



NORTHSTAR COMMUNITY SERVICES DISTRICT

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

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

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

**701 HOWE AVENUE, E3
SACRAMENTO, CA**

**(916) 993-9494
(916) 993-9489 FAX
WWW.JPMCFA.COM**

NORTHSTAR COMMUNITY SERVICES DISTRICT

JUNE 30, 2015

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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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, 2015, 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, 2015, 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, Schedule of Funding Progress – Other Postemployment Benefits, Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Pension Contributions 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.

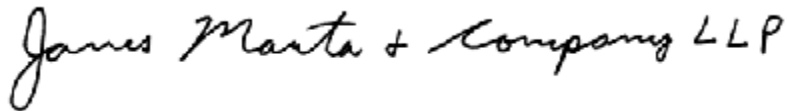
The supplementary information, which consists of the statement of changes in assets and liabilities for the fiduciary funds, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

Change in Accounting Principle

As discussed in Note 1M to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contribution Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The District has not restated the actual and pro forma effect of the Statements on the financial statements as of and for the year ended June 30, 2014. This data is not readily available due to an actuary study not being prepared in accordance with GASB 68 for measurement dates prior to June 30, 2014. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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 cursive script that reads "James Marta & Company LLP".

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 18, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide total net position at June 30, 2015 was \$ 60,972,858
- Government-wide total revenue: \$ 11,442,721
- Business-Type Activities total revenue:
 - Water: \$ 2,244,212
 - Sewer: \$ 2,793,952
- Governmental Activities total revenue: \$ 6,368,120
- Government-wide total expenses: \$ 12,659,062
- Government-wide total depreciation expense: \$ 1,424,052

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.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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 fund 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.

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, Capital Projects Fund, and Building 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. The Building Fund accounts for the financial activities of the Northstar Community Service District Financing Authority

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 Engineering & Utility Operations, Fleet, and Administrative Operations.

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.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, a schedule of the proportionate share of the District's Net Pension Liability and a schedule of pension contributions

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.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Table A-1
Statement of Net Position
6/30/2015

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current assets	\$13,655,364	\$ 9,777,348	\$ 9,061,203	\$ 6,690,662	\$22,716,567	\$16,468,010
Capital assets	<u>24,359,247</u>	<u>24,946,750</u>	<u>27,561,915</u>	<u>28,486,486</u>	<u>51,921,162</u>	<u>53,433,236</u>
Total Assets	38,014,611	34,724,098	36,623,118	35,177,148	74,637,729	69,901,246
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows on pensions	1,101,077	-	-	-	1,101,077	-
LIABILITIES						
Current liabilities	494,689	786,319	3,785,699	1,369,063	4,280,388	2,155,382
Noncurrent liabilities	<u>9,688,657</u>	<u>1,178,904</u>	<u>-</u>	<u>248,443</u>	<u>9,688,657</u>	<u>1,427,347</u>
Total liabilities	10,183,346	1,965,223	3,785,699	1,617,506	13,969,045	3,582,729
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows on pensions	796,903	-	-	-	796,903	-
NET POSITION						
Investment in capital assets, net of related debt	24,359,247	24,946,750	27,561,915	28,486,486	51,921,162	53,433,236
Unrestricted	<u>3,776,192</u>	<u>7,812,125</u>	<u>5,275,504</u>	<u>5,073,156</u>	<u>9,051,696</u>	<u>12,885,281</u>
Total net position	<u>\$28,135,439</u>	<u>\$32,758,875</u>	<u>\$32,837,419</u>	<u>\$33,559,642</u>	<u>\$60,972,858</u>	<u>\$66,318,517</u>

Total net position amounted to \$61million in fiscal year 2015. 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 outstanding liability borrowed to purchase these assets. Total net position decreased by \$5.34 million mostly due to the reporting of Net Pension Liability as required the Governmental Accounting and Standards Board Statement No. 68 (GASB 68), which is described below, and the \$4.66 million liability of the Northstar Community Services District – Financing Authority (NCSD-FA) due to the issuance of lease revenue bonds to fund the construction of a new Engineering and Administration building.

The effect of implementing GASB 68 resulted in:

- Total Liabilities increase of \$10.39 million as a result of recording Net Pension Liability as well as recording of the new Special Tax Bond. Net Pension Liability is the plan’s total pension liability less the plan’s fiduciary net position and is inclusive of a prior period restatement of \$3.76 million for this first year of implementation.
- Deferred Outflows and Deferred Inflows being recorded as additions and deductions, respectively, to the Net Position and separately stated in the table above. Deferred Outflows and Deferred Inflows of resources related to pensions represent changes in total pension liabilities and fiduciary net position that are to be recognized as future pension expense.

Total assets for business-type activities increased \$1.45 million mainly due to an increase in current assets in the amount of \$2.37 million. Those current assets increased due to an increase in investments and 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 33 percent increase in the capital fee billing component of water and sewer rates.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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
6/30/2015

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
REVENUE						
General Revenue						
NCSD property taxes	\$ 4,092,234	\$ 3,978,774			\$ 4,092,234	\$ 3,978,774
Snow and fuels mgt assessments	656,365	640,352			656,365	640,352
Interest earnings	27,059	40,955	\$ 13,701	\$ 47,028	40,760	87,983
Miscellaneous	102,713	-	22,736	50,710	125,449	50,710
Total general revenue	4,878,371	4,660,081	36,437	97,738	4,914,808	4,757,819
Program Revenues						
Charges for services	466,248	743,300	5,038,164	4,605,122	5,504,412	5,348,422
Operating Grants amd Contributions	1,023,501	371,918	-	-	1,023,501	371,918
Total program revenue	1,489,749	1,115,218	5,038,164	4,605,122	6,527,913	5,720,340
Total revenue	6,368,120	5,775,299	5,074,601	4,702,860	11,442,721	10,478,159
EXPENSES						
General government	91,660	48,115			91,660	48,115
Public safety	4,046,200	4,182,062			4,046,200	4,182,062
Streets	1,419,635	236,154			1,419,635	236,154
Trails	988,369	609,582			988,369	609,582
Capital projects	814,302	482,822			814,302	482,822
Building	203,431	-			203,431	-
Internal service fund capital activity	354,058	-			354,058	-
Unallocated depreciation	551,074	567,675			551,074	567,675
Water and sewer			4,190,333	4,635,931	4,190,333	4,635,931
Total expenses	8,468,729	6,126,410	4,190,333	4,635,931	12,659,062	10,762,341
OTHER SOURCES (USES)						
Transfers In (Out)	169,840	-	(169,840)	-	-	-
CHANGE IN NET POSITION						
	(1,930,769)	(351,111)	714,428	66,929	(1,216,341)	(284,182)
NET POSITION, beginning of year						
	32,758,875	33,109,986	33,559,642	33,492,713	66,318,517	66,602,699
Prior period adjustment	(2,692,667)	-	(1,436,651)	-	(4,129,318)	-
NET POSITION, restated	30,066,208	33,109,986	32,122,991	-	62,189,199	33,109,986
NET POSITION, end of year						
	<u>\$ 28,135,439</u>	<u>\$ 32,758,875</u>	<u>\$ 32,837,419</u>	<u>\$ 33,559,642</u>	<u>\$ 60,972,858</u>	<u>\$ 66,318,517</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.

Governmental activities:

Both property tax and snow and fuels management assessments saw an increase of 2.9% and 2.5%, respectively, over the prior year. Overall, general revenue was up 4.7%. This was due to the aforementioned increases in taxes and an increase of \$102,713 in miscellaneous revenue.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Program revenues increased by 33.6%. Operating grants and contributions represents a 175.2% increase over the prior year due to grant activity within the trails division.

Overall expenditures were up by 38.2%. This is due, in part, to the inclusion of internal service fund capital project activity, shown in the Expenses section of Table A-2, for the Engineering and Administration building (C14-015), Slurry Seal – Admin Complex (C14-016), and the Springbrook UB Module – Northstar (C14-023). Streets and trails both experienced increases due to the 2014 Road Reconstruction Project (C15-006) and Martis valley trail projects (R15-004, R15-008, R15-009), respectively.

Business-Type activities:

Program revenues showed an increase of 9.4%. Overall, expenses are 9.6% lower than the prior year. This is mainly due to a decrease in other departmental expense, whose largest component is the allocation of the expenses of the Administrative Operations and Engineering and Utility Operations internal service funds, as shown on the statement of revenues, expenses and changes in net position for enterprise funds.

BUDGETARY HIGHLIGHTS

Each year the District Board of Directors adopts an annual operating and capital budget. The operating budget includes proposed expenses and the means of financing them. The 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.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Table A-3
Budget vs. Actual - General Fund
6/30/2015

	Budget		Actual		Variance Favorable / (Unfavorable)	
	2015	2014	2015	2014	2015	2014
Revenue						
Taxes and assessments	\$ 4,683,700	\$ 4,667,238	\$ 4,748,599	\$ 4,619,126	\$ 64,899	\$ (48,112)
Fees and other non-tax revenue	298,501	253,140	441,594	333,937	143,093	80,797
Interest	46,934	-	23,145	36,298	(23,789)	36,298
Fire mitigation fees	5,000	6,000	24,654	6,788	19,654	788
Reimbursable revenues	1,976,787	-	955,422	-	(1,021,365)	-
Administration fees	-	-	-	-	-	-
Grant revenue	70,000	774,292	68,079	371,918	(1,921)	(402,374)
Other	80,359	138,000	102,713	402,575	22,354	264,575
Total revenue	7,161,281	5,838,670	6,364,206	5,770,642	(797,075)	(68,028)
Expenditures						
Current						
General Government	48,704	46,672	91,660	48,115	(42,956)	(1,443)
Public Safety	4,435,707	4,702,909	4,592,523	4,298,462	(156,816)	404,447
Streets	1,424,240	358,482	1,478,324	246,425	(54,084)	112,057
Trails	1,928,773	663,482	1,218,487	619,853	710,286	43,629
Capital Outlay	-	106,222	-	102,780	-	3,442
Total expenditures	7,837,424	5,877,767	7,380,994	5,315,635	456,430	562,132
Excess (deficiency) of revenue over expenditures before other sources	(676,143)	(39,097)	(1,016,788)	455,007	(340,645)	494,104
Other Sources						
Operating transfers from other sources in/(out)	-	-	(184,218)	-	(184,218)	-
Excess (deficiency) of revenue and other sources over expenditures	<u>\$ (676,143)</u>	<u>\$ (39,097)</u>	<u>\$ (1,201,006)</u>	<u>\$ 455,007</u>	<u>\$ (524,863)</u>	<u>\$ 494,104</u>

The District budgeted \$7.16 million in general fund revenue and recognized \$6.36 million. The District budgeted \$7.84 million in general fund expenditures and recognized \$7.38 million.

The budget to actual variance in revenue was mainly due to reimbursable revenue being under budget by \$1.02 million, while *Taxes and assessments* and *Fees and other non-tax revenue* were over budget by \$64,899 and \$143,093, respectively. The \$814,077 or 10.4% favorable budget to actual variance in expenditures was mainly due to decreased expenditures for the Martis Valley Trail project as compared to budget.

Overall, there is an unfavorable variance of \$340,645 when comparing budget to actual for the General Fund.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, 2015

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Governmental Activities				
Land	\$ 7,598,216	\$ 7,598,216	\$ -	0%
Work in progress				
General fund	664,757	789,267	(124,510)	-16%
Capital projects fund	117,341	117,341	-	0%
Buildings and improvements	15,976,446	15,963,267	13,179	0%
Equipment	1,066,054	1,066,054	-	0%
Vehicles and equipment	3,630,028	3,579,715	50,313	1%
Software	103,472	78,587	24,885	32%
	<u>29,156,314</u>	<u>29,192,447</u>	<u>(36,133)</u>	<u>0%</u>
Less accumulated depreciation	<u>(4,797,067)</u>	<u>(4,245,697)</u>	<u>(551,370)</u>	
Governmental activities capital assets, net	<u>24,359,247</u>	<u>24,946,750</u>	<u>(587,503)</u>	<u>-2%</u>
Business-type Activities				
Land	675,195	675,195	-	0%
Work in progress	-	11,724	(11,724)	-100%
Building and improvements	20,306,485	20,167,905	138,580	1%
Equipment	991,206	840,353	150,853	18%
Vehicles and equipment	707,941	707,941	-	0%
Software	79,917	79,917	-	0%
Water/sewer system	19,070,201	19,027,191	43,010	0%
	<u>41,830,945</u>	<u>41,510,226</u>	<u>320,719</u>	<u>1%</u>
Less accumulated depreciation	<u>(14,269,030)</u>	<u>(13,396,348)</u>	<u>(872,682)</u>	<u>7%</u>
Business-type activities capital assets, net	<u>27,561,915</u>	<u>28,113,878</u>	<u>(551,963)</u>	<u>-2%</u>
Totals	<u>\$ 51,921,162</u>	<u>\$ 53,060,628</u>	<u>\$ (1,139,466)</u>	<u>-2%</u>

As indicated in Table A-4, the combined net capital assets of Governmental and Business-type Activities decreased by \$1.16 million, after considering accumulated depreciation. Governmental activities show a decrease of \$36,133 before accumulated depreciation due mostly to the decrease in work in progress for the general fund. Business-type activities show an increase of \$320,719 before accumulated depreciation.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The decrease in work in progress is representative of capital projects that were in progress in prior fiscal years and completed as of 6/30/2015. 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).

GENERAL LONG-TERM DEBT

The District's long-term liabilities at year-end included Other Post-Employment Benefits (OPEB) for employees totaling \$539,799. The long-term portion of retiree termination benefits at \$24,888. Long-term liabilities for estimated compensated absences totaled \$1,076,127.

There are two additions to general long-term debt for the current fiscal year.

- As discussed in a previous section, the GASB 68 required reporting of net pension liability amounts to \$3.5 million.
- In 2015, the NCS D and the NCS D Community Facilities District #1 agreed to form a Joint exercise of Powers Authority (JPA), NCS D Financing Authority (NCS D-FA), to issue lease revenue bonds used to construct an Engineering and Administration Building for the benefit of and to be leased back to the District. Lease revenue bonds issued by the NCS D-FA for the construction of that building resulted in an increase of \$4,655,000 in general long-term debt with the principal portion of the debt being due within one year.

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 (NCS D CFD#1 or CFD) to finance infrastructure improvements and facilities within the Northstar area.

In July of 2014, the NCS D CFD #1 issued Special Tax Refunding bonds to refund a portion of the 2005 and 2006 series bonds and cover the costs associated with the issue. For the current year, the bonds will refund \$21.14 million of the 2005 and 2006 series bonds.

The District has no legal responsibility with respect to the re-payment of the debt associated with either bond issue. 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, 2015, the outstanding principal amount of bonded debt outstanding for the CFD was \$110,040,000.

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 increase significantly in the upcoming year. Business-type revenue is expected to increase due to the acquisition of the neighboring Martis Valley Water System, previously operated by Placer County Water Agency as Zone 4. In addition, the District is entering the first year of a five-year rate increase for Northstar Water, Sewer, and Solid Waste services, which also includes an increase in fees to support capital expenditures.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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.

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 Greg Rosenthal, Director of Finance and Administration, Northstar Community Services District, 908 Northstar Drive, Truckee, California 96161.

BASIC FINANCIAL STATEMENTS

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,824,872	\$ 4,947,158	\$ 12,772,030
Investments	1,619,400	3,426,447	5,045,847
Accounts receivable	213,095	361,916	575,011
Inventory	14,149	-	14,149
Due from other governments	219,216	164,379	383,595
Due from other funds	3,691,005	-	3,691,005
Prepaid expenses	73,627	161,303	234,930
Capital assets, net	24,359,247	27,561,915	51,921,162
Total assets	38,014,611	36,623,118	74,637,729
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	1,101,077	-	1,101,077
LIABILITIES			
Accounts payable	254,296	71,830	326,126
Accrued liabilities	139,250	22,864	162,114
Due to other funds	-	3,691,005	3,691,005
Unearned revenue	1,921	-	1,921
Long-Term Liabilities:			
Due within one year	99,222	-	99,222
Due in longer than one year			
Net pension liability	3,492,065	-	3,492,065
Other long-term liabilities	6,196,592	-	6,196,592
Total liabilities	10,183,346	3,785,699	13,969,045
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pensions	796,903	-	796,903
NET POSITION			
Investment in capital assets	24,359,247	27,561,915	51,921,162
Unrestricted	3,776,192	5,275,504	9,051,696
Total net position	\$ 28,135,439	\$ 32,837,419	\$ 60,972,858

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:						
General government	\$ 91,660	\$ -	\$ -	\$ (91,660)	\$ -	\$ (91,660)
Public safety	4,046,200	450,806	94,121	(3,501,273)	-	(3,501,273)
Streets	1,419,635	15,442	135,506	(1,268,687)	-	(1,268,687)
Trails	988,369	-	793,874	(194,495)	-	(194,495)
Capital projects	814,302	-	-	(814,302)	-	(814,302)
Building	203,431	-	-	(203,431)	-	(203,431)
Internal service fund capital activity	354,058	-	-	(354,058)	-	(354,058)
Unallocated depreciation	551,074	-	-	(551,074)	-	(551,074)
Total governmental activities	<u>\$ 8,468,729</u>	<u>\$ 466,248</u>	<u>\$ 1,023,501</u>	<u>(6,978,980)</u>	<u>-</u>	<u>(6,978,980)</u>
Business-type activities:						
Water	\$ 1,937,675	\$ 2,244,212	\$ -		306,537	306,537
Sewer	2,252,658	2,793,952	-		541,294	541,294
Total business-type activities	<u>\$ 4,190,333</u>	<u>\$ 5,038,164</u>	<u>\$ -</u>		<u>847,831</u>	<u>847,831</u>
General revenues:						
Property taxes				4,092,234	-	4,092,234
Fuels management and streets assessments				656,365	-	656,365
Interest earnings				27,059	13,701	40,760
Miscellaneous revenue				102,713	22,736	125,449
Total general revenue				<u>4,878,371</u>	<u>36,437</u>	<u>4,914,808</u>
Transfers				169,840	(169,840)	-
Change in net position				<u>(1,930,769)</u>	<u>714,428</u>	<u>(1,216,341)</u>
Net position, beginning - as originally reported				32,758,875	33,559,642	66,318,517
Prior period adjustment				<u>(2,692,667)</u>	<u>(1,436,651)</u>	<u>(4,129,318)</u>
Net position, beginning - as restated				<u>30,066,208</u>	<u>32,122,991</u>	<u>62,189,199</u>
Net position - end of year				<u>\$ 28,135,439</u>	<u>\$ 32,837,419</u>	<u>\$ 60,972,858</u>

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

NORTHSTAR COMMUNITY SERVICES DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

ASSETS	General Fund	Capital Projects Fund	Building Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,901,012	\$ 1,345,589	\$ 4,451,569	\$ 9,698,170
Investments	1,619,400	-	-	1,619,400
Accounts receivables	173,793	-	-	173,793
Due from other governments	219,216	-	-	219,216
Prepaid expenses	65,336	-	-	65,336
Total Assets	\$ 5,978,757	\$ 1,345,589	\$ 4,451,569	\$ 11,775,915
 LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 107,203	\$ 16,792	\$ -	\$ 123,995
Due to other funds	306,084	-	-	306,084
Other accrued expenses	100,467	-	-	100,467
Unearned revenue	1,921	-	-	1,921
Total Liabilities	515,675	16,792	-	532,467
 Fund Balance				
Nonspendable	65,336	-	-	65,336
Committed	1,624,266	1,328,797	4,451,569	7,404,632
Unassigned	3,773,480	-	-	3,773,480
Total Fund Balance	5,463,082	1,328,797	4,451,569	11,243,448
 Total Liabilities and Fund Balance	 \$ 5,978,757	 \$ 1,345,589	 \$ 4,451,569	 \$ 11,775,915

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

JUNE 30, 2015

Total Fund Balance - Governmental Funds	\$	11,243,448
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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.</p>		
Capital assets at cost		29,131,429
Accumulated depreciation		(4,796,771)
<p>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:</p>		
Compensated absences		(643,864)
Other postemployment benefits		(316,701)
Lease revenue bonds payable		(4,655,000)
Net pension liability		(1,991,884)
<p>Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pension are reported.</p>		
Deferred outflows of resources relating to pensions		672,543
Deferred inflows of resources relating to pensions		(507,761)
Total net position - Governmental Activities:	\$	28,135,439

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

JUNE 30, 2015

	Capital Projects			Total
	General Fund	Fund	Building Fund	
REVENUE				
Taxes and assessments	\$ 4,748,599	\$ -	\$ -	\$ 4,748,599
Fees and other non-tax revenue	441,594	-	-	441,594
Interest	23,145	3,914	-	27,059
Fire mitigation fees	24,654	-	-	24,654
Grant revenue	68,079	-	-	68,079
Reimbursable revenue	955,422	-	-	955,422
Other	102,713	-	-	102,713
Total revenue	<u>6,364,206</u>	<u>3,914</u>	<u>-</u>	<u>6,368,120</u>
EXPENDITURES				
General government	91,660	-	-	91,660
Public safety	4,592,523	-	-	4,592,523
Streets	1,478,324	-	-	1,478,324
Trails	1,218,487	-	-	1,218,487
Capital outlay	-	753,284	-	753,284
Building expenses	-	-	203,431	203,431
Total expenditures	<u>7,380,994</u>	<u>753,284</u>	<u>203,431</u>	<u>8,337,709</u>
Excess (deficiency) of revenue over expenditures	(1,016,788)	(749,370)	(203,431)	(1,969,589)
OTHER FINANCING SOURCES (USES)				
Transfers out	(184,218)	-	-	(184,218)
Proceeds from bond issue	-	-	4,655,000	4,655,000
Net change in fund balances	(1,201,006)	(749,370)	4,451,569	2,501,193
FUND BALANCE, beginning of year	<u>6,664,088</u>	<u>2,078,167</u>	<u>-</u>	<u>8,742,255</u>
FUND BALANCE, end of year	<u>\$ 5,463,082</u>	<u>\$ 1,328,797</u>	<u>\$ 4,451,569</u>	<u>\$ 11,243,448</u>

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

JUNE 30, 2015

Net Change in Fund Balances - Governmental Funds	\$	2,501,193
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		18,785
Write-off work in process		(79,803)
Depreciation expense		(551,074)
<p>Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p>		
		(4,655,000)
<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>		
		(15,427)
<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>		
		42,695
<p>Pensions: In government funds, pension costs are recognized when employer contributions are made, in the statement of activities pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:</p>		
		865,566
<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>		
		<u>(57,704)</u>
Changes in net position of governmental activities:	\$	<u><u>(1,930,769)</u></u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY – ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 1,889,536	\$ 3,057,622	\$ 4,947,158
Accounts receivable	217,886	144,030	361,916
Due from other governments	65,534	98,845	164,379
Investments	1,710,302	1,716,145	3,426,447
Prepaid expenses	78,812	82,491	161,303
Total current assets	<u>3,962,070</u>	<u>5,099,133</u>	<u>9,061,203</u>
Noncurrent assets:			
Property, land and equipment	30,473,460	11,357,485	41,830,945
Less: accumulated depreciation	<u>(8,191,566)</u>	<u>(6,077,464)</u>	<u>(14,269,030)</u>
Total noncurrent assets	<u>22,281,894</u>	<u>5,280,021</u>	<u>27,561,915</u>
Total assets	<u>26,243,964</u>	<u>10,379,154</u>	<u>36,623,118</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	69,178	2,652	71,830
Accrued wages and related items	19,364	3,500	22,864
Due to other funds	<u>2,294,617</u>	<u>1,396,388</u>	<u>3,691,005</u>
Total current liabilities	2,383,159	1,402,540	3,785,699
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	22,281,894	5,280,021	27,561,915
Unrestricted	<u>1,578,911</u>	<u>3,696,593</u>	<u>5,275,504</u>
Total net position	<u>\$ 23,860,805</u>	<u>\$ 8,976,614</u>	<u>\$ 32,837,419</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

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

PROPRIETARY – ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUE	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Service charges	\$ 2,244,212	\$ 2,793,952	\$ 5,038,164
Other	22,736	-	22,736
Total operating revenue	<u>2,266,948</u>	<u>2,793,952</u>	<u>5,060,900</u>
OPERATING EXPENSES			
Wages	574,511	178,395	752,906
Employee benefits	118,898	54,219	173,117
Maintenance	42,204	22,705	64,909
Purchased services	-	954,191	954,191
Professional services	92,327	320,040	412,367
Utilities	97,865	4,853	102,718
Other departmental expense	309,181	456,710	765,891
Communications	249	453	702
Dues and memberships	290	1,020	1,310
Office and shop expense	14,788	1,174	15,962
Rent	6,186	-	6,186
Miscellaneous	55,296	12,095	67,391
Depreciation	625,880	246,803	872,683
Total operating expenses	<u>1,937,675</u>	<u>2,252,658</u>	<u>4,190,333</u>
Operating income (loss)	329,273	541,294	870,567
NONOPERATING REVENUE (EXPENSE)			
Interest revenue	<u>7,635</u>	<u>6,066</u>	<u>13,701</u>
Income (loss) before transfers	336,908	547,360	884,268
TRANSFERS OUT	<u>(84,920)</u>	<u>(84,920)</u>	<u>(169,840)</u>
CHANGE IN NET POSITION	<u>251,988</u>	<u>462,440</u>	<u>714,428</u>
NET POSITION, beginning - as originally reported	24,792,362	8,767,280	33,559,642
PRIOR PERIOD ADJUSTMENT	<u>(1,183,545)</u>	<u>(253,106)</u>	<u>(1,436,651)</u>
NET POSITION, beginning - as restated	<u>23,608,817</u>	<u>8,514,174</u>	<u>32,122,991</u>
NET POSITION, end of year	<u>\$ 23,860,805</u>	<u>\$ 8,976,614</u>	<u>\$ 32,837,419</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY – ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,248,360	\$ 2,779,530	\$ 5,027,890
Payments for services and supplies	(604,283)	(1,764,000)	(2,368,283)
Payments of employee salaries	(1,378,101)	(434,485)	(1,812,586)
Payments of employee benefits	(275,711)	(145,849)	(421,560)
Interfund reimbursements	1,502,120	916,341	2,418,461
Net cash provided (used) by operating activities	<u>1,492,385</u>	<u>1,351,537</u>	<u>2,843,922</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	<u>(277,709)</u>	<u>(43,010)</u>	<u>(320,719)</u>
Net cash provided (used) by capital and related financing activities	<u>(362,629)</u>	<u>(127,930)</u>	<u>(490,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(673,141)	(554,099)	(1,227,240)
Interest received	68,045	69,333	137,378
Net cash provided (used) by investing activities	<u>(605,096)</u>	<u>(484,766)</u>	<u>(1,089,862)</u>
NET INCREASE (DECREASE) IN CASH	524,660	738,841	1,263,501
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,364,876</u>	<u>2,318,781</u>	<u>3,683,657</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,889,536</u>	<u>\$ 3,057,622</u>	<u>\$ 4,947,158</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 329,273	\$ 541,294	\$ 870,567
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	625,880	246,803	872,683
(Increase) decrease in:			
Accounts receivable	(13,063)	(7,861)	(20,924)
Due from other funds	691,179	663,233	1,354,412
Due from other governments	(5,525)	(6,559)	(12,084)
Prepaid expenses	16,039	13,495	29,534
Increase (decrease) in:			
Accounts payable	(1,936)	(4,256)	(6,192)
Accrued wages	7,351	(2,982)	4,369
Compensated absences	(98,193)	(33,010)	(131,203)
OPEB	(58,620)	(58,620)	(117,240)
Net cash provided (used) by operating activities	<u>\$ 1,492,385</u>	<u>\$ 1,351,537</u>	<u>\$ 2,843,922</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ (1,873,298)
Accounts receivable	39,302
Due from other funds	3,997,089
Inventory	14,149
Prepaid expenses	8,291
Total current assets	<u>2,185,533</u>

Noncurrent assets:

Property and equipment (net)	<u>24,589</u>
Total assets	<u>2,210,122</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows on pensions	<u>428,534</u>
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LIABILITIES

Current liabilities:

Accounts payable	130,301
Accrued wages and related items	38,783
Total current liabilities	<u>169,084</u>

Noncurrent liabilities:

Compensated absences	432,263
Retiree Termination Benefits	24,888
Other postemployment benefits liabilities	223,098
Net pension liabilities	<u>1,500,181</u>
Total noncurrent liabilities	<u>2,180,430</u>
Total liabilities	<u>2,349,514</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows on pensions	<u>289,142</u>
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NET POSITION

Unrestricted	<u><u>\$ -</u></u>
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NORTHSTAR COMMUNITY SERVICES DISTRICT

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

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUE	
Charges for services	\$ 3,865,274
Other	4,627
Total operating revenue	<u>3,869,901</u>
OPERATING EXPENSES	
District operations & maintenance	919,573
Fleet operations & maintenance	83,606
Administration	<u>1,648,804</u>
Total operating expenses	<u>2,651,983</u>
Income (loss) before transfers	1,217,918
TRANSFERS IN	<u>354,058</u>
CHANGE IN NET POSITION	1,571,976
NET POSITION, beginning - as originally reported	<u>-</u>
PRIOR PERIOD ADJUSTMENT	<u>(1,571,976)</u>
NET POSITION, beginning - as restated	<u>(1,571,976)</u>
NET POSITION, end of year	<u><u>\$ -</u></u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from internal charges	\$ 3,868,797
Cash received from other sources	4,627
Payments for employee salaries & benefits	(1,357,501)
Payments for services and supplies	<u>(1,106,748)</u>
Net cash provided by operating activities	<u>1,409,175</u>

CASH FLOWS FROM NONCAPITAL ACTIVITIES

FINANCING ACTIVITIES

Interfund transfers	(3,627,785)
Acquisition and construction of capital assets	(24,885)
Net cash provided (used) by capital and related financing activities	<u>(3,652,670)</u>

NET INCREASE IN CASH (2,243,495)

CASH AND CASH EQUIVALENTS, beginning of year 370,197

CASH AND CASH EQUIVALENTS, end of year \$ (1,873,298)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	1,217,918
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	296
(Increase) decrease in:	
Accounts receivable	3,523
Prepaid expenses	(7,014)
Inventory	(14,149)
Deferred outflows	(428,534)
Increase (decrease) in:	
Accounts payable	(868)
Accrued wages and related items	6,599
Compensated absences	269,172
Other postemployment benefits liabilities	144,885
Net pension liability	(71,795)
Deferred inflows	289,142
Net cash provided by operating activities	<u>\$ 1,409,175</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>ASSETS</u>	Series 2005 Bonds	Series 2006 Bonds	2014 Special Refunding Bonds	Total
Cash and cash equivalents	<u>\$ 8,651,657</u>	<u>\$ 5,288,786</u>	<u>\$ 83,442</u>	<u>\$ 14,023,885</u>
<u>LIABILITIES</u>				
Due to others	<u>\$ 8,651,657</u>	<u>\$ 5,288,786</u>	<u>\$ 83,442</u>	<u>\$ 14,023,885</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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.

The District's Board of Directors formed a non-profit public benefit corporation known as the Northstar Community Services District Financing Authority (Financing Authority). The District and the Financing Authority have a financial and operational relationship which meets the reporting entity definition criteria of Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Financing Authority as a blended component unit of the District. Therefore, the financial activities of Financing Authority have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and Financing Authority which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100:

Manifestations of Oversight

The Financing Authority's Board of Directors is the District's Board of Directors.

The Financing Authority has no employees. The District's general manager functions as an agent of the Financing Authority. The individuals did not receive additional compensation for work performed in this capacity.

The District exercises significant influence over operations of the Financing Authority as it is anticipated that the District will be the sole lessee of all facilities owned by the Financing Authority.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

Accounting for Fiscal Matters

All major financing arrangements, contracts, and other transactions of the Financing Authority must have the consent of the District.

Any deficits incurred by the Financing Authority will be reflected in the lease payments of the District. Any surpluses of the Financing Authority revert to the District at the end of the lease period.

It is anticipated that the District's lease payments will be the sole revenue source of the Financing Authority.

Scope of Public Service and Financial Presentation

The Financing Authority was created for the sole purpose of financially assisting the District.

The Financing Authority is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Financing Authority was formed to provide financing assistance to the District for construction and acquisition of a new administrative building. Upon completion, the District intends to occupy all Financing Authority facilities. When the Financing Authority's Lease Revenue Bonds have been paid, title to all Financing Authority property will pass to the District for no additional consideration.

The Financing Authority's financial activity is presented in the financial statements in the Building Fund. Lease Revenue Bonds issued by the Financing Authority are included in the long-term liabilities.

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 three categories as applicable: invested in capital assets, restricted and 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, 2015

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, 2015

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.

Building Fund is used to account for the construction of the new administration building.

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, 2015

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 050 – 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.

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. PREPAID EXPENSES

The District entered into a barter truncation 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

G. INVENTORY

Inventory consist of fuel kept on hand and is stated at average cost per gallon. This fuel is for equipment used by the District.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

H. INVESTMENTS

The District records its investments at fair market value. Changes in fair market value are reported as revenue in the Statement of Revenues, Expenses, and Changes in Net Position. The effect of recording investments at fair market value is reflected as a net increase in the fair value of investments on the Statement of Revenues, Expenses, and Changes in Net Position and on the Statement of Net Position. Fair market values of investments have been determined based on quoted market prices.

I. ACCOUNTS RECEIVABLE

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2015 and 2014, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.

J. 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

K. UNEARNED REVENUE

Unearned revenue includes a payment received in October 2014 for future use of fuels management. The balance decreases as this amount is used.

L. 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.

M. 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.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

J. 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.

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.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

K. 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.

L. 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.

M. CHANGE IN ACCOUNTING PRINCIPLE

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable; pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms; and pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

For defined benefit pensions, this Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

As of June 30, 2015, according to GASB 68, the District's total pension liability must be recognized. Therefore, the previous pension liability as of June 30, 2014 in the amount of \$3,756,716 has been shown as a restatement of net assets on the Statement of Activities as a separate line item.

In November 2013, GASB issued Statement No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the governments' beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015.

As of June 30, 2015, according to GASB 71, the District had subsequent contributions to the measurement date. As a result of the contributions, in the current year the District had deferred outflows of \$1,101,077 and deferred inflows of \$796,903 resulting from the implementation of GASB 71.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

2. CASH AND INVESTMENTS

A. CASH AND EQUIVALENTS

The District's cash balances at June 30, 2015 are:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Deposits:				
US Bank	\$ 594,572	\$ -	\$ -	\$ 594,572
Charles Schwab Money Market	10,970	6,461	-	17,431
Cash with Fiscal Agent:				
Wells Fargo Mello Roos Funds	5,797,158	-	14,023,885	19,821,043
Pooled Funds:				
Local Agency Investment Fund	1,422,172	4,940,697	-	6,362,869
Total Cash and Equivalents	<u>\$ 7,824,872</u>	<u>\$ 4,947,158</u>	<u>\$ 14,023,885</u>	<u>\$ 26,795,915</u>

Pooled Funds:

The District is a voluntary participant in the 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, 2015

Deposits - Custodial Credit Risk

The carrying amount of the District's accounts was \$594,572 and the bank balances were \$666,594 at June 30, 2015. 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, 2015 was fully insured or collateralized.

Cash with Fiscal Agent

At June 30, 2015, funds totaling \$19,821,043 were held at Wells Fargo Bank in various accounts related to the Special Tax Bonds issued in 2005 and 2006, the Refunding Bonds issued in 2014 for the construction of facilities and payment of the Special Tax Bonds and the Lease Revenue Bonds issued in 2015 for the purpose of funding the construction of a new administration building.

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, 2015

As of June 30, 2015, The District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u><1yr</u>	<u>1-3 yrs</u>	<u>>3yrs</u>
Corporate Notes	\$ 4,271,286	\$ 247,501	\$ 1,862,458	\$ 2,161,327
Municipal Bonds	774,561	401,209	-	373,352
Total	<u>\$ 5,045,847</u>	<u>\$ 648,710</u>	<u>\$ 1,862,458</u>	<u>\$ 2,534,679</u>

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.”

<u>Credit Rating (S&P)</u>	<u>Municipal Bonds</u>	<u>Corporate Notes</u>	<u>Totals</u>
NR	\$ -	\$ 61,389	\$ 61,389
A+	673,758	-	673,758
A	-	576,140	576,140
A-	100,803	431,882	532,685
BBB+	-	1,234,590	1,234,590
BBB	-	1,473,637	1,473,637
BBB-	-	493,648	493,648
Totals	<u>\$ 774,561</u>	<u>\$ 4,271,286</u>	<u>\$ 5,045,847</u>

Concentration of Credit Risk

The District places limits on the amount it may invest in anyone issuer. At June 30, 2015, 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:

	<u>Fair Value</u>	<u>% of Portfolio</u>
California State General Obligation Bonds	\$ 673,758	13.35%

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

3. PROPERTY AND EQUIPMENT

Capital assets activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Not subject to depreciation				
Land	\$ 7,598,216	\$ -	\$ -	\$ 7,598,216
Construction In Progress				
General Fund	789,267	-	124,510	664,757
Capital Project Fund	117,341	-	-	117,341
Total Not subject to Depreciation	8,504,824	-	124,510	8,380,314
Subject to Depreciation				
Buildings and Improvements	15,963,267	13,179	-	15,976,446
Equipment	1,066,054	-	-	1,066,054
Vehicles and Equipment	3,579,715	50,313	-	3,630,028
Software	78,587	24,885	-	103,472
Total depreciable	20,687,623	88,377	-	20,776,000
Less accumulated depreciation	(4,245,697)	(551,370)	-	(4,797,067)
Total capital assets, net	<u>\$ 24,946,750</u>	<u>\$ (462,993)</u>	<u>\$ 124,510</u>	<u>\$ 24,359,247</u>

Business-Type Activities:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Not subject to depreciation				
Land	\$ 675,195	\$ -	\$ -	\$ 675,195
Construction In Progress*	384,330	-	384,330	-
Total Not subject to Depreciation	1,059,525	-	384,330	675,195
Subject to Depreciation				
Buildings and Improvements	20,167,905	138,580	-	20,306,485
Equipment	840,353	150,853	-	991,206
Vehicles and Equipment	707,941	-	-	707,941
Software	79,917	-	-	79,917
Water /Sewer System	19,027,191	43,010	-	19,070,201
Total depreciable	40,823,307	332,443	-	41,155,750
Less accumulated depreciation	(13,396,348)	(872,682)	-	(14,269,030)
Total capital assets, net	<u>\$ 28,486,484</u>	<u>\$ (540,239)</u>	<u>\$ 384,330</u>	<u>\$ 27,561,915</u>

*A prior period adjustment was made in the amount \$372,604 to write of an amount originally recorded in Construction In Progress as this project was not able to be recognized and has remained here since 2010.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

4. INTERFUND TRANSACTIONS

As of June 30, 2015, the interfund receivable and payable balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 306,084
Water Fund	-	2,294,617
Sewer Fund	-	1,396,388
Internal Service Fund	3,997,089	-
Total	<u>\$ 3,997,089</u>	<u>\$ 3,997,089</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2014-2015 fiscal year are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 184,218
Water Fund	-	84,920
Sewer Fund	-	84,920
Internal Service Fund	354,058	-
Total	<u>\$ 354,058</u>	<u>\$ 354,058</u>

5. 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.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous - Classic</u>	<u>Miscellaneous - PEPRA</u>
Benefit formula	2.7% @ 55	2% @ 60
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	60
Monthly benefits, as a % of eligible compensation	2.7%	2.0%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	22.601%	6.25%

	<u>Safety Classic</u>	<u>Safety 2nd Tier</u>
Benefit formula	3.0% @ 50	3.0% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of eligible compensation	3.0%	3.0%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	27.849%	22.25%

Deferred Outflows/Inflows of Resources

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Northstar Community Services District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for the Plan were:

	<u>Miscellaneous Classic</u>	<u>Miscellaneous PEPRA</u>	<u>Safety Classic</u>	<u>Safety 2nd Tier</u>	<u>Total Deferred Outflows</u>
Contributions -employer	\$ 439,064	\$ 17,562	\$ 622,563	\$ 21,888	\$ 1,101,077

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous - Classic	Miscellaneous - PEPRA	Safety Classic	Safety 2nd Tier	Total Deferred Inflows
2016	\$ 110,069	\$ (73)	\$ 161,620	\$ 1,580	\$ 273,196
2017	106,212	(56)	157,803	1,281	265,240
2018	97,989	(4,892)	172,902	(7,532)	258,467
Total	\$ 314,270	\$ (5,021)	\$ 492,325	\$ (4,671)	\$ 796,903

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous - Classic		Miscellaneous - PEPRA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 439,064	\$ -	\$ 17,562	\$ -
Net differences between projected and actual earnings on plan investments	-	314,270	130	(5,021)
Total	\$ 439,064	\$ 314,270	\$ 17,692	\$ (5,021)
	Safety Classic		Safety 2nd Tier	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 622,563	\$ -	\$ 21,888	\$ -
Net differences between projected and actual earnings on plan investments	-	492,325	-	(4,671)
Total	\$ 622,563	\$ 492,325	\$ 21,888	\$ (4,671)
Totals				
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 1,101,077	\$ -		
Net differences between projected and actual earnings on plan investments	130	796,903		
Total	\$ 1,101,207	\$ 796,903		

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

Pension Liabilities

As of June 30, 2015, Northstar Community Services District reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	Proportionate Share of Net Pension Liability	
Miscellaneous - Classic	\$	1,602,598
Miscellaneous - PEPRA		118
Safety Classic		1,888,232
Safety 2nd Tier		1,117
Total Net Pension Liability	\$	<u>3,492,065</u>

Northstar Community Services District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. Northstar Community Services District's proportion of the net pension liability was based on a projection of the County Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous - Classic	Miscellaneous - PEPRA
Proportion - June 30, 2013	0.06010%	0.00000%
Proportion - June 30, 2014	0.06484%	0.00000%
Change - Increase (Decrease)	<u>0.00474%</u>	<u>0.00000%</u>
	Safety Classic	Safety 2nd Tier
Proportion - June 30, 2013	0.05226%	0.00003%
Proportion - June 30, 2014	0.05034%	0.00003%
Change - Increase (Decrease)	<u>-0.00192%</u>	<u>0.00000%</u>

Pension Expenses

For the year ended June 30, 2015, the District recognized pension expense of:

Miscellaneous - Classic	\$	193,522
Miscellaneous - PEPRA		(220)
Safety Classic		245,713
Safety 2nd Tier		4,303
	\$	<u>443,318</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>All Plans</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth Rate	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.50%
Mortality	Derived using CalPERS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

Discount Rate

CalPERS

The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

Discount Rate

CalPERS

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	All Plans		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
	100.0%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous - Classic		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability	\$ 2,516,553	\$ 1,602,598	\$ 844,101

	Miscellaneous - PEPRA		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability	\$ 211	\$ 118	\$ 41

	Safety Classic		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability	\$ 3,249,402	\$ 1,888,232	\$ 766,686

	Safety 2nd Tier		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability	\$ 1,923	\$ 1,117	\$ 453

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and STRS financial reports.

Payable to the Pension Plan

As of June 30, 2015, the District had no outstanding required contributions to the pension plans.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

7. GENERAL LONG-TERM DEBT

Lease Revenue Bonds

In 2015, the District issued Lease Revenue Bonds in the amount of \$4,655,000 for the purpose of funding the construction of a new administration building. The current interest and yield vary, ranging from 2.0% to 4.0%. The bonds are scheduled to mature through August 2045.

The District's outstanding lease revenue bonded debt as of June 30, 2015 is as follows:

Date Of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Issued	Redeemed Current Year	Outstanding June 30, 2015
June 2015	2.0% - 4.0%	06/01/45	<u>\$ 4,655,000</u>	<u>\$ -</u>	<u>\$ 4,655,000</u>	<u>\$ -</u>	<u>\$ 4,655,000</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ended June 30	Principal	Interest	Total
2016	\$ 85,000	\$ 161,442	\$ 246,442
2017	95,000	170,250	265,250
2018	95,000	168,350	263,350
2019	100,000	166,450	266,450
2020	100,000	164,450	264,450
2021-2025	555,000	768,650	1,323,650
2026-2030	675,000	655,813	1,330,813
2031-2035	800,000	526,663	1,326,663
2036-2040	970,000	355,400	1,325,400
2041-2045	1,180,000	145,200	1,325,200
	<u>\$ 4,655,000</u>	<u>\$ 3,282,667</u>	<u>\$ 7,937,667</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

A schedule of changes in long-term liabilities for the year ended June 30, 2015 is shown below:

Governmental Activities

	Balance				Balance	Due
	July 1, 2014	Adjustments	Additions	Deductions	June 30, 2015	Within
						One Year
Other Postemployment benefits	\$ 337,210	\$ 117,241	\$ 193,953	\$ 108,605	\$ 539,799	\$ -
Retiree Termination Benefits	42,695		24,888	42,695	24,888	14,222
Net Pension Liability	-	3,756,714	-	264,649	3,492,065	-
Compensated Absences	816,416	131,204	301,059	172,552	1,076,127	-
Lease Revenue Bonds	-	-	4,655,000	-	4,655,000	85,000
	<u>\$ 1,196,321</u>	<u>\$ 4,005,159</u>	<u>\$ 5,174,900</u>	<u>\$ 588,501</u>	<u>\$ 9,787,879</u>	<u>\$ 99,222</u>

Business-Type Activities

	Balance				Balance	Due
	July 1, 2014	Transfers	Additions	Deductions	June 30, 2015	Within
						One Year
Other Postemployment benefits	\$ 117,241	\$ (117,241)			\$ -	\$ -
Compensated Absences	131,204	(131,204)	-	-	-	-
	<u>\$ 248,445</u>	<u>\$ (248,445)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The long-term liability of the business-type activities has been moved to the internal service fund and is charged to the other funds of the District on a proportionate basis.

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%.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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 created a deferred loss on refunding in the amount of \$1,820,000.

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

At June 30, 2015, the outstanding bonds consisted of the following:

Date Of Issue	Interest Rates	Maturity Date Sept 1,	Amount of Original Issue	Outstanding July 1, 2014	Issued	Redeemed Current Year	Outstanding June 30, 2015
2005	3.80% - 5.55%	2036	\$ 56,125,000	\$ 54,510,000	\$ -	\$ 6,205,000	\$ 48,305,000
2006	3.90% - 5.00%	2037	58,590,000	57,350,000	-	14,935,000	42,415,000
2015	4.00% - 5.00%	2026	19,320,000	-	19,320,000	-	19,320,000
			<u>\$ 134,035,000</u>	<u>\$ 111,860,000</u>	<u>\$ 19,320,000</u>	<u>\$ 21,140,000</u>	<u>\$ 110,040,000</u>

The annual requirements to pay the bonds outstanding as of June 30, 2015 are as follows:

Year Ended June 30	Principal	Interest	Total
2016	\$ 375,000	\$ 912,650	\$ 1,287,650
2017	1,450,000	897,650	2,347,650
2018	1,650,000	839,650	2,489,650
2019	1,860,000	773,650	2,633,650
2020	2,085,000	699,250	2,784,250
2021-2025	14,660,000	12,279,483	26,939,483
2026-2030	23,565,000	16,593,358	40,158,358
2031-2035	35,600,000	13,423,840	49,023,840
2036-2040	28,795,000	3,032,908	31,827,908
	<u>\$ 110,040,000</u>	<u>\$ 49,452,438</u>	<u>\$ 159,492,438</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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 2015, minimum employer contributions were \$119 through December 31, 2014 and \$122 through June 30, 2015 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.

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:

	<u>Admin</u>	<u>Fire</u>	<u>Operations</u>	<u>Fuels</u>	<u>Total</u>
Annual required Contribution	\$ 18,998	\$ 62,558	\$ 24,958	\$ 3,006	\$ 109,520
Interest on net OPEB obligation	3,129	9,973	4,690	386	18,178
Adjustment to annual required contribution	<u>(3,544)</u>	<u>(11,298)</u>	<u>(15,506)</u>	<u>(437)</u>	<u>(30,785)</u>
Annual OPEB cost (expense)	18,583	61,233	14,142	2,955	96,913
Contributions made	<u>(2,956)</u>	<u>(6,478)</u>	<u>(2,125)</u>	<u>(6)</u>	<u>(11,565)</u>
Increase in net OPEB obligation	15,627	54,755	12,017	2,949	85,348
Net OPEB obligation - beginning of year	<u>78,213</u>	<u>249,342</u>	<u>117,241</u>	<u>9,655</u>	<u>454,451</u>
Net OPEB obligation - end of year	<u>\$ 93,840</u>	<u>\$304,097</u>	<u>\$ 129,258</u>	<u>\$12,604</u>	<u>\$ 539,799</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2013	\$ 94,502	8.65%	\$ 454,451
June 30, 2014	\$ 100,678	10.36%	\$ 454,450
June 30, 2015	\$ 96,913	-11.93%	\$ 539,799

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

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	Building Fund	Totals
Nonspendable:				
Prepaid Expenses	\$ 65,336	\$ -	\$ -	\$ 65,336
Committed:				
Capital projects	-	1,328,797	4,451,569	5,780,366
Fire	836,691	-	-	836,691
Roads	261,332	-	-	261,332
Admin	526,243	-	-	526,243
Total committed	<u>1,624,266</u>	<u>1,328,797</u>	<u>4,451,569</u>	<u>7,404,632</u>
Unassigned	3,773,480	-	-	3,773,480
Total Fund Balances	<u>\$ 5,463,082</u>	<u>\$ 1,328,797</u>	<u>\$ 4,451,569</u>	<u>\$ 11,243,448</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015</u>	<u>FAIRA</u> <u>June 30, 2015</u>
Total Assets	\$ 107,630,328	\$ 3,215,464
Deferred Outflows of Resources	\$ 973,962	\$ -
Total Liabilities	\$ 59,619,796	\$ 16,530
Deferred Inflows of Resources	\$ 294,368	\$ 86,860.00
Net Position	\$ 48,690,126	\$ 3,198,934
Total Revenues	\$ 57,317,949	\$ 2,855,114
Total Expenses	\$ 60,953,173	\$ 2,859,534
Change in Net Position	\$ (3,635,224)	\$ (4,420)

13. PRIOR PERIOD ADJUSTMENT

There is a prior period adjustment in the water fund for the amount of \$372,606. This amount represents an amount originally recorded in Construction in Progress in 2010. As this amount for mountain improvements are not able to be recognized, the District has removed it from Construction in Progress through a prior period adjustment.

13. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2015 through December 18, 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.

**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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUE				
Taxes and assessments	\$ 4,683,700	\$ 4,683,700	\$ 4,748,599	\$ 64,899
Fees and other non-tax revenue	298,501	298,501	441,594	143,093
Interest	46,934	46,934	23,145	(23,789)
Fire mitigation fees	5,000	5,000	24,654	19,654
Reimbursable revenues	1,976,787	1,976,787	955,422	(1,021,365)
Grant revenue	70,000	70,000	68,079	(1,921)
Other	80,359	80,359	102,713	22,354
Total revenue	7,161,281	7,161,281	6,364,206	(797,075)
EXPENDITURES				
General government	48,704	48,704	91,660	(42,956)
Public safety	4,435,707	4,435,707	4,592,523	(156,816)
Streets	1,424,240	1,424,240	1,478,324	(54,084)
Trails	1,928,773	1,928,773	1,218,487	710,286
Total expenditures	7,837,424	7,837,424	7,380,994	456,430
Excess (deficiency) of revenues over (under) expenditures	(676,143)	(676,143)	(1,016,788)	(340,645)
OTHER FINANCING USES				
Transfers in/(out)	-	-	(184,218)	(184,218)
NET CHANGES IN FUND BALANCES	(676,143)	(676,143)	(1,201,006)	(524,863)
FUND BALANCE, beginning of year	6,664,088	6,664,088	6,664,088	-
FUND BALANCE, end of year	\$ 5,987,945	\$ 5,987,945	\$ 5,463,082	\$ (524,863)

NORTHSTAR COMMUNITY SERVICES DISTRICT

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS**

FOR THE YEAR ENDED JUNE 30, 2015

<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

**SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY**

FOR THE YEAR ENDED JUNE 30, 2015

Miscellaneous - Classic

	June 30, 2014 ⁽¹⁾
Proportion of the net pension liability	0.02576%
Proportionate share of the net pension liability	\$ 1,602,598
Covered-employee payroll ⁽²⁾	\$ 1,297,391
Proportionate Share of the net pension liability as percentage of covered-employee payroll	123.52%
Plans fiduciary net position as a percentage of the total pension liability	76.74%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 142,962

Miscellaneous - PEPRA

	June 30, 2014 ⁽¹⁾
Proportion of the net pension liability	0.00000%
Proportionate share of the net pension liability	\$ 118
Covered-employee payroll ⁽²⁾	\$ 49,639
Proportionate Share of the net pension liability as percentage of covered-employee payroll	0.24%
Plans fiduciary net position as a percentage of the total pension liability	83.09%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 16

- ⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.
- ⁽²⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.
- ⁽³⁾ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

NORTHSTAR COMMUNITY SERVICES DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY**

FOR THE YEAR ENDED JUNE 30, 2015

Safety Classic

	June 30, 2014 ⁽¹⁾
Proportion of the net pension liability	0.03035%
Proportionate share of the net pension liability	\$ 1,888,232
Covered-employee payroll ⁽²⁾	\$ 1,508,927
Proportionate Share of the net pension liability as percentage of covered-employee payroll	125.14%
Plans fiduciary net position as a percentage of the total pension liability	81.42%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 234,239

Safety 2nd Tier

	June 30, 2014 ⁽¹⁾
Proportion of the net pension liability	0.00002%
Proportionate share of the net pension liability	\$ 1,117
Covered-employee payroll ⁽²⁾	\$ 41,798
Proportionate Share of the net pension liability as percentage of covered-employee payroll	2.67%
Plans fiduciary net position as a percentage of the total pension liability	81.43%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 139

- ⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.
- ⁽²⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.
- ⁽³⁾ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

NORTHSTAR COMMUNITY SERVICES DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2015

Miscellaneous - Classic	
	Fiscal Year 2013-14 ⁽¹⁾
Actuarially Determined Contribution ⁽²⁾	\$ 282,566
Contributions in relation to the actuarially determined contributions ⁽²⁾	<u>(406,674)</u>
Contribution deficiency (excess)	<u>\$ (124,108)</u>
Covered-employee payroll ⁽³⁾	\$ 1,297,391
Contributions as a percentage of covered-employee payroll ⁽³⁾	21.780%
 Miscellaneous - PEPR	
	Fiscal Year 2013-14 ⁽¹⁾
Actuarially Determined Contribution ⁽²⁾	\$ 6,884
Contributions in relation to the actuarially determined contributions ⁽²⁾	<u>(14,014)</u>
Contribution deficiency (excess)	<u>\$ (7,130)</u>
Covered-employee payroll ⁽³⁾	\$ 49,639
Contributions as a percentage of covered-employee payroll ⁽³⁾	13.868%

- ⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.
- ⁽²⁾ Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
- ⁽³⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

NORTHSTAR COMMUNITY SERVICES DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2015

Safety Classic	
	Fiscal Year 2013-14 ⁽¹⁾
Actuarially Determined Contribution (2)	\$ 412,360
Contributions in relation to the actuarially determined contributions (2)	(578,860)
Contribution deficiency (excess)	<u>\$ (166,500)</u>
Covered-employee payroll (3)	\$ 1,508,927
Contributions as a percentage of covered-employee payroll (3)	27.328%

Safety 2nd Tier	
	Fiscal Year 2013-14 ⁽¹⁾
Actuarially Determined Contribution (2)	\$ 12,622
Contributions in relation to the actuarially determined contributions (2)	(17,972)
Contribution deficiency (excess)	<u>\$ (5,350)</u>
Covered-employee payroll (3)	\$ 41,798
Contributions as a percentage of covered-employee payroll (3)	30.198%

- (1) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
- (3) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

NORTHSTAR COMMUNITY SERVICES DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PURPOSE OF SCHEDULES

A - Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

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 another 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.

C - Schedule of Proportionate Share of the Net Pension Liability

Changes in assumptions, in 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

NORTHSTAR COMMUNITY SERVICES DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

D - Schedule of Pension Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

	<u>Miscellaneous - Classic</u>	<u>Miscellaneous - PEPRA</u>
Benefit formula	2.7% @ 55	2% @ 60
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	60
Monthly benefits, as a % of eligible compensation	2.7%	2.0%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	22.601%	6.25%
	<u>Safety Classic</u>	<u>Safety 2nd Tier</u>
Benefit formula	3.0% @ 50	3.0% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of eligible compensation	3.0%	3.0%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	27.849%	22.25%

**SUPPLEMENTARY
INFORMATION**

NORTHSTAR COMMUNITY SERVICES DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>ASSETS</u>	Balance <u>June 30, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2015</u>
Cash and cash equivalents				
Series 2005 Bonds	\$ 9,742,502	\$ 2,447,869	\$ 3,538,714	\$ 8,651,657
Series 2006 Bonds	5,279,218	3,333,933	3,324,365	5,288,786
2014 Refunding Bonds	-	225,405	141,963	83,442
Total assets	<u>\$ 15,021,720</u>	<u>\$ 6,007,207</u>	<u>\$ 7,005,042</u>	<u>\$ 14,023,885</u>
<u>LIABILITIES</u>				
Due to others	<u>\$ 15,021,720</u>	<u>\$ 6,007,207</u>	<u>\$ 7,005,042</u>	<u>\$ 14,023,885</u>