

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

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

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2017**

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

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**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**JUNE 30, 2017**

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**BOARD OF DIRECTORS**

Jeann Green - President

Frank Seelig - Director

Nancy Ives - Director

Cathy Stewart – Director

Dee Cravens – Director

\* \* \* \*

General Manager  
Mike Staudenmayer

Director of Finance and Administration  
Greg Rosenthal

# NORTHSTAR COMMUNITY SERVICES DISTRICT

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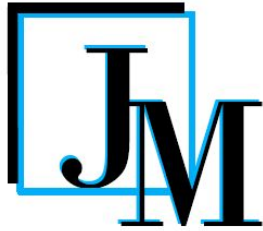
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**James Marta & Company LLP**  
**Certified Public Accountants**

*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, 2017, 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, 2017, 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, 2017 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, 2017

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



# NORTHSTAR COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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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, 2017. 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, 2017      \$ 96,156,010
- Total revenue:                                      14,163,886
- Total expense:                                      11,214,463
- Total depreciation expense:                      2,024,334

#### Business-Type Activities

- Water
  - o Total revenue:                                      \$ 4,374,239
  - o Total expense:                                      3,513,950
- Sewer
  - o Total revenue:                                      2,993,673
  - o Total expense:                                      1,949,864
- Solid Waste
  - o Total revenue:                                      471,799
  - o Total expense:                                      460,233

#### Governmental Activities

- Total revenue:                                      \$ 6,324,175
- Total expense:                                      5,290,416

### 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.

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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

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

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

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 BALANCE SHEET - GOVERNMENTAL FUNDS and the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS 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 BALANCE SHEET - GOVERNMENTAL FUNDS and the STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS 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 report on the same business-type activities shown in the government-wide financial statements. The intent is that the cost of providing services will be financed or recovered primarily through user charges. The District uses enterprise funds to account for water, sewer, and solid waste operations.

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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- Internal service funds account for goods and services provided on a cost-reimbursement basis by one department to another department within the District. The District uses internal service funds to account for Engineering & Utility Operations, Fleet, and Administrative Operations.
- Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

**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 – GENERAL FUND.

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 of the implementation of GASB 68, two schedules were added to the required supplementary information section. The two schedules are the SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY and the SCHEDULE OF PENSION 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 receipt and disbursement activity for the 2005 and 2006 series bonds of the CFD as well as the subsequent 2014 Refunding Bonds represented by 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.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017**

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

A summary of the District's STATEMENT OF NET POSITION comparing the current and prior fiscal years is presented in Table A-1.

Table A-1  
Statement of Net Position  
6/30/2017

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Current assets	\$10,933,019	\$10,859,522	\$21,820,675	\$19,543,743	\$32,753,694	\$30,403,265
Capital assets	28,117,133	28,712,776	52,292,491	50,742,843	80,409,624	79,455,619
Total Assets	39,050,152	39,572,298	74,113,166	70,286,586	113,163,318	109,858,884
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows on pensions	\$ 3,924,006	\$ 1,769,328	\$ -	\$ -	\$ 3,924,006	\$ 1,769,328
<b>LIABILITIES</b>						
Current liabilities	438,833	1,340,797	7,466,692	5,555,776	7,905,525	6,896,573
Noncurrent liabilities	11,652,303	10,424,495	-	-	11,652,303	10,424,495
Total liabilities	12,091,136	11,765,292	7,466,692	5,555,776	19,557,828	17,321,068
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows on pensions	\$ 1,373,486	\$ 1,100,557	\$ -	\$ -	\$ 1,373,486	\$ 1,100,557
<b>NET POSITION</b>						
Investment in capital assets, net of related debt	23,642,133	24,142,776	52,292,491	50,742,843	75,934,624	74,885,619
Restricted for capital replacement	-	-	10,035,809	-	10,035,809	-
Unrestricted	5,867,403	4,333,001	4,318,174	13,987,967	10,185,577	18,320,968
Total net position	\$29,509,536	\$28,475,777	\$66,646,474	\$64,730,810	\$96,156,010	\$93,206,587

As shown by Table A-1, total net position amounted to \$96.2MM in fiscal year 2017. 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 \$2.9MM mostly due to an increase in current and capital assets for business-type activities.

Total assets for Governmental Activities decreased \$522K. This was due to a combination of a nominal increase in capital assets paired with the recognition of accumulated depreciation for the year under audit.

Total assets for business-type activities increased \$3.8MM mainly due to increases in Property, Land & Equipment and investments resulting from the regular investment of enterprise capital fees and charges.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017**

Current liabilities for governmental activities increased \$326K and business-type activities increased \$1.9MM. 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.

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  
6/30/2017

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>REVENUE</b>						
General Revenue						
Property taxes	\$ 4,499,088	\$ 4,459,378			\$ 4,499,088	\$ 4,459,378
Fuels management & streets assessments	669,469	639,492			669,469	639,492
Capital Contributions	-	-	\$ 1,141,677	\$ 681,943	1,141,677	681,943
Interest earnings	45,566	57,400	96,106	169,108	141,672	226,508
Miscellaneous	101,191	310,489	93,135	19,927	194,326	330,416
Total general revenue	5,315,314	5,466,759	1,330,918	870,978	6,646,232	6,337,737
Program Revenues						
Charges for services	461,061	597,881	6,657,648	6,111,927	7,118,709	6,709,808
Operating Grants and Contributions	384,433	1,306,153	14,512	-	398,945	1,306,153
Total program revenue	845,494	1,904,034	6,672,160	6,111,927	7,517,654	8,015,961
Total revenue	6,160,808	7,370,793	8,003,078	6,982,905	14,163,886	14,353,698
<b>EXPENSES</b>						
General government	95,301	368,272			95,301	368,272
Public safety	4,011,997	4,512,891			4,011,997	4,512,891
Streets	237,886	450,876			237,886	450,876
Trails	319,271	1,161,091			319,271	1,161,091
Unallocated depreciation	625,961	537,325			625,961	537,325
Water, Sewer, and Solid Waste			5,924,047	5,140,225	5,924,047	5,140,225
Total expenses	5,290,416	7,030,455	5,924,047	5,140,225	11,214,463	12,170,680
<b>OTHER SOURCES (USES)</b>						
Transfers In (Out)	163,367	-	(163,367)	30,050,711	-	30,050,711
CHANGE IN NET POSITION	1,033,759	340,338	1,915,664	31,893,391	2,949,423	32,233,729
NET POSITION, beginning of year	28,475,777	28,135,439	64,730,810	32,837,419	93,206,587	60,972,858
NET POSITION, end of year	\$ 29,509,536	\$ 28,475,777	\$ 66,646,474	\$ 64,730,810	\$ 96,156,010	\$ 93,206,587

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:

General revenue from both property tax and fuels management and streets assessments increased 0.9% and 4.7%, respectively over the prior year amounts. However, general revenue as a whole was down 2.8% due to a decrease of \$209K in miscellaneous revenue.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017**

Program revenues decreased by 16.4%. This decrease is largely due to operating grants and contributions showing a 70.6% decrease over the prior year due to diminished grant activity within the trails division.

Overall expenditures were down by 24.8%. This is mostly due to expenditures within the trails division being \$841K less than the prior fiscal year.

**Business-Type activities:**

General revenue increased by 52.8% mainly due to a \$460K increase in capital contributions while program revenues showed an increase of 14.6% mostly due to increases in fees for water, sewer, and solid waste services. Overall, expenses were 15.3% higher than the prior year.

**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  
6/30/2017

	Budget		Actual		Variance Favorable / (Unfavorable)	
	2017	2016	2017	2016	2017	2016
<b>Revenue</b>						
Taxes and assessments	\$ 5,269,200	\$ 4,840,500	\$ 5,168,557	\$ 5,098,870	\$ (100,643)	\$ 258,370
Fees and other non-tax revenue	52,586	126,263	424,929	587,077	372,343	460,814
Interest	24,700	36,500	38,322	52,726	13,622	16,226
Fire mitigation fees	6,000	6,000	36,132	10,804	30,132	4,804
Reimbursable revenues	1,268,017	1,158,584	384,433	1,306,153	(883,584)	147,569
Other	101,159	101,159	102,209	105,624	1,050	4,465
Total revenue	6,721,662	6,269,006	6,154,582	7,161,254	(567,080)	892,248
<b>Expenditures</b>						
General Government	105,500	48,200	95,301	102,991	10,199	(54,791)
Public Safety	4,561,522	4,117,285	4,622,197	4,436,322	(60,675)	(319,037)
Streets	88,058	345,932	237,886	450,876	(149,828)	(104,944)
Trails	1,259,610	1,276,150	319,271	1,161,091	940,339	115,059
Total expenditures	6,014,690	5,787,567	5,274,655	6,151,280	740,035	(363,713)
Excess (deficiency) of revenue over expenditures before other sources	706,972	481,439	879,927	1,009,974	172,955	528,535
<b>Other Sources</b>						
Operating transfers from other sources in/(out)	(38,143)	-	(38,143)	-	-	-
Excess (deficiency) of revenue and other sources over expenditures	\$ 668,829	\$ 481,439	\$ 841,784	\$ 1,009,974	\$ 172,955	\$ 528,535

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017**

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The District budgeted \$6.7MM in general fund revenue and recognized \$6.2MM. The District budgeted \$6.0MM in general fund expenditures and recognized \$5.3MM.

The budget to actual variance in revenue was mainly due to reimbursable revenues being \$884K under budget due to grant funded construction within the trails division being less than expected. The \$740K favorable budget to actual variance in expenditures was mainly due to decreased expenditures within the trails division as compared to budget.

Overall, there is a favorable variance of \$173K when comparing the general fund budgeted contributions to reserves to the actual contributions.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017**

**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, 2017

	FY 2017	FY 2016	Dollar Change	Percentage Change
<b>Governmental Activities</b>				
Land	\$ 7,598,216	\$ 7,598,216	\$ -	0%
Work in progress				
General fund	-	-	-	-
Capital projects fund	117,341	117,341	-	0%
Buildings and improvements	21,196,235	21,196,235	-	0%
Equipment	1,444,771	1,426,465	18,306	1%
Vehicles and equipment	3,630,028	3,630,028	-	0%
Software	78,587	78,587	-	0%
	<u>34,065,178</u>	<u>34,046,872</u>	<u>18,306</u>	<u>0%</u>
Less accumulated depreciation	<u>(5,948,045)</u>	<u>(5,334,096)</u>	<u>(613,949)</u>	
Governmental activities capital assets, net	<u>28,117,133</u>	<u>28,712,776</u>	<u>(595,643)</u>	<u>-2%</u>
<b>Business-type Activities</b>				
Land	748,907	748,907	-	0%
Work in progress	2,151,498	458,940	1,692,558	369%
Building and improvements	20,336,985	20,337,281	(296)	0%
Equipment	1,311,923	1,111,014	200,909	18%
Vehicles and equipment	721,083	707,941	13,142	2%
Software	258,370	111,602	146,768	132%
Water/sewer system	48,488,989	42,766,956	5,722,033	13%
	<u>74,017,755</u>	<u>66,242,641</u>	<u>7,775,114</u>	<u>12%</u>
Less accumulated depreciation	<u>(21,725,264)</u>	<u>(15,499,798)</u>	<u>(6,225,466)</u>	<u>40%</u>
Business-type activities capital assets, net	<u>52,292,491</u>	<u>50,742,843</u>	<u>1,549,648</u>	<u>3%</u>
<b>Totals</b>	<u>\$ 80,409,624</u>	<u>\$ 79,455,619</u>	<u>\$ 954,005</u>	<u>1%</u>

As indicated in Table A-4, the combined net capital assets of Governmental and Business-type Activities increased by \$954K, after considering accumulated depreciation. Governmental activities show an increase of \$18K before accumulated depreciation due to the purchase of capital equipment.



# **NORTHSTAR COMMUNITY SERVICES DISTRICT**

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

**JUNE 30, 2017**

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Business-type activities show an increase of \$7.8MM before accumulated depreciation mostly due to recognizing the original cost of Martis Valley Water System assets rather than the book value upon acquisition as reported in the previous fiscal year.

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

The District's long-term liabilities at year-end included Other Post-Employment Benefits (OPEB) for employees totaling \$828K. There is no long-term portion of retiree termination benefits, with \$15K due within one year. Long-term liabilities for estimated compensated absences totaled \$1.4MM. Net pension liability amounts to \$5.0MM.

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 \$4.5MM 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.

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, 2017, the outstanding principal amount of bonded debt outstanding for the CFD was \$108.2MM.

### **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 the District is entering the third 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, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 947,870	\$ 10,185,803	\$ 11,133,673
Investments	1,560,908	10,653,329	12,214,237
Accounts receivable	282,236	724,312	1,006,548
Inventory	8,560	-	8,560
Due from other governments	249,237	113,336	362,573
Due from enterprise funds	7,324,353	-	7,324,353
Prepaid expenses	559,855	143,895	703,750
Capital assets, net	28,117,133	52,292,491	80,409,624
Total assets	39,050,152	74,113,166	113,163,318
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on pensions	3,924,006	-	3,924,006
<b>LIABILITIES</b>			
Accounts payable	191,388	100,260	291,648
Accrued wages and related items			
Accrued liabilities	69,026	39,079	108,105
Due to governmental funds	-	7,324,353	7,324,353
Unearned revenue	68,000	3,000	71,000
Long-Term Liabilities:			
Due within one year	110,419	-	110,419
Due in longer than one year			
Net pension liability	5,049,758	-	5,049,758
Other long-term liabilities	6,602,545	-	6,602,545
Total liabilities	12,091,136	7,466,692	19,557,828
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on pensions	1,373,486	-	1,373,486
<b>NET POSITION</b>			
Net investment in capital assets	23,642,133	52,292,491	75,934,624
Restricted for capital projects	-	10,035,809	10,035,809
Unrestricted	5,867,403	4,318,174	10,185,577
Total net position	\$ 29,509,536	\$ 66,646,474	\$ 96,156,010

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2017**

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
<b>Governmental activities:</b>						
General government	\$ 95,301	\$ -	\$ -	\$ (95,301)	\$ -	\$ (95,301)
Public safety	4,011,997	461,061	51,408	(3,499,528)	-	(3,499,528)
Streets	237,886	-	278,120	40,234	-	40,234
Trails	319,271	-	54,905	(264,366)	-	(264,366)
Building	-	-	-	-	-	-
Unallocated depreciation	625,961	-	-	(625,961)	-	(625,961)
Total governmental activities	<u>\$ 5,290,416</u>	<u>\$ 461,061</u>	<u>\$ 384,433</u>	<u>(4,444,922)</u>	<u>-</u>	<u>(4,444,922)</u>
<b>Business-type activities:</b>						
Water	\$ 3,513,950	\$ 3,535,306	\$ 14,512		35,868	35,868
Sewer	1,949,864	2,650,543	-		700,679	700,679
Solid waste	460,233	471,799	-		11,566	11,566
Total business-type activities	<u>\$ 5,924,047</u>	<u>\$ 6,657,648</u>	<u>\$ 14,512.00</u>		<u>748,113</u>	<u>748,113</u>
<b>General revenues:</b>						
Property taxes				4,499,088	-	4,499,088
Fuels management and streets assessments				669,469	-	669,469
Capital contributions				-	1,141,677	1,141,677
Interest earnings				45,566	96,106	141,672
Miscellaneous revenue				101,191	93,135	194,326
Total general revenue				<u>5,315,314</u>	<u>1,330,918</u>	<u>6,646,232</u>
Interfund transfer				<u>163,367</u>	<u>(163,367)</u>	<u>-</u>
Change in net position				1,033,759	1,915,664	2,949,423
Net position, beginning				<u>28,475,777</u>	<u>64,730,810</u>	<u>93,206,587</u>
Net position, end of year				<u>\$ 29,509,536</u>	<u>\$ 66,646,474</u>	<u>\$ 96,156,010</u>

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

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2017**

<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	\$ 7,409,698	\$ 1,311,726	\$ 36	\$ 8,721,460
Investments	1,560,908	-	-	1,560,908
Accounts receivables	266,917	-	-	266,917
Due from other governments	249,237	-	-	249,237
Prepaid expenses	2,199	-	-	2,199
<b>Total Assets</b>	<b>\$ 9,488,959</b>	<b>\$ 1,311,726</b>	<b>\$ 36</b>	<b>\$ 10,800,721</b>
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 55,149	\$ -	\$ -	\$ 55,149
Due to other funds	2,007,332	-	-	2,007,332
Other accrued expenses	43,638	-	-	43,638
Unearned revenue	68,000	-	-	68,000
<b>Total Liabilities</b>	<b>2,174,119</b>	<b>-</b>	<b>-</b>	<b>2,174,119</b>
 <b>Fund Balance</b>				
Nonspendable	2,199	-	-	2,199
Committed	1,824,870	1,311,726	36	3,136,632
Unassigned	5,487,771	-	-	5,487,771
<b>Total Fund Balance</b>	<b>7,314,840</b>	<b>1,311,726</b>	<b>36</b>	<b>8,626,602</b>
 <b>Total Liabilities and Fund Balance</b>	 <b>\$ 9,488,959</b>	 <b>\$ 1,311,726</b>	 <b>\$ 36</b>	 <b>\$ 10,800,721</b>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

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

**JUNE 30, 2017**

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Total Fund Balance - Governmental Funds	\$ 8,626,602
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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	34,065,178
Accumulated depreciation	(5,948,045)

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	(1,394,209)
Retiree Termination Benefits	(15,419)
Other postemployment benefits	(828,336)
Lease revenue bonds payable	(4,475,000)
Net pension liability	(5,049,758)

Long-term liabilities already recognized in internal service funds	3,127,605
--------------------------------------------------------------------	-----------

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	3,924,006
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Deferred inflows of resources relating to pensions	(1,373,486)
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Net deferred outflows and inflows of resources already recognized in internal service funds	<u>(1,149,602)</u>
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Total net position - Governmental Activities:	<u>\$ 29,509,536</u>
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**NORTHSTAR COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**

**JUNE 30, 2017**

	Capital Projects			Total
	General Fund	Fund	Building Fund	
<b>REVENUE</b>				
Taxes and assessments	\$ 5,168,557	\$ -	\$ -	\$ 5,168,557
Fees and other non-tax revenue	424,929	-	-	424,929
Interest	38,322	7,069	175	45,566
Fire mitigation fees	36,132	-	-	36,132
Reimbursable revenue	384,433	-	-	384,433
Other	102,209	-	265,237	367,446
Total revenue	<u>6,154,582</u>	<u>7,069</u>	<u>265,412</u>	<u>6,427,063</u>
<b>EXPENDITURES</b>				
General government	95,301	-	-	95,301
Public safety	4,622,197	-	-	4,622,197
Streets	237,886	-	-	237,886
Trails	319,271	-	-	319,271
Building expenses	-	-	266,255	266,255
Total expenditures	<u>5,274,655</u>	<u>-</u>	<u>266,255</u>	<u>5,540,910</u>
Excess (deficiency) of revenue over expenditures	879,927	7,069	(843)	886,153
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(38,143)</u>	<u>-</u>	<u>-</u>	<u>(38,143)</u>
Net change in fund balances	841,784	7,069	(843)	848,010
FUND BALANCE, beginning of year	<u>6,473,056</u>	<u>1,304,657</u>	<u>879</u>	<u>7,778,592</u>
FUND BALANCE, end of year	<u>\$ 7,314,840</u>	<u>\$ 1,311,726</u>	<u>\$ 36</u>	<u>\$ 8,626,602</u>

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

**JUNE 30, 2017**

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Net Change in Fund Balances - Governmental Funds	\$	848,010
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		30,318
Depreciation expense		(625,961)
<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>		
		95,000
<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>		
		365,029
<p>Retiree termination benefits: In governmental funds, retiree termination benefits are measured by the amounts paid during the period. In the statement of activities, retiree termination benefits are measured by the amounts earned. The difference between retiree termination benefits paid and earned was:</p>		
		10,131
<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>		
		176,015
<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>		
		135,217
Change in net position of governmental activities:	\$	1,033,759



**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION**

**PROPRIETARY – ENTERPRISE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

<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	\$ 4,434,471	\$ 609,509	\$ 4,648,768	\$ 493,055	\$ 10,185,803
Accounts receivable	263,881	310,559	149,872	-	724,312
Due from other governments	-	-	89,781	23,555	113,336
Investments	2,191,599	5,868,361	2,593,369	-	10,653,329
Prepaid expenses	69,903	-	73,992	-	143,895
Total current assets	<u>6,959,854</u>	<u>6,788,429</u>	<u>7,555,782</u>	<u>516,610</u>	<u>21,820,675</u>
Noncurrent assets:					
Property, land and equipment	31,361,000	30,808,341	11,289,991	558,423	74,017,755
Less: accumulated depreciation	<u>(9,470,532)</u>	<u>(5,679,480)</u>	<u>(6,532,015)</u>	<u>(43,237)</u>	<u>(21,725,264)</u>
Total noncurrent assets	<u>21,890,468</u>	<u>25,128,861</u>	<u>4,757,976</u>	<u>515,186</u>	<u>52,292,491</u>
Total assets	<u>28,850,322</u>	<u>31,917,290</u>	<u>12,313,758</u>	<u>1,031,796</u>	<u>74,113,166</u>
 <u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	39,209	55,666	5,353	32	100,260
Accrued wages and related items	4,940	33,443	588	108	39,079
Unearned revenue	-	3,000	-	-	3,000
Due to other funds	3,614,263	1,180,730	2,208,563	320,797	7,324,353
Total current liabilities	<u>3,658,412</u>	<u>1,272,839</u>	<u>2,214,504</u>	<u>320,937</u>	<u>7,466,692</u>
Total liabilities	<u>3,658,412</u>	<u>1,272,839</u>	<u>2,214,504</u>	<u>320,937</u>	<u>7,466,692</u>
 <u>NET POSITION</u>					
Net investment in capital assets	21,890,468	25,128,861	4,757,976	515,186	52,292,491
Restricted for capital projects	2,303,022	4,307,809	2,603,415	-	9,214,246
Unrestricted	998,420	1,207,781	2,737,863	195,673	5,139,737
Total net position	<u>\$ 25,191,910</u>	<u>\$ 30,644,451</u>	<u>\$ 10,099,254</u>	<u>\$ 710,859</u>	<u>\$ 66,646,474</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

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

**PROPRIETARY – ENTERPRISE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

	<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	\$ 2,145,768	\$ 1,389,538	\$ 2,650,543	\$ 471,799	\$ 6,657,648
Grant revenue	-	14,512	-	-	14,512
Other	34,487	58,648	-	-	93,135
Total operating revenue	<u>2,180,255</u>	<u>1,462,698</u>	<u>2,650,543</u>	<u>471,799</u>	<u>6,765,295</u>
<b>OPERATING EXPENSES</b>					
Wages	201,965	148,870	52,577	14,145	417,557
Employee benefits	8,871	4,108	20,026	471	33,476
Insurance	-	10,780	-	-	10,780
Maintenance	56,581	58,669	26,592	-	141,842
Purchased services	-	-	1,050,227	-	1,050,227
Professional services	49,151	56,779	216	323,196	429,342
Utilities	101,540	110,131	5,872	-	217,543
Other departmental expense	843,552	522,170	528,618	116,818	2,011,158
Communications	1,234	2,359	2,318	-	5,911
Dues and memberships	60	60	688	-	808
Office and shop expense	10,647	13,176	2,610	70	26,503
Miscellaneous	52,384	114,263	13,877	3	180,527
Depreciation	641,785	504,815	246,243	5,530	1,398,373
Total operating expenses	<u>1,967,770</u>	<u>1,546,180</u>	<u>1,949,864</u>	<u>460,233</u>	<u>5,924,047</u>
Operating income (loss)	212,485	(83,482)	700,679	11,566	841,248
<b>NONOPERATING REVENUE (EXPENSE)</b>					
Interest revenue	17,862	48,067	30,177	-	96,106
Income (loss) before capital contributions	230,347	(35,415)	730,856	11,566	937,354
<b>CAPITAL CONTRIBUTIONS</b>					
TRANSFERS	652,526	116,358	372,793	-	1,141,677
	<u>(64,641)</u>	<u>(38,886)</u>	<u>(59,840)</u>	<u>-</u>	<u>(163,367)</u>
CHANGE IN NET POSITION	818,232	42,057	1,043,809	11,566	1,915,664
NET POSITION, beginning	<u>24,373,678</u>	<u>30,602,394</u>	<u>9,055,445</u>	<u>699,293</u>	<u>64,730,810</u>
NET POSITION, end of year	<u>\$ 25,191,910</u>	<u>\$ 30,644,451</u>	<u>\$ 10,099,254</u>	<u>\$ 710,859</u>	<u>\$ 66,646,474</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY – ENTERPRISE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

	Nothstar Water	Martis Valley Water	Sewer	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,138,132	\$ 1,725,784	\$ 2,617,393	\$ 470,780	\$ 6,952,089
Payments for services and supplies	(1,110,425)	(936,931)	(1,639,665)	(440,168)	(4,127,189)
Payments of employee salaries	(203,512)	(126,422)	(54,728)	(14,310)	(398,972)
Payments of employee benefits	(8,871)	(4,108)	(20,026)	(471)	(33,476)
Interfund reimbursements	804,619	565,738	464,500	117,476	1,952,333
Net cash provided (used) by operating activities	<u>1,619,943</u>	<u>1,224,061</u>	<u>1,367,474</u>	<u>133,307</u>	<u>4,344,785</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	(714,503)	(1,810,372)	(423,146)	-	(2,948,021)
Transfers	(64,641)	(38,886)	(59,840)	-	(163,367)
Net cash provided (used) by capital and related financing activities	<u>(779,144)</u>	<u>(1,849,258)</u>	<u>(482,986)</u>	<u>-</u>	<u>(3,111,388)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sale (purchase) of investments	(734,925)	(1,245,580)	(638,509)	-	(2,619,014)
Interest received	92,663	182,316	114,376	-	389,355
Capital contributions	652,526	99,990	382,604	-	1,135,120
Net cash provided (used) by investing activities	<u>10,264</u>	<u>(963,274)</u>	<u>(141,529)</u>	<u>-</u>	<u>(1,094,539)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	851,063	(1,588,471)	742,959	133,307	138,858
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>3,583,408</u>	<u>2,197,980</u>	<u>3,905,809</u>	<u>359,748</u>	<u>10,046,945</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 4,434,471</u>	<u>\$ 609,509</u>	<u>\$ 4,648,768</u>	<u>\$ 493,055</u>	<u>\$ 10,185,803</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 212,485	\$ (67,114)	\$ 690,868	\$ 11,566	\$ 847,805
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	641,785	504,815	246,243	5,530	1,398,373
(Increase) decrease in:					
Accounts receivable	(42,123)	255,957	(27,645)	54	186,243
Due from other governments	-	-	(5,505)	(1,073)	(6,578)
Prepaid expenses	4,013	-	4,013	-	8,026
Increase (decrease) in:					
Accounts payable	713	(48,542)	(2,849)	(81)	(50,759)
Accrued wages	(1,547)	22,448	(2,151)	(165)	18,585
Deferred revenue	-	(9,239)	-	-	(9,239)
Compensated absences	804,617	565,736	464,500	117,476	1,952,329
Net cash provided (used) by operating activities	<u>\$ 1,619,943</u>	<u>\$ 1,224,061</u>	<u>\$ 1,367,474</u>	<u>\$ 133,307</u>	<u>\$ 4,344,785</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION**

**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$ (7,773,590)
Accounts receivable	15,319
Due from other funds	9,331,685
Inventory	8,560
Prepaid expenses	557,656
Total current assets	<u>2,139,630</u>

Total assets	<u>2,139,630</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows on pensions	<u>1,768,676</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	136,239
Accrued wages and related items	25,388
Total current liabilities	<u>161,627</u>

Noncurrent liabilities:

Compensated absences	549,979
Retiree termination benefits	15,419
Other postemployment benefits liabilities	286,118
Net pension liabilities	2,276,089
Total noncurrent liabilities	<u>3,127,605</u>

Total liabilities	<u>3,289,232</u>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows on pensions	<u>619,074</u>
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**NET POSITION**

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

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

**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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OPERATING REVENUE	
Charges for services	\$ 3,053,963
Other	<u>28,503</u>
Total operating revenue	<u>3,082,466</u>
OPERATING EXPENSES	
Engineering & Utility Operations	1,124,742
Fleet operations & maintenance	97,427
Administrative Operations	<u>2,061,807</u>
Total operating expenses	<u>3,283,976</u>
Income (loss) before transfers	(201,510)
TRANSFERS	<u>201,510</u>
CHANGE IN NET POSITION	-
NET POSITION, beginning	<u>-</u>
NET POSITION, end of year	<u>\$ -</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF CASH FLOWS**

**INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal charges	\$ 3,483,751
Cash received from other sources	28,503
Payments for employee salaries & benefits	(1,456,920)
Payments for services and supplies	<u>(2,528,878)</u>
Net cash provided (used) by operating activities	<u>(473,544)</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES	
FINANCING ACTIVITIES	
Interfund transfers	(2,789,856)
Net cash provided (used) by capital and related financing activities	<u>(2,789,856)</u>
NET INCREASE (DECREASE) IN CASH	(3,263,400)
CASH AND CASH EQUIVALENTS, beginning of year	<u>(4,510,190)</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ (7,773,590)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (201,510)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in:	
Accounts receivable	429,788
Prepaid expenses	(470,319)
Inventory	1,884
Deferred outflows	(787,812)
Increase (decrease) in:	
Accounts payable	(343,437)
Accrued wages and related items	(22,689)
Compensated absences	51,387
Other postemployment benefits liabilities	39,534
Net pension liability	495,208
Deferred inflows	<u>334,422</u>
Net cash provided by operating activities	<u>\$ (473,544)</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**STATEMENT OF NET POSITION**

**FIDUCIARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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	Series 2005 Bonds	Series 2006 Bonds	2014 Special Refunding Bonds	Total
<b><u>ASSETS</u></b>				
Cash and cash equivalents	<u>\$ 9,947,022</u>	<u>\$ 5,306,230</u>	<u>\$ 54,433</u>	<u>\$ 15,307,685</u>
<b><u>LIABILITIES</u></b>				
Due to others	<u>\$ 9,947,022</u>	<u>\$ 5,306,230</u>	<u>\$ 54,433</u>	<u>\$ 15,307,685</u>

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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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, 2017

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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, 2017

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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, 2017

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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, 2017

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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 – Administrative 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, 2017**

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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, 2017, 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, 2017

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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, 2017**

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**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, 2017 are:

	<u>Governmental Funds</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
<b>Deposits:</b>				
US Bank	\$ (2,141,466)	\$ 8,123,680	\$ -	\$ 5,982,214
Charles Schwab Money Market	20,221	10,175	-	30,396
<b>Cash on Hand:</b>				
Petty Cash	400	-	-	400
<b>Cash with Fiscal Agent:</b>				
Wells Fargo Mello Roos Funds	1,311,762	-	15,307,685	16,619,447
<b>Pooled Funds:</b>				
Local Agency Investment Fund	1,756,953	2,051,948	-	3,808,901
<b>Total Cash and Equivalents</b>	<u>\$ 947,870</u>	<u>\$ 10,185,803</u>	<u>\$ 15,307,685</u>	<u>\$ 26,441,358</u>

Pooled Funds:

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

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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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.

### Deposits - Custodial Credit Risk

The carrying amount of the District's accounts was \$5,982,214 and the bank balances were \$6,088,580 at June 30, 2017. 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, 2017 was fully insured or collateralized.

### Cash with Fiscal Agent

At June 30, 2017, funds totaling \$16,619,447 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, 2017**

**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, 2017, 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	\$ 11,853,405	\$ 2,191,406	\$ 7,035,078	\$ 2,626,921
Municipal Bonds	57,867	-	35,980	21,887
Bond Funds	302,965	302,965	-	-
	<u>\$ 12,214,237</u>	<u>\$ 2,494,371</u>	<u>\$ 7,071,058</u>	<u>\$ 2,648,808</u>

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

### 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>Bond Funds</u>	<u>Totals</u>
NR	\$ -	\$ 98,445	\$ 302,965	\$ 401,410
AA-	57,866	-	-	57,866
AA	-	82,500	-	82,500
A+	-	125,245	-	125,245
A	-	922,978	-	922,978
A-	-	1,188,205	-	1,188,205
BB+	-	310,496	-	310,496
BBB+	-	3,921,264	-	3,921,264
BBB	-	3,839,360	-	3,839,360
BBB-	-	1,364,912	-	1,364,912
Totals	<u>\$ 57,866</u>	<u>\$ 11,853,405</u>	<u>\$ 302,965</u>	<u>\$ 12,214,237</u>

### Concentration of Credit Risk

The District places limits on the amount it may invest in anyone issuer. At June 30, 2017, 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, 2017**

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, 2017:

Description	Level 1	Level 2	Level 3	Total
US Agency, Treasury & Municipal Notes (USATM):				
Municipal Notes:	\$ 57,867	\$ -	\$ -	\$ 57,867
Corporate Bonds	-	302,965	-	302,965
Corporate Notes	-	11,853,405	-	11,853,405
Total	<u>\$ 57,867</u>	<u>\$ 12,156,370</u>	<u>\$ -</u>	<u>\$ 12,214,237</u>

**3. PROPERTY AND EQUIPMENT**

Capital assets activity for the year ended June 30, 2017, was as follows:

**Governmental Activities:**

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Not subject to depreciation				
Land	\$ 7,598,216	\$ -	\$ -	\$ 7,598,216
Construction In Progress				
Capital Project Fund	117,341	-	-	117,341
Total Not subject to Depreciation	<u>7,715,557</u>	<u>-</u>	<u>-</u>	<u>7,715,557</u>
Subject to Depreciation				
Buildings and Improvements	21,196,235	-	-	21,196,235
Equipment	1,426,465	30,318	12,012	1,444,771
Vehicles and Equipment	3,630,028	-	-	3,630,028
Software	78,587	-	-	78,587
Total depreciable	<u>26,331,315</u>	<u>30,318</u>	<u>12,012</u>	<u>26,349,621</u>
Less accumulated depreciation	(5,334,096)	(625,961)	(12,012)	(5,948,045)
Total capital assets, net	<u>\$ 28,712,776</u>	<u>\$ (595,643)</u>	<u>\$ -</u>	<u>\$ 28,117,133</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**Business-Type Activities:**

	Balance June 30, 2016	Adjustments*	Additions	Deletions	Balance June 30, 2017
Not subject to depreciation					
Land	\$ 748,907	\$ -	\$ -	\$ -	\$ 748,907
Construction In Progress	458,940	-	1,832,905	140,347	2,151,498
Total Not subject to Depreciation	1,207,847	-	1,832,905	140,347	2,900,405
Subject to Depreciation					
Buildings and Improvements	20,337,281	-	-	296	20,336,985
Equipment	1,111,014	-	200,909	-	1,311,923
Vehicles and Equipment	707,941	-	13,142	-	721,083
Software	111,602	-	146,768	-	258,370
Water /Sewer System	42,766,956	4,827,093	894,940	-	48,488,989
Total depreciable	65,034,794	4,827,093	1,255,759	296	71,117,350
Less accumulated depreciation	(15,499,798)	(4,827,093)	(1,398,373)	-	(21,725,264)
Total capital assets, net	<u>\$ 50,742,843</u>	<u>\$ -</u>	<u>\$ 1,690,291</u>	<u>\$ 140,643</u>	<u>\$ 52,292,491</u>

\*Gross up costs and accumulated depreciation for assets acquired from Martis Valley Water System in prior year.

**4. INTERFUND TRANSACTIONS**

As of June 30, 2017, the interfund receivable and payable balances were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 2,007,332
Northstar Water Fund	-	3,614,263
Martis Valley Water Fund	-	1,180,730
Sewer Fund	-	2,208,563
Solid Waste Fund	-	320,797
Internal Service Fund	9,331,685	-
Total	<u>\$ 9,331,685</u>	<u>\$ 9,331,685</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. All transfers were to the Internal Service Fund to cover expenses.

	Transfers In	Transfers Out
General Fund	\$ -	\$ 38,143
Northstar Water Fund	-	64,641
Martis Valley Water Fund	-	38,886
Sewer Fund	-	59,840
Internal Service Fund	201,510	-
Total	<u>\$ 201,510</u>	<u>\$ 201,510</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**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, 2017, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date	<u>2% @ 55</u>	<u>2% @ 62</u>
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50 - 62	52 - 67
Retirement age	1.4% to 2.41890%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	7.000%	6.250%
Required employee contribution rates	8.880%	6.555%
Required employer contribution rates		

	<u>Safety</u>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date	<u>3.0% @ 50</u>	<u>3% @ 55</u>
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50	55
Retirement age	3%	3%
Monthly benefits, as a % of eligible compensation	9%	9%
Required employee contribution rates	27.849%	22.250%
Required employer contribution rates		

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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, 2017, the contributions recognized as part of pension expense for the Plan were:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions -employer	\$ 539,707	\$ 598,928

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

As of June 30, 2017, Northstar Community Services District reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 2,247,126
Safety	2,802,632
Total Net Pension Liability	<u>\$ 5,049,758</u>

Northstar Community Services District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2016	0.051880%	0.062570%
Proportion - June 30, 2015	0.068837%	0.052568%
Change - Increase (Decrease)	<u>-0.01696%</u>	<u>0.01000%</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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

For the year ended June 30, 2017, the District recognized pension expense of (\$343,855) and (\$550,936) for Miscellaneous and Safety, respectively. At June 30, 2017, 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	\$ 539,707	\$ -	\$ 539,707	\$ -	\$ 1,079,414	\$ -
Difference between projected and actual experience	11,597	2,657	-	33,929	11,597	36,586
Difference in actual vs. projected contributions	176,468	-	296,177	-	472,645	-
Change in proportion	254,294	-	-	271,034	254,294	271,034
Changes in assumptions	-	109,721	-	147,932	-	257,653
Net differences between projected and actual earnings on plan investments	919,754	348,693	1,186,302	459,520	2,106,056	808,213
Total	\$ 1,901,820	\$ 461,071	\$ 2,022,186	\$ 912,415	\$ 3,924,006	\$ 1,373,486

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
2017	\$ 241,812	\$ (77,610)	\$ 164,202
2018	\$ 213,577	\$ 201,282	\$ 414,859
2019	\$ 177,952	\$ 146,053	\$ 324,005
2020	\$ 139,944	\$ 147,953	\$ 287,897
2021	\$ 127,757	\$ 152,385	\$ 280,142

# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

### Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions for both plans:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal in accordance with the requirement of GASB 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses, include inflation
Mortality (1)	Derived using CalERS' Membership Data for all Funds

(1) The mortality rate table used was developed based on CalPERS' specific data. The table include 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the rate plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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.



# NORTHSTAR COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

**JUNE 30, 2017**

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) 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. 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 long-term expected real rates of return by asset class can be found in CalPERS ' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	1.0%	(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

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

– The following presents the Authority's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Authority'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:

	<u>Discount Rate - 1% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate + 1% (8.65%)</u>
Safety	\$ 4,419,680	\$ 2,802,632	\$ 1,595,440
Miscellaneous	\$ 3,312,628	\$ 2,247,126	\$ 1,366,542

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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, 2017, the District had no outstanding required contributions to the pension plans.

**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, 2017 is as follows:

Date Of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2016	Issued	Redeemed Current Year	Outstanding June 30, 2017
June 2015	2.0% - 4.0%	6/1/2045	<u>\$ 4,655,000</u>	<u>\$ 4,570,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 4,475,000</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2017, are as follows:

Year Ended June 30	Principal	Interest	Total
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	105,000	158,300	263,300
2023-2027	600,000	724,500	1,324,500
2028-2032	725,000	608,875	1,333,875
2033-2037	860,000	462,800	1,322,800
2038-2042	1,050,000	276,200	1,326,200
2043-2046	735,000	59,600	794,600
	<u>\$ 4,475,000</u>	<u>\$ 2,950,975</u>	<u>\$ 7,425,975</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

A schedule of changes in long-term liabilities for the year ended June 30, 2017 is shown below:

**Governmental Activities**

	<b>Balance</b>			<b>Balance</b>	<b>Due</b>
	<b>July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2017</b>	<b>Within</b>
					<b>One Year</b>
Other Postemployment benefits	\$ 677,435	\$ 184,853	\$ 33,952	\$ 828,336	\$ -
Retiree Termination Benefits	10,131	5,288	-	15,419	15,419
Net Pension Liability	4,062,801	986,957	-	5,049,758	-
Compensated Absences	1,209,259	184,950	-	1,394,209	-
Lease Revenue Bonds	4,570,000	-	95,000	4,475,000	95,000
	<u>\$ 10,529,626</u>	<u>\$ 1,362,048</u>	<u>\$ 128,952</u>	<u>\$ 11,762,722</u>	<u>\$ 110,419</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, 2017.

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, 2017**

At June 30, 2017, the outstanding bonds consisted of the following:

Description	Date Of Issue	Interest Rates	Maturity Date Sept 1,	Amount of Original Issue	Outstanding July 1, 2016	Issued	Redeemed Current Year	Outstanding June 30, 2017
Series 2005	2005	3.80% - 5.55%	2036	\$ 56,125,000	\$ 48,305,000	\$ -	\$ -	\$ 48,305,000
Series 2006	2006	3.90% - 5.00%	2037	58,590,000	42,415,000	-	-	42,415,000
Refunding Bonds	2014	4.00% - 5.00%	2026	19,320,000	18,945,000	-	1,450,000	17,495,000
				<u>\$ 134,035,000</u>	<u>\$ 109,665,000</u>	<u>\$ -</u>	<u>\$ 1,450,000</u>	<u>\$ 108,215,000</u>

The annual requirements to pay the bonds outstanding as of June 30, 2017 are as follows:

Year Ended June 30	Principal	Interest	Total
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	2,620,000	3,142,723	5,762,723
2023-2027	17,905,000	13,330,830	31,235,830
2028-2032	27,950,000	18,244,343	46,194,343
2033-2037	41,500,000	9,501,443	51,001,443
2038-2042	10,305,000	515,250	10,820,250
	<u>\$ 108,215,000</u>	<u>\$ 47,642,138</u>	<u>\$ 155,857,138</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**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 2016/17, minimum employer contributions were \$125 through December 31, 2016 and \$128 through June 30, 2017 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	\$ 23,738	\$129,654	\$ 33,239	\$ 5,121	\$ 191,752
Interest on net OPEB obligation	3,507	16,545	6,357	689	27,098
Adjustment to annual required contribution	<u>(4,400)</u>	<u>(20,757)</u>	<u>(7,975)</u>	<u>(865)</u>	<u>(33,997)</u>
Annual OPEB cost (expense)	22,845	125,442	31,621	4,945	184,853
Implicit contributions	(1,963)	(14,301)	(523)	3	(16,784)
Contributions made	<u>(10,872)</u>	<u>(4,722)</u>	<u>(1,574)</u>	<u>-</u>	<u>(17,168)</u>
Increase in net OPEB obligation	10,010	106,419	29,524	4,948	150,901
Net OPEB obligation - beginning of year	<u>87,666</u>	<u>413,618</u>	<u>158,918</u>	<u>17,233</u>	<u>677,435</u>
Net OPEB obligation - end of year	<u>\$ 97,676</u>	<u>\$520,037</u>	<u>\$ 188,442</u>	<u>\$22,181</u>	<u>\$ 828,336</u>

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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, 2015	\$ 96,913	11.93%	\$ 539,799
June 30, 2016	\$ 174,418	21.09%	\$ 677,435
June 30, 2017	\$ 184,853	18.37%	\$ 828,336

**D. METHODS AND ASSUMPTIONS**

The annual required contribution was determined as part of a June 30, 2017 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 from 7.5% to 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	-	1,311,726	36	1,311,762
Fire	1,109,736	-	-	1,109,736
Roads	715,134	-	-	715,134
Total committed	1,824,870	1,311,726	36	3,136,632
Unassigned	5,487,771	-	-	5,487,771
Total Fund Balances	\$ 7,314,840	\$ 1,311,726	\$ 36	\$ 8,626,602

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**12. RISK MANAGEMENT**

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

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

	<u>SDRMA</u> <u>June 30, 2017</u>	<u>FAIRA</u> <u>June 30, 2017</u>
Total Assets	\$ 111,852,055	\$ 3,213,773
Deferred Outflows of Resources	\$ 637,936	\$ -
Total Liabilities	\$ 62,077,098	\$ 12,441
Deferred Inflows of Resources	\$ 171,678	\$ 50,000.00
Net Position	\$ 50,241,215	\$ 3,150,332
Total Revenues	\$ 65,807,742	\$ 2,512,365
Total Expenses	\$ 67,709,911	\$ 2,476,393
Change in Net Position	\$ (1,902,169)	\$ 35,972

**14. SUBSEQUENT EVENTS**

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2017 through November 30, 2017, 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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUE</b>				
Taxes and assessments	\$ 5,269,200	\$ 5,269,200	\$ 5,168,557	\$ (100,643)
Fees and other non-tax revenue	62,586	52,586	424,929	372,343
Interest	24,700	24,700	38,322	13,622
Fire mitigation fees	5,000	6,000	36,132	30,132
Reimbursable revenues	1,268,017	1,268,017	384,433	(883,584)
Other	101,159	101,159	102,209	1,050
<b>Total revenue</b>	<b>6,730,662</b>	<b>6,721,662</b>	<b>6,154,582</b>	<b>(567,080)</b>
<b>EXPENDITURES</b>				
General government	105,500	105,500	95,301	10,199
Public safety	4,505,542	4,561,522	4,622,197	(60,675)
Streets	88,058	88,058	237,886	(149,828)
Trails	1,259,610	1,259,610	319,271	940,339
<b>Total expenditures</b>	<b>5,958,710</b>	<b>6,014,690</b>	<b>5,274,655</b>	<b>740,035</b>
Excess (deficiency) of revenues over (under) expenditures	771,952	706,972	879,927	172,955
<b>OTHER FINANCING USES</b>				
Transfers in/(out)	(38,143)	(38,143)	(38,143)	-
<b>NET CHANGES IN FUND BALANCES</b>	<b>733,809</b>	<b>668,829</b>	<b>841,784</b>	<b>172,955</b>
FUND BALANCE, beginning of year as restat	5,463,082	5,463,082	6,473,056	1,009,974.00
FUND BALANCE, end of year	\$ 6,196,891	\$ 6,131,911	\$ 7,314,840	\$ 1,182,929

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
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, 2017**

<u>Miscellaneous</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u> <sup>(1)</sup>
Proportion of the net pension liability	0.064843%	0.068837%	0.051880%
Proportionate share of the net pension liability	\$ 1,602,716	\$ 1,888,527	\$ 2,247,126
Covered-employee payroll (2)	\$ 1,788,281	\$ 1,832,525	\$ 1,963,610
Proportionate share of the net pension liability as percentage of covered-employee payroll	89.62%	103.06%	114.44%
Plans fiduciary net position as a percentage of the total pension liability	83.03%	79.89%	79.89%
Proportionate share of aggregate employer contributions (3)	\$ 142,978	\$ 289,450	\$ 539,707
<u>Safety</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2015</u> <sup>(1)</sup>
Proportion of the net pension liability	0.050339%	0.052768%	0.062570%
Proportionate share of the net pension liability	\$ 1,889,349	\$ 2,174,274	\$ 2,802,632
Covered-employee payroll (2)	\$ 1,846,024	\$ 1,896,823	\$ 1,920,598
Proportionate share of the net pension liability as percentage of covered-employee payroll	102.35%	114.63%	145.92%
Plans fiduciary net position as a percentage of the total pension liability	83.03%	77.28%	77.28%
Proportionate share of aggregate employer contributions (3)	\$ 234,378	\$ 424,982	\$ 598,928

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

(3) The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Miscellaneous</u>	Fiscal Year <sup>(1)</sup>		
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Actuarially Determined Contribution (2)	\$ 289,450	\$ 289,450	\$ 539,707
Contributions in relation to the actuarially determined contributions (2)	(420,688)	(443,802)	(324,538)
Contribution deficiency (excess)	<u>\$ (131,238)</u>	<u>\$ (154,352)</u>	<u>\$ 215,169</u>
Covered-employee payroll (3,4)	\$ 1,788,281	\$ 1,832,525	\$ 1,963,610
Contributions as a percentage of covered-employee payroll (3)	16.19%	15.80%	27.49%

<u>Safety</u>	Fiscal Year <sup>(1)</sup>		
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Actuarially Determined Contribution (2)	\$ 424,982	\$ 424,982	\$ 598,928
Contributions in relation to the actuarially determined contributions (2)	(596,832)	(624,730)	(403,835)
Contribution deficiency (excess)	<u>\$ (171,850)</u>	<u>\$ (199,748)</u>	<u>\$ 195,093</u>
Covered-employee payroll (3,4)	\$ 1,846,024	\$ 1,896,823	\$ 1,920,598
Contributions as a percentage of covered-employee payroll (3)	23.02%	22.40%	31.18%

- (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, 2017**

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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 2017 was the 3rd year of implementation, therefore only three years is shown.

**NORTHSTAR COMMUNITY SERVICES DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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.

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 62	52 - 67
Monthly benefits, as a % of eligible compensation	1.4% to 2.41890%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.880%	6.555%

**Safety**

	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, 2017**

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<b><u>ASSETS</u></b>	Balance <u>June 30, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2017</u>
Cash and cash equivalents				
Series 2005 Bonds	\$ 10,158,601	\$ -	\$ 211,579	\$ 9,947,022
Series 2006 Bonds	5,288,030	18,200	-	5,306,230
2014 Refunding Bonds	57,305	-	2,872	54,433
Total assets	<u>\$ 15,503,936</u>	<u>\$ 18,200</u>	<u>\$ 214,451</u>	<u>\$ 15,307,685</u>
<b><u>LIABILITIES</u></b>				
Due to others	<u>\$ 15,503,936</u>	<u>\$ 18,200</u>	<u>\$ 214,451</u>	<u>\$ 15,307,685</u>