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MARCIA MARCUS, Director
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General Manager

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March 8, 2018

Teaman, Ramirez & Smith, Inc.
4201 Brockton Avenue, Suite 100
Riverside, CA 92501

This representation letter is provided in connection with your audit of the financial statements of the Channel Islands Beach Community Services District, which comprise the respective financial position of the business-type activities as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 8, 2018, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 8, 2017, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounting for and disclosed in accordance with the requirements of U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, under which the Channel Islands Beach Community Services District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

12. We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements

16. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
17. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
18. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
19. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. We have a process to track the status of audit findings and recommendations.
22. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
23. The Channel Islands Beach Community Services District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
28. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
29. As part of your audit, you assisted with preparation of the financial statements and related notes, and journal entry to adjust the investment with the Port Hueneme Water Agency. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by

designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, and journal entry to adjust the investment with the Port Hueneme Water Agency.

30. The Channel Islands Beach Community Services District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The Channel Islands Beach Community Services District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
33. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
34. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
35. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
36. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
37. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
38. Provisions for uncollectible receivables have been properly identified and recorded.
39. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
42. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
43. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
45. With respect to the budget to actual schedules in the supplemental information section:

- a) We acknowledge our responsibility for presenting the budget to actual schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the budget to actual schedules, including form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the budget to actual schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b) If the budget to actual schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.



Signature

General Manager

Title



Signature

Office Manager

Title

CHANNEL ISLANDS BEACH
COMMUNITY SERVICES DISTRICT
ANNUAL AUDIT REPORT
Years Ended June 30, 2017 and 2016

Channel Islands Beach Community Services District
Annual Audit Report
Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Channel Islands Beach Community
Services District
Oxnard, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the Channel Islands Beach Community Services District (the "District"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Channel Islands Beach Community Services District, as of June 30, 2017 and 2016, and the respective changes in financial position, and its cash flows 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 on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information section is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplemental information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information section is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reported dated March 8, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Jeaman Ramirez & Smith, L.L.C.

Riverside, California
March 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Channel Islands Beach Community Services District, we offer readers of the Channel Islands Beach Community Services District's financial statements this narrative overview and analysis of the Channel Islands Beach Community Services District and its financial activities for the fiscal year ended June 30, 2017.

OVERVIEW

FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include four components: 1) Statements of Net Position; 2) Statements of Revenues, Expenses and Changes in Net Position; 3) Statements of Cash Flows; and, 4) Notes to the Financial Statements. In addition to the basic financial statements, supplementary information is also presented.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The Statement of Cash Flows presents information regarding the District's use of cash during the year. Cash flows will differ from revenues and expenses because the statement accounts only for transactions that resulted in the District's receipt or payment of cash during the year.

FINANCIAL HIGHLIGHTS

SIGNIFICANT EVENTS AND TRANSACTIONS

- ◆ The Board of Directors restricted the following amounts to their respective utilities:
- ◆ Water - \$2,187,580 for future unanticipated repairs and maintenance of the water distribution system, a \$363,300 operating reserve and \$187,900 for rate stabilization.
- ◆ Sewer - \$444,600 operating reserve and \$206,700 for rate stabilization and \$1,619,888 for unanticipated repairs and maintenance.
- ◆ Trash - \$144,800 operating reserve and \$153,998 for rate stabilization.
- ◆ Other receivable has decreased by \$597,158 and accounts payable has decreased by 755,774, most of which is related to receipt and payment of accrued waste water charges from and to the City of Oxnard.

- ◆ The District had not revised the rate structure for services in recent years; recently the district hired an outside consultant to conduct a rate study to calculate the cost of providing services, cost of future maintenance requirements of the District's infrastructures and cost of future capital expenditure needs. Based on the recommendation of the outside consultants the board of directors has initiated a rate increase with effect from the billing period starting July 15, 2018. There will be an increase of 5% on water rate, increase of 6% on waste water rate and 2.5% on solid waste removal rate. The board anticipates more changes in rate structure will take place in the near term to maintain the level of services provided by the District.

FINANCIAL STATEMENTS

NET POSITION

The District's Net Position as of June 30, 2017, 2016 and 2015 totaled \$10,773,370, \$10,200,108 and \$9,742,290, respectively. At the end of the current year, the District is able to report positive balances in all categories of net position. The District's net position increased by \$573,262 from the prior year.

FIGURE 1. NET POSITION

	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>
Assets			
Current Assets	\$ 6,617,453	\$ 6,632,275	\$ 5,726,908
Restricted Assets	73,578	393,380	397,600
Capital Assets, Net	5,600,796	5,850,525	6,073,652
Other Assets	<u>3,269,114</u>	<u>3,366,443</u>	<u>3,471,053</u>
TOTAL ASSETS	<u>\$ 15,560,941</u>	<u>\$ 16,242,623</u>	<u>\$ 15,669,213</u>
Deferred Outflows of Resources			
Deferred Amount on Refunding	<u>\$ 250,144</u>	<u>\$ 247,783</u>	<u>\$ 294,979</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 250,144</u>	<u>\$ 247,783</u>	<u>\$ 294,979</u>
Liabilities			
Current Liabilities	\$ 1,203,989	\$ 1,999,458	\$ 1,576,302
Long-Term Debt	<u>3,833,726</u>	<u>4,290,840</u>	<u>4,645,600</u>
TOTAL LIABILITIES	<u>\$ 5,037,715</u>	<u>\$ 6,290,298</u>	<u>\$ 6,221,902</u>
Net Position			
Net Investment in Capital Assets	\$ 1,802,133	\$ 1,690,147	\$ 1,615,943
Unrestricted	<u>8,971,237</u>	<u>8,509,961</u>	<u>8,126,347</u>
TOTAL NET POSITION	<u>\$ 10,773,370</u>	<u>\$ 10,200,108</u>	<u>\$ 9,742,290</u>

Total assets decreased by \$681,682, which is mostly due to settlement of receivable from City of Oxnard, depreciation taken on District's capital assets and utilization of liquid assets to pay district's long term debt payment obligation. Total liabilities decreased by \$1,252,583 which is due to a combination of decrease in long-term debt due to principal payments made on outstanding sewer and water bonds and settlement of payable to City of Oxnard.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Charges for operating services totaled \$4,361,931, \$3,962,528 and \$3,885,773, respectively for the years ended June 30, 2017, 2016, and 2015. The District is reporting operating income of \$784,583, \$626,077, and \$691,863, respectively for the years ended June 30, 2017, 2016 and 2015. Operating expenses before depreciation and amortization totaled \$3,274,723, \$3,029,922 and \$2,924,652, respectively for the years ended June 30, 2017, 2016 and 2015. Depreciation and amortization expenses totaled \$302,625, \$306,529 and \$269,258, respectively as of June 30, 2017, 2016 and 2015.

**FIGURE 2. REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30:**

	2017	2016	2015
Revenues			
Charges for Operating Services	\$ 4,361,931	\$ 3,962,528	\$ 3,885,773
Interest	35,874	22,317	14,982
Other Non-Operating Revenues*	27,758	27,135	(28,347)
TOTAL REVENUES	\$ 4,425,563	\$ 4,011,980	\$ 3,872,408
Expenses			
Operating Expenses	\$ 3,577,348	\$ 3,336,451	\$ 3,193,910
Other Non-Operating Expenses	258,015	200,773	211,766
Depreciation on Contributed Assets	16,938	16,938	16,938
TOTAL EXPENSES	\$ 3,852,301	\$ 3,554,162	\$ 3,422,614
Change in Net Position	\$ 573,262	\$ 457,818	\$ 449,794
Net Position at Beginning of Year	\$ 10,200,108	\$ 9,742,290	9,292,496
Net Position at End of Year	\$ 10,773,370	\$ 10,200,108	\$ 9,742,290

* Includes \$80,391, \$87,671 and \$169,062 loss from Joint Venture for year ended June 30, 2017, 2016, and 2015, respectively.

Total revenues increased by \$413,583. Most of the increase is due to an increase in charges for water and increase in sewer revenue from City of Oxnard..

Total expenses increased by \$298,139. Most of the increase is due to increase in amount due to the City of Oxnard for waste water transportation and operations and maintenance costs of sewer lines and increase in salaries and benefits.

CAPITAL ASSETS

The District's Capital Assets for 2015, 2016 and 2017 are as follows:

	<u>Cost</u>	<u>Less Accumulated Depreciation</u>	<u>Net Depreciable Assets</u>
2015	\$ 10,132,986	\$ (4,059,334)	\$ 6,073,652
2016	\$ 10,154,820	\$ (4,304,295)	\$ 5,850,525
2017	\$ 10,164,277	\$ (4,563,481)	\$ 5,600,796

During the current year, the District capitalized various operating assets totaling \$9,457. Please refer to Note 4, *Capital Assets*, presented in the Notes to Financial Statements for additional detail regarding the District's Capital Assets.

LONG-TERM DEBT

At the end of the current fiscal year, the District had \$4,201,687 total long-term debt outstanding. For 2016 and 2015, the District had \$4,644,470 and \$4,988,888 total long-term debt outstanding. The 2005A Sewer Revenue Bond was refunded by the 2016 Wastewater Refunding Bonds in September 2016. Please refer to Note 5, *Long-Term Debt*, presented in the Notes to Financial Statements for additional detail regarding the District's Long-Term Debt.

ECONOMIC FACTORS AND BUDGET

The District does not anticipate any increase in business or water consumption within the Harbor for Fiscal Year 2017-18. However, when the economic climate improves, the District anticipates significant redevelopment or new development to occur within the Channel Islands Harbor resulting in increased consumption and revenues. The District will take that into consideration in future budget years.

Another factor affecting the District's operation is California's ongoing draught and state's mandated water conservation program. Although the District has ample water supplies to meet current customer demands, the District has implemented stage 2 water supply shortage regulations, which includes limits on outdoor watering and wasteful water practices. The District's efforts to comply with state mandated water conservation requirements has resulted in decreased water consumption by District's customers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board, the District's Member Agencies, taxpayers, and creditors with a general overview of the Channel Islands Beach Community Services District's accountability for the money it manages. If you have questions about this report or need additional financial information, contact the Channel Islands Beach Community Services District's Administration Department, 353 Santa Monica Drive Oxnard, California, 93035.

BASIC FINANCIAL STATEMENTS

Channel Islands Beach Community Services District
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Unrestricted Cash (Notes 1, 2 and 3)	\$ 105,000	\$ 105,000
Board Restricted Cash and Cash Equivalents (Notes 1, 2 and 3)	5,308,766	4,724,703
Accounts Receivable (Note 1)	490,169	428,418
Other Receivable (Note 1)	551,662	1,148,820
Interest Receivable	9,585	7,253
Prepaid Items (Note 1)	143,744	208,013
Inventory (Note 1)	8,527	10,068
Total Current Assets	6,617,453	6,632,275
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents (Notes 1, 2 and 3)	73,578	393,380
Land and Construction in Progress, Not Being Depreciated (Note 4)	42,060	42,060
Capital Assets, Net of Depreciation (Note 4)	5,558,736	5,808,465
Total Noncurrent Assets	5,674,374	6,243,905
OTHER ASSETS		
Investment in Water JPA, Net of Accumulated Depreciation (Notes 3 and 10)	3,269,114	3,366,443
Total Other Assets	3,269,114	3,366,443
Total Assets	15,560,941	16,242,623
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding (Note 1)	250,144	247,783
Total Deferred Outflows of Resources	\$ 250,144	\$ 247,783

The accompanying notes are an integral part of these statements.

Channel Islands Beach Community Services District
Statements of Net Position - Continued
June 30, 2017 and 2016

	2017	2016
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 654,375	\$ 1,410,149
Other Liabilities (Note 1)	20,774	20,000
Current Portion of Long-term Debt (Note 5)	367,961	353,630
Accrued Payroll, Taxes and Benefits	62,398	101,915
Customer Deposits	69,722	72,695
Accrued Interest	28,759	41,069
Total Current Liabilities	1,203,989	1,999,458
Long-term Debt (Note 5):		
Sewer Revenue Series 2005A Bond Payable, Net	-	2,937,034
Water Refunding Series 2012 Bond Payable, Net	1,443,806	1,707,436
Wastewater Refunding Series 2016 Bond Payable, Net	2,757,881	-
Total Long-term Debt, Net of Unamortized Premium (Note 5)	4,201,687	4,644,470
Less Current Portion	(367,961)	(353,630)
Total Long-term Debt	3,833,726	4,290,840
Total Liabilities	5,037,715	6,290,298
NET POSITION (Notes 1 and 6)		
Net Investment in Capital Assets	1,802,133	1,690,147
Unrestricted	8,971,237	8,509,961
Total Net Position	\$ 10,773,370	\$ 10,200,108

The accompanying notes are an integral part of these statements.

Channel Islands Beach Community Services District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Water Revenue	\$ 1,717,112	\$ 1,598,172
Sewer Revenue	1,120,788	1,115,762
Sewer Revenue - Oxnard	837,004	582,194
Trash Revenue	687,027	666,400
Total Operating Revenues	4,361,931	3,962,528
OPERATING EXPENSES		
Water System Expenses:		
PHWA Water Expenses	575,898	604,009
Water Samples	12,795	11,948
SDHS Annual Administrative Fee	16,381	5,069
Cross Connect Contract Charges	1,681	1,633
Repairs and Maintenance - Distribution	109,772	84,442
Water Quality Report	1,537	1,483
Total Water System Expenses	718,064	708,584
Sewer System Expenses:		
Waste Water Transportation - Oxnard	740,439	607,717
Operations and Maintenance	97,546	104,464
Telemetry	19,159	20,232
Power	14,424	15,077
Total Sewer System Expenses	871,568	747,490
Trash Expenses:		
Trash Services	488,579	474,637
Total Trash Expenses	488,579	474,637
Maintenance Expenses:		
Vehicle Expenses	4,896	8,311
Building Maintenance and Security	6,275	8,219
Sign and Banner Expense	703	-
Public Landscape Project	1,751	1,559
Employee Workplace Safety	3,438	3,682
Gasoline Expenses	9,662	12,043
Emergency Preparedness Expense	429	527
Total Maintenance Expenses	27,154	34,341
Salaries and Benefits:		
Regular Salaries	612,579	547,873
Retirement Benefits	66,068	51,607
Uniforms	3,114	2,721
Insurance	127,787	125,003
Payroll Taxes	13,082	12,817
Employee Educational Expense	2,865	2,988
Total Salaries and Benefits	\$ 825,495	\$ 743,009

The accompanying notes are an integral part of these statements.

Channel Islands Beach Community Services District
Statements of Revenues, Expenses and Changes in Net Position - Continued
Years Ended June 30, 2016 and 2015

	2017	2016
OPERATING EXPENSES (CONTINUED)		
Administrative Expenses:		
Board Meetings	\$ 10,550	\$ 8,100
Board/Committee Expenses	1,606	358
Conferences and Seminars - Board	1,781	15,106
Dues/ Membership	18,153	17,202
Office Supplies	8,435	6,399
E-Pay Online	5,655	6,670
Communications	16,477	15,025
Printing and Publications	7,895	2,592
Postage and Shipping	13,106	15,722
Utilities	3,220	3,300
Miscellaneous Office Expense	11,901	11,010
Other Professional Services	33,329	81,740
Office Equipment Maintenance	8,551	6,794
Insurance	27,022	28,199
Accounting Services	39,955	36,700
Computer Services	15,255	15,841
Legal Services	82,289	41,472
Engineering Services	33,105	-
Bank and Trustee Fees	280	1,778
Legal Notices Publication Expense	2,858	3,604
	341,423	317,612
Total Administrative Expenses		
Other Operating Expenses:		
Depreciation (Note 4)	259,186	260,462
Amortization (Note 1)	43,439	46,067
Bad Debt (Note 1)	2,440	4,249
	305,065	310,778
Total Other Operating Expenses		
	3,577,348	3,336,451
Total Operating Expenses		
OPERATING INCOME	\$ 784,583	\$ 626,077

The accompanying notes are an integral part of these statements.

Channel Islands Beach Community Services District
Statements of Revenues, Expenses and Changes in Net Position - Continued
Years Ended June 30, 2017 and 2016

	2017	2016
NON-OPERATING REVENUES AND EXPENSES		
Investment Earnings	\$ 35,874	\$ 22,317
Net Gain (Loss) from Joint Venture (Note 10)	(80,391)	(87,671)
Developmental Impact Fee (Note 1)	43,242	47,632
County Tax Apportionment (Note 1)	64,907	67,174
Interest Expense	(85,816)	(200,773)
Bond Issuance Costs	(172,199)	-
	<u>(194,383)</u>	<u>(151,321)</u>
INCOME BEFORE CONTRIBUTIONS	<u>590,200</u>	<u>474,756</u>
CAPITAL CONTRIBUTIONS		
Amortization on Contributed Capital	(16,938)	(16,938)
	<u>(16,938)</u>	<u>(16,938)</u>
CHANGE IN NET POSITION	573,262	457,818
NET POSITION, BEGINNING OF YEAR	<u>10,200,108</u>	<u>9,742,290</u>
NET POSITION, END OF YEAR	<u>\$ 10,773,370</u>	<u>\$ 10,200,108</u>

The accompanying notes are an integral part of these statements.

Channel Islands Beach Community Services District

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water, Sewer and Trash Services	\$ 4,894,898	\$ 3,369,876
Cash Payments to Contract and Water System Services	(2,767,596)	(1,720,886)
Cash Payments to Maintenance and Administration Services	(371,355)	(344,599)
Cash Payments to Employees for Services	<u>(865,012)</u>	<u>(731,367)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>890,935</u>	<u>573,024</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County Tax Apportionment	<u>64,907</u>	<u>67,174</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>64,907</u>	<u>67,174</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Wastewater Revenue Refunding Bonds	2,763,441	-
Acquisition and Construction of Capital Assets	(9,457)	(37,335)
Capital Contributions	43,242	47,632
Principal Paid on Debt	(263,630)	(343,288)
Interest Paid on Debt	(98,126)	(204,059)
Bond Costs Paid on the Issuance of Revenue Bonds	(172,482)	-
Payment to Escrow Agent	<u>(2,988,111)</u>	<u>-</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(725,123)</u>	<u>(537,050)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	<u>33,542</u>	<u>18,955</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>33,542</u>	<u>18,955</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	264,261	122,103
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,223,083</u>	<u>5,100,980</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,487,344</u></u>	<u><u>\$ 5,223,083</u></u>

The accompanying notes are an integral part of these statements.

Channel Islands Beach Community Services District
Statements of Cash Flows - Continued
Years Ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Operating Income	\$ 784,583	\$ 626,077
ADJUSTMENTS TO RECONCILE NET OPERATING INCOME		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and Amortization	302,625	306,529
Bad Debt Expense	2,440	4,249
(Increase) Decrease in Accounts and Other Receivables	532,967	(592,652)
(Increase) Decrease in Prepaid Items	64,269	(197,730)
(Increase) Decrease in Inventory	1,541	10,451
Increase (Decrease) in Accounts Payable and Other Liabilities	(755,000)	411,513
Increase (Decrease) in Accrued Payroll, Taxes and Benefits	(39,517)	11,642
Increase (Decrease) in Customer Deposits	(2,973)	(7,055)
TOTAL ADJUSTMENTS	106,352	(53,053)
NET CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES	\$ 890,935	\$ 573,024
SUPPLEMENTAL DISCLOSURES		
Cash and Cash Equivalents		
Unrestricted Cash	\$ 105,000	\$ 105,000
Board Restricted Cash and Cash Equivalents	5,308,766	4,724,703
Restricted Cash and Cash Equivalents	73,578	393,380
Total	\$ 5,487,344	\$ 5,223,083
Non-cash Investing and Financing Activities consisted of the following:		
Amortization Related to Long-term Debt	\$ 43,439	\$ 46,067
Amortization on Contributed Capital	\$ 16,938	\$ 16,938

The accompanying notes are an integral part of these statements.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Channel Islands Beach Community Services District, a public agency, was created by election held on November 2, 1982 as the first such district in Ventura County. The District began operations December 13, 1982 pursuant to the Community Services District Law of the State of California, as amended, with authority under the Government Code, Section 61000 et. seq. The District's major utility operations include the provision of water, sewer and trash utility services.

The Channel Islands Beach Community Services District is a successor district to its first predecessor agency, the Oxnard Beach County Water District ("OBCWD"), which was organized on January 28, 1960. Its inception resulted from the merging of three mutual water companies for the purpose of more economically providing water services to the beach communities and County of Ventura Channel Islands Harbor facilities. The District's immediate predecessor agency, the Channel Islands County Water District, succeeded OBCWD in 1973, followed by the Channel Islands Beach Community Services Districts' succession by its formation in 1982.

The Channel Islands Beach Community Services District is located on the coastal plain of Ventura County. The District comprises an unincorporated total of 6,630 acres; however, the major portion of this acreage is in a seaward extension to the three-mile limit. The developed portion of the District, which is on the county assessment rolls, lies around the Channel Islands Harbor and comprises about 151 acres. The District is bound on the east by the United States Naval Base Ventura County, Port Hueneme, on the north and west by portions of the Cities of Oxnard and Port Hueneme, and on the south by the Pacific Ocean.

The Channel Islands Beach Community Services District serves the communities of Hollywood Beach, Hollywood by the Sea and Silver Strand. The District also serves an adjacent incorporated portion of the Channel Islands Harbor, which is outside the District's boundaries, pursuant to existing service agreements with the County of Ventura and the City of Oxnard.

B) Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows:

C) Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred regardless of the timing of related cash flows.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting and Measurement Focus - Continued

Proprietary funds distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by water sales and services while operating expenses pertain directly the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water and services.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows/inflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E) Restricted Net Position

Restricted net position represents restricted assets net of liabilities and related deferred inflows of resources that relate to those specific restricted assets. Restricted net position is assets for which constraints have been placed on the asset's use by creditors, contributors, laws or regulations of other governments, or as a consequence of a restriction established by the reporting government's own governing body at the time a particular fee, charge, levy, or assessment was approved. These restrictions must be more narrow than the general purposes for which the reporting government can use its resources.

A liability is considered to relate to restricted assets if the restricted assets resulted from the incurring of that liability or if the liability will be liquidated with those specific restricted assets held at year end.

F) Budgetary Data

Formal budgetary accounting is employed as a management control for the District. Annual operating budgets are adopted each fiscal year on the budgetary basis in accordance with existing legal requirements. Budgetary control is exercised at the utility enterprise divisional program level. The District did not modify their adopted budget for the year ended June 30, 2017.

The encumbrance method of accounting for budget information is not employed by the District.

G) Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the District's investments are stated at fair value except for interest-earning investment contracts (See Notes 2 and 3).

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Investments - Continued

In applying GASB 31, the District utilized the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
 - a) Items required to be reported at amortized cost,
 - b) Items in external pools that are not SEC registered,
 - c) Items subject to involuntary participation in an external pool,
 - d) Items associated with a fund other than the fund to which the income is assigned;
- 3) The gain/loss resulting from valuation will be reported within the revenue account "investment earnings" on the Statement of Revenues and Expenses.

In accordance with GASB Statement 9, for purposes of the statement of cash flows, all cash and investments with original maturities of 90 days or less are considered cash or cash equivalents.

H) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

I) Net Position

GASB No. 63 requires that the difference between assets, liabilities and deferred outflows/inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J) Accounts Receivable

Accounts receivable include \$169,367 and \$150,357 of unbilled utility services as of June 30, 2017 and 2016, respectively, which is attributable to the second half of the June 30th service period billed in July. The District has established a reserve for doubtful accounts based on the prior three years of bad debts. The amount of the reserve for doubtful accounts at June 30, 2017 and 2016 was \$5,000 and \$5,000 respectively. The Bad Debt expense was \$2,440 and \$4,249 as of June 30, 2017 and 2016, respectively.

K) Other Receivables and Other Liabilities

Other receivables include \$551,662 and \$1,148,820 from the City of Oxnard as of June 30, 2017 and 2016. The District and the City of Oxnard share a pipeline for wastewater transportation and treatment in which the City of Oxnard reimburses the District for the estimated cost for their portion of the use of the pipeline. Other liabilities, also, includes amounts accrued for trash services of \$20,744 and \$20,000 respectively, as of June 30, 2017 and 2016.

L) Inventory and Prepaid Items

Inventory is valued at the lower of cost (first-in, first-out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items include \$14,699 for insurance and dues, \$126,045 for water purchases (Port Hueneme Water Agency true-up), and \$3,000 in other prepaids, as of June 30, 2017. Prepaid items include \$13,380 for insurance and dues, and \$194,633 for water purchases (Port Hueneme Water Agency true-up), as of June 30, 2016.

M) County Tax Apportionment

Taxes are considered revenue in the year in which collections are made, as that is when they are both measurable and available.

The District utilizes the services of Ventura County for the assessment and collection of taxes (special benefit assessments and general property taxes). These taxes are collected at the same time and on the same tax rolls as are county, cities, school districts and other special district taxes. Assessed valuations are the same for both District and County taxing purposes. The District receives an apportionment of the County's one percent (1%) maximum property tax levy. The percentage of tax that the District receives is determined by a formula prepared by the Ventura County Tax Assessor in accordance with State law. The valuation of property is determined as of March 1 of each year. Secured taxes are payable in two installments the first is due November 1, and the second due February 1. Such taxes are considered delinquent if not paid by December 10 and April 10 immediately following their respective due dates. Taxes on unsecured property are due March 1 and become delinquent August 31 and such taxes are levied at the prior years' secured tax rate. The county wide 1% levy has been pledged to debt service of the District.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N) Bond Discounts and Premiums

The District amortizes bond discounts and premiums using the straight-line method over the term of the related bond issue. The current related bond issue is the Sewer Revenue Bonds Series 2005A.

O) Compensated Absences

Employees are entitled to accumulate vacation leave at a rate of two, three or four weeks per year, depending on the number of years of service completed. Upon termination, separation, or retirement, each employee is paid for all their accumulated vacation hours at the hourly rate then in effect. In accordance with accounting principles generally accepted in the United States of America, the liability is reflected in the line item for accrued payroll, taxes and benefits on the statement of net position and the current year allocation has been expensed.

Employees are entitled to accumulate sick leave at a rate of twelve days per year. Once during a twelve month period, an employee may request to exchange excess sick leave accruals for vacation hours at the rate of one hour of vacation time for each two hours of sick leave accrued if they comply with the following conditions: 1) must have accrued at least twelve days of unused sick leave and used six days or less during the previous twelve months, and 2) must maintain a sick leave accrual balance of at least ten days of sick leave after the once a year exchange of excess sick leave for vacation hours takes place. Upon termination, separation, or retirement, each employee is paid for all their accumulated sick leave at the hourly rate in effect. In accordance with accounting principles generally accepted in the United States of America, the liability is reflected in the line item for accrued payroll, taxes and benefits on the statement of net position and the current year allocation has been expensed.

P) Contributed Capital

Contributed capital represents cash or utility plant additions contributed to the District by property owners or developers desiring services that require capital expenditures or capacity commitment. In accordance with GASB Statement 33 all such capital contributions are reflected as revenues.

Q) Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2) CASH AND INVESTMENTS

The District has defined cash for purposes of the statement of cash flows to include cash on hand, demand deposits and cash with the County Treasurer.

The District participates in the County Pool Investment Program with interest being allocated on the basis of deposit in the Treasury. Investment policies and associated risk factors applicable to District monies are those of the County of Ventura and are included in the County's Annual Financial Report. The carrying value and estimated market value of the County of Ventura Pool at June 30, 2017, were \$2,081,499,390 and \$2,082,109,868, respectively. The District's share of the Pool at June 30, 2017, was approximately 0.2115 percent.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

2) CASH AND INVESTMENTS - Continued

The District utilized a commercial bank for all operational transactions. The District invests cash with the County Treasurer and in Union Bank (fiscal agent for proceeds of debt). At June 30, 2017 and 2016 the carrying amount of the District's petty cash, deposits and investments were \$5,487,344 and \$5,223,083 and are broken down as follows:

	2017	2016
Petty Cash	\$ 500	\$ 500
Union Bank	-	334,403
Wilmington Trust	3,856	-
County Treasury	4,401,461	4,309,159
Pacific Western Bank	1,081,527	579,021
Total	\$ 5,487,344	\$ 5,223,083

The District has adopted an investment policy, which authorizes the District's investment in local obligations, obligations of the United States Treasury and agencies, the County Pool Investment Program, savings and other interest bearing accounts. The District selects its investments based on safety, liquidity and yield.

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

	2017	2016
Statement of Net Position:		
Unrestricted Cash	\$ 105,000	\$ 105,000
Board Restricted Cash and Cash Equivalents	5,308,766	4,724,703
Restricted Cash and Cash Equivalents	73,578	393,380
Total Cash and Investments	\$ 5,487,344	\$ 5,223,083

Cash and investments consist of the following:

	2017	2016
Cash on Hand	\$ 500	\$ 500
Deposits with Financial Institutions	1,081,527	579,021
Ventura County Treasurer's Pooled Investments	4,401,461	4,309,159
Investments	3,856	334,403
Total Cash and Investments	\$ 5,487,344	\$ 5,223,083

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

2) CASH AND INVESTMENTS - Continued

Investments Authorized by the California Government Code and the District's Investment Policy - Continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of *Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None

*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

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. One of the ways that the District manages its exposure to interest rates risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2017, the District had the following investments:

		<u>Maturity Date</u>
Ventura County Treasurer's Pooled Investments	\$ 4,401,461	N/A
Held by Bond Trustee: Money Market Funds	<u>3,856</u>	N/A
Total	<u>\$ 4,405,317</u>	

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.

Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk - Continued

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Ventura County Treasurer's Pooled Investments	\$ 4,401,461	N/A	\$ -	\$ 4,401,461	\$ -	\$ -
Held by Bond Trustee: Money Market Funds	<u>3,856</u>	A	<u>-</u>	<u>3,856</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,405,317</u>		<u>\$ -</u>	<u>\$ 4,405,317</u>	<u>\$ -</u>	<u>\$ -</u>

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Government Code. The District has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total District's investments.

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 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. The California Government Code and the Entity's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2017, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Cash and Investments with Fiscal Agent - Restricted Assets

Cash and investments held and invested by fiscal agents on behalf of the District are pledged for payment or security of certain long-term debt issuances and construction projects. Fiscal agents are mandated by bond indentures as to the types of investments in which debt proceeds can be invested. The investments predominately consist of Governments securities which are held in book entry form by the trustee.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

2) CASH AND INVESTMENTS - Continued

Board Restricted Cash

Cash is Board restricted for the cost of the following District projects:

	2017	2016
Water and Sewer Distribution Unanticipated		
Repairs and Maintenance	\$ 3,807,468	\$ 3,271,749
Rate Stabilization	548,598	1,172,954
Reserved for Operations	952,700	280,000
Total	\$ 5,308,766	\$ 4,724,703

Restricted Cash

Cash is restricted for the following:

	2017	2016
Debt Service and Capital Improvements:		
Sewer Revenue Bond Series 2005A	\$	\$ 320,685
Wastewater Refund Bond Series 2016	3,856	
Customer Deposits	69,722	72,695
Total	\$ 73,578	\$ 393,380

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

3) FAIR VALUE MEASUREMENTS - Continued

Fair value of assets measured on a recurring basis are as follows:

	2017		
	Fair Value	Significant Unobservable Inputs (Level 3)	Uncategorized
Investments:			
Ventura County Treasurer's Pooled Investments	\$ 4,401,461	\$ -	\$ 4,401,461
Held by Bond Trustee:			
Money Market Funds	3,856	-	3,856
Total Investments	<u>\$ 4,405,317</u>	<u>\$ -</u>	<u>\$ 4,405,317</u>
Other Assets:			
Investment in Water JPA, Net of Accumulated Deprecation	\$ 3,269,114	\$ 3,269,114	\$ -
	2016		
	Fair Value	Significant Unobservable Inputs (Level 3)	Uncategorized
Investments:			
Ventura County Treasurer's Pooled Investments	\$ 4,309,159	\$ -	\$ 4,309,159
Held by Bond Trustee:			
Money Market Funds	334,403	-	334,403
Total Investments	<u>\$ 4,643,562</u>	<u>\$ -</u>	<u>\$ 4,643,562</u>
Other Assets:			
Investment in Water JPA, Net of Accumulated Deprecation	\$ 3,366,443	\$ 3,366,443	\$ -

The Ventura County Treasurer's Pooled Investments and money market funds and money market mutual funds are exempt under GASB No. 72 fair value measurements. The Investment in Water JPA, Net of Accumulated Deprecation, classified in Level 3 is valued using the equity method. See Note 10.

4) CAPITAL ASSETS

Minor expenditures for renewals and betterment are charged to expense. Major expenditures for renewals and betterment are capitalized. Costs of assets sold, retired or otherwise disposed of have been eliminated from accounts, and gains or losses on disposition are included in operations. Public domain (infrastructure) fixed assets are capitalized and include water distribution systems and sewer collection systems. Donated land or other donated capital assets are recorded at their estimated acquisition value rather than fair market value on the date contributed.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

4) CAPITAL ASSETS - Continued

The cost of capital assets is depreciated over the estimated lives of the assets on the straight-line method of depreciation. Estimated useful lives are:

Category	Life in years
Office Furniture and Equipment	5 to 10
Mobile Equipment	3 to 5
Tools and Shop Equipment	10
Office Building	20
Water System/Plant	25 to 50
1911 Act Sewer Lines	40

A summary of changes in capital assets for the year is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Depreciated:				
Land	\$ 42,060	\$ -	\$ -	\$ 42,060
Total Capital Assets, Not Depreciated	42,060	-	-	42,060
Capital Assets, Being Depreciated:				
Office Furniture and Equipment	86,910	9,457	-	96,367
Vehicles	175,867	-	-	175,867
Tools and Shop Equipment	250,819	-	-	250,819
Office Building	96,393	-	-	96,393
1911 Act Sewer Line	6,544,017	-	-	6,544,017
Water Distribution System	2,958,754	-	-	2,958,754
Total Capital Assets, Being Depreciated	10,112,760	9,457	-	10,122,217
Less Accumulated Depreciation:				
Office Furniture and Equipment	(64,962)	(5,724)	-	(70,686)
Vehicles	(138,447)	(12,178)	-	(150,625)
Tools and Shop Equipment	(203,850)	(6,590)	-	(210,440)
Office Building	(81,770)	(1,081)	-	(82,851)
1911 Act Sewer Line	(1,615,196)	(146,389)	-	(1,761,585)
Water Distribution System	(2,200,070)	(87,224)	-	(2,287,294)
Total Accumulated Depreciation	(4,304,295)	(259,186)	-	(4,563,481)
Total Capital Assets, Being Depreciated, Net	5,808,465	(249,729)	-	5,558,736
Capital Assets, Net of Depreciation	\$ 5,850,525	\$ (249,729)	\$ -	\$ 5,600,796

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

5) LONG-TERM DEBT

The following is a summary of the changes in Long-Term Debt:

Changes in Long-Term Debt	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2005A Sewer Revenue Bonds Series	\$ 2,915,000	\$ -	\$ 2,915,000 ⁽¹⁾	\$ -	\$ -
2012 Water Refunding Bonds Series	1,707,436	-	263,630	1,443,806	272,961
2016 Wastewater Refunding Bonds Series	-	2,605,000	-	2,605,000	95,000
Premiums on Bonds	22,034	158,441	27,594	152,881	-
Total	\$ 4,644,470	\$ 2,763,441	\$ 3,206,224	\$ 4,201,687	\$ 367,961

⁽¹⁾This amount includes a bond refunding of \$2,915,000.

Bonds Payable

In 2006, the District issued \$3,455,000 in Sewer Revenue Certificates of Participation Series 2005A to fund certain improvements to the Sewer System and to the Water System. The Certificates interest rates range from 3.70% to 5.25%. Interest on the Certificates is payable November 1st and May 1st of each year. Principal on the Certificates is payable in annual installments ranging from \$70,000 to \$225,000 commencing November 1, 2009 through November 1, 2035.

In June 2012, the District issued \$2,716,072 in Water Revenue Refunding Bonds Series 2012 to advance refund the 2005B Revenue Refunding Certificates of Participation. The bonds interest rate is 3.05%. Interest on the bonds is payable September 1st and March 1st of each year. Principal on the bonds is payable in annual installment ranging from \$240,984 to \$303,604 commencing September 1, 2012 through September 1, 2021.

In September 2016, the District issued \$2,605,000 in Wastewater Revenue Refunding Bonds Series 2016 to advance refund the 2005A Sewer Revenue Certificates of Participation. The bonds interest rates range from 2% to 4%. Interest on the bonds is payable November 1st and May 1st of each year. Principal on the bonds is payable in annual installments, ranging from \$95,000 to \$180,000, commencing November 1, 2017 through November 1, 2035.

Future debt requirements are as follows:

Year Ending June 30,	Water Bond Series 2012		Wastewater Bond Series 2016		Total Debt Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 272,961	\$ 39,873	\$ 95,000	\$ 83,531	\$ 367,961	\$ 123,404
2019	281,332	31,420	105,000	81,531	386,332	112,951
2020	289,240	22,719	110,000	78,831	399,240	101,550
2021	296,669	13,784	105,000	75,606	401,669	89,390
2022	303,604	4,630	110,000	72,381	413,604	77,011
2023-2027	-	-	625,000	293,156	625,000	293,156
2028-2032	-	-	760,000	159,991	760,000	159,991
2033-2036	-	-	695,000	41,513	695,000	41,513
Total	\$ 1,443,806	\$ 112,426	\$ 2,605,000	\$ 886,540	\$ 4,048,806	\$ 998,966

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

5) LONG-TERM DEBT - Continued

Revenues Pledged

The District has pledged a portion of water revenues and a portion of investment earnings to repay the District's Water Revenue Refunding Bonds Series 2012. The District's Water Revenue Refunding Bonds are payable solely from water revenues and a portion of investment earnings. Total principal and interest remaining on the Water Revenue Refunding Bonds are \$1,556,232, payable through fiscal year 2022. For the current year, principal and interest paid by water revenues and investment earnings were \$263,630 and \$48,056, respectively.

The District has pledged a portion of future sewer revenues and a portion of investment earnings to repay the District's Wastewater Revenue Refunding Bonds Series 2016. The District's Wastewater Revenue Refunding Bonds are payable solely from sewer revenues and a portion of investment earnings. Total principal and interest remaining on the Wastewater Revenue Refunding Bonds are \$3,491,540, payable through fiscal year 2036. For the current year, interest paid by sewer revenues and investment earnings was \$49,750.

Advance Refunding

In 2017, the District issued \$2,605,000 in Wastewater Revenue Refunding Bonds Series 2016 with interest rates ranging from 2% to 4% to advance refund \$2,915,000 of the 2005A Sewer Revenue Certificates of Participation. The net proceeds of \$2,588,604 (which includes a premium of \$158,441 and after payment of \$26,050 in underwriting fees and other issuance costs) plus an additional \$399,507 of prior funds were deposited in an irrevocable trust to provide funds for the future debt service payments on the 2005A Sewer Revenue Certificates of Participation. As a result, the 2005A Sewer Revenue Certificates of Participation is considered to be defeased and the liability of this bond has been removed from long-term debt.

The reacquisition price exceeded the net carrying amount of the old debt by \$51,360. The District advance refunded the 2005A Sewer Revenue Certificates of Participation to reduce its total debt service payments over 19 years by \$952,992 and to obtain an economic gain (difference between the present values of the debt service payments of the old debt and new debt) of \$748,715.

6) NET POSITION

Net position at June 30, 2017 and 2016, consisted of the following:

	2017	2016
Net Position:		
Net Investment in Capital Assets	\$ 1,802,133 ⁽¹⁾	\$ 1,690,147 ⁽²⁾
Unrestricted Net Position	8,971,237	8,509,961
Total Net Position	\$ 10,773,370	\$ 10,200,108

⁽¹⁾ As of June 30, 2017, \$250,144 of deferred outflows of resources and \$(4,048,806) of capital related debt were included in the net investment in capital assets.

⁽²⁾ As of June 30, 2016, \$247,783 of deferred outflows of resources and \$(4,408,161) of capital related debt (net of reserves) were included in the net investment in capital assets.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

7) RETIREMENT PLAN

The District established a retirement plan for all eligible District employees during the year ended June 30, 1986. All full time, classified employees qualify. The plan is an Internal Revenue Service Code Section 457, Public Employees Deferred Compensation Plan. Contributions by employees are voluntary, and may be in any fixed amount, with modifications available at fixed intervals. The District contributes 10% of gross pay, with all contributions being currently funded. The District begins to deposit its contributions to the employee's annuity account upon successful completion of the employee's initial six (6) month probationary period. Vesting of the District's contributions begins at the end of the first year of employment. Thirty three and one third percent (33.3%) vests at the end of the first year, sixty-six and two thirds percent (66.6%) vests at the end of the second year, and one-hundred percent (100%) or full vesting occurs at the end of the third year of service, as measured from the date of initial hire of the employee. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Participants may select from various investment fund options for the investment of their contributions and matching employer contributions. Employees may also select retirement benefit options ranging from lump sum distributions to life annuities upon separation from service.

The Deferred Compensation Plan is administered by Nationwide Retirement Solutions, Inc.

As a result of legislative changes, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to the legislative changes, these amounts were solely the property and rights of the District subject only to the claims of the District's general creditors. As a result, as of June 30, 1999, the deferred compensation investments are no longer reported in the District's financial statements.

8) INCOME TAX

The District is exempt from income taxes.

9) JOINT POWERS AGENCY (ACWAJPIA)

The District is a member of the Association of California Water Agency Joint Powers Insurance Authority (ACWAJPIA). The District receives the benefits of the pooled insurance risk program, but not as an equity member of the authority. Total insurance payments for the year ended June 30, 2017 and 2016 were \$28,340 and \$31,297, respectively.

10) PORT HUENEME WATER AGENCY/JOINT VENTURE

In 1994, the CIBCSD entered into a Joint Powers Agency Agreement (JPA) with the City of Port Hueneme (COPH) to create the Port Hueneme Water Agency (PHWA). The JPA was formed in order to develop a subregional Water Quality Improvement Program to address the need for area-wide planning, coordination, development, financing, constructions and operation of a water desalination plant and the necessary transport facilities to service the water need of CIBCSD, COPH, the US Navy installations at the Naval Base Ventura County, Port Hueneme. The PHWA is responsible to design, construct and operate facilities necessary to deliver a combination of ground water and imported water.

Channel Islands Beach Community Services District
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

10) PORT HUENEME WATER AGENCY/JOINT VENTURE - Continued

Financial statements for the PHWA can be obtained through the COPH.

CIBCSD's percentage share in PHWA's cost of the improvements and related liabilities varies from 0% to 86%, based on each party's share of the facilities - overall the total cost of improvements through June 30, 2017 was \$15,257,630, of which CIBCSD's share was \$3,015,128. CIBCSD's share in ongoing operating costs vary from 12% to 16% for certain fixed costs; other variable operating costs are allocated based on the volume of water delivered to each party.

CIBCSD uses the equity method to account for its share of the JPA according to the joint venture agreement. The initial investment was recorded at cost.

CIBCSD's share of joint venture's net income is reported in CIBCSD's operating statement as a profit or loss in the joint venture. Nonoperating transactions between CIBCSD and the joint venture increase or decrease the equity interest. A summary of the assets, liabilities and results of operations of PHWA are as follows.

	<u>2017</u>	<u>2016</u>
Total Assets	\$ <u>18,522,938</u>	\$ <u>19,437,574</u>
Total Liabilities	<u>1,980,048</u>	<u>2,402,161</u>
Net Position		
Net Investment in Capital Assets	14,778,446	15,315,287
Restricted for Operations	479,188	522,700
Unrestricted	<u>1,285,256</u>	<u>1,197,426</u>
Total Net Position	\$ <u><u>16,542,890</u></u>	\$ <u><u>17,035,413</u></u>

	<u>2017</u>	<u>2016</u>
Total Revenues	\$ 4,169,986	\$ 4,109,638
Total Expenses	<u>(4,662,509)</u>	<u>(4,638,997)</u>
Net Increase (Decrease) in Net Position	\$ <u><u>(492,523)</u></u>	\$ <u><u>(529,359)</u></u>

CIBCSD's report its share of the PHWA as follows:

Investment in PHWA	\$ 3,269,114	\$ 3,366,443
Profit (Loss) in PHWA Joint Venture	\$ (80,391)	\$ (87,671)
Amortization on Contributed Capital	\$ 16,938	\$ (16,938)

SUPPLEMENTAL INFORMATION

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - All Activities
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Water Revenue	\$ 1,806,100	\$ 1,717,112	\$ (88,988)
Sewer Revenue	1,215,400	1,120,788	(94,612)
Sewer Revenue - Oxnard	803,800	837,004	33,204
Trash Revenue	684,300	687,027	2,727
	<u>4,509,600</u>	<u>4,361,931</u>	<u>(147,669)</u>
OPERATING EXPENSES			
Water System Expenses:			
PHWA Water Expense	844,892	575,898	268,994
Water Samples	16,000	12,795	3,205
SDHS Annual Admin. Fee	6,400	16,381	(9,981)
Cross Connect Contract Charges	1,700	1,681	19
Repairs and Maintenance - Distribution	82,000	109,772	(27,772)
Water Quality Report	1,600	1,537	63
	<u>952,592</u>	<u>718,064</u>	<u>234,528</u>
Sewer System Expenses:			
Waste Water Transportation - Oxnard	668,100	740,439	(72,339)
Operations and Maintenance	121,000	97,546	23,454
Telemetry	19,000	19,159	(159)
Power	21,000	14,424	6,576
Capital Replacement Fund	507,000	-	507,000
	<u>1,336,100</u>	<u>871,568</u>	<u>464,532</u>
Trash Expenses:			
Trash Services	493,000	488,579	4,421
	<u>493,000</u>	<u>488,579</u>	<u>4,421</u>
Maintenance Expenses:			
Vehicle Maintenance Expenses	6,000	4,896	1,104
Building Security	860	840	20
Building Maintenance	18,500	5,435	13,065
Sign and Banner Expense	1,500	703	797
Public Landscape Project	1,900	1,751	149
Employee Workplace Safety	4,000	3,438	562
Gasoline Expenses	15,000	9,662	5,338
Emergency Preparedness Expense	1,500	429	1,071
	<u>\$ 49,260</u>	<u>\$ 27,154</u>	<u>\$ 22,106</u>

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - All Activities - Continued
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING EXPENSES (CONTINUED)			
Salaries and Benefits:			
Regular Salaries	\$ 555,000	\$ 612,579	\$ (57,579)
Retirement Benefits	55,500	66,068	(10,568)
Uniforms	2,600	3,114	(514)
Group Insurance	119,000	111,602	7,398
Worker's Compensation Insurance	16,000	16,185	(185)
Payroll Taxes	16,100	13,082	3,018
Employee Educational Expense	5,500	2,865	2,635
	<u>769,700</u>	<u>825,495</u>	<u>(55,795)</u>
Administrative Expenses:			
Regular Board Payments	7,650	7,400	250
Special Board Meetings	2,350	3,150	(800)
Board/Committee Expenses	1,300	1,606	(306)
Conferences and Seminars - Board	6,000	345	5,655
Board Travel and Lodging	8,500	1,436	7,064
Dues/Membership - District	19,000	18,153	847
Office Supplies	7,000	8,435	(1,435)
E-Pay Online	6,750	5,655	1,095
Communications	14,000	16,477	(2,477)
Printing and Publications	5,100	7,895	(2,795)
Postage and Shipping	15,000	13,106	1,894
Utilities	3,060	3,220	(160)
Miscellaneous Office Expense	11,300	11,901	(601)
Other Professional Services	20,000	33,329	(13,329)
Office Equipment Maintenance	6,080	8,551	(2,471)
Equipment Purchases	37,000	-	37,000
Insurance	31,000	27,022	3,978
Accounting Services	50,000	39,955	10,045
Computer Services	13,900	15,255	(1,355)
Legal Services	50,000	82,289	(32,289)
Engineering Services	150,000	33,105	116,895
Bank and Trustee Fees	6,000	280	5,720
Legal Notices Publication Expense	8,000	2,858	5,142
Public Information Expense	1,500	-	1,500
	<u>\$ 480,490</u>	<u>\$ 341,423</u>	<u>\$ 139,067</u>
Total Administrative Expenses			

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - All Activities - Continued
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING EXPENSES (CONTINUED)			
Other Operating Expenses:			
Depreciation	\$ -	\$ 259,186	\$ (259,186)
Amortization	-	43,439	(43,439)
Bad Debt	-	2,440	(2,440)
Total Other Operating Expenses	-	305,065	(305,065)
Total Operating Expenses	4,081,142	3,577,348	503,794
OPERATING INCOME (LOSS)	428,458	784,583	356,125
NONOPERATING REVENUES AND EXPENSES			
Nonoperating Revenue:			
Investment Earnings	8,000	35,874	27,874
Net Gain (Loss) from Joint Venture	-	(80,391)	(80,391)
Developmental Impact Fee	-	43,242	43,242
County Tax Apportionment	60,000	64,907	4,907
Total Nonoperating Revenues	68,000	63,632	(4,368)
Nonoperating Expenses:			
Interest Expense	192,299	85,816	106,483
Bond Issuance Costs	-	172,199	(172,199)
Total Nonoperating Expenses	192,299	258,015	(65,716)
Total Nonoperating Revenues and Expenses	(124,299)	(194,383)	(70,084)
INCOME (LOSS) BEFORE CONTRIBUTIONS	\$ 304,159	\$ 590,200	\$ 286,041

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Water
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Water Revenue	\$ 1,806,100	\$ 1,717,112	\$ (88,988)
Total Operating Revenues	<u>1,806,100</u>	<u>1,717,112</u>	<u>(88,988)</u>
OPERATING EXPENSES			
Water System Expenses:			
PHWA Water Expense	844,892	575,898	268,994
Water Samples	16,000	12,795	3,205
SDHS Annual Admin. Fee	6,400	16,381	(9,981)
Cross Connect Contract Charges	1,700	1,681	19
Repairs and Maintenance - Distribution	82,000	109,772	(27,772)
Water Quality Report	1,600	1,537	63
Total Water System Expenses	<u>952,592</u>	<u>718,064</u>	<u>234,528</u>
Maintenance Expenses:			
Vehicle Maintenance Expenses	2,460	2,007	453
Building Security	215	210	5
Building Maintenance	4,625	1,359	3,266
Sign and Banner Expense	375	175	200
Employee Workplace Safety	1,640	1,410	230
Gasoline Expenses	6,150	3,961	2,189
Emergency Preparedness Expense	375	108	267
Total Maintenance Expenses	<u>15,840</u>	<u>9,230</u>	<u>6,610</u>
Salaries and Benefits:			
Regular Salaries	205,350	226,654	(21,304)
Retirement Benefits	20,535	24,445	(3,910)
Uniforms	1,040	1,246	(206)
Group Insurance	44,030	41,293	2,737
Worker's Compensation Insurance	5,920	5,988	(68)
Payroll Taxes	5,957	4,840	1,117
Employee Educational Expense	2,200	1,146	1,054
Total Salaries and Benefits	<u>\$ 285,032</u>	<u>\$ 305,612</u>	<u>\$ (20,580)</u>

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Water - Continued
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING EXPENSES (CONTINUED)			
Administrative Expenses:			
Regular Board Payments	\$ 2,295	\$ 2,220	\$ 75
Special Board Meetings	705	945	(240)
Board/Committee Expenses	390	482	(92)
Conferences and Seminars - Board	2,040	117	1,923
Board Travel and Lodging	3,400	574	2,826
Dues/Membership - District	7,790	7,443	347
Office Supplies	2,240	2,699	(459)
E-Pay Online	2,295	1,923	372
Communications	3,500	4,119	(619)
Printing and Publications	1,530	2,369	(839)
Postage and Shipping	4,500	3,932	568
Utilities	918	966	(48)
Miscellaneous Office Expense	3,390	3,570	(180)
Other Professional Services	6,000	9,999	(3,999)
Office Equipment Maintenance	2,918	4,104	(1,186)
Equipment Purchases	14,430	-	14,430
Insurance	10,850	9,458	1,392
Accounting Services	22,000	17,580	4,420
Computer Services	4,170	4,577	(407)
Legal Services	22,000	36,207	(14,207)
Engineering Services	130,500	28,801	101,699
Bank and Trustee Fees	960	45	915
Legal Notices Publication Expense	2,720	972	1,748
Public Information Expense	375	-	375
	<u>251,916</u>	<u>143,102</u>	<u>108,814</u>
Total Administrative Expenses			
Other Operating Expenses:			
Depreciation	-	132,184	(132,184)
Amortization	-	47,196	(47,196)
Bad Debt	-	830	(830)
	<u>-</u>	<u>180,210</u>	<u>(180,210)</u>
Total Other Operating Expenses			
	<u>1,505,380</u>	<u>1,356,218</u>	<u>149,162</u>
Total Operating Expenses			
OPERATING INCOME (LOSS)	<u>\$ 300,720</u>	<u>\$ 360,894</u>	<u>\$ 60,174</u>

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Water - Continued
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
NONOPERATING REVENUES AND EXPENSES			
Nonoperating Revenues:			
Investment Earnings	\$ 2,800	\$ 12,556	\$ 9,756
Net Gain (Loss) from Joint Venture	-	(80,391)	(80,391)
Developmental Impact Fee	-	25,930	25,930
	<u>2,800</u>	<u>(41,905)</u>	<u>(44,705)</u>
Total Nonoperating Revenues			
Nonoperating Expenses:			
Interest Expense	<u>48,056</u>	<u>39,025</u>	<u>9,031</u>
	<u>48,056</u>	<u>39,025</u>	<u>9,031</u>
Total Nonoperating Expenses			
	<u>(45,256)</u>	<u>(80,930)</u>	<u>(35,674)</u>
Total Nonoperating Revenues and Expenses			
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>\$ 255,464</u>	<u>\$ 279,964</u>	<u>\$ 24,500</u>

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Wastewater
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Sewer Revenue	\$ 1,215,400	\$ 1,120,788	\$ (94,612)
Sewer Revenue - Oxnard	803,800	837,004	33,204
Total Operating Revenues	<u>2,019,200</u>	<u>1,957,792</u>	<u>(61,408)</u>
OPERATING EXPENSES			
Sewer System Expense:			
Waste Water Transportation - Oxnard	668,100	740,439	(72,339)
Operations and Maintenance	121,000	97,546	23,454
Telemetry	19,000	19,159	(159)
Power	21,000	14,424	6,576
Capital Replacement Fund	507,000	-	507,000
Total Sewer System Expenses	<u>1,336,100</u>	<u>871,568</u>	<u>464,532</u>
Maintenance Expenses:			
Vehicle Maintenance Expenses	2,280	1,860	420
Building Security	215	210	5
Building Maintenance	4,625	1,359	3,266
Sign and Banner Expense	375	176	199
Employee Workplace Safety	1,520	1,306	214
Gasoline Expenses	5,700	3,672	2,028
Emergency Preparedness Expense	375	107	268
Total Maintenance Expenses	<u>15,090</u>	<u>8,690</u>	<u>6,400</u>
Salaries and Benefits:			
Regular Salaries	205,350	226,654	(21,304)
Retirement Benefits	20,535	24,445	(3,910)
Uniforms	1,014	1,214	(200)
Group Insurance	44,030	41,293	2,737
Worker's Compensation Insurance	5,920	5,988	(68)
Payroll Taxes	5,957	4,840	1,117
Employee Educational Expense	2,200	1,146	1,054
Total Salaries and Benefits	<u>\$ 285,006</u>	<u>\$ 305,580</u>	<u>\$ (20,574)</u>

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Wastewater - Continued
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING EXPENSES (CONTINUED)			
Administrative Expenses:			
Regular Board Payments	\$ 2,295	\$ 2,220	\$ 75
Special Board Meetings	705	945	(240)
Board/Committee Expenses	390	482	(92)
Conferences and Seminars - Board	2,040	117	1,923
Board Travel and Lodging	3,400	574	2,826
Dues/Membership - District	6,080	5,809	271
Office Supplies	2,240	2,699	(459)
E-Pay Online	2,228	1,866	362
Communications	3,500	4,119	(619)
Printing and Publications	1,530	2,369	(839)
Postage and Shipping	4,500	3,932	568
Utilities	918	966	(48)
Miscellaneous Office Expense	3,390	3,570	(180)
Other Professional Services	6,000	9,999	(3,999)
Office Equipment Maintenance	1,702	2,394	(692)
Equipment Purchases	17,390	-	17,390
Insurance	10,850	9,458	1,392
Accounting Services	16,000	12,786	3,214
Computer Services	4,170	4,577	(407)
Legal Services	16,000	26,332	(10,332)
Engineering Services	19,500	4,304	15,196
Bank and Trustee Fees	3,120	146	2,974
Legal Notices Publication Expense	2,640	943	1,697
Public Information Expense	375	-	375
	<u>130,963</u>	<u>100,607</u>	<u>30,356</u>
Total Administrative Expenses			
Other Operating Expenses:			
Depreciation	-	119,226	(119,226)
Amortization	-	(3,757)	3,757
Bad Debt	-	805	(805)
	<u>-</u>	<u>116,274</u>	<u>(116,274)</u>
Total Other Operating Expenses			
	<u>1,767,159</u>	<u>1,402,719</u>	<u>364,440</u>
Total Operating Expenses			
OPERATING INCOME (LOSS)	<u>\$ 252,041</u>	<u>\$ 555,073</u>	<u>\$ 303,032</u>

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Wastewater - Continued
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
NONOPERATING REVENUES AND EXPENSES			
Nonoperating Revenues:			
Investment Earnings	\$ 4,400	\$ 19,731	\$ 15,331
Developmental Impact Fee	-	17,312	17,312
	<u>4,400</u>	<u>37,043</u>	<u>32,643</u>
Nonoperating Expenses:			
Interest Expense	144,243	46,791	97,452
	-	172,199	(172,199)
	<u>144,243</u>	<u>218,990</u>	<u>(74,747)</u>
	<u>(139,843)</u>	<u>(181,947)</u>	<u>(42,104)</u>
	<u>\$ 112,198</u>	<u>\$ 373,126</u>	<u>\$ 260,928</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS			

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Solid Waste Disposal
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Trash Revenue	\$ 684,300	\$ 687,027	\$ 2,727
Total Operating Revenues	<u>684,300</u>	<u>687,027</u>	<u>2,727</u>
OPERATING EXPENSES			
Trash Expense:			
Trash Service	493,000	488,579	4,421
Total Trash Expense	<u>493,000</u>	<u>488,579</u>	<u>4,421</u>
Maintenance Expenses:			
Vehicle Maintenance Expenses	720	588	132
Building Security	215	210	5
Building Maintenance	4,625	1,359	3,266
Sign and Banner Expense	375	176	199
Employee Workplace Safety	480	413	67
Gasoline Expenses	1,800	1,159	641
Emergency Preparedness Expense	375	107	268
Total Maintenance Expenses	<u>8,590</u>	<u>4,012</u>	<u>4,578</u>
Salaries and Benefits:			
Regular Salaries	94,350	104,139	(9,789)
Retirement Benefits	9,435	11,232	(1,797)
Uniforms	312	374	(62)
Group Insurance	20,230	18,972	1,258
Worker's Compensation Insurance	2,720	2,752	(32)
Payroll Taxes	2,737	2,225	512
Employee Educational Expense	825	430	395
Total Salaries and Benefits	<u>130,609</u>	<u>140,124</u>	<u>(9,515)</u>
Administrative Expenses:			
Regular Board Payments	\$ 765	\$ 740	\$ 25
Special Board Meetings	235	315	(80)
Board/Committee Expenses	130	161	(31)
Conferences and Seminars - Board	960	55	905
Board Travel and Lodging	1,275	215	1,060
Dues/Membership - District	3,230	3,086	144
E-Pay Online	2,227	1,866	361

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Solid Waste Disposal - Continued
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING EXPENSES (CONTINUED)			
Administrative Expenses: (Continued)			
Office Supplies	\$ 2,240	\$ 2,699	\$ (459)
Communications	3,500	4,119	(619)
Printing and Publications	1,530	2,369	(839)
Postage and Shipping	4,500	3,932	568
Utilities	918	966	(48)
Miscellaneous Office Expense	3,390	3,570	(180)
Other Professional Services	6,000	9,999	(3,999)
Office Equipment Maintenance	1,216	1,710	(494)
Equipment Purchases	5,180	-	5,180
Insurance	3,100	2,702	398
Accounting Services	10,000	7,991	2,009
Computer Services	4,170	4,577	(407)
Legal Services	10,000	16,458	(6,458)
Bank and Trustee Fees	960	45	915
Legal Notices Publication Expense	2,640	943	1,697
Public Information Expense	375	-	375
	<u>68,541</u>	<u>68,518</u>	<u>23</u>
Total Administrative Expenses			
Other Operating Expenses:			
Depreciation	-	7,776	(7,776)
Bad Debt	-	805	(805)
	<u>-</u>	<u>8,581</u>	<u>(8,581)</u>
Total Other Operating Expenses			
Total Operating Expenses	<u>700,740</u>	<u>709,814</u>	<u>(9,074)</u>
OPERATING INCOME (LOSS)	<u>(16,440)</u>	<u>(22,787)</u>	<u>(6,347)</u>
Nonoperating Revenues:			
Investment Earnings	<u>800</u>	<u>3,587</u>	<u>2,787</u>
Total Nonoperating Revenues	<u>800</u>	<u>3,587</u>	<u>2,787</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>\$ (15,640)</u>	<u>\$ (19,200)</u>	<u>\$ (3,560)</u>

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Community Service
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
	\$ -	\$ -	\$ -
Total Operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Maintenance Expenses:			
Vehicle Maintenance Expenses	540	441	99
Building Security	215	210	5
Building Maintenance	4,625	1,358	3,267
Sign and Banner Expense	375	176	199
Public Landscape Project	1,900	1,751	149
Employee Workplace Safety	360	309	51
Gasoline Expenses	1,350	870	480
Emergency Preparedness Expense	375	107	268
Total Maintenance Expenses	<u>9,740</u>	<u>5,222</u>	<u>4,518</u>
Salaries and Benefits:			
Regular Salaries	49,950	55,132	(5,182)
Retirement Benefits	4,995	5,946	(951)
Uniforms	234	280	(46)
Group Insurance	10,710	10,044	666
Worker's Compensation Insurance	1,440	1,457	(17)
Payroll Taxes	1,449	1,177	272
Employee Educational Expense	275	143	132
Total Salaries and Benefits	<u>69,053</u>	<u>74,179</u>	<u>(5,126)</u>
Administrative Expenses:			
Regular Board Payments	\$ 2,295	\$ 2,220	\$ 75
Special Board Meetings	705	945	(240)
Board/Committee Expenses	390	481	(91)
Conferences and Seminars - Board	960	56	904
Board Travel and Lodging	425	73	352
Dues/Membership - District	1,900	1,815	85
Office Supplies	280	338	(58)
Communications	3,500	4,120	(620)
Printing and Publications	510	788	(278)
Postage and Shipping	1,500	1,310	190
Utilities	306	322	(16)

Channel Islands Beach Community Services District
Schedule of Revenues and Expenses - Budget to Actual - Community Service - Continued
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING EXPENSES (CONTINUED)			
Administrative Expenses: (Continued)			
Miscellaneous Office Expense	\$ 1,130	\$ 1,191	\$ (61)
Other Professional Services	2,000	3,332	(1,332)
Office Equipment Maintenance	244	343	(99)
Insurance	6,200	5,404	796
Accounting Services	2,000	1,598	402
Computer Services	1,390	1,524	(134)
Legal Services	2,000	3,292	(1,292)
Bank and Trustee Fees	960	44	916
Public Information Expense	375	-	375
	<u>29,070</u>	<u>29,196</u>	<u>(126)</u>
Other Operating Expenses:			
Depreciation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Operating Expenses	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>107,863</u>	<u>108,597</u>	<u>(734)</u>
OPERATING INCOME (LOSS)	<u>(107,863)</u>	<u>(108,597)</u>	<u>(734)</u>
NONOPERATING REVENUES AND EXPENSES			
Nonoperating Revenue:			
County Tax Apportionment	60,000	64,907	4,907
	<u>60,000</u>	<u>64,907</u>	<u>4,907</u>
Total Nonoperating Revenues	<u>60,000</u>	<u>64,907</u>	<u>4,907</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>\$ (47,863)</u>	<u>\$ (43,690)</u>	<u>\$ 4,173</u>

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Channel Islands Beach Community
Services District
Oxnard, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Channel Islands Beach Community Services District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jeannan Ramirez & Smith, Llc.

Riverside, California
March 8, 2018

CHANNEL ISLANDS BEACH COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2017

SIGNIFICANT DEFICIENCY

2017-001 - Bond Refunding Transactions

Condition: The District issued a refunding bond during the year that advance refunded the 2005A Sewer Certificates of Participation. The transactions related to the advance refunding for long-term debt and related deferred outflows were not recorded in a timely manner.

Criteria: Proper internal controls require transactions to be recorded in a timely manner to provide management and the Board of Directors the most current financial information.

Cause: The transactions were not recorded in a timely manner due to the complexity of the entries required and were posted to a suspense account until those transactions could be properly reclassified which was recorded after the end of the fiscal year in February 2018. The bond refunding transactions occurred approximately on September 29, 2016.

Effect: Since these transactions were not recorded timely, the long-term debt and related transactions were not adjusted until after the end of the fiscal year. Financial reports, during this time, may have not had the most current financial information for management and the Board of Directors.

Recommendation: We recommend the District review its suspense account on a monthly basis and reclassify and adjust items to their proper accounts at the end of each month. This will avoid any delays in recording transactions and provide more current financial information to management and the Board of Directors.

Response: After discussing the error with the District's Auditor, Management agrees with the finding and will be working closely with their outside accountant to be timely in recording entries and reclassifying suspense items. In the future, the suspense account will be reviewed monthly and cleared during the month end reconciliations.

March 8, 2018

Board of Directors
Channel Islands Beach Community
Services District
Oxnard, CA

We have audited the financial statements of the Channel Islands Beach Community Services District (the “District”) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 8, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2017 fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management’s estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of capital assets depreciation is based on historical estimates of each capitalized item’s useful life. We evaluated the key factors and assumptions used to develop the capital assets depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the investment in the Port Hueneme Water Agency is based on a percentage from financial information provided by the agency. We evaluated the key factors and assumptions used to develop the investment in the Port Hueneme Water Agency in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of debt related amortizations (premiums, discounts and on refunding) are based on the terms and amounts included in the debt documents. We evaluated the key factors and assumptions used to develop the debt related amortizations in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Notes 2 and 3 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of capital assets in Note 4 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the Port Hueneme Water Agency/Joint Venture in Note 10 to the financial statements is based on financial information provided by the agency which could differ from actual results.

The disclosure of debt related amortizations (premiums, discounts and on refundings) in Notes 1.H, 1.N, and 10 to the financial statements are based on the terms and amounts included in the related debt documents which could differ from actual results.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, the audit was delayed in waiting for financial information from the Port Hueneme Water Agency and recording certain debt refunding transactions.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated, March 8, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental information section, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

As part of the audit, we assisted with the preparation of the financial statements and related notes and the calculation of the investment in the Port Hueneme Water Agency. However, these services, does not constitute an audit under Government Auditing Standards and are considered nonaudit services. Management has reviewed, approved, and accepted responsibility for the results of these services.

Restrictions on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Seaman Ramirez & Smith, Inc.