 Bonds | 4,314,308 | 4,217,769 | 3,252,858 | 5,279,219 |
| Total assets | <u>\$ 14,623,277</u> | <u>7,096,005</u> | <u>6,697,560</u> | <u>\$ 15,021,722</u> |
| <u>LIABILITIES</u> | | | | |
| Due to others | <u>\$ 14,623,277</u> | <u>\$ 7,096,005</u> | <u>\$ 6,697,560</u> | <u>\$ 15,021,722</u> |