

WESTHAVEN COMMUNITY SERVICES DISTRICT
California

Annual Financial Report

**Years Ended
June 30, 2018 and 2017**

WESTHAVEN COMMUNITY SERVICES DISTRICT

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MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Post Office Box 60127 / Sacramento, California 95860

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Westhaven Community Services District
Trinidad, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Westhaven Community Services District, Trinidad, California (the District) as of and for the years ended June 30, 2018 and 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 an opinion on these financial statements based upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 purposes 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 estimates made by management, as well as evaluating the overall financial statement presentation.

Except as discussed in the following paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We were unable to obtain audit evidence to support the District's value of its standing timber stated at \$137,000, which is discussed further in Note 4 to the Financial Statements.

Board of Directors
Westhaven Community Services District
Trinidad, California

Opinion

In our opinion, except for the effects of any adjustments regarding the District's recorded value of its standing timber in the amount of \$137,000, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Westhaven Community Services District, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance 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 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 (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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.

Management has omitted *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Marcello & Company

Certified Public Accountants
Sacramento, California
August 9, 2018

Westhaven Community Services District
Statements of Net Position
June 30, 2018 and 2017

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Assets	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and investments	\$ 250,378	\$ 180,332
Accounts receivable	19,829	12,957
Grants receivable	-	23,792
Total current assets	<u>270,207</u>	<u>217,081</u>
Noncurrent Assets		
Capital assets not being depreciated	158,497	158,497
Capital assets, net of depreciation	1,145,252	1,031,159
Total noncurrent assets	<u>1,303,749</u>	<u>1,189,656</u>
Other Assets		
Restricted cash	26,724	26,699
Standing Timber (Note 5)	137,000	137,000
Total other assets	<u>163,724</u>	<u>163,699</u>
Total assets	<u><u>\$ 1,737,680</u></u>	<u><u>\$ 1,570,436</u></u>

The accompanying notes are an integral part of these financial statements

Westhaven Community Services District
Statements of Net Position
June 30, 2018 and 2017

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Liabilities and Net Position	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts payable - trade	\$ 1,686	\$ 1,639
Accrued expenses	2,790	11,881
Loan payable - current	<u>22,108</u>	<u>21,373</u>
Total current liabilities	<u>26,584</u>	<u>34,893</u>
Noncurrent Liabilities		
Amounts due in more than one year:		
Loan payable	<u>109,278</u>	<u>131,386</u>
Total noncurrent liabilities	<u>109,278</u>	<u>131,386</u>
Total liabilities	<u>135,862</u>	<u>166,279</u>
Net Position		
Net investment in capital assets	1,172,363	1,036,897
Restricted	26,724	26,699
Unrestricted	<u>402,731</u>	<u>340,561</u>
Total net position	<u>1,601,818</u>	<u>1,404,157</u>
Total liabilities and net position	<u><u>\$ 1,737,680</u></u>	<u><u>\$ 1,570,436</u></u>

The accompanying notes are an integral part of these financial statements

Westhaven Community Services District
Statements of Revenue, Expenses, and Change in Net Position
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenue		
Water sales	\$ 251,226	\$ 232,388
Total operating revenue	251,226	232,388
Operating Expenses		
Personnel costs	119,254	119,791
Operations and maintenance	49,361	69,074
Depreciation expense	66,282	44,210
Total operating expenses	234,897	233,075
Operating income (loss)	16,329	(687)
Nonoperating Revenue (Expenses)		
Interest revenue	693	1,576
Interest expense	(6,165)	(5,500)
Grant award	198,010	51,726
Grant expenses	(11,206)	(12,569)
Total nonoperating revenue (expenses)	181,332	35,233
Change in Net Position	197,661	34,546
Net Position - beginning	1,404,157	1,369,611
Net Position - end of year	\$ 1,601,818	\$ 1,404,157

The accompanying notes are an integral part of these financial statements

Westhaven Community Services District
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

Cash Flows Provided By (Used For):

	2018	2017
Operating Activities		
Cash received from customers	\$ 245,381	\$ 224,663
Cash payments for personnel costs	(119,254)	(114,115)
Cash payments for operations & maintenance	(58,466)	(82,386)
Net cash provided (used)	67,661	28,162
Capital and Related Financing Activities		
Loan principal payments	(21,373)	(20,674)
Purchase of capital assets	(180,375)	(61,411)
Capital grant proceeds	221,802	407,026
Grant expenditures	(12,172)	(380,000)
Net cash provided (used)	7,882	(55,059)
Investing Activities		
Investment earnings	693	1,576
Interest expense	(6,165)	(5,500)
Net cash provided (used)	(5,472)	(3,924)
Increase (decrease) in cash	70,071	(30,821)
Cash and investments - beginning	207,031	237,852
Cash and investments - end of year	\$ 277,102	\$ 207,031
Cash on the Statement of Net Position is as follows:		
Cash and investments	\$ 250,378	\$ 180,332
Restricted cash	26,724	26,699
	\$ 277,102	\$ 207,031
Operating Activities Analysis		
Operating Income (Loss) - page 5	\$ 16,329	\$ (687)
Reconciliation adjustments:		
Add depreciation, noncash expense	66,282	44,210
(increase) decrease in trade receivables	(5,845)	(6,063)
(increase) decrease in prepaid expenses	-	696
increase (decrease) in trade payables	(13)	(6,395)
increase (decrease) in accrued expenses	(9,092)	(3,599)
Net cash provided (used)	\$ 67,661	\$ 28,162

The accompanying notes are an integral part of these financial statements

WESTHAVEN COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the District as follows:

Note 1 - Defining the Reporting Entity

Note 2 - Summary of Significant Accounting Policies

Note 3 - Cash and Investments

Note 4 - Other Assets Standing Timber

Note 5 - Retirement Plan

Note 6 - Risk Management

Note 7 - Capital Assets

Note 8 - Long-term Obligations

Note 9 - Subsequent Events

Note 10 - New Pronouncements

WESTHAVEN COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

Note 1 - Defining the Reporting Entity

Reporting Entity

The Westhaven Community Services District (the District), was organized and is governed under the provisions of the California Government Code Section 61000 et seq. The function of the District is to provide, operate and maintain potable water service within its boundaries of the Westhaven area of Humboldt County, California.

The District's reporting entity includes all significant operation and revenue sources as determined under the criteria established by the Governmental Accounting Standards Board (GASB). Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. The District is governed by a five member board of directors, elected at large from within the District's service boundaries. The District is exempt from federal income and state franchise taxes.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Westhaven Community Services District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial transactions of the District are recorded in a Proprietary Fund type.

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the expenses of providing goods or services to the general public are recovered through user charges.

Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District is such an enterprise fund.

The basic financial statements are prepared using the accrual basis of accounting. Accordingly all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses, and change in net position presents increases (revenue) and decreases (expenses) in total net position. Capital contributions of property and equipment are reported as a separate line item in the statement of revenue, expenses, and change in net position.

Other Agencies

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause that reporting entity's financial statements to be misleading or incomplete. The criteria provided in GASB Statement No. 14 have been considered and there are no agencies or entities, which should be presented with the District.

WESTHAVEN COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
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Accounts and Records

Records of the District are maintained at its office in Trinidad, California. These records include cash receipts and disbursements journals, a general ledger, complete minutes of the Board of Directors meetings, Resolutions, Ordinances and files of supporting documents.

Budgets and Budgetary Accounting

A budget of projected cash receipts and disbursements is prepared for internal use by the Board of Directors. The budget is used to provide financial guidance to the District and to determine the amount of funds required from user fees and other sources. The only material difference between the budgetary basis method, and the accounting principles generally accepted in the United States of America (GAAP) method, is depreciation expense, and the principal portion of debt service payments.

OTHER SIGNIFICANT ACCOUNTING POLICIES ARE:

Cash and Investments

The District maintains investment accounts with the Humboldt County Investment Pool, and the State of California Local Agency Investment Fund (LAIF). These two investment pools essentially operate as demand deposit accounts. The District also maintains financial institution bank accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per individual financial institution.

Cash and Cash Equivalents

The District considers all highly liquid assets purchased with an original term to maturity of ninety days or less to be cash equivalents. Cash and cash equivalents are reported as "cash and investments" on the financial statements.

Restricted Assets

Certain cash and investments of the District are classified as restricted because their uses are limited by loan covenants made by the District with the State of California.

Investment Policy

The District has not adopted an investment policy but generally follows the investment policy guidelines which allow investments in any security authorized by Section 53635 of the Government Code of the State of California.

Allowance for Uncollectible Accounts

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Capital Assets

The water treatment plant, water main lines, water tanks and equipment are accounted for at historical cost or estimated cost at the time of donation. The District is in the process of establishing a capital assets policy. Minor expenditures are charged to expense as incurred. Major expenditures for renewals and betterments are generally capitalized if their estimated life exceeds two years and the amount spent is considered material. In situations where assets are donated to the District, construction costs or estimated market values are recorded on the date received. Assets sold, retired or otherwise disposed of are removed from the general ledger accounts, with any gains or losses reported in the financial statements. The cost of maintenance and repairs, that does not extend an asset's useful life, is expensed as incurred.

WESTHAVEN COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
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The cost of property and equipment is depreciated from the date of acquisition, using the straight-line method of depreciation over their estimated useful lives, as follows:

<u>Asset Category</u>	<u>Useful Lives</u>
Water Treatment Plant	5 to 15 years
Reservoirs, tanks, distribution system	20 to 50 years
Other Equipment	5 to 20 years

Compensated Absences

Compensated absences are paid from available resources as required, and are classified as accrued expenses on the Statement of Net Position.

Long-term Obligations

Long-term debt and obligations are reported as liabilities on the statement of net position either as current if payments are due within 12 months of the fiscal year-end, otherwise as noncurrent.

Retirement Plan

The District provides the opportunity for its employees to contribute to an individually owned retirement account (IRA). The District is not under any obligation to contribute to the plan.

Net Position

The business-type activities financial statements utilize a net position presentation. Net position represents the difference between assets plus deferred outflow of resources, as compared to liabilities plus deferred inflow of resources, and is displayed in the following three components:

- *Net Investment in Capital Assets* - this component groups all capital assets, reduced by accumulated depreciation, and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of the assets.
- *Restricted Net Position* - this component represents net position that is subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - this component represents net position of the District that is not restricted for any other purpose.

Restricted Assets

Certain cash and investments of the District are classified as restricted because their uses are limited by commitments made by the District with grantors or as restricted by bond covenants. When an expense is incurred for purposes for which there are both restricted and unrestricted cash assets available, restricted cash is used first, then unrestricted cash as it is needed.

Operating and Nonoperating Revenue

Operating revenue and expenses consist of revenue that results from the ongoing principal operations of the District. Operating revenue consists primarily of charges for services. Nonoperating revenue results from non-exchange transactions, ancillary activities or subsidies, and investment earnings.

WESTHAVEN COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
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Use of Estimates

Preparing the District's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows:

	<u>2018</u>	<u>2017</u>
Statement of Net Position		
Cash and investments	\$ 250,378	\$ 180,332
Restricted cash	26,724	26,699
	\$ 277,102	\$ 207,031

Cash and investments are comprised of the following:

Deposits with financial institutions:

Checking accounts	\$ 126,966	\$ 86,975
Savings accounts	6,640	8,234
Certificate of deposit	28,314	26,699
Humboldt County investment pool	65,965	36,292
State investment pool	49,217	48,831
	\$ 277,102	\$ 207,031

Participation in an external State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits on an annual basis. As of June 30, 2018, PMIA had approximately \$88 billion in investments. As of June 30, 2017, PMIA had approximately \$78 billion in investments. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts 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. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at www.treasurer.ca.gov.

Participation in an External County Investment Pool

The District is a voluntary participant in the external Humboldt County Investment Pool, which is regulated by the California Government Code and by the County's investment policy. The objectives of the policy are, in order of priority: safety, liquidity, yield and public trust. Interest earnings from these funds are credited to the District's account on a quarterly basis. According to the Humboldt County Treasurer, their investment policy

WESTHAVEN COMMUNITY SERVICES DISTRICT
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is in compliance with Section 53635 of the Government Code of the State of California, which permits investments in certain securities and participation in certain investment trading techniques or strategies. As of June 30, 2018, the County Pool had approximately \$362 million in investments. As of June 30, 2017, the County Pool had approximately \$341 million in investments. Detailed information and annual reports concerning the County's investment pool can be obtained from the Humboldt County Treasurer, 825 Fifth Street Room 125, Eureka, California 95501.

Investments Authorized by the District's Investment Policy

The District does not have a specific investment policy, therefore is required to follow the guidelines of California Code Section 53600, et. seq.

Disclosures Relating to 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.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Pool and LAIF do not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The District's investment choices are stipulated by the California Government Code and are disclosed as follows as of June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Local Agency Investment Fund	\$ 49,217	6 months	1.90%	18%
Humboldt County Investment Pool	65,965	24 months	1.74%	24%
Demand Deposits (checking)	126,965	on demand	0.00%	46%
Certificates of deposit	28,314	3 months	0.50%	10%
Savings accounts	6,640	on demand	0.30%	2%

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

WESTHAVEN COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
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The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 - Other Assets Standing Timber

On January 1, 1988, the District took over operations from its predecessor, the Westhaven Mutual Water Corporation, whom contributed all capital assets appraised with a market value of \$230,475 to the newly formed District. Included in the donation were 20 acres of land with standing redwood trees. The appraised value of the standing timber at that time was \$137,000. The value of the standing timber has not been reappraised nor harvested since 1988, and the current value of that timber is unknown. Consequently, the independent auditor's opinion is qualified with respect to that asset.

Note 5 - Retirement Plan

The District maintains a deferred compensation plan for its eligible employees wherein amounts earned by the employees are tax deferred until withdrawn at a future date. All employees are permitted to participate in the plan, and may elect to make contributions up to the limits established by the Internal Revenue Service, which become 100% vested from the first date of participation. The District is not statutorily required to make contributions to the plan, and is allowed to make discretionary contributions subject to statutory limits.

Note 6 - 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 the Special District Risk Management Authority (SDRMA or Authority), a public entity risk pool that operates as a common risk management and insurance program for its government members.

The relationship between the District and SDRMA is such that the Authority is not a component unit of the District for financial reporting purposes. SDRMA is governed by a Board consisting of representatives from member government entities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on the Board.

The District pays an annual premium to the risk pool for its property, liability, and general coverage. The agreement with the risk pool provides that it will be self-sustaining through member premiums. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to members on a percentage basis after a retrospective rating. Financial statements may be obtained from SDRMA, 11121 Eye Street, Suite 300, Sacramento, California 95814.

WESTHAVEN COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

Note 7 - Capital Assets

Capital asset activity for the 2018 fiscal year was follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<i><u>Nondepreciable Assets</u></i>				
Land	\$ 158,497	\$ -	\$ -	\$ 158,497
Construction-in-progress	-	-	-	-
	<u>158,497</u>	<u>-</u>	<u>-</u>	<u>158,497</u>
<i><u>Depreciable Assets</u></i>				
Water treatment facility	1,199,895	180,375	-	1,380,270
Connection lines	628,736	-	-	628,736
Water tanks	98,519	-	-	98,519
	<u>1,927,150</u>	<u>180,375</u>	<u>-</u>	<u>2,107,525</u>
<i><u>Accumulated Depreciation</u></i>	<u>(895,991)</u>	<u>(66,282)</u>	<u>-</u>	<u>(962,273)</u>
Depreciable assets, net	<u>1,031,159</u>	<u>114,093</u>	<u>-</u>	<u>1,145,252</u>
Total capital assets, net	<u>\$ 1,189,656</u>	<u>\$ 114,093</u>	<u>\$ -</u>	<u>\$ 1,303,749</u>

Capital asset activity for the 2017 fiscal year was follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<i><u>Nondepreciable Assets</u></i>				
Land	\$ 158,497	\$ -	\$ -	\$ 158,497
Standing timber	137,000	-	(137,000)	-
	<u>295,497</u>	<u>-</u>	<u>(137,000)</u>	<u>158,497</u>
<i><u>Depreciable Assets</u></i>				
Water treatment facility	1,099,048	100,847	-	1,199,895
Connection lines	628,736	-	-	628,736
Water tanks	98,519	-	-	98,519
	<u>1,826,303</u>	<u>100,847</u>	<u>-</u>	<u>1,927,150</u>
<i><u>Accumulated Depreciation</u></i>	<u>(851,781)</u>	<u>(44,210)</u>	<u>-</u>	<u>(895,991)</u>
Depreciable assets, net	<u>974,522</u>	<u>56,637</u>	<u>-</u>	<u>1,031,159</u>
Total capital assets, net	<u>\$ 1,270,019</u>	<u>\$ 56,637</u>	<u>\$ (137,000)</u>	<u>\$ 1,189,656</u>

WESTHAVEN COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

Note 8 - Long-term Obligations

The following summarizes the changes in long-term debt obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Year Ended June 30, 2018:</u>					
State Loan	\$ 152,759	\$ -	\$ (21,373)	\$ 131,386	\$ 22,108
<u>Year Ended June 30, 2017:</u>					
State Loan	\$ 173,433	\$ -	\$ (20,674)	\$ 152,759	\$ 21,373

State of California Loan

In 1992, the State of California Department of Water Resources provided a \$470,000 loan to the District to assist with funding of a water treatment facility construction project under the Safe Drinking Water Bond Law of 1986. The secured loan is amortized over 30 years with semi-annual payments of \$13,201, principal and interest at 3.41% per annum.

Future annual principal and interest requirements are as follows:

<u>Year Ending June 30:</u>	<u>Fiscal Year June 30, 2018</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 22,108	\$ 4,294	\$ 26,402
2020	22,861	3,541	26,402
2021	23,660	2,742	26,402
2022	24,460	1,942	26,402
2023	25,260	1,142	26,402
2024	13,037	164	13,201
	<u>\$ 131,386</u>	<u>\$ 13,825</u>	<u>\$ 145,211</u>

<u>Year Ending June 30:</u>	<u>Fiscal Year June 30, 2017</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 21,373	\$ 5,029	\$ 26,402
2019	22,108	4,294	26,402
2020	22,861	3,541	26,402
2021	23,660	2,742	26,402
2022	24,460	1,942	26,402
2023-2024	38,297	1,306	39,603
	<u>\$ 152,759</u>	<u>\$ 18,854</u>	<u>\$ 171,613</u>

WESTHAVEN COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

Note 9 - Subsequent Events

The management of the District has reviewed the results of operations for the period from its year end June 30, 2018 through October 5, 2018, the date the draft financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Note 10 - New Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can be read in their entirety at <http://www.gasb.org>.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. (Issued 11/16)

GASB Statement No. 84, *Fiduciary Activities*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. (Issued 01/17)

GASB Statement No. 87, *Leases*

Effective Date: For reporting periods beginning after December 15, 2019. (Issued 06/17)

