



GOODWIN CONSULTING GROUP

**Northstar Community Services District  
Community Facilities District No. 1  
\$56,125,000 Special Tax Bonds, Series 2005 and  
\$58,590,000 Special Tax Bonds, Series 2006  
Continuing Disclosure Annual Report for  
Fiscal Year 2007-08  
(per SEC Rule 15c2-12(b)(5))**

**CUSIP Numbers**

**Special Tax Bonds, Series 2005**

66704PAA2 *	66704PAF1	66704PAL8
66704PAB0	66704PAG9	66704PAM6
66704PAC8	66704PAH7	66704PAN4
66704PAD6	66704PAJ3	66704PAP9
66704PAE4	66704PAK0	66704PAQ7

**Special Tax Bonds, Series 2006**

66704PAR5	66704PAW4	66704PBB9
66704PAS3	66704PAX2	66704PBC7
66704PAT1	66704PAY0	66704PBD5
66704PAU8	66704PAZ7	66704PBE3
66704PAV6	66704PBA1	

*\* Retired as of the date of this report.*

February 1, 2009

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## ***I. Introduction***

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This report contains certain information required to be filed annually per SEC rule 15c2-12(b)(5) (the “Rule”) by the Northstar Community Services District (the “CSD”) Community Facilities District No. 1 (the “CFD”). The Rule is applicable to the Special Tax Bonds, Series 2005 (the “Series 2005 Bonds”) issued in the aggregate amount of \$56,125,000 on December 20, 2005, and to the Special Tax Bonds, Series 2006 (the “Series 2006 Bonds”) issued in the aggregate amount of \$58,590,000 on December 20, 2006 (collectively, the “Bonds”). The Rule requires that an issuer undertake in a written agreement or contract for the benefit of holders of the securities issued to file with national and state repositories the following:

1. Certain financial and operating information as presented in the Continuing Disclosure Agreements
2. Audited financial statements
3. Notice of certain enumerated significant events
4. Notice of any failure to provide such annual financial information as agreed

To comply with the Rule, the CSD agreed in the Continuing Disclosure Agreements (the “Agreements”) associated with the Bonds to provide certain information annually for the benefit of the bondholders. The CSD has also agreed to disclose the occurrence of several significant events with respect to the Bonds, should they occur.

## ***II. Financial and Operating Information***

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Section 4 of the Agreements requires the CSD to provide the Annual Report to include an update of the status of several items concerning the CFD. The following is a list of those items:

- (1) The audited financial statements of the CFD for the fiscal year ending June 30, 2008, which may be included in the audited financial statements of the CSD. Audited financial statements of the CFD shall be audited by such auditor as shall then be required or permitted by state law or the Trust Indenture. Audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the CFD may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. Audited financial statements for the CSD are presented in Appendix A in this report.
  
- (2) The principal amount of Bonds outstanding as of June 30, 2008.
  - **Series 2005 Bonds outstanding: \$56,125,000**
  
  - **Series 2006 Bonds outstanding: \$58,590,000**
  
- (3) The balance in each fund under the Trust Indenture for the Bonds as of June 30, 2008.
  - **Special Tax Fund: \$467,049**
  
  - **Administrative Expense Account: \$355,323**
  
  - **Surplus Fund: \$0**
  - (i) Balances in each fund for the Series 2005 Bonds as of June 30, 2008.
    - **Bond Interest Account: \$771**
  
    - **Capitalized Interest Account: \$0**
  
    - **Reserve Account: \$5,568,454**
  
    - **Construction Account: \$4,857,637**
  
    - **Acquisition Account: \$2,541,189**

(ii) Balances in each fund for the Series 2006 Bonds as of June 30, 2008.

➤	<b>Bond Interest Account:</b>	<b>\$1</b>
➤	<b>Capitalized Interest Account:</b>	<b>\$2,616,389</b>
➤	<b>Reserve Account:</b>	<b>\$5,395,728</b>
➤	<b>Cost of Issuance Account:</b>	<b>\$0</b>
➤	<b>Construction Account:</b>	<b>\$13,571,388</b>
➤	<b>Acquisition Account:</b>	<b>\$10,775,000</b>

(4) Special tax delinquency information as shown on the assessment roll of the Placer County Assessor last equalized prior to September 2008:

(i) Special tax delinquency rate for all parcels levied a special tax as of August 5, 2008.

➤ **Delinquency rate: 0.93%**

(ii) Number of parcels that are delinquent as of August 5, 2008.

➤ **Number of parcels delinquent: 4**

(iii) Amount of each delinquency and length of time delinquent.

➤ **Assessor's parcel number 103-030-005-000 is delinquent \$1,677.65 and has been delinquent since April 10, 2008**

➤ **Assessor's parcel number 103-050-020-000 is delinquent \$1,612.62 and has been delinquent since April 10, 2008**

➤ **Assessor's parcel number 103-060-009-000 is delinquent \$2,965.14 and has been delinquent since December 10, 2007**

➤ **Assessor's parcel number 103-110-014-000 is delinquent \$1,547.60 and has been delinquent since April 10, 2008**

(5) An update of the estimated value-to-lien ratios, based on the assessed values within the CFD and the special tax levy for fiscal year 2008-09.

➤ **See Appendix B**

- (6) Any changes to the Rate and Method of Apportionment of Special Tax (the “RMA”) approved or submitted to the qualified electors for approval prior to the filing of the Annual Report.
- **None**
- (7) The status of any foreclosure actions being pursued by the CFD with respect to delinquent special taxes.
- **No foreclosure actions have been pursued by the CFD**
- (8) Any information not already included under (2) through (7) above that the Board of Directors of the CSD is required to file in its Annual Report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.
- **See Appendix C**
- (9) A description of any transfers in property in fiscal year 2007-08 and the first half year of 2008-09 which results in taxable property being reclassified as exempt from the special tax under Section H of the RMA.
- **No such transfers have occurred in fiscal year 2007-08 nor in the first half year of 2008-09**
- (10) A description of any transfers in property in fiscal year 2007-08 and the first half year of 2008-09 which results in property exempt from the special tax under Section H of the RMA being reclassified as taxable property.
- **No such transfers have occurred in fiscal year 2007-08 nor in the first half year of 2008-09**
- (11) Such further information, if any, as may be necessary to make the statements specifically required pursuant to this Section 4(b) in the Agreements, in light of the circumstances under which they are made, not misleading.
- **No further information is necessary**

### ***III. Reporting of Significant Events***

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Pursuant to the provisions of Section 5 of the Agreements, the CFD shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax options or events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

As defined above, no significant events have occurred during fiscal year 2007-08 in relation to the Bonds.

## **APPENDIX A**

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*Northstar Community Services District  
Audited Financial Statements  
for Fiscal Year 2007-08*

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NORTHSTAR COMMUNITY  
SERVICES DISTRICT

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2008

NORTHSTAR COMMUNITY SERVICES DISTRICT  
JUNE 30, 2008

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Northstar Community Services District  
Truckee, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of Northstar Community Services District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and aggregate remaining fund information of Northstar Community Services District as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northstar Community Services District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barnard, Vogler + Co.*

Reno, Nevada  
October 23, 2008

NORTHSTAR COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2008

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As management of the Northstar Community Services District (NCS D), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ending June 30, 2008. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total net assets were \$56.5 million at June 30, 2008
- The District's total expenses in 2008 were \$7,617,798
- Business-Type Activities revenue
  - Water: \$876,488
  - Sewer: \$1,669,910
  - Interest: \$12,399
- Governmental Activities revenue: \$13,618,208
- The District's total revenue for 2008 was \$16,177,005
- Increase in net assets before restatement was \$8,559,207
  - The restatement in the enterprise fund was due to an error in recognizing revenue in prior years in the amount of \$174,151. A restatement in the capital projects fund was due to an error in recognizing revenue and expense for the Acquisition funds in prior years in the amount of \$(13,083,757).

### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, fiduciary financial statements, and the notes to the financial statements. The first two statements are condensed and present a government-wide view 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 corporate-like in that all activities are consolidated into a total for the District.

### BASIC FINANCIAL STATEMENTS

The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets of the District, the liabilities it owes, and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.

The Statement of Activities focuses gross and net costs of the District's programs and the extent to which such programs rely upon general revenue. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenue.

Fund financial statements focus on governmental funds and proprietary funds separately. Governmental fund statements follow the more traditional presentation of financial statements. Statements for the District's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow. Included in the governmental funds is the capital projects fund. This fund includes capital contributions, interest income and expenditures of the Community Facilities District (CFD). The purpose of the CFD is to finance the construction of capital improvements.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
JUNE 30, 2008

The District's Fiduciary statements provide financial information about the activities of the CFD, for which the District acts solely as agent. They include the net assets and cash balances of the CFD. These statements are separate from and their balances are excluded from the District's financial statements.

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

### 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 Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. These two statements report the net assets of the District and the changes in them. 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.

To begin our analysis, a summary of the District's Statement of Net Assets is presented in Table A-1.

Table A-1  
Statement of Net Assets  
June 30, 2008

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>						
Current assets	\$ 3,429,937	\$ 3,337,755	\$ 2,502,832	\$ 2,030,671	\$ 5,932,769	\$ 5,368,426
Capital assets	24,157,757	18,005,367	8,436,505	8,608,228	32,594,262	26,613,595
Other assets	<u>20,189,185</u>	<u>30,486,817</u>	<u>110,465</u>	<u>207,082</u>	<u>20,299,650</u>	<u>30,693,899</u>
Total Assets	47,776,879	51,829,939	11,049,802	10,845,981	58,826,681	62,675,920
<b>LIABILITIES</b>						
Current liabilities	1,456,610	1,093,920	134,595	33,584	1,591,205	1,127,504
Noncurrent liabilities	<u>617,576</u>	<u>582,071</u>	<u>116,642</u>	<u>114,688</u>	<u>734,218</u>	<u>696,759</u>
Total liabilities	<u>2,074,186</u>	<u>1,675,991</u>	<u>251,237</u>	<u>148,272</u>	<u>2,325,423</u>	<u>1,824,263</u>
<b>NET ASSETS</b>						
Investment in capital assets	24,157,757	18,005,367	8,436,505	8,608,228	32,594,262	26,613,595
Restricted for capital replacement	20,189,185	30,486,817	110,465	207,082	20,299,650	30,693,899
Unrestricted	<u>1,355,751</u>	<u>1,661,764</u>	<u>2,251,595</u>	<u>1,882,399</u>	<u>3,607,346</u>	<u>3,544,163</u>
Total Net Assets	\$ <u>45,702,693</u>	\$ <u>50,153,948</u>	\$ <u>10,798,565</u>	\$ <u>10,697,709</u>	\$ <u>56,501,258</u>	\$ <u>60,851,657</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
JUNE 30, 2008

A condensed version of the Statement of Activities follows.

Table A-2  
Statement of Activities  
For the Year Ended June 30, 2008

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>REVENUE</b>						
General Revenue						
Property taxes	\$ 3,310,875	\$ 2,869,784	\$ --	\$ --	\$ 3,310,875	\$ 2,869,784
Snow and road assessments	550,260	504,801	--	--	550,260	504,801
Interest earnings	697,826	3,139,960	12,399	11,986	710,225	3,151,946
Miscellaneous	<u>118,613</u>	<u>84,004</u>	<u>58,693</u>	<u>36,176</u>	<u>177,306</u>	<u>120,180</u>
Total general revenue	4,677,574	6,598,549	71,092	48,162	4,748,666	6,646,711
Program Revenues						
Capital contributions	8,562,640	22,295,838	278,908	35,524	8,841,548	22,331,362
Charges for services	<u>377,994</u>	<u>754,758</u>	<u>2,208,797</u>	<u>1,991,964</u>	<u>2,586,791</u>	<u>2,746,722</u>
Total revenue	13,618,208	29,649,145	2,558,797	2,075,650	16,177,005	31,724,795
<b>EXPENSES</b>						
General government	945,866	1,434,249	--	--	945,866	827,161
Public safety	2,755,848	2,192,374	--	--	2,755,848	1,759,232
Streets	88,080	34,759	--	--	88,080	55,667
Trails	50,827	48,616	--	--	50,827	59,642
Capital projects	976,082	6,026,438	--	--	976,082	410,173
Unallocated depreciation	169,003	160,165	--	--	169,003	155,264
Water and sewer	--	--	<u>2,632,092</u>	<u>2,405,683</u>	<u>2,632,092</u>	<u>2,405,683</u>
Total expenses	4,985,706	9,896,601	2,632,092	2,405,683	7,617,798	12,302,284
CHANGE IN NET ASSETS	8,632,502	19,752,544	( 73,295)	( 330,033)	8,559,207	19,422,511
NET ASSETS, beginning of year before restatement	50,153,948	30,401,404	10,697,709	10,737,085	60,851,657	41,138,489
RESTATEMENT	<u>(13,083,757)</u>	<u>--</u>	<u>174,151</u>	<u>290,657</u>	<u>(12,909,606)</u>	<u>290,657</u>
NET ASSETS, beginning of year after restatement	<u>37,070,191</u>	<u>30,401,404</u>	<u>10,871,860</u>	<u>11,027,742</u>	<u>47,942,051</u>	<u>41,429,146</u>
NET ASSETS, end of year	<u>\$ 45,702,693</u>	<u>\$50,153,948</u>	<u>\$ 10,798,565</u>	<u>\$ 10,697,709</u>	<u>56,501,258</u>	<u>\$ 60,851,657</u>

While the Statement of Net Assets shows the position of net assets, the Statement of Activities provides answers as to the nature and source of these changes. The District's total net assets as compared to prior year decreased by \$4,350,399. This is a result of the restatement to the capital projects fund (government activities), which consists of Mello-Roos resources held for purposes of acquisition or construction of major capital facilities. In the past, income and expense for both the Acquisition and Construction funds were included in the financials, however, beginning in this fiscal year and going forward, only Construction transactions will be included in the financials. A significant decrease in interest earnings in governmental activities is apparent due to this fact. There is also a significant decrease in capital contributions revenue and capital projects expense in governmental activities due to there being no bond sale occurring in 2007-08 and fewer capital contributions made to the District in 2007-08.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
JUNE 30, 2008

### BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget and a five year capital improvement plan following public budget workshops and a public hearing. The operating budget includes proposed expenses and the means of financing them. The District's operating budget remains in effect the entire year, but may be revised by the District Board of Directors' approval as required by the District for operational consistency. A Fiscal 2007/2008 budget comparison and analysis has been presented to management and included quarterly financial statements. The Final General Fund budget is included below and in the supplementary section of the audited financial statements.

A 2008 and 2007 General Fund budget comparison and analysis is presented in Table A-3.

Table A-3  
Budget vs. Actual – General Fund  
For the Year Ended June 30, 2008  
(In thousands)

	Budget		Actual		Variance	
	2008	2007	2008	2007	2008	2007
<b>Revenue</b>						
Taxes and assessments	\$ 3,851	\$ 3,298	\$ 3,861	\$ 3,375	\$ 10	\$ 77
Capital contributions	--	--	1,666	151	1,666	151
Fees and other non-tax revenue	129	127	169	143	40	16
Interest	118	143	233	290	115	147
Fire mitigation fees	20	4	16	5	( 4)	--
Service revenue	25	250	23	253	( 2)	3
Administrative fees	166	361	170	353	4	( 8)
Grant revenue	29	72	29	72	--	--
Other	69	34	87	84	18	50
Total revenue	<u>4,407</u>	<u>4,289</u>	<u>6,254</u>	<u>4,726</u>	<u>1,847</u>	<u>437</u>
<b>Expenditures</b>						
Current						
General government	940	962	935	967	5	( 5)
Public safety	2,792	2,354	2,733	2,192	59	162
Streets	127	120	87	35	40	85
Trails	74	66	50	48	24	18
Capital outlay	<u>2,381</u>	<u>577</u>	<u>3,632</u>	<u>6,606</u>	<u>(1,251)</u>	<u>(6,029)</u>
Total expenditures	<u>6,314</u>	<u>4,079</u>	<u>7,437</u>	<u>9,848</u>	<u>(1,123)</u>	<u>(5,769)</u>
Excess (deficiency) of revenue over expenditures before other sources	(1,907)	210	(1,183)	(5,122)	724	(5,332)
<b>Other Sources</b>						
Operating transfers from other funds	--	--	--	6,026	--	6,026
Excess (deficiency) of revenue and other sources over expenditures	<u>\$(1,907)</u>	<u>\$ 210</u>	<u>\$(1,183)</u>	<u>\$ 904</u>	<u>\$ 724</u>	<u>\$ 694</u>

Actual capital contributions and actual capital outlay had significant variances from budget due to such capital contributions not being included in the General Fund budget. Because capital contributions and capital outlay for those contributions will net to zero, there is no impact to budgeted fund balance. Capital contributions include \$888,536 of contributions for the new ladder truck, \$630,360 of contributions for the fire station expansion and \$146,866 of contributions for snow equipment. Overall, there is a positive variance in the General Fund of \$723,322, which means the General Fund was under budget by this amount.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
JUNE 30, 2008

**CAPITAL ASSETS**

Table A-4  
Capital Assets at June 30, 2008  
(In thousands)

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Governmental Activities				
Land	\$ 6,031	\$ 6,031	\$ --	-- %
Construction in progress	13,154	9,910	3,244	33 %
Buildings and improvements	3,186	1,129	2,057	182 %
Equipment	475	437	38	9 %
Vehicles and equipment	2,757	1,834	923	50 %
Software	65	5	60	1,200 %
	<u>25,668</u>	<u>19,346</u>	<u>6,322</u>	<u>33 %</u>
Less accumulated depreciation	<u>1,510</u>	<u>1,341</u>	<u>169</u>	<u>13 %</u>
Governmental activities capital assets, net	24,158	18,005	6,153	34 %
Business-Type Activities				
Construction in progress	646	646	--	-- %
Buildings and improvements	1,783	1,783	--	-- %
Equipment	124	124	--	-- %
Vehicles and equipment	773	773	--	-- %
Software	56	9	47	522 %
Water/sewer system	<u>14,528</u>	<u>14,365</u>	<u>163</u>	<u>1 %</u>
	17,910	17,700	210	1 %
Less accumulated depreciation	<u>9,473</u>	<u>9,091</u>	<u>382</u>	<u>4 %</u>
Business-type activities capital assets, net	<u>8,437</u>	<u>8,609</u>	<u>( 172)</u>	<u>( 2)%</u>
Totals	<u>\$ 32,595</u>	<u>\$ 26,614</u>	<u>\$ 5,981</u>	<u>22 %</u>

As indicated in Table A-4, the Governmental and Business-Type Activities capital assets increased by \$6,322,000. Governmental Activities show an increase in construction in progress of \$3,244,000 due to the preconstruction and design of the new administration building and CFD projects. Governmental Activities also indicate an increase in buildings and improvements due to the completion of the Northstar Drive Fire Station expansion. An increase in software is apparent in each fund, which includes the purchase of new accounting and asset management software. Business Type Activities indicate an increase in water/sewer system capital assets totaling \$163,000 due to the Scada replacement project and water meter reading equipment.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
JUNE 30, 2008

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### DEBT ADMINISTRATION

The District's only debt at year end was attributed to the estimated compensated absences for employees and totaled \$734,218.

### COMMUNITY FACILITIES DISTRICT DEBT

At June 30, 2008, the outstanding principal amount of bonded debt issued by the Community Facilities District (CFD) of the District was \$114,715,000. The District has no legal responsibility with respect to the payment of this debt and has, therefore, not recorded it as a liability. However, the District is responsible for a portion of the construction and improvements financed by the CFD and therefore, the related capital projects fund is reflected in the District's annual audited financial statements. The District is also responsible as the CFD's agent for the receipts, disbursements and balances of the CFD, which are reported as agency fund transactions in the annual audited financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2008-09 budget, total District revenue is budgeted to increase by 18% due to capital contributions made by Mello-Roos to the General Fund in 08/09. Assessed valuations are budgeted to increase by approximately 7% over the preceding year. Property taxes make up about 45% of budgeted general fund revenue. Business-type revenue is budgeted to increase by approximately 4% due to additional accounts, increased user fees and new connection fees. Total District expenses are estimated to increase by 7% due to roads maintenance scheduled for 08/09 totaling \$976,000, the purchase of a street sweeper totaling \$229,000 and the addition of a fuels management project to assist in protecting the Northstar Community against the risk of fire.

The District anticipates capital improvement expenditures in 2008-09 of approximately \$2.8 million. The planned expenditures include the following: \$229,000 for a new street sweeper; \$2,475,000 for the design and a portion of construction of the new administration building; \$110,000 for water/sewer equipment and projects.

The following CFD improvements provided in the 2005 and 2006 bond series are still in progress:

1. Ambulance, other Emergency Response Facilities
2. Regional Trail preconstruction and construction expenses
3. TH2 Well, transmission pipeline and Tank E
4. Water Treatment Plant Upgrade
5. Sewer Model
6. Siphon Line Inspection
7. Maintenance Equipment
8. Dynamic Water Model
9. Existing Sewer System Upgrades
10. Upgrades to Sewer Pump Station and Siphon Line
11. Highlands Fire Station Equipment
12. Highlands Maintenance Equipment
13. Maintenance Building and site work
14. Highlands Fire Station preconstruction and construction
15. Highlands Water and Sewer Line
16. Northstar Drive Waterline and Pump Station
17. Second Tank F Water Storage Facility

NORTHSTAR COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
JUNE 30, 2008

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The economic outlook for the Northstar Community and the District remains positive even in the wake of adverse economic conditions. With the opening of the Ritz Carlton Hotel in the fall of 2009, the District will benefit from an increase in property tax revenue and water/sewer connection and user fees. In addition, condominium units continue to be sold at the Village and surrounding areas within the Northstar Community, which provides for additional property tax revenue for the District to utilize.

Such additional revenue will allow the District to move forward with planned projects and will allow for facilities to be built as there becomes a need for expansion. It will also allow the District to better serve the Northstar Community by allowing for adequate personnel to provide the necessary services. By also allowing the District to incorporate new technologies, the District will have the ability to run more efficiently while allowing employees to more efficiently carry out their job duties. Such new technology shall also provide the information necessary for management decision making.

Prior to planned expenditures in 2008-09 and prior to incorporation of other revenues or reimbursements, the District's capital improvement and replacement planned reserves total approximately \$1,871,000. The cost of the new administration building will be funded with debt and other capital contributions. The District maintains positive reserves in all budgets.

#### **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens and customers a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District, Attention: Controller, 908 Northstar Drive, Truckee, California, 96161, telephone number (530) 562-0747.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 2,478,438	\$ 1,880,878	\$ 4,359,316
Due from other governments	125,117	83,544	208,661
Taxes receivable	191,846	--	191,846
Accounts receivable	72,543	538,238	610,781
Due from trust fund	148,648	--	148,648
Due from developers	105,690	--	105,690
Prepaid expenditures	307,655	172	307,827
Total current assets	<u>3,429,937</u>	<u>2,502,832</u>	<u>5,932,769</u>
Noncurrent Assets			
Capital assets	25,668,327	17,909,589	43,577,916
Less accumulated depreciation	( 1,510,570)	( 9,473,084)	(10,983,654)
Total noncurrent assets	<u>24,157,757</u>	<u>8,436,505</u>	<u>32,594,262</u>
Other Assets			
Designated assets	<u>20,189,185</u>	<u>110,465</u>	<u>20,299,650</u>
Total assets	<u>47,776,879</u>	<u>11,049,802</u>	<u>58,826,681</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	1,373,495	116,811	1,490,306
Accrued liabilities	83,115	17,784	100,899
Total current liabilities	<u>1,456,610</u>	<u>134,595</u>	<u>1,591,205</u>
Noncurrent Liabilities			
Compensated absences	<u>617,576</u>	<u>116,642</u>	<u>734,218</u>
Total liabilities	<u>2,074,186</u>	<u>251,237</u>	<u>2,325,423</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	24,157,757	8,436,505	32,594,262
Restricted for capital replacement	20,189,185	110,465	20,299,650
Unrestricted	<u>1,355,751</u>	<u>2,251,595</u>	<u>3,607,346</u>
Total net assets	<u>\$ 45,702,693</u>	<u>\$ 10,798,565</u>	<u>\$ 56,501,258</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

	Program Revenue		Net Revenue (Expense) and Changes in Net Assets		Total
	Expenses	Charges For Services	Governmental Activities	Business-Type Activities	
<b>GOVERNMENTAL ACTIVITIES</b>					
General government	\$ 945,866	\$ 16,191	\$( 929,675)	\$ --	\$( 929,675)
Public safety	2,755,848	305,291	( 755,917)	--	( 755,917)
Streets	88,080	56,512	( 31,568)	--	( 31,568)
Trails	50,827	--	( 50,827)	--	( 50,827)
Capital projects	976,082	--	5,891,918	--	5,891,918
Unallocated depreciation	169,003	--	( 169,003)	--	( 169,003)
<b>Total governmental activities</b>	<b>\$ 4,985,706</b>	<b>\$ 377,994</b>	<b>3,954,928</b>	<b>--</b>	<b>3,954,928</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Water and sewer	2,632,092	2,208,797	( 144,387)		( 144,387)
<b>Total business-type activities</b>	<b>\$ 2,632,092</b>	<b>\$ 2,208,797</b>	<b>( 144,387)</b>		<b>( 144,387)</b>
<b>General Revenue</b>					
Property taxes			3,310,875	--	3,310,875
Snow and road assessments			550,260	--	550,260
Interest earnings			697,826	12,399	710,225
Miscellaneous revenue			118,613	58,693	177,306
<b>Total general revenue</b>			<b>4,677,574</b>	<b>71,092</b>	<b>4,748,666</b>
<b>CHANGE IN NET ASSETS</b>			<b>8,632,502</b>	<b>( 73,295)</b>	<b>8,559,207</b>
<b>NET ASSETS, beginning of year before restatement</b>			<b>50,153,948</b>	<b>10,697,709</b>	<b>60,851,657</b>
<b>RESTATEMENT</b>			<b>(13,083,757)</b>	<b>174,151</b>	<b>(12,909,606)</b>
<b>NET ASSETS, beginning of year after restatement</b>			<b>37,070,191</b>	<b>10,871,860</b>	<b>47,942,051</b>
<b>NET ASSETS, end of year</b>			<b>\$ 45,702,693</b>	<b>\$ 10,798,565</b>	<b>\$ 56,501,258</b>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General Fund	Capital Projects Fund	Total
<b>ASSETS</b>			
Pooled cash	\$ 2,478,438	\$ --	\$ 2,478,438
Accounts receivable	72,543	--	72,543
Property taxes receivable	191,846	--	191,846
Due from other governments	125,117	--	125,117
Due from trust fund	148,648	--	148,648
Due from developers	105,690	--	105,690
Prepaid expenditures	307,655	--	307,655
Designated assets	<u>1,760,160</u>	<u>18,429,025</u>	<u>20,189,185</u>
Total assets	<u>\$ 5,190,097</u>	<u>\$ 18,429,025</u>	<u>\$ 23,619,122</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 643,495	\$ 730,000	\$ 1,373,495
Accrued wages and related items	<u>83,115</u>	<u>--</u>	<u>83,115</u>
Total liabilities	726,610	730,000	1,456,610
<b>EQUITY</b>			
Fund balances			
Restricted for capital replacements	1,760,160	17,699,025	19,459,185
Unrestricted	<u>2,703,327</u>	<u>--</u>	<u>2,703,327</u>
Total equity	<u>4,463,487</u>	<u>17,699,025</u>	<u>22,162,512</u>
Total liabilities and equity	<u>\$ 5,190,097</u>	<u>\$ 18,429,025</u>	<u>\$ 23,619,122</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

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TOTAL FUND BALANCE – GOVERNMENTAL FUNDS		\$ 22,162,512
Add capital assets not reported in the balance sheet	\$ 25,668,327	
Less depreciation	<u>( 1,510,570)</u>	24,157,757
Less liabilities not reported in the balance sheet		
Compensated absences		<u>( 617,576)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES		\$ <u>45,702,693</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Capital Projects Fund	Total
<b>REVENUE</b>			
Taxes and assessments	\$ 3,861,135	\$ --	\$ 3,861,135
Capital contributions	1,665,763	6,868,000	8,533,763
Fees and other non-tax revenue	168,542	--	168,542
Interest	233,294	464,532	697,826
Fire mitigation fees	16,234	--	16,234
Service revenue	22,708	--	22,708
Administration fees	170,510	--	170,510
Grant revenue	28,877	--	28,877
Other	86,801	31,812	118,613
Total revenue	<u>6,253,864</u>	<u>7,364,344</u>	<u>13,618,208</u>
<b>EXPENDITURES</b>			
Current			
General government	935,119	--	935,119
Public safety	2,733,153	--	2,733,153
Streets	86,732	--	86,732
Trails	50,112	--	50,112
Capital outlay	<u>3,631,983</u>	<u>3,665,492</u>	<u>7,297,475</u>
Total expenditures	<u>7,437,099</u>	<u>3,665,492</u>	<u>11,102,591</u>
Excess (deficiency) of revenue over expenditures	(1,183,235)	3,698,852	2,515,617
FUND BALANCE, beginning of year before restatement	5,646,722	27,083,930	32,730,652
RESTATEMENT	<u>--</u>	<u>(13,083,757)</u>	<u>(13,083,757)</u>
FUND BALANCE, beginning of year after restatement	<u>5,646,722</u>	<u>14,000,173</u>	<u>19,646,895</u>
FUND BALANCE, end of year	<u>\$ 4,463,487</u>	<u>\$ 17,699,025</u>	<u>\$ 22,162,512</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

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EXCESS OF REVENUE OVER EXPENDITURES		\$ 2,515,617
Expenses on the statement of activities not included in the governmental funds statement		
Depreciation expense	\$(169,003)	
Changes in compensated absences	<u>( 35,505)</u>	( 204,508)
Expenditures reported in the governmental funds statements not included in the statement of activities		
Capital outlay capitalized		<u>6,321,393</u>
CHANGES IN NET ASSETS ON THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES		\$ <u>8,632,502</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
JUNE 30, 2008

ASSETS	
Current assets	
Cash	\$ 1,880,878
Accounts receivable	538,238
Due from other governments	83,544
Prepaid insurance	<u>172</u>
Total current assets	2,502,832
Noncurrent assets	
Property and equipment	17,909,589
Accumulated depreciation	<u>( 9,473,084)</u>
	8,436,505
Other assets	
Designated assets	
Cash	98,067
Interest receivable	<u>12,398</u>
	<u>110,465</u>
Total assets	11,049,802
LIABILITIES	
Current liabilities	
Accounts payable	116,811
Accrued liabilities	<u>17,784</u>
Total current liabilities	134,595
Noncurrent liabilities	
Compensated absences	<u>116,642</u>
Total liabilities	<u>251,237</u>
NET ASSETS	
Invested in capital assets	8,436,505
Restricted for capital replacement	110,465
Unrestricted	<u>2,251,595</u>
Total net assets	\$ <u>10,798,565</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUE	
Service charges	\$ 2,162,249
Connection fees	278,908
Administrative fees	46,548
Other	<u>58,693</u>
Total operating revenue	2,546,398
OPERATING EXPENSES	
Wages	492,328
Employee benefits	265,714
Insurance	53,944
Maintenance	188,902
Purchased services	1,061,407
Professional services	38,041
Utilities	83,110
Other departmental expense	12,173
Uniforms	9,062
Communications	12,449
Miscellaneous	33,382
Depreciation	<u>381,580</u>
Total operating expenses	<u>2,632,092</u>
Operating loss	( 85,694)
NONOPERATING REVENUE	
Interest revenue	<u>12,399</u>
CHANGES IN NET ASSETS	( 73,295)
NET ASSETS, beginning of year before restatement	10,697,709
RESTATEMENT	<u>174,151</u>
NET ASSETS, beginning of year after restatement	<u>10,871,860</u>
NET ASSETS, end of year	<u>\$10,798,565</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,320,409
Payments of employee salaries	( 486,796)
Payments of employee benefits	( 262,389)
Payments for services and supplies	<u>(1,397,434)</u>
Net cash provided by operating activities	173,790
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	( 209,857)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>11,987</u>
NET DECREASE IN CASH	( 24,080)
CASH, beginning of year	<u>2,003,025</u>
CASH, end of year	\$ <u>1,978,945</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$( 85,694)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	381,580
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	( 211,287)
(Increase) decrease in due from other governments	( 14,702)
(Increase) decrease in prepaid insurance	928
Increase (decrease) in accounts payable	94,108
Increase (decrease) in accrued liabilities	6,903
Increase (decrease) in compensated absences	<u>1,954</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>173,790</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
STATEMENTS OF FIDUCIARY FUNDS NET ASSETS  
COMMUNITY FACILITIES DISTRICT #1  
JUNE 30, 2008

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	<u>Series 2005</u> <u>Bonds</u>	
ASSETS		
Cash and investments		\$ <u>8,932,784</u>

LIABILITIES		
Due to bondholders		\$ <u>8,932,784</u>

	<u>Series 2006</u> <u>Bonds</u>	
ASSETS		
Cash and investments		\$ <u>18,787,117</u>
LIABILITIES		
Due to bondholders		\$ <u>18,787,117</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

NORTHSTAR COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northstar Community Services District (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, water and sewer service, snow removal, and road maintenance to the citizens residing within District boundaries. In addition, the District is responsible for maintaining a multi-use recreational trail.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governmental type organizations. The following is a summary of the more significant accounting policies.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon these criteria, the reporting entity does not include any agencies other than Northstar Community Services District.

B. Government-wide and Fund Financial Statements

The statement of net assets and statement of activities comprise the government-wide financial statements and report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given program or function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenue include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program or function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary funds and fiduciary funds. Under this method, revenue is recognized at the time they are earned and expenses are recognized when the related liabilities are incurred. This basis also provides for matching of costs to the benefiting fiscal periods by capitalizing costs to be depreciated or amortized. Property taxes are recognized as revenue in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This method provides for recognizing expenditures at the time liabilities are incurred, while revenue is recorded when measurable and available to finance expenditures of the fiscal period. An exception to this general rule is that principal and interest on general long-term debt are recognized as expenditures when due. Available is defined as being due and collected within the current period or within 60 days of fiscal year end. Revenue due but received after the 60 day period are recorded as receivables and deferred revenue since the revenue is not available.

The accounts of the District are organized on the basis of funds, each of which is considered 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, revenue, and expenditures, or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District reports the following major governmental funds:

*General fund.* The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

*Capital projects fund.* This fund is used to account for specific public improvements such as streets, sewers, storm drains, sidewalks or other amenities funded by special assessments against benefited properties.

Additionally, the District reports the following fund types:

*Enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenue earned, costs incurred and/or net income is necessary for management accountability.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the service programs and other programs and functions of the District. Elimination of these charges would distort the direct costs and program revenue reported for the various programs and functions concerned.

Amounts reported as program revenue include charges to customers and operating grants and contributions. Resources dedicated by the District are reported as general revenue as are all tax revenue.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's water and sewer funds are user fees. Operating expenses include the cost of salaries, benefits paid, administration, services and supplies.

*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 statement, but are presented in separate Fiduciary Fund financial statements.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year-end.

D. Cash

The District pools cash resources of its various funds to facilitate the management of cash. Cash in excess of current requirements is invested in an interest bearing account or in the State of California, Local Agency Investment Fund.

E. Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transaction is executed.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

G. Restricted Assets

The District has set aside cash for future major repairs and replacements of its tangible assets used in fire protection, road maintenance and utilities. These funds are not legally restricted but, rather, are a result of management's desire to defray the costs of replacing certain assets as they wear out or become obsolete.

H. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Donated assets are recorded at their estimated fair market value on the date donated. The cost of maintenance and repairs is charged to income as incurred. When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. Depreciation on all capital assets is provided on the straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Buildings and improvements	15 - 50
Software	7
Vehicles and equipment	5 - 20
Other equipment	5 - 25
Water/Sewer system	10 - 40

NORTHSTAR COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

J. Appropriations Limit

Under Article XIII B of the California Constitution (the GANN Spending Limitation Initiative), the District is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must be either refunded to the State Controller or returned to the taxpayers, through revised tax rates, revised fee schedules or other refund arrangements. For the fiscal year ended June 30, 2008, proceeds of taxes did not exceed appropriations.

K. Property Tax Revenue

Property taxes attach as an enforceable lien on March 1. Taxes are levied on July 1 and are payable in equal installments, December 10, and April 10. Property tax revenue is recognized when levied to the extent that it is measurable and that it will be received in 60 days.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

NOTE 2 - CASH

Cash of the District is maintained in one bank depository or in the State of California Investment Pool. The investment pool is unrated, with a weighted average maturity of the investments of 1,068 days at June 30, 2008. The bank depository is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The District's pooled cash is collateralized with securities held by the District or by its agent in the District's name. Credit risk classification of the District's cash is as follows:

NORTHSTAR COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008

## NOTE 2 - CASH (Continued)

	Carrying Value	Bank Balance
Insured by FDIC	\$ 100,000	\$ 100,000
Collateralized with securities held by pledging financial institution or agents of the District	<u>24,518,515</u>	<u>24,542,579</u>
Totals	\$ <u>24,618,515</u>	\$ <u>24,642,579</u>
Undesignated	\$ 4,359,316	
Designated	<u>20,259,199</u>	
	<u>\$ 24,618,515</u>	

The State of California allows Districts to make deposits in state or national banks, savings or federal associations, credit unions or federally insured industrial loan companies in California, or to invest in the following classes of investments, subject to requirements and limitations specified in Government Code Section 53600 ff, Article 1, Investment of Surplus, and Section 53630 ff, Article 2, Deposits:

1. Bonds, notes, bills, certificates of indebtedness, warrants and obligations of the state, state agency, local district, bank, federal agency or US sponsored enterprise.
2. Bankers acceptances, prime quality commercial paper, negotiable certificates of deposit.
3. Repurchase and reverse repurchase agreements.
4. Medium-term notes.
5. Shares of beneficial interest.
6. Notes, bonds and obligations secured by eligible securities, and certain other mortgages, certificates and consumer receivables.

The District has its cash invested in accounts authorized by state statute.

## NOTE 3 - DESIGNATED ASSETS

The District has segregated its cash and pooled cash investments into two categories: designated and undesignated. Designated cash represents funds that are reserved for future major repairs and replacement of the District's equipment and facilities and for District improvement. Undesignated cash is used for the general ongoing operations of the District. In addition to designated cash, the District has designated interest receivable. Designated assets are as follows at June 30, 2008:

	General Fund	Capital Projects Fund	Enterprise Fund	Total
Cash	\$ 1,732,107	\$ 18,429,025	\$ 98,067	\$ 20,259,199
Interest receivable	<u>28,053</u>	<u>- -</u>	<u>12,398</u>	<u>40,451</u>
	<u>\$ 1,760,160</u>	<u>\$ 18,429,025</u>	<u>\$ 110,465</u>	<u>\$ 20,299,650</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008

## NOTE 4 - CAPITAL ASSETS

Capital assets activity during 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
<b>GOVERNMENTAL ACTIVITIES</b>				
Not subject to depreciation				
Land	\$ 6,031,190	\$ --	\$ --	\$ 6,031,190
Construction in progress	<u>9,910,238</u>	4,448,681	<u>1,204,859</u>	<u>13,154,060</u>
	15,941,428	4,448,681	1,204,859	19,185,250
Subject to depreciation				
Buildings and improvements	1,129,490	2,056,860	--	3,186,350
Equipment	436,783	38,378	--	475,161
Vehicles and equipment	1,833,808	923,013	--	2,756,821
Software	<u>5,425</u>	<u>59,320</u>	--	<u>64,745</u>
Total subject to depreciation	3,405,506	3,077,571	--	6,483,077
Less accumulated depreciation				
Buildings and improvements	240,957	22,590	--	263,547
Equipment	196,170	30,093	--	226,263
Vehicles and equipment	902,497	109,261	--	1,011,758
Software	<u>1,943</u>	<u>7,059</u>	--	<u>9,002</u>
Total accumulated depreciation	1,341,567	169,003	--	1,510,570
Total capital assets subject to depreciation, net	<u>2,063,939</u>	<u>2,908,568</u>	--	<u>4,972,507</u>
Governmental activities capital assets, net	<u>\$ 18,005,367</u>	<u>\$ 7,357,249</u>	<u>\$ 1,204,859</u>	<u>\$ 24,157,757</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Not subject to depreciation				
Construction in progress	\$ 646,250	\$ --	\$ --	\$ 646,250
Subject to depreciation				
Buildings and improvements	1,782,698	--	--	1,782,698
Equipment	124,311	--	--	124,311
Vehicles and equipment	772,285	--	--	772,285
Software	8,886	47,494	--	56,380
Water/sewer system	<u>14,365,302</u>	<u>162,363</u>	--	<u>14,527,665</u>
	17,053,482	209,857	--	17,263,339
Less accumulated depreciation				
Buildings and improvements	747,082	58,752	--	805,834
Equipment	107,297	2,832	--	110,129
Vehicles and equipment	584,278	32,374	--	616,652
Software	4,126	4,641	--	8,767
Water/sewer system	<u>7,648,721</u>	<u>282,981</u>	--	<u>7,931,702</u>
	9,091,504	381,580	--	9,473,084
Total capital assets subject to depreciation, net	<u>7,961,978</u>	<u>( 171,723)</u>	--	<u>7,790,255</u>
Business-type activities capital assets, net	<u>\$ 8,608,228</u>	<u>\$ ( 171,723)</u>	--	<u>\$ 8,436,505</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008

NOTE 5 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ <u>582,071</u>	\$ <u>35,505</u>	\$ --	\$ <u>617,576</u>	\$ --
BUSINESS-TYPE ACTIVITIES					
Compensated absences	\$ <u>114,688</u>	\$ <u>1,954</u>	\$ --	\$ <u>116,642</u>	\$ --

Special Assessment Debt Without District Commitment

At June 30, 2008, the outstanding principal amount of bonded debt issued by the special assessment district (district) in the District was \$114,715,000. The District has no legal responsibility with respect to the payment of this debt and has, therefore, not recorded it as a liability. However, the District is responsible for 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 is also responsible as the special assessment's agent for the receipts, disbursements and balances of the district, which are reported as agency fund transactions in the financial statements.

NOTE 6 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds. Segment information for the fiscal year ended June 30, 2008, is as follows:

	Water Fund	Sewer Fund	Total
Operating revenue	\$ 876,488	\$ 1,669,910	\$ 2,546,398
Depreciation expense	215,894	165,686	381,580
Operating income (loss)	( 42,335)	( 43,359)	( 85,694)
Net income (loss)	( 36,255)	( 37,040)	( 73,295)
Property, plant and equipment			
Additions	119,824	90,033	209,857
Deletions	--	--	--
Net working capital	1,098,352	1,269,885	2,368,237
Total assets	6,549,531	4,500,271	11,049,802
Total net assets	6,393,062	4,405,503	10,798,565

NOTE 7 - DEFINED BENEFIT PENSION PLAN

The District is participating in the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The payroll for employees covered by the system was \$2,095,076 for the year ended June 30, 2008.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008

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NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Benefit payments to which participants and beneficiaries may be entitled under the plan include service retirement, vested deferred retirement, non-industrial disability retirement, industrial disability retirement, pre-retirement death benefits, post-retirement death benefits, and cost of living adjustments.

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) an investment rate of return of 7.75%, (b) projected salary increase of 3.25% to 14.45% depending on age, service and type of employment, (c) inflation of 3.00%, (d) payroll growth of 3.25%, and (e) individual salary growth using a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of .25%.

The District makes the contributions required of District employees on their behalf and for their accounts. Rates are set by statute. The contribution rate during fiscal year 2008 was 24.909% for safety employees and 17.537% for miscellaneous employees on all covered payroll. The District's contributions to PERS for the years ending June 30, 2008, 2007 and 2006 were \$606,367, \$583,458, and \$462,798, respectively, which equaled the required contributions for each year.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by calling 916-326-3420.

NOTE 8 - NON-MONETARY TRANSACTION

During the fiscal year 2008, the District entered into a barter transaction with Northstar Community Housing Corporation (NCHC) 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 refunded back to the District. As a result of this transaction, the District recorded revenue and a prepaid asset equaling \$306,535, the fair value of the services.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of two joint power authorities for the operation of a common risk management and insurance program. The programs cover workers' compensation, property, general and auto liability, and auto physical damage insurance. The authorities are governed by an executive board consisting of representatives from member districts. The executive board controls the operations of the authorities, including selection of management and approval of operating budgets. The relationship between the District and the joint power authorities is such that the authorities are not component units of the District for financial reporting purposes.

NORTHSTAR COMMUNITY SERVICES DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2008

NOTE 9 - RISK MANAGEMENT (Continued)

For workers' compensation insurance, the District has joined together with other special districts within the state to form the Special Districts Workers' Compensation Authority (SDWCA). The District pays estimated annual premiums to the SDWCA based upon estimated payroll classified into rate categories pursuant to the rules published by the California Workers' Compensation Insurance Rating Bureau. Actual premiums due are determined after the fiscal year-end and are based upon actual payroll. The SDWCA is entitled to assess additional premiums or to refund premiums based upon a pro rata allocation of the District's premium paid to total premiums paid. The District is not assessed additional premiums or refunded premiums based upon the District's individual claims or loss experience. The SDWCA agrees to pay all amounts legally required by California Workers' Compensation Laws. The amounts of settlements have not exceeded coverage provided by SDWCA for the last three fiscal years.

For property, general and auto liability, and auto physical damage, the District has joined together with other fire protection districts as members in the Fire Agencies Insurance Risk Authority (FAIRA). The District pays an annual premium to FAIRA. FAIRA has not assessed additional premiums, but has refunded premiums based upon the pool's loss experience and the District's participation premiums. The District has received a \$619 refund in each of the past three years based on FAIRA's loss and claims experience for the 1993/94 fiscal year. The amounts of settlements have not exceeded coverage provided by FAIRA.

The following is a summary of financial information as of the latest date for which such information is available.

	<u>SDWCA</u> <u>June 30, 2008</u>	<u>FAIRA</u> <u>June 30, 2008</u>
Total assets	\$ 71,334,767	\$ 2,360,369
Total liabilities	47,999,691	27,265
Total net assets	23,335,076	2,333,104
Total revenue	28,425,934	2,473,605
Total expenses	25,293,675	2,376,014

NOTE 10 - RESTATEMENT

An error in recognizing revenue which resulted in the understatement of net assets in the prior year was corrected this year. This correction affected the beginning net assets of the enterprise fund in the amount of \$174,151. Of this amount, \$97,157 was related to connection fees and \$76,994 was related to user fees.

An error in recognizing assets which resulted in the overstatement of assets in the prior year in the capital projects fund and an understatement of assets in the fiduciary fund was corrected this year. This correction affected the beginning net assets of the capital projects fund in the amount of \$13,083,757. The amount was added to the fiduciary fund as an addition to assets. The adjustment was for assets in the acquisition accounts of the 2005 and 2006 series bond accounts.

SUPPLEMENTARY INFORMATION

NORTHSTAR COMMUNITY SERVICES DISTRICT  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BASIS) AND ACTUAL  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUE</b>				
Taxes and assessments	\$ 3,444,386	\$ 3,851,200	\$ 3,861,135	\$ 9,935
Capital contributions	--	--	1,665,763	1,665,763
Fees and other non-tax revenue	129,159	129,159	168,542	39,383
Interest	142,460	117,900	233,294	115,394
Fire mitigation fees	95,000	20,000	16,234	( 3,766)
Service revenue	94,700	25,000	22,708	( 2,292)
Administrative fees	288,200	166,100	170,510	4,410
Grant revenue	--	28,877	28,877	--
Other	<u>1,351,035</u>	<u>69,153</u>	<u>86,801</u>	<u>17,648</u>
Total revenue	<u>5,544,940</u>	<u>4,407,389</u>	<u>6,253,864</u>	<u>1,846,475</u>
<b>EXPENDITURES</b>				
Current				
General government	1,255,334	940,490	935,119	5,371
Public safety	2,921,463	2,792,314	2,733,153	59,161
Streets	73,908	126,516	86,732	39,784
Trails	49,379	73,750	50,112	23,638
Capital outlay	<u>5,523,693</u>	<u>2,380,876</u>	<u>3,631,983</u>	<u>(1,251,107)</u>
Total expenditures	<u>9,823,777</u>	<u>6,313,946</u>	<u>7,437,099</u>	<u>(1,123,153)</u>
Excess (deficiency) of revenue over expenditures	(4,278,837)	(1,906,557)	(1,183,235)	723,322
FUND BALANCE, beginning of year	<u>5,646,722</u>	<u>5,646,722</u>	<u>5,646,722</u>	<u>--</u>
FUND BALANCE, end of year	<u>\$ 1,367,885</u>	<u>\$ 3,740,165</u>	<u>\$ 4,463,487</u>	<u>\$ 723,322</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 ENTERPRISE FUNDS  
 JUNE 30, 2008  
 (WITH COMPARATIVE TOTALS FOR 2007)

	Water	Sewer	Totals (Memorandum Only)	
			2008	2007
<b>ASSETS</b>				
Current assets				
Cash	\$ 916,403	\$ 964,475	\$ 1,880,878	\$ 1,807,929
Accounts receivable	259,065	279,173	538,238	152,800
Due from other governments	22,948	60,596	83,544	68,842
Prepaid insurance	86	86	172	1,100
Total current assets	1,198,502	1,304,330	2,502,832	2,030,671
Designated assets				
Cash	65,261	32,806	98,067	195,096
Interest receivable	6,079	6,319	12,398	11,986
Total designated assets	71,340	39,125	110,465	207,082
Property, plant and equipment	10,262,722	7,646,867	17,909,589	17,699,732
Less accumulated depreciation	( 4,983,033)	(4,490,051)	( 9,473,084)	( 9,091,504)
Net property, plant and equipment	5,279,689	3,156,816	8,436,505	8,608,228
Total assets	6,549,531	4,500,271	11,049,802	10,845,981
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	91,353	25,458	116,811	22,703
Accrued wages and related items	8,797	8,987	17,784	10,881
Total current liabilities	100,150	34,445	134,595	33,584
Long-term liabilities				
Compensated absences	56,319	60,323	116,642	114,688
Total liabilities	156,469	94,768	251,237	148,272
<b>NET ASSETS</b>				
Investment in capital assets	5,279,689	3,156,816	8,436,505	8,608,228
Restricted for capital replacement	71,340	39,125	110,465	207,082
Unrestricted	1,042,033	1,209,562	2,251,595	1,882,399
Total net assets	\$ 6,393,062	\$ 4,405,503	\$ 10,798,565	\$ 10,697,709

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008  
 (WITH COMPARATIVE TOTALS FOR 2007)

	Water	Sewer	Totals (Memorandum Only)	
			2008	2007
<b>OPERATING REVENUE</b>				
Service charges	\$ 632,426	\$ 1,529,823	\$ 2,162,249	\$ 1,949,274
Connection fees	162,976	115,932	278,908	35,524
Administrative fees	23,614	22,934	46,548	42,690
Other	<u>57,472</u>	<u>1,221</u>	<u>58,693</u>	<u>36,176</u>
Total operating revenue	876,488	1,669,910	2,546,398	2,063,664
<b>OPERATING EXPENSES</b>				
Wages	292,152	200,176	492,328	571,366
Employee benefits	144,475	121,239	265,714	213,253
Insurance	26,972	26,972	53,944	45,740
Maintenance	98,666	90,236	188,902	97,483
Purchased services	--	1,061,407	1,061,407	928,655
Professional services	28,382	9,659	38,041	37,344
Utilities	74,289	8,821	83,110	51,138
Other departmental expense	7,728	4,445	12,173	25,600
Uniforms	4,531	4,531	9,062	6,302
Communications	6,226	6,223	12,449	8,337
Miscellaneous	19,508	13,874	33,382	21,617
Depreciation	<u>215,894</u>	<u>165,686</u>	<u>381,580</u>	<u>398,848</u>
Total operating expenses	<u>918,823</u>	<u>1,713,269</u>	<u>2,632,092</u>	<u>2,405,683</u>
Operating income (loss)	( 42,335)	( 43,359)	( 85,694)	( 342,019)
<b>NONOPERATING REVENUE</b>				
Interest revenue	<u>6,080</u>	<u>6,319</u>	<u>12,399</u>	<u>11,986</u>
CHANGES IN NET ASSETS	( 36,255)	( 37,040)	( 73,295)	( 330,033)
<b>NET ASSETS, beginning of year before restatement</b>				
	6,348,103	4,349,606	10,697,709	10,737,085
<b>RESTATEMENT</b>				
	<u>81,214</u>	<u>92,937</u>	<u>174,151</u>	<u>290,657</u>
<b>NET ASSETS, beginning of year after restatement</b>				
	<u>6,429,317</u>	<u>4,442,543</u>	<u>10,871,860</u>	<u>11,027,742</u>
<b>NET ASSETS, end of year</b>				
	\$ <u>6,393,062</u>	\$ <u>4,405,503</u>	\$ <u>10,798,565</u>	\$ <u>10,697,709</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 780,967	\$ 1,539,442	\$ 2,320,409
Payments of employee salaries	(288,006)	( 198,790)	( 486,796)
Payments of employee benefits	(144,475)	( 117,914)	( 262,389)
Payments for services and supplies	(193,827)	(1,203,607)	(1,397,434)
Net cash provided by operating activities	154,659	19,131	173,790
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(119,824)	( 90,033)	( 209,857)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	<u>7,377</u>	<u>4,610</u>	<u>11,987</u>
NET INCREASE (DECREASE) IN CASH	42,212	( 66,292)	( 24,080)
CASH, beginning of year	<u>939,452</u>	<u>1,063,573</u>	<u>2,003,025</u>
CASH, end of year	\$ <u>981,664</u>	\$ <u>997,281</u>	\$ <u>1,978,945</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$( 42,335)	\$( 43,359)	\$( 85,694)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	215,894	165,686	381,580
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	( 83,404)	( 127,883)	( 211,287)
(Increase) decrease in due from other governments	( 12,117)	( 2,585)	( 14,702)
(Increase) decrease in prepaid insurance	464	464	928
Increase (decrease) in accounts payable	72,011	22,097	94,108
Increase (decrease) in accrued liabilities	3,578	3,325	6,903
Increase (decrease) in compensated absences	<u>568</u>	<u>1,386</u>	<u>1,954</u>
Net cash provided by operating activities	\$ <u>154,659</u>	\$ <u>19,131</u>	\$ <u>173,790</u>

See accompanying notes

NORTHSTAR COMMUNITY SERVICES DISTRICT  
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 COMMUNITY FACILITIES DISTRICT #1  
 FOR THE YEAR ENDED JUNE 30, 2008

	Series 2005 Bonds			Balance June 30, 2008
	Balance June 30, 2007	Additions	Reductions	
Cash and investments	\$ <u>28,138,795</u>	\$ <u>10,943,219</u>	\$ <u>30,149,230</u>	\$ <u>8,932,784</u>
Due to bond holders	\$ <u>28,138,795</u>	\$ <u>10,943,219</u>	\$ <u>30,149,230</u>	\$ <u>8,932,784</u>

	Series 2006 Bonds			Balance June 30, 2008
	Balance June 30, 2007	Additions	Reductions	
Cash and investments	\$ <u>35,536,928</u>	\$ <u>20,709,977</u>	\$ <u>37,459,788</u>	\$ <u>18,787,117</u>
Due to bond holders	\$ <u>35,536,928</u>	\$ <u>20,709,977</u>	\$ <u>37,459,788</u>	\$ <u>18,787,117</u>

See accompanying notes

## **APPENDIX B**

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*Estimated Value-to-Lien Ratios  
For Fiscal Year 2008-09*

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**Northstar CSD  
Community Facilities District No. 1  
Estimated Value-to-Lien Ratios**

<i>Zone</i>	<i>Location</i>	<i>Development</i>	<i>Owner</i>	<i>Assessed Value (1)</i>	<i>Maximum Special Tax Levy at Buildout (2)</i>	<i>Percentage of Total Maximum Special Tax Levy at Buildout</i>	<i>Lien of Bonds (3)</i>	<i>Estimated Value-to-Lien Ratio</i>
1	The Village Residential	172 units	Individual Purchasers	\$262,911,013	\$562,652	7.28%	\$8,327,924	31.57 : 1
		178 units	Developer (4)	\$66,186,344	\$589,025	7.62%	\$8,718,261	7.59 : 1
	Non-residential	94,961 sq.ft.		\$42,740,135	\$9,401	0.12%	\$139,148	307.16 : 1
2	The Highlands Residential	0 units	Individual Purchasers	\$0	\$0	0.00%	\$0	n/a
		354 units	Developer (4)	\$1,640,127	\$1,408,940	18.23%	\$20,853,980	0.08 : 1
3	The Highlands Residential	6 units	Individual Purchasers	\$16,715,977	\$30,563	0.40%	\$452,366	n/a
		1,090 units	Developer (4)	\$98,280,789 (5)	\$5,124,972	66.30%	\$75,855,659	1.30 : 1
	Hotel	138,527 sq.ft.		(5)	\$4,571	0.06%	\$67,662	(5)
Total Residential		1,800 units		\$445,734,250	\$7,716,152	99.82%	\$114,208,190	3.90 : 1
Total Non-Residential		233,488 sq.ft.		\$42,740,135	\$13,973	0.18%	\$206,810	206.66 : 1
<b>Total</b>				<b>\$488,474,385</b>	<b>\$7,730,124</b>	<b>100.00%</b>	<b>\$114,415,000</b>	<b>4.27 : 1</b>

- (1) Assessed values are based on the Placer County secured roll for fiscal year 2008-09.
- (2) Represents Maximum Special Taxes anticipated at build-out based on Special Tax rates for fiscal year 2008-09.
- (3) Allocation of lien of the Bonds based on the applicable Special Tax allocated among the Zones.
- (4) Including affiliates.
- (5) The hotel property has not yet been fully developed as of the date of this report.

## **APPENDIX C**

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*California Debt and Investment Advisory Commission  
Mello-Roos Yearly Fiscal Status Reports  
For Fiscal Year 2007-08*

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**STATE OF CALIFORNIA  
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)**

**YEARLY FISCAL STATUS REPORT**  
 California Debt and Investment Advisory Commission  
 915 Capitol Mall, Room 400, Sacramento, CA 95814  
 P.O. Box 942809, Sacramento, CA 94209-0001  
 (916) 653-3269 FAX (916) 654-7440

For Office Use Only	
CDIAC #	_____
Fiscal Year	_____

**I. GENERAL INFORMATION**

- A. Issuer \_\_\_\_\_
- B. Community Facilities District Number/Name \_\_\_\_\_
- C. Name/Title/Series of Bond Issue \_\_\_\_\_
- D. Date of Bond Issue \_\_\_\_\_
- E. Original Principal Amount of Bonds \$ \_\_\_\_\_
- F. Reserve Fund Minimum Balance Required \$ \_\_\_\_\_

**II. FUND BALANCE FISCAL STATUS**

- Balances Reported as of: June 30 \_\_\_\_\_ (Year)
- A. Principal Amount of Bonds Outstanding \$ \_\_\_\_\_
  - B. Bond Reserve Fund \$ \_\_\_\_\_
  - C. Capitalized Interest Fund \$ \_\_\_\_\_
  - D. Construction Fund(s) \$ \_\_\_\_\_

**III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX**

- A. Assessed Value Reported as of: \_\_\_\_\_ (Date) (Check One)
  - From Equalized Tax Roll
  - From Appraisal of Property  
*(Use only in first year or before annual tax roll billing commences)*
- B. Total Assessed Value of All Parcels \$ \_\_\_\_\_

**IV. TAX COLLECTION INFORMATION**

- A. Total Amount of Special Taxes Due \$ \_\_\_\_\_
- B. Total Amount of Unpaid Special Taxes \$ \_\_\_\_\_
- C. The Taxes are Paid Under the County's Teeter Plan.  Yes  No

**V. DELINQUENT REPORTING INFORMATION**

- Delinquent Parcel Information Reported as of Equalized Tax Roll of: \_\_\_\_\_ (Date)
- A. Total Number of Delinquent Parcels: \_\_\_\_\_
  - B. Total Amount of Taxes Due on Delinquent Parcels: \$ \_\_\_\_\_

**VI. FORECLOSURE INFORMATION FOR FISCAL YEAR**

*(Aggregate totals, if foreclosure commenced on same date)*

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels



**STATE OF CALIFORNIA  
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)**

**YEARLY FISCAL STATUS REPORT**  
California Debt and Investment Advisory Commission  
915 Capitol Mall, Room 400, Sacramento, CA 95814  
P.O. Box 942809, Sacramento, CA 94209-0001  
(916) 653-3269 FAX (916) 654-7440

For Office Use Only	
CDIAC #	2006-1389
Fiscal Year	_____

**I. GENERAL INFORMATION**

A. Issuer	Northstar Community Services District CFD No 1
B. Community Facilities District Number/Name	The Village
C. Name/Title/Series of Bond Issue	Special Tax Bonds Series 2006
D. Date of Bond Issue	12-07-2006
E. Original Principal Amount of Bonds	\$ 58,590,000.00
F. Reserve Fund Minimum Balance Required	\$ 5,098,458.00

**II. FUND BALANCE FISCAL STATUS**

Balances Reported as of:	June 30 2008 _____ (Year)
A. Principal Amount of Bonds Outstanding	\$ 58,590,000.00
B. Bond Reserve Fund	\$ 5,395,728.00
C. Capitalized Interest Fund	\$ 2,616,389.00
D. Construction Fund(s)	\$ 24,346,388.00

**III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX**

A. Assessed Value Reported as of: 07-01-2008 (Date)	(Check One)
	<input checked="" type="checkbox"/> From Equalized Tax Roll
	<input type="checkbox"/> From Appraisal of Property <i>(Use only in first year or before annual tax roll billing commences)</i>
B. Total Assessed Value of All Parcels	\$ 446,288,835.00

**IV. TAX COLLECTION INFORMATION**

A. Total Amount of Special Taxes Due	\$ 835,147.00
B. Total Amount of Unpaid Special Taxes	\$ 7,803.00
C. The Taxes are Paid Under the County's Teeter Plan.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**V. DELINQUENT REPORTING INFORMATION**

Delinquent Parcel Information Reported as of Equalized Tax Roll of:	08-05-2008 _____ (Date)
A. Total Number of Delinquent Parcels:	4
B. Total Amount of Taxes Due on Delinquent Parcels:	\$ 7,803.00

**VI. FORECLOSURE INFORMATION FOR FISCAL YEAR**

*(Aggregate totals, if foreclosure commenced on same date)*

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels

