



**NORTHSTAR COMMUNITY SERVICES DISTRICT**

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

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2016**

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

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**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**JUNE 30, 2016**

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**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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**JUNE 30, 2016**

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**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting, Auditing, Consulting, and Tax*

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**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, 2016, 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, 2016, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 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.

*James Marta & Company LLP*

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
November 30, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# NORTHSTAR COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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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, 2016. 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, 2016: \$ 93,206,587
- Total revenue: \$ 14,353,698
- Total expense: \$ 12,170,680
- Depreciation expense: \$ 1,767,797

#### Business-type Activities

- Water:
  - Total revenue: \$ 3,948,071
  - Total expense: \$ 2,883,515
- Sewer:
  - Total revenue: \$ 3,034,834
  - Total expense: \$ 2,256,710

#### Governmental Activities

- Total revenue: \$ 7,370,793
- Total expense: \$ 7,030,455

### 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.

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

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

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

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

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

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

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

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

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

**Required supplementary information** provides a budgetary comparison schedule for the General Fund in the Statement 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.

The Governmental Accounting Standards Board set out to improve pension accounting and financial reporting by state and local governments through Statement Number 68 (GASB 68). GASB 68 took effect for fiscal years beginning after June 15, 2014. As a result, two schedules were added to the required supplementary information section. The two schedules are the Schedule of the Employer's Proportionate Share of the Net Pension Liability and the Schedule of Employer Contributions. Both are 10 year schedules and will present years as they become available, until 10 years are shown.

**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, 2016**

Table A-1  
Statement of Net Position  
6/30/2016

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
Current assets	\$10,859,522	\$13,655,364	\$19,543,743	\$ 9,061,203	\$30,403,265	\$22,716,567
Capital assets	<u>28,712,776</u>	<u>24,359,247</u>	<u>50,742,843</u>	<u>27,561,915</u>	<u>79,455,619</u>	<u>51,921,162</u>
Total Assets	39,572,298	38,014,611	70,286,586	36,623,118	109,858,884	74,637,729
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows on pensions	\$ 1,769,328	\$ 1,101,077	\$ -	\$ -	\$ 1,769,328	\$ 1,101,077
<b>LIABILITIES</b>						
Current liabilities	1,340,797	494,689	5,555,776	3,785,699	6,896,573	4,280,388
Noncurrent liabilities	<u>10,424,495</u>	<u>9,557,453</u>	<u>-</u>	<u>-</u>	<u>10,424,495</u>	<u>9,557,453</u>
Total liabilities	11,765,292	10,052,142	5,555,776	3,785,699	17,321,068	13,837,841
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows on pensions	\$ 1,100,557	\$ 796,903	\$ -	\$ -	\$ 1,100,557	\$ 796,903
<b>NET POSITION</b>						
Investment in capital assets, net of related debt	24,142,776	24,334,658	50,742,843	27,561,915	74,885,619	51,896,573
Unrestricted	<u>4,333,001</u>	<u>3,907,396</u>	<u>13,987,967</u>	<u>5,275,504</u>	<u>18,320,968</u>	<u>9,182,900</u>
Total net position	<u>\$28,475,777</u>	<u>\$28,242,054</u>	<u>\$64,730,810</u>	<u>\$32,837,419</u>	<u>\$93,206,587</u>	<u>\$61,079,473</u>

As shown by Table A-1, total net position amounted to \$93.2 MM in fiscal year 2016. The major component of this category is “Investment in capital assets, net of related debt,” which represents the District’s investment in capital assets, net of the amount borrowed to purchase those assets. Total net position increased by \$32.1 MM almost entirely due to the assets associated with the acquisition of the neighboring Martis Valley Water System from the Placer County Water Agency.

Total assets for Governmental Activities increased 1.6 MM. This was due to a combination of Current Assets decreasing by \$2.8MM and Capital Assets increasing by \$4.4MM. These are both related to the completion of the administration and engineering building, with the decrease being mostly due to a decrease in the Cash and Cash Equivalents of the Building Fund and the increase being due mostly to an increase in capital assets recognized as the completed project.

Total assets for business-type activities increased \$33.7MM mainly due to the increase in current and noncurrent assets of the Martis Valley Water System in the amount of \$31.3MM.

Current liabilities for governmental activities increased \$846K and business-type activities increased \$1.8 MM. Both increases are mainly because of amounts due to other funds. These increases in liability of the amount due to other funds correspond to the current assets of the Internal Service Funds, which show an increased asset, due from other funds.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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  
6/30/2016

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>REVENUE</b>						
<b>General Revenue</b>						
NCS D property taxes	\$ 4,459,378	\$ 4,092,234			\$ 4,459,378	\$ 4,092,234
Fuels management & streets assessments	639,492	656,365			639,492	656,365
Capital Contributions	-	-	\$ 681,943	\$ -	681,943	-
Interest earnings	57,400	27,059	169,108	13,701	226,508	40,760
Miscellaneous	310,489	102,713	19,927	22,736	330,416	125,449
Total general revenue	5,466,759	4,878,371	870,978	36,437	6,337,737	4,914,808
<b>Program Revenues</b>						
Charges for services	597,881	4,351,591	6,111,927	5,038,164	6,709,808	9,389,755
Operating Grants and Contributions	1,306,153	1,023,501	-	-	1,306,153	1,023,501
Total program revenue	1,904,034	5,375,092	6,111,927	5,038,164	8,015,961	10,413,256
Total revenue	7,370,793	10,253,463	6,982,905	5,074,601	14,353,698	15,328,064
<b>EXPENSES</b>						
General government	368,272	91,660			368,272	91,660
Public safety	4,512,891	4,234,888			4,512,891	4,234,888
Streets	450,876	1,478,324			450,876	1,478,324
Trails	1,161,091	1,218,486			1,161,091	1,218,486
Capital projects	-	753,564			-	753,564
Building	-	203,431			-	203,431
Internal service fund capital activity	-	2,651,983			-	2,651,983
Unallocated depreciation	537,325	551,074			537,325	551,074
Water and sewer			5,140,225	5,254,378	5,140,225	5,254,378
Total expenses	7,030,455	11,183,410	5,140,225	5,254,378	12,170,680	16,437,788
<b>OTHER SOURCES (USES)</b>						
Transfers In (Out)	-	169,840	30,050,711	(169,840)	30,050,711	-
<b>CHANGE IN NET POSITION</b>						
	340,338	(760,107)	31,893,391	(349,617)	32,233,729	(1,109,724)
NET POSITION, beginning of year	28,135,439	32,758,875	32,837,419	33,559,640	60,972,858	66,318,515
NET POSITION, end of year	\$ 28,475,777	\$ 28,242,054	\$ 64,730,810	\$ 32,837,419	\$ 93,206,587	\$ 65,208,791

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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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:

Property tax increased 9.0% over the prior year, while fuels management and streets assessments saw a decrease of 2.6%. The decrease was a result of credits being calculated in advance of assessment billing rather than applying credits retroactively. Overall, general revenue was up 12.1% due to the factors referenced above and increases of \$208K in miscellaneous revenue and \$30K in interest revenue.

Program revenues decreased by 64.6%. This decrease is largely due to the prior years' inclusion of \$3.9 MM of internal service fund revenue that is not included in the current year. Operating grants and contributions shows a 27.6% increase over the prior year due to grant activity within the trails division.

Overall expenditures were down by 37.1%. This is mostly due to the inclusion of Capital projects, Building, and Internal service fund capital project activity groupings that were represented in the prior fiscal year, but not in the current one, as shown in Table A-2.

Business-Type activities:

Program revenues showed an increase of 21.3% mostly due to the acquisition of the Martis Valley Water System. Overall, expenses were 2.2% lower than the prior year.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

**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

Table A-3  
Budget vs. Actual - General Fund  
6/30/2016

	Budget		Actual		Variance Favorable / (Unfavorable)	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
Taxes and assessments	\$ 4,840,500	\$ 4,683,700	\$ 5,098,870	\$ 4,748,599	\$ 258,370	\$ 64,899
Fees and other non-tax revenue	126,263	298,501	587,077	441,594	460,814	143,093
Interest	36,500	46,934	52,726	23,145	16,226	(23,789)
Fire mitigation fees	6,000	5,000	10,804	24,654	4,804	19,654
Reimbursable revenues	1,158,584	1,976,787	1,306,153	955,422	147,569	(1,021,365)
Other	101,159	80,359	105,624	102,713	4,465	22,354
Total revenue	<u>6,269,006</u>	<u>7,161,281</u>	<u>7,161,254</u>	<u>6,364,206</u>	<u>892,248</u>	<u>(795,154)</u>
<b>Expenditures</b>						
Current						
General Government	48,200	48,704	102,991	91,660	(54,791)	(42,956)
Public Safety	4,117,285	4,435,707	4,436,322	4,234,888	(319,037)	200,819
Streets	345,932	1,424,240	450,876	1,478,324	(104,944)	(54,084)
Trails	1,276,150	1,928,773	1,161,091	1,218,475	115,059	710,298
Total expenditures	<u>5,787,567</u>	<u>7,837,424</u>	<u>6,151,280</u>	<u>7,023,347</u>	<u>(363,713)</u>	<u>814,077</u>
Excess (deficiency) of revenue over expenditures before other sources	481,439	(676,143)	1,009,974	(659,141)	528,535	17,002
<b>Other Sources</b>						
Operating transfers from other sources in/(out)	-	-	-	(184,218)	-	(184,218)
Excess (deficiency) of revenue and other sources over expenditures	<u>\$ 481,439</u>	<u>\$ (676,143)</u>	<u>\$ 1,009,974</u>	<u>\$ (843,359)</u>	<u>\$ 528,535</u>	<u>\$ (167,216)</u>

The District budgeted \$6.3 MM in general fund revenue and recognized \$7.2 MM. The District budgeted \$5.8MM in general fund expenditures and recognized \$6.2MM.

The budget to actual variance in revenue was mainly due to taxes and assessments being over budget by \$258K along with Fees and other non-tax revenue, which is made up of service fees, being over budget by \$461K. The \$364K or 6.3% unfavorable budget to actual variance in expenditures was mainly due to increased expenditures for Public Safety as compared to budget.

Overall, there is a favorable variance of \$529K when comparing budgeted contributions to reserves to actual for the General Fund.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

**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, 2016

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Governmental Activities</b>				
Land	\$ 7,598,216	\$ 7,598,216	\$ -	0%
Work in progress				
General fund	-	664,757	(664,757)	-100%
Capital projects fund	117,341	117,341	-	0%
Buildings and improvements	21,542,051	15,976,446	5,565,605	35%
Equipment	1,080,649	1,066,054	14,595	1%
Vehicles and equipment	3,630,028	3,630,028	-	0%
Software	78,587	103,472	(24,885)	-24%
	<u>34,046,872</u>	<u>29,156,314</u>	<u>4,890,558</u>	<u>17%</u>
Less accumulated depreciation	<u>(5,334,096)</u>	<u>(4,797,067)</u>	<u>(537,029)</u>	
Governmental activities capital assets, net	<u>28,712,776</u>	<u>24,359,247</u>	<u>4,353,529</u>	<u>18%</u>
<b>Business-type Activities</b>				
Land	748,907	675,195	73,712	11%
Work in progress	458,940	-	458,940	n/a
Building and improvements	20,337,281	20,306,485	30,796	0%
Equipment	1,111,014	991,206	119,808	12%
Vehicles and equipment	707,941	707,941	-	0%
Software	111,602	79,917	31,685	40%
Water/sewer system	42,766,956	19,070,201	23,696,755	124%
	<u>66,242,641</u>	<u>41,830,945</u>	<u>24,411,696</u>	<u>58%</u>
Less accumulated depreciation	<u>(15,499,798)</u>	<u>(14,269,030)</u>	<u>(1,230,768)</u>	<u>9%</u>
Business-type activities capital assets, net	<u>50,742,843</u>	<u>27,561,915</u>	<u>23,180,928</u>	<u>84%</u>
Totals	<u>\$ 79,455,619</u>	<u>\$ 51,921,162</u>	<u>\$ 27,534,457</u>	<u>53%</u>

As indicated in Table A-4, the combined net capital assets of Governmental and Business-type Activities increased by \$27.5 MM, after considering accumulated depreciation. Governmental activities show an increase of \$4.9 MM before accumulated depreciation due mostly to the completion of the Administration and Engineering building. Business-type activities show an increase of \$24.4 MM before accumulated depreciation mostly due to the acquisition of the Martis Valley Water System.



# **NORTHSTAR COMMUNITY SERVICES DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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### **GENERAL LONG-TERM DEBT**

The District's long-term liabilities at year-end included Other Post-Employment Benefits (OPEB) for employees totaling \$677K. There is no long-term portion of retiree termination benefits, with \$10K due within one year. Long-term liabilities for estimated compensated absences totaled \$1.2 MM. Net pension liability amounts to \$4.1 MM.

Lastly, the long-term liability of the NCSD Financing Authority (NCSD-FA), a joint exercise of Powers Authority (JPA) formed by the NCSD and the NCSD Community Facilities District #1 in 2015, totaled \$4.6 MM in general long-term debt with \$95K 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 (NCSD CFD#1 or CFD) to finance infrastructure improvements and facilities within the Northstar area.

In July of 2014, the NCSD 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 \$21.14MM 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, 2016, the outstanding principal amount of bonded debt outstanding for the CFD was \$109.7 MM.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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 a full budget cycle for the newly-acquired Martis Valley Water System, previously held by Placer County Water Agency. In addition, the District is entering the second 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.

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, CPA, Director of Finance and Administration, Northstar Community Services District, 900 Northstar Drive, Truckee, California 96161.

## **BASIC FINANCIAL STATEMENTS**

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,228,039	\$ 10,046,945	\$ 13,274,984
Investments	945,818	8,383,375	9,329,193
Accounts receivable	984,528	854,744	1,839,272
Inventory	10,444	-	10,444
Due from other governments	229,138	106,758	335,896
Due from enterprise funds	5,372,019	-	5,372,019
Prepaid expenses	89,536	151,921	241,457
Capital assets, net	<u>28,712,776</u>	<u>50,742,843</u>	<u>79,455,619</u>
Total assets	<u>39,572,298</u>	<u>70,286,586</u>	<u>109,858,884</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on pensions	<u>1,769,328</u>	<u>-</u>	<u>1,769,328</u>
<b>LIABILITIES</b>			
Accounts payable	1,042,871	151,024	1,193,895
Accrued liabilities	142,795	20,494	163,289
Due to governmental funds	-	5,372,019	5,372,019
Unearned revenue	50,000	12,239	62,239
Long-Term Liabilities:			
Due within one year	105,131	-	105,131
Due in longer than one year			
Net pension liability	4,062,801	-	4,062,801
Other long-term liabilities	<u>6,361,694</u>	<u>-</u>	<u>6,361,694</u>
Total liabilities	<u>11,765,292</u>	<u>5,555,776</u>	<u>17,321,068</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pensions	<u>1,100,557</u>	<u>-</u>	<u>1,100,557</u>
<b>NET POSITION</b>			
Net investment in capital assets	24,142,776	50,742,843	74,885,619
Restricted for capital projects	-	10,035,809	10,035,809
Unrestricted	<u>4,333,001</u>	<u>3,952,158</u>	<u>8,285,159</u>
Total net position	<u>\$ 28,475,777</u>	<u>\$ 64,730,810</u>	<u>\$ 93,206,587</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:						
General government	\$ 368,272	\$ -	\$ -	\$ (368,272)	\$ -	\$ (368,272)
Public safety	4,512,891	587,761	63,482	(3,861,648)	-	(3,861,648)
Streets	450,876	10,120	289,413	(151,343)	-	(151,343)
Trails	1,161,091	-	953,258	(207,833)	-	(207,833)
Unallocated depreciation	537,325	-	-	(537,325)	-	(537,325)
Total governmental activities	\$ 7,030,455	\$ 597,881	\$ 1,306,153	(5,126,421)	-	(5,126,421)
Business-type activities:						
Water	\$ 2,883,515	\$ 3,135,037	\$ -		251,522	251,522
Sewer	2,256,710	2,976,890	-		720,180	720,180
Total business-type activities	\$ 5,140,225	\$ 6,111,927	\$ -		971,702	971,702
General revenues:						
Property taxes				4,459,378	-	4,459,378
Fuels management and streets assessments				639,492	-	639,492
Capital contributions				-	681,943	681,943
Interest earnings				57,400	169,108	226,508
Miscellaneous revenue				310,489	19,927	330,416
Total general revenue				5,466,759	870,978	6,337,737
Transfer from lapsed organization				-	30,050,711	30,050,711
Change in net position				340,338	31,893,391	32,233,729
Net position, beginning				28,135,439	32,837,419	60,972,858
Net position, end of year				\$ 28,475,777	\$ 64,730,810	\$ 93,206,587

4The accompanying notes are an integral part of these financial statements.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2016**

<b>ASSETS</b>	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Building Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 6,035,997	\$ 1,304,657	\$ 397,575	\$ 7,738,229
Investments	945,818	-	-	945,818
Accounts receivables	539,421	-	-	539,421
Due from other governments	229,138	-	-	229,138
Prepaid expenses	2,199	-	-	2,199
Total Assets	<u>\$ 7,752,573</u>	<u>\$ 1,304,657</u>	<u>\$ 397,575</u>	<u>\$ 9,454,805</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 166,499	\$ -	\$ 396,696	\$ 563,195
Due to other funds	968,300	-	-	968,300
Other accrued expenses	94,718	-	-	94,718
Unearned revenue	50,000	-	-	50,000
Total Liabilities	<u>1,279,517</u>	<u>-</u>	<u>396,696</u>	<u>1,676,213</u>
 <b>Fund Balance</b>				
Nonspendable	2,199	-	-	2,199
Committed	945,818	1,304,657	879	2,251,354
Unassigned	5,525,039	-	-	5,525,039
Total Fund Balance	<u>6,473,056</u>	<u>1,304,657</u>	<u>879</u>	<u>7,778,592</u>
 Total Liabilities and Fund Balance	 <u>\$ 7,752,573</u>	 <u>\$ 1,304,657</u>	 <u>\$ 397,575</u>	 <u>\$ 9,454,805</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2016**

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Total Fund Balance - Governmental Funds	\$	7,778,592
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets: in governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at cost		34,046,872
Accumulated depreciation		(5,334,096)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Compensated absences		(1,209,259)
Retiree Termination Benefits		(10,131)
Other postemployment benefits		(677,435)
Lease revenue bonds payable		(4,570,000)
Net pension liability		(4,062,801)
Long-term liabilities already recognized in internal service funds		2,541,476
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.		
Deferred outflows of resources relating to pensions		1,769,328
Deferred inflows of resources relating to pensions		(1,100,557)
Net deferred outflows and inflows of resources already recognized in internal service funds		<u>(696,212)</u>
Total net position - Governmental Activities:	\$	<u><u>28,475,777</u></u>

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

**JUNE 30, 2016**

	Capital Projects			Total
	General Fund	Fund	Building Fund	
<b>REVENUE</b>				
Taxes and assessments	\$ 5,098,870	\$ -	\$ -	\$ 5,098,870
Fees and other non-tax revenue	587,077	-	-	587,077
Interest	52,726	3,787	887	57,400
Fire mitigation fees	10,804	-	-	10,804
Reimbursable revenue	1,306,153	-	-	1,306,153
Other	105,624	-	204,865	310,489
Total revenue	<u>7,161,254</u>	<u>3,787</u>	<u>205,752</u>	<u>7,370,793</u>
<b>EXPENDITURES</b>				
General government	102,991	-	-	102,991
Public safety	4,436,322	-	-	4,436,322
Streets	450,876	-	-	450,876
Trails	1,161,091	-	-	1,161,091
Capital outlay	-	27,927	-	27,927
Building expenses	-	-	4,656,442	4,656,442
Total expenditures	<u>6,151,280</u>	<u>27,927</u>	<u>4,656,442</u>	<u>10,835,649</u>
Net change in fund balances	1,009,974	(24,140)	(4,450,690)	(3,464,856)
FUND BALANCE, beginning of year	<u>5,463,082</u>	<u>1,328,797</u>	<u>4,451,569</u>	<u>11,243,448</u>
FUND BALANCE, end of year	<u>\$ 6,473,056</u>	<u>\$ 1,304,657</u>	<u>\$ 879</u>	<u>\$ 7,778,592</u>

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

**JUNE 30, 2016**

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Net Change in Fund Balances - Governmental Funds	\$	(3,464,856)
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		4,915,443
Depreciation expense		(537,325)
<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>		
		85,000
<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>		
		(61,515)
<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>		
		(482,259)
<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>(114,150)</u>
Change in net position of governmental activities:	\$	<u><u>340,338</u></u>



**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION**

**PROPRIETARY – ENTERPRISE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

<u>ASSETS</u>	<u>Northstar Water</u>	<u>Martis Valley Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Current assets:					
Cash and cash equivalents	\$ 3,583,408	\$ 2,197,980	\$ 3,905,809	\$ 359,748	\$ 10,046,945
Accounts receivable	223,730	513,370	117,590	54	854,744
Due from other governments	-	-	84,276	22,482	106,758
Investments	1,529,503	4,810,176	2,043,696	-	8,383,375
Prepaid expenses	73,916	-	78,005	-	151,921
Total current assets	<u>5,410,557</u>	<u>7,521,526</u>	<u>6,229,376</u>	<u>382,284</u>	<u>19,543,743</u>
Noncurrent assets:					
Property, land and equipment	30,646,201	24,170,876	10,866,845	558,423	66,242,345
Less: accumulated depreciation	<u>(8,828,451)</u>	<u>(347,572)</u>	<u>(6,285,772)</u>	<u>(37,707)</u>	<u>(15,499,502)</u>
Total noncurrent assets	<u>21,817,750</u>	<u>23,823,304</u>	<u>4,581,073</u>	<u>520,716</u>	<u>50,742,843</u>
Total assets	<u>27,228,307</u>	<u>31,344,830</u>	<u>10,810,449</u>	<u>903,000</u>	<u>70,286,586</u>
 <u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	38,499	104,210	8,202	113	151,024
Accrued wages and related items	6,487	10,995	2,739	273	20,494
Unearned revenue	-	12,239	-	-	12,239
Due to other funds	<u>2,809,643</u>	<u>614,992</u>	<u>1,744,063</u>	<u>203,321</u>	<u>5,372,019</u>
Total current liabilities	<u>2,854,629</u>	<u>742,436</u>	<u>1,755,004</u>	<u>203,707</u>	<u>5,555,776</u>
Total liabilities	<u>2,854,629</u>	<u>742,436</u>	<u>1,755,004</u>	<u>203,707</u>	<u>5,555,776</u>
 <u>NET POSITION</u>					
Net investment in capital assets	21,817,750	23,823,304	4,581,073	520,716	50,742,843
Restricted for capital projects	2,011,638	5,805,194	2,218,977	-	10,035,809
Unrestricted	<u>544,290</u>	<u>973,896</u>	<u>2,255,395</u>	<u>178,577</u>	<u>3,952,158</u>
Total net position	<u>\$ 24,373,678</u>	<u>\$ 30,602,394</u>	<u>\$ 9,055,445</u>	<u>\$ 699,293</u>	<u>\$ 64,730,810</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

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

**PROPRIETARY – ENTERPRISE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Northstar Water</b>	<b>Martis Valley Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
<b>OPERATING REVENUE</b>					
Service charges	\$ 2,108,056	\$ 1,026,981	\$ 2,526,892	\$ 449,998	\$ 6,111,927
Other	8,630	11,297	-	-	19,927
Total operating revenue	<u>2,116,686</u>	<u>1,038,278</u>	<u>2,526,892</u>	<u>449,998</u>	<u>6,131,854</u>
<b>OPERATING EXPENSES</b>					
Wages	181,782	123,972	54,120	13,250	373,124
Employee benefits	13,649	5,197	19,402	661	38,909
Insurance	-	8,150	-	-	8,150
Maintenance	33,784	23,335	3,568	-	60,687
Purchased services	-	-	983,709	-	983,709
Professional services	32,203	50,778	163	321,278	404,422
Utilities	93,180	48,746	4,939	-	146,865
Other departmental expense	715,091	346,367	431,506	94,099	1,587,063
Communications	656	1,643	677	-	2,976
Dues and memberships	248	128	747	-	1,123
Office and shop expense	13,121	6,922	917	199	21,159
Miscellaneous	118,515	81,591	81,461	-	281,567
Depreciation	636,885	347,572	240,484	5,530	1,230,471
Total operating expenses	<u>1,839,114</u>	<u>1,044,401</u>	<u>1,821,693</u>	<u>435,017</u>	<u>5,140,225</u>
Operating income (loss)	277,572	(6,123)	705,199	14,981	991,629
<b>NONOPERATING REVENUE (EXPENSE)</b>					
Interest revenue	<u>55,397</u>	<u>55,767</u>	<u>57,944</u>	<u>-</u>	<u>169,108</u>
Income (loss) before capital contributions	332,969	49,644	763,143	14,981	1,160,737
<b>CAPITAL CONTRIBUTIONS</b>					
TRANSFER FROM LAPSED ORGANIZATION	<u>179,904</u>	<u>29,870,807</u>	<u>-</u>	<u>-</u>	<u>30,050,711</u>
CHANGE IN NET POSITION	512,873	30,602,394	763,143	14,981	31,893,391
NET POSITION, beginning	<u>23,860,805</u>	<u>-</u>	<u>8,292,302</u>	<u>684,312</u>	<u>32,837,419</u>
NET POSITION, end of year	<u>\$ 24,373,678</u>	<u>\$ 30,602,394</u>	<u>\$ 9,055,445</u>	<u>\$ 699,293</u>	<u>\$ 64,730,810</u>

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY – ENTERPRISE FUNDS

**FOR THE YEAR ENDED JUNE 30, 2016**

	Nothstar Water	Martis Valley Water	Sewer	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,174,404	\$ 590,293	\$ 2,551,176	\$ 448,824	\$ 5,764,697
Payments for services and supplies	(1,032,581)	(463,450)	(1,497,359)	(415,755)	(3,409,145)
Payments of employee salaries	(194,659)	(112,977)	(54,713)	(13,145)	(375,494)
Payments of employee benefits	(13,649)	(5,197)	(19,402)	(661)	(38,909)
Interfund reimbursements	515,026	614,992	457,800	93,196	1,681,014
Net cash provided (used) by operating activities	1,448,541	623,661	1,437,502	112,459	3,622,163
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(172,741)	(24,170,876)	(67,782)	-	(24,411,399)
Transfers from lapsed organizations	-	29,870,807	-	-	29,870,807
Net cash provided (used) by capital and related financing activities	(172,741)	5,699,931	(67,782)	-	5,459,408
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sale (purchase) of investments	180,799	(4,810,176)	(363,395)	-	(4,992,772)
Interest received	57,369	2,621	89,151	-	149,141
Capital contributions	179,904	681,943	-	-	861,847
Net cash provided (used) by investing activities	418,072	(4,125,612)	(274,244)	-	(3,981,784)
<b>NET INCREASE (DECREASE) IN CASH</b>	1,693,872	2,197,980	1,095,476	112,459	5,099,787
CASH AND CASH EQUIVALENTS, beginning of year	1,889,536	-	2,810,333	247,289	4,947,158
CASH AND CASH EQUIVALENTS, end of year	\$ 3,583,408	\$ 2,197,980	\$ 3,905,809	\$ 359,748	\$ 10,046,945
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 277,570	\$ (6,125)	\$ 705,199	\$ 14,981	\$ 991,625
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	636,885	347,572	240,484	5,530	1,230,471
(Increase) decrease in:					
Accounts receivable	(7,816)	(460,224)	31,077	(54)	(437,017)
Due from other governments	65,534	-	(6,793)	(1,120)	57,621
Prepaid expenses	4,896	-	4,467	19	9,382
Increase (decrease) in:					
Accounts payable	(30,677)	104,212	5,861	(198)	79,198
Accrued wages	(12,877)	10,995	(593)	105	(2,370)
Deferred revenue	-	12,239	-	-	12,239
Compensated absences	515,026	614,992	457,800	93,196	1,681,014
Net cash provided (used) by operating activities	\$ 1,448,541	\$ 623,661	\$ 1,437,502	\$ 112,459	\$ 3,622,163

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION**

**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$	(4,510,190)
Accounts receivable		445,107
Due from other funds		6,340,319
Inventory		10,444
Prepaid expenses		87,337
Total current assets		<u>2,373,017</u>

Total assets 2,373,017

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows on pensions 980,864

**LIABILITIES**

Current liabilities:

Accounts payable	479,676
Accrued wages and related items	48,077
Total current liabilities	<u>527,753</u>

Noncurrent liabilities:

Compensated absences	503,880
Retiree Termination Benefits	10,131
Other postemployment benefits liabilities	246,584
Net pension liabilities	1,780,881
Total noncurrent liabilities	<u>2,541,476</u>

Total liabilities 3,069,229

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows on pensions 284,652

**NET POSITION**

Unrestricted \$ -

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

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

**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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OPERATING REVENUE	
Charges for services	\$ 7,110,237
Other	30,920
Total operating revenue	<u>7,141,157</u>
OPERATING EXPENSES	
District operations & maintenance	1,014,333
Fleet operations & maintenance	88,453
Administration	6,038,371
Total operating expenses	<u>7,141,157</u>
CHANGE IN NET POSITION	-
NET POSITION, beginning	-
NET POSITION, end of year	<u>\$ -</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF CASH FLOWS**

**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal charges	\$ 6,704,432
Cash received from other sources	30,920
Payments for employee salaries & benefits	(1,753,450)
Payments for services and supplies	(5,300,153)
Net cash provided (used) by operating activities	<u>(318,251)</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES	
FINANCING ACTIVITIES	
Interfund transfers	(2,343,230)
Transfer of capital assets to other funds	24,590
Net cash provided (used) by capital and related financing activities	<u>(2,318,640)</u>
NET INCREASE (DECREASE) IN CASH	(2,636,891)
CASH AND CASH EQUIVALENTS, beginning of year	<u>(1,873,299)</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ (4,510,190)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ -
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in:	
Accounts receivable	(405,805)
Prepaid expenses	(79,046)
Inventory	3,705
Deferred outflows	(552,330)
Increase (decrease) in:	
Accounts payable	349,375
Accrued wages and related items	9,294
Compensated absences	56,860
Other postemployment benefits liabilities	23,486
Net pension liability	280,700
Deferred inflows	(4,490)
Net cash provided by operating activities	<u>\$ (318,251)</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION**

**FIDUCIARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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<b><u>ASSETS</u></b>	<b>Series 2005 Bonds</b>	<b>Series 2006 Bonds</b>	<b>2014 Special Refunding Bonds</b>	<b>Total</b>
Cash and cash equivalents	<u>\$ 10,158,601</u>	<u>\$ 5,288,030</u>	<u>\$ 57,305</u>	<u>\$ 15,503,936</u>
<b><u>LIABILITIES</u></b>				
Due to others	<u>\$ 10,158,601</u>	<u>\$ 5,288,030</u>	<u>\$ 57,305</u>	<u>\$ 15,503,936</u>

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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 network.

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, 2016

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### 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: net investment 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, 2016

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### **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, 2016

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### 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:

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

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

*Sewer Fund* is used to account for the delivery of sewer services.

*Solid Waste Fund* is used to account for the delivery of solid waste services.

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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 – Engineering & Utility Operations.** This fund consists of the activities of the engineering and utility operations 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 Operations.** 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, 2016**

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**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, 2016, 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 for future use of trails 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, 2016

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### 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, 2016

### 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.

## 2. CASH AND INVESTMENTS

### A. CASH AND EQUIVALENTS

The District's cash balances at June 30, 2016 are:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Fiduciary Activities</b>	<b>Total</b>
<b>Deposits:</b>				
US Bank	\$ 690,740	\$ 4,817,277	\$ -	\$ 5,508,017
Charles Schwab Money Market	17,058	17,525	-	34,583
<b>Cash on Hand:</b>				
Petty Cash	400	-	-	400
<b>Cash with Fiscal Agent:</b>				
Wells Fargo Mello Roos Funds	1,702,232	-	15,503,936	17,206,168
<b>Pooled Funds:</b>				
Local Agency Investment Fund	817,608	5,212,144	-	6,029,752
<b>Total Cash and Equivalents</b>	<b>\$ 3,228,039</b>	<b>\$ 10,046,945</b>	<b>\$ 15,503,936</b>	<b>\$ 28,778,920</b>

#### 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.

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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.

### LAIF Fund Valuation

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2016:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
LAIF	\$ 3,557,790	\$ 2,471,962	\$ -	\$ 6,029,752
Total	\$ 3,557,790	\$ 2,471,962	\$ -	\$ 6,029,752

### Deposits - Custodial Credit Risk

The carrying amount of the District's accounts was \$5,508,018 and the bank balances were \$5,624,536 at June 30, 2016. 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, 2016 was fully insured or collateralized.

### Cash with Fiscal Agent

At June 30, 2016, funds totaling \$1,702,232 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.



**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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&amp;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.

As of June 30, 2016, The District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>&lt;1 yrs</u>	<u>1-3 yrs</u>	<u>&gt;3yrs</u>
Corporate Notes	\$ 8,965,081	\$ 1,996,608	\$ 4,934,235	\$ 2,034,238
Municipal Bonds	60,872	-	37,799	23,073
Corporate Bonds	303,240	303,240	-	-
	<u>\$ 9,329,193</u>	<u>\$ 2,299,848</u>	<u>\$ 4,972,034</u>	<u>\$ 2,057,311</u>

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

### 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&amp;P)</u>	<u>Municipal Bonds</u>	<u>Corporate Notes</u>	<u>Corporate Bonds</u>	<u>Totals</u>
NR	\$ -	\$ 46,138	\$ 303,240	\$ 349,378
AA-	60,872	-	-	60,872
A+	-	100,482	-	100,482
A	-	617,895	-	617,895
A-	-	1,160,685	-	1,160,685
BBB+	-	3,211,754	-	3,211,754
BBB	-	2,658,188	-	2,658,188
BBB-	-	1,169,939	-	1,169,939
Totals	<u>\$ 60,872</u>	<u>\$ 8,965,081</u>	<u>\$ 303,240</u>	<u>\$ 9,329,193</u>

### Concentration of Credit Risk

The District places limits on the amount it may invest in anyone issuer. At June 30, 2016, the District had no concentration of credit risk.

There were no investments in securities of any one issuer consisting of 5% or more of total investments.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

Investment Fund Valuation

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2016:

Description	Level 1	Level 2	Level 3	Total
<b>US Agency, Treasury &amp; Municipal Notes (USATM):</b>				
<b>Municipal Notes:</b>	\$ 60,872	\$ -	\$ -	\$ 60,872
<b>Corporate Bonds</b>	303,240	-	-	303,240
<b>Corporate Notes</b>	-	8,965,081	-	8,965,081
<b>Total</b>	<u>\$ 364,112</u>	<u>\$ 8,965,081</u>	<u>\$ -</u>	<u>\$ 9,329,193</u>

**3. PROPERTY AND EQUIPMENT**

Capital assets activity for the year ended June 30, 2016, was as follows:

**Governmental Activities:**

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b>Not subject to depreciation</b>				
Land	\$ 7,598,216	\$ -	\$ -	\$ 7,598,216
<b>Construction In Progress</b>				
General Fund	664,757	-	664,757	-
Capital Project Fund	117,341	-	-	117,341
<b>Total Not subject to Depreciation</b>	<u>8,380,314</u>	<u>-</u>	<u>664,757</u>	<u>7,715,557</u>
<b>Subject to Depreciation</b>				
Buildings and Improvements	15,976,446	5,565,605	-	21,542,051
Equipment	1,066,054	14,595	-	1,080,649
Vehicles and Equipment	3,630,028	-	-	3,630,028
Software	103,472	-	24,885	78,587
<b>Total depreciable</b>	<u>20,776,000</u>	<u>5,580,200</u>	<u>24,885</u>	<u>26,331,315</u>
Less accumulated depreciation	(4,797,067)	(537,325)	(296)	(5,334,096)
<b>Total capital assets, net</b>	<u>\$ 24,359,247</u>	<u>\$ 5,042,875</u>	<u>\$ 689,346</u>	<u>\$ 28,712,776</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**Business-Type Activities:**

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Not subject to depreciation				
Land	\$ 675,195	\$ 73,712	\$ -	\$ 748,907
Construction In Progress	-	458,940	-	458,940
Total Not subject to Depreciation	<u>675,195</u>	<u>532,652</u>	<u>-</u>	<u>1,207,847</u>
Subject to Depreciation				
Buildings and Improvements	20,306,485	30,796	-	20,337,281
Equipment	991,206	119,808	-	1,111,014
Vehicles and Equipment	707,941	-	-	707,941
Software	79,917	31,685	-	111,602
Water /Sewer System	<u>19,070,201</u>	<u>23,696,755</u>	<u>-</u>	<u>42,766,956</u>
Total depreciable	41,155,750	23,879,044	-	65,034,794
Less accumulated depreciation	(14,269,030)	(1,230,768)	-	(15,499,798)
Total capital assets, net	<u><u>\$ 27,561,915</u></u>	<u><u>\$ 23,180,928</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 50,742,843</u></u>

**4. INTERFUND TRANSACTIONS**

As of June 30, 2016, the interfund receivable and payable balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 968,300
Northstar Water Fund	-	2,809,643
Martis Valley Water Fund	-	614,992
Sewer Fund	-	1,744,063
Solid Waste Fund	-	203,321
Internal Service Fund	6,340,319	-
Total	<u><u>\$ 6,340,319</u></u>	<u><u>\$ 6,340,319</u></u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. There were no interfund transfers during the current year

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<b>Miscellaneous</b>	
	<u>Prior to</u>	<u>On or after</u>
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.377%	6.555%
	<b>Safety</b>	
	<u>Prior to</u>	<u>On or after</u>
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire Date		
Benefit formula	3.0% @ 50	3% @ 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%	3%
Required employee contribution rates	9%	9%
Required employer contribution rates	27.849%	22.250%

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

Deferred Outflows/Inflows of Resources

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, 2016, the contributions recognized as part of pension expense for the Plan were:

	<b>Miscellaneous</b>	<b>Safety</b>
Contributions -employer	\$ 443,802	\$ 624,730

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, Northstar Community Services District reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	<b>Proportionate Share of Net Pension Liability</b>	
Miscellaneous	\$	1,888,527
Safety		2,174,274
Total Net Pension Liability	\$	4,062,801

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, 2015, 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, 2014 rolled forward to June 30, 2015 using standard update procedures. Northstar Community Services District's proportion of the net pension liability was based on a projection of the District'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, 2014 and 2015 was as follows:

	<b>Miscellaneous</b>	<b>Safety</b>
Proportion - June 30, 2015	0.068837%	0.052568%
Proportion - June 30, 2014	0.064843%	0.050339%
Change - Increase (Decrease)	0.00399%	0.00223%

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the District recognized pension expense of (\$305,106) and \$511,245 for Miscellaneous and Safety, respectively. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 443,802	\$ -	\$ 624,730	\$ -	\$ 1,068,532	\$ -
Difference between projected and actual experience	21,252	-	-	62,129	21,252	62,129
Difference in actual vs. projected contributions	102,992	-	104,446	-	207,438	-
Change in proportion	472,106	-	-	305,994	472,106	305,994
Changes in assumptions	-	201,063	-	285,754	-	486,817
Net differences between projected and actual earnings on plan investments	-	100,795	-	144,822	-	245,617
Total	<u>\$ 1,040,152</u>	<u>\$ 301,858</u>	<u>\$ 729,176</u>	<u>\$ 798,699</u>	<u>\$ 1,769,328</u>	<u>\$ 1,100,557</u>

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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended	Measurement Period Ended		
	June 30	Miscellaneous	Safety
2016	\$ 96,647	\$ (262,910)	\$ (166,263)
2017	\$ 96,647	\$ (262,910)	\$ (166,263)
2018	\$ 68,412	\$ (223,663)	\$ (155,251)
2019	\$ 32,787	\$ 55,229	\$ 88,016

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions for both plans:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	7.65%
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	Based on the 2010 CalPERS Experience Study for the period from 1997 to 2007

Discount Rate

The discount rate used to measure the total pension liability was 7.65% 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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, 2016

### Discount Rate

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.

<u>Asset Class</u>	<u>Current Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

(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, 2016**

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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:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Safety	\$ 3,486,108	\$ 2,174,274	\$ 1,098,594
Miscellaneous	\$ 3,167,192	\$ 1,888,527	\$ 832,841

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

As of June 30, 2016, the District had no outstanding required contributions to the pension plans.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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, 2016 is as follows:

Date Of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued	Redeemed Current Year	Outstanding June 30, 2016
June 2015	2.0% - 4.0%	06/01/45	\$ 4,655,000	\$ 4,655,000	-	\$ 85,000	\$ 4,570,000

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2016, are as follows:

Year Ended June 30	Principal	Interest	Total
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	105,000	161,450	266,450
2022-2026	575,000	747,500	1,322,500
2027-2031	700,000	632,563	1,332,563
2032-2036	830,000	495,613	1,325,613
2037-2041	1,010,000	316,600	1,326,600
2042-2045	960,000	98,000	1,058,000
	<u>\$ 4,570,000</u>	<u>\$ 3,121,225</u>	<u>\$ 7,691,225</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

A schedule of changes in long-term liabilities for the year ended June 30, 2016 is shown below:

**Governmental Activities**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Other Postemployment benefits	\$ 539,799	\$ 174,418	\$ 36,782	\$ 677,435	\$ -
Retiree Termination Benefits	24,888	-	14,757	10,131	10,131
Net Pension Liability	3,492,065	570,736	-	4,062,801	-
Compensated Absences	1,076,127	133,132	-	1,209,259	-
Lease Revenue Bonds	4,655,000	-	85,000	4,570,000	95,000
	<u>\$ 9,787,879</u>	<u>\$ 878,286</u>	<u>\$ 136,539</u>	<u>\$ 10,529,626</u>	<u>\$ 105,131</u>

**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%.

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.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

At June 30, 2016, the outstanding bonds consisted of the following:

Date Of Issue	Interest Rates	Maturity Date Sept 1,	Amount of Original Issue	Outstanding July 1, 2015	Redeemed Current Year	Outstanding June 30, 2016
2005	3.80% - 5.55%	2036	\$ 56,125,000	\$ 48,305,000	-	\$ 48,305,000
2006	3.90% - 5.00%	2037	58,590,000	42,415,000	-	42,415,000
2014	4.00% - 5.00%	2026	19,320,000	19,320,000	375,000	18,945,000
			<u>\$ 134,035,000</u>	<u>\$ 110,040,000</u>	<u>\$ 375,000</u>	<u>\$ 109,665,000</u>

The annual requirements to pay the bonds outstanding as of June 30, 2016 are as follows:

Year Ended June 30	Principal	Interest	Total
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	2,340,000	595,000	2,935,000
2022-2026	16,235,000	14,181,595	30,416,595
2027-2031	25,690,000	17,476,183	43,166,183
2032-2036	38,465,000	11,538,570	50,003,570
2037-2038	19,890,000	1,538,240	21,428,240
		<u>\$ 109,665,000</u>	<u>\$ 158,204,788</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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 2015/16, minimum employer contributions were \$122 through December 31, 2015 and \$125 through June 30, 2016 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	\$ 23,225	\$120,214	\$ 30,735	\$ 4,734	\$ 178,908
Interest on net OPEB obligation	3,754	12,164	5,170	504	21,592
Adjustment to annual required contribution	<u>(4,534)</u>	<u>(14,694)</u>	<u>(6,245)</u>	<u>(609)</u>	<u>(26,082)</u>
Annual OPEB cost (expense)	22,445	117,684	29,660	4,629	174,418
Contributions made	<u>(28,619)</u>	<u>(8,163)</u>	<u>-</u>	<u>-</u>	<u>(36,782)</u>
Increase in net OPEB obligation	(6,174)	109,521	29,660	4,629	137,636
Net OPEB obligation - beginning of year	<u>93,840</u>	<u>304,097</u>	<u>129,258</u>	<u>12,604</u>	<u>539,799</u>
Net OPEB obligation - end of year	<u>\$ 87,666</u>	<u>\$413,618</u>	<u>\$ 158,918</u>	<u>\$17,233</u>	<u>\$ 677,435</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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, 2014	\$ 100,678	10.36%	\$ 454,450
June 30, 2015	\$ 96,913	11.93%	\$ 539,799
June 30, 2016	\$ 174,418	21.09%	\$ 677,435

**D. METHODS AND ASSUMPTIONS**

The annual required contribution was determined as part of a June 30, 2016 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	\$ 2,199	\$ -	\$ -	\$ 2,199
Committed:				
Capital projects	-	1,304,657	879	1,305,536
Fire	748,202	-	-	748,202
Roads	197,616	-	-	197,616
Total committed	945,818	1,304,657	879	2,251,354
Unassigned	5,525,039	-	-	5,525,039
Total Fund Balances	\$ 6,473,056	\$ 1,304,657	\$ 879	\$ 7,778,592

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

### 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:

	SDRMA 06/30/2016*	FAIRA 06/30/2015*
Total Assets	\$ 110,682,834	\$ 3,215,464
Deferred Outflows of Resources	\$ 332,954	\$ -
Total Liabilities	\$ 58,754,717	\$ 16,530
Deferred Inflows of Resources	\$ 117,687	\$ 86,860.00
Net Position	\$ 52,143,384	\$ 3,198,934
Total Revenues	\$ 64,475,979	\$ 2,855,114
Total Expenses	\$ 61,022,721	\$ 2,859,534
Change in Net Position	\$ 3,453,258	\$ (4,420)

\*Latest audited financials available

### 13. TRANSFER OF LAPSED ORGANIZATION

Northstar Community Services District acquired the water system that serves properties from the Placer County Water Agency (PCWA) on October 1, 2015. The District reports the financial activity in the Martis Valley Water enterprise fund. Previously, the District operated the water system through a contract with PCWA for six years. The transfer of assets and liabilities with a net position of \$30,050,711 are shown as a transfer of lapsed organization in the business-type activities on the statement of activities and statement of revenues, expenses and changes in net position of the enterprise funds.

### 14. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2016 through November 30, 2016, 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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUE</b>				
Taxes and assessments	\$ 4,840,500	\$ 4,840,500	\$ 5,098,870	\$ 258,370
Fees and other non-tax revenue	126,263	126,263	587,077	460,814
Interest	36,500	36,500	52,726	16,226
Fire mitigation fees	6,000	6,000	10,804	4,804
Reimbursable revenues	1,158,584	1,158,584	1,306,153	147,569
Other	101,159	101,159	105,624	4,465
<b>Total revenue</b>	<b>6,269,006</b>	<b>6,269,006</b>	<b>7,161,254</b>	<b>892,248</b>
<b>EXPENDITURES</b>				
General government	48,200	48,200	102,991	(54,791)
Public safety	4,117,285	4,117,285	4,436,322	(319,037)
Streets	345,932	345,932	450,876	(104,944)
Trails	1,276,150	1,276,150	1,161,091	115,059
<b>Total expenditures</b>	<b>5,787,567</b>	<b>5,787,567</b>	<b>6,151,280</b>	<b>(363,713)</b>
Excess (deficiency) of revenues over (under) expenditures	481,439	481,439	1,009,974	528,535
<b>NET CHANGES IN FUND BALANCES</b>	<b>481,439</b>	<b>481,439</b>	<b>1,009,974</b>	<b>528,535</b>
FUND BALANCE, beginning of year as res	5,463,082	5,463,082	5,463,082	-
<b>FUND BALANCE, end of year</b>	<b>\$ 5,944,521</b>	<b>\$ 5,944,521</b>	<b>\$ 6,473,056</b>	<b>\$ 528,535</b>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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<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%
June 30, 2016	\$ 1,568,640	\$ -	\$ 1,568,640	0%	\$3,389,212	46.3%

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Miscellaneous</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u> <sup>(1)</sup>
Proportion of the net pension liability	0.064843%	0.068837%
Proportionate share of the net pension liability	\$ 1,602,716	\$ 1,888,527
Covered-employee payroll <sup>(2)</sup>	\$ 1,347,030	\$ 2,443,235
Proportionate share of the net pension liability as percentage of covered-employee payroll	118.98%	77.30%
Plans fiduciary net position as a percentage of the total pension liability	83.03%	79.89%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 142,978	\$ 289,450
<u>Safety</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u> <sup>(1)</sup>
Proportion of the net pension liability	0.050339%	0.052768%
Proportionate share of the net pension liability	\$ 1,889,349	\$ 2,174,274
Covered-employee payroll <sup>(2)</sup>	\$ 1,550,725	\$ 3,587,254
Proportionate share of the net pension liability as percentage of covered-employee payroll	121.84%	60.61%
Plans fiduciary net position as a percentage of the total pension liability	83.03%	77.28%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 234,378	\$ 424,982

- <sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.
- <sup>(2)</sup> Covered-employee payroll represented above is based on pensionable earnings provided by the employer.
- <sup>(3)</sup> 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, 2016**

<u>Miscellaneous</u>	Fiscal Year <sup>(1)</sup>	
	2013-14	2014-15
Actuarially Determined Contribution (2)	\$ 289,450	\$ 289,450
Contributions in relation to the actuarially determined contributions	(420,688)	(443,802)
Contribution deficiency (excess)	<u>\$ (131,238)</u>	<u>\$ (154,352.00)</u>
Covered-employee payroll (3,4)	\$ 1,347,030	\$ 2,443,235
Contributions as a percentage of covered-employee payroll (3)	21.49%	11.85%

  

<u>Safety</u>	Fiscal Year <sup>(1)</sup>	
	2013-14	2014-15
Actuarially Determined Contribution (2)	\$ 424,982	\$ 424,982
Contributions in relation to the actuarially determined contributions	(596,832)	(624,730)
Contribution deficiency (excess)	<u>\$ (171,850.00)</u>	<u>\$ (199,748.00)</u>
Covered-employee payroll (3,4)	\$ 1,550,725	\$ 3,587,254
Contributions as a percentage of covered-employee payroll (3)	27.41%	11.85%

(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.

(4) Payroll from prior year was assumed to increase by the 3.00 percent payroll growth assumption.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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 2016 was the 2nd year of implementation, therefore only two years is shown.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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.

	<b>Miscellaneous</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.377%	6.555%

	<b>Safety</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	3.0% @ 50	3% @ 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%	3%
Required employee contribution rates	9%	9%
Required employer contribution rates	27.849%	22.250%

**SUPPLEMENTARY  
INFORMATION**



**NORTHSTAR COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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<u>ASSETS</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Cash and cash equivalents				
Series 2005 Bonds	\$ 8,651,657	\$ 10,307,079	\$ 8,800,135	\$ 10,158,601
Series 2006 Bonds	5,288,786	2,135,422	2,136,178	5,288,030
2014 Refunding Bonds	83,442	6	26,143	57,305
Total assets	<u>\$ 14,023,885</u>	<u>\$ 12,442,507</u>	<u>\$ 10,962,456</u>	<u>\$ 15,503,936</u>
<u>LIABILITIES</u>				
Due to others	<u>\$ 14,023,885</u>	<u>\$ 12,442,507</u>	<u>\$ 10,962,456</u>	<u>\$ 15,503,936</u>