



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

June 6, 2019

To the Board of Directors
Madison Community Service District
Madison, California

We have audited the financial statements of the Madison Community Service District (District) for the years ended June 30, 2016 and June 30, 2015. 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. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 fiscal year ended June 30, 2016. As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2014. 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 estimate affecting the District's financial statements was the depreciation of capital assets. Management's estimate of the depreciation of capital assets is based on estimated useful lives of the related capital assets. We evaluated the key factors and assumptions used to develop the accounting estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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.

Corrected 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 District's 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 auditor's 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 June 6, 2019.

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 auditor's 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.

Restriction on Use

This information is intended solely for the information and 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.

Vavrinik, Trine, Day & Co. LLP
Sacramento, California
June 6, 2019

MADISON COMMUNITY SERVICE DISTRICT

Independent Auditors' Report,
Basic Financial Statements,
and Other Report

For the Fiscal Years Ended
June 30, 2016 and June 30, 2015

MADISON COMMUNITY SERVICE DISTRICT

**FOR THE YEARS ENDED
JUNE 30, 2016 AND JUNE 30, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Madison Community Service District
Madison, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Madison Community Service District (District) as of and for the years ended June 30, 2016 and June 30, 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2016 and June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our report on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2019, 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 solely 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 the effectiveness of the District's 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.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California

June 6, 2019

**MADISON COMMUNITY SERVICE DISTRICT
STATEMENTS OF NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and investments	\$ 363,320	\$ 331,004
Accounts receivable	15,868	6,929
Total Current Assets	<u>379,188</u>	<u>337,933</u>
Non-current assets:		
Capital Assets:		
Non-depreciable	42,727	42,727
Depreciable, net	1,035,124	1,096,478
Restricted cash and investments	2,612	2,587
Total Non-Current Assets	<u>1,080,463</u>	<u>1,141,792</u>
Total Assets	<u>1,459,651</u>	<u>1,479,725</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	6,756	11,118
Accrued liabilities	4,637	3,974
Interest payable	382	409
Loans payable (due within one year)	10,794	10,475
Total Current Liabilities	<u>22,569</u>	<u>25,976</u>
Non-Current Liabilities		
Loans payable	152,801	163,595
Total Liabilities	<u>175,370</u>	<u>189,571</u>
NET POSITION		
Net investment in capital assets	914,256	965,135
Restricted:		
Developer Fees/CDBG Grant	2,612	2,587
Unrestricted	367,413	322,432
Total Net Position	<u>\$ 1,284,281</u>	<u>\$ 1,290,154</u>

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

**MADISON COMMUNITY SERVICE DISTRICT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for services	\$ 246,679	\$ 232,542
Other revenue	1,200	-
Total Operating Revenues	<u>247,879</u>	<u>232,542</u>
OPERATING EXPENSES		
Salaries and benefits	92,020	91,752
Services and supplies	83,761	98,882
Other operating expense	14,929	14,929
Depreciation	61,354	61,356
Total Operating Expenses	<u>252,064</u>	<u>266,919</u>
Net Operating Income (Loss)	<u>(4,185)</u>	<u>(34,377)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	(5,053)	(5,360)
Use of money and property	3,365	967
Total Non-Operating Revenues (Expenses)	<u>(1,688)</u>	<u>(4,393)</u>
Net Change in Net Position	(5,873)	(38,770)
Net Position - Beginning of Year	<u>1,290,154</u>	<u>1,328,924</u>
Net Position - End of Year	<u>\$ 1,284,281</u>	<u>\$ 1,290,154</u>

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

**MADISON COMMUNITY SERVICE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 238,940	\$ 237,404
Cash paid to suppliers for goods and services	(102,416)	(118,271)
Cash paid to employees for services	(92,020)	(91,752)
Net Cash Provided (Used) by Operating Activities	<u>44,504</u>	<u>27,381</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Interest paid on loan	(5,053)	(5,360)
Principal payments on loan	(10,475)	(10,167)
Net Cash Provided (Used) by Capital Financing Activities	<u>(15,528)</u>	<u>(15,527)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	3,365	967
Net Cash Provided by investing activities	<u>3,365</u>	<u>967</u>
Net Increase (Decrease) in Cash and Cash Equivalents	32,341	12,821
Cash and Cash Equivalents, Beginning of Year	<u>333,591</u>	<u>320,770</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 365,932</u></u>	<u><u>\$ 333,591</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and investments	\$ 363,320	\$ 331,004
Restricted cash and investments	2,612	2,587
Cash and Cash Equivalents, End of Year	<u><u>\$ 365,932</u></u>	<u><u>\$ 333,591</u></u>

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

**MADISON COMMUNITY SERVICE DISTRICT
 STATEMENTS OF CASH FLOWS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
 PROVIDED BY (USED IN) OPERATING ACTIVITIES

	<u>2016</u>	<u>2015</u>
Operating Income (Loss)	\$ (4,185)	\$ (34,377)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	61,354	61,356
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(8,939)	4,862
Increase (decrease) in:		
Accounts payable	(4,362)	(4,766)
Interest Payable	(27)	(26)
Accrued liabilities	663	332
Net Cash Provided (Used) by Operating Activities	<u>\$ 44,504</u>	<u>\$ 27,381</u>

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

**MADISON COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Madison Community Service District was founded June 13, 1966, under the provision of Section 61600 of the Government Code of the State of California. The Health and Safety Code and the Water Code of the State of California regulate the District's operations.

The District provides water, sewer, lighting, and park services to the community of Madison and a nearby migrant housing center in Yolo County.

A five-member board of directors who are elected at large by the voters in the District, or appointed by the County Board of Supervisors in lieu of election governs the District. Each director serves a four-year term.

B. Basis of Accounting

The District's 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 accounting period in which they are incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenues as soon as eligibility requirements have been met.

Operating revenues include charges for water, sewer, waste disposal, and lighting services and result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grants and investment earnings, result from nonexchange transactions or ancillary activities.

C. Implementation of Governmental Accounting Standards Board Statements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. The District became subject to the following GASB Statements for the years ended June 30, 2016 and 2015:

In June 2012, GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local government for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The District has determined that this Statement does not have a material impact on the financial statements.

**MADISON COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. Implementation of Governmental Accounting Standards Board Statements, (Continued)

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The District has determined that this Statement does not have a material impact on the financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement was implemented as of July 1, 2014.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The District has determined that this Statement does not have a material impact on the financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The District has determined that this Statement does not have a material impact on the financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District has determined that this Statement does not have a material impact on the financial statements.

D. Cash and Investments

For purposes of the Statement of Cash Flows, the total of restricted and unrestricted cash comprises cash and cash equivalents. Cash equivalents are defined as all cash and investments with maturities of 90 days or less and the District's investment in the County of Yolo's cash and investments pool.

E. Accounts Receivable

Accounts receivable are recorded at their gross value and, where appropriate, are reduced by the portion that is considered uncollectible. Accounts receivable consists primarily of service fees that have been billed but not paid as of year-end and amounts due from other governments. Management has determined its accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is necessary.

**MADISON COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

F. Capital Assets

All capital assets, including infrastructure, are capitalized by the District. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value. Depreciation of exhaustible assets is charged as an expense against operations. Capital assets of the District are reported in the balance sheet net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the capital assets as follows:

Water and Sewer Lines	50 to 75 Years
Structures and improvements	5 to 50 years
Equipment and vehicles	5 to 25 years

G. Net Position

Net position is displayed in three components:

- *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted net position* - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

H. Fair Value Measurement

As of July 1, 2014, the District retrospectively applied GASB Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

I. 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 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.

**MADISON COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

NOTE 2. CASH AND INVESTMENTS

The District's cash and investments at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash:		
Imprest cash	\$ 300	\$ 300
Deposits with others	3,313	2,459
Total Cash	<u>3,613</u>	<u>2,759</u>
Cash and Investments held with the County of Yolo:		
Unrestricted	359,707	328,245
Restricted for developer fees	2,612	2,587
Total Cash and Investment held with the County of Yolo	<u>362,319</u>	<u>330,832</u>
Total Cash and Investments	<u>\$ 365,932</u>	<u>\$ 333,591</u>

The District holds restricted and unrestricted cash and investments with the Treasurer of the County of Yolo in a cash and investment pool. On a quarterly basis the Auditor Controller allocates interest to participants based upon their average daily balances. The Treasurer's investment and policies are overseen by the Yolo County Treasury Oversight Committee. Required disclosure information regarding the credit risk, custodial credit risk, concentration risk, and interest rate risk of investments can be found in the County of Yolo's basic financial statements.

A. Investments

The District's investment policy does not define criteria for selecting acceptable financial institutions, brokers/dealers, or allowable investment types as defined by Government Code 53635. Therefore, the District utilizes the Government Code 53635.

At June 30, 2016, the District had the following investments:

	<u>Maturities</u>	<u>Par</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and Investments held in the County of Yolo Treasury Pool	On Demand	\$ 362,319	\$ 362,319	\$ 362,319

At June 30, 2015, the District had the following investments:

	<u>Maturities</u>	<u>Par</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and Investments held in the County of Yolo Treasury Pool	On Demand	\$ 330,832	\$ 330,832	\$ 330,832

**MADISON COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the County Pool are made on the basis of \$1 and not fair value. Accordingly, the measurement of fair value of the District's proportionate share of investments in the County Pool at June 30, 2016 and at June 30, 2015 is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

NOTE 3. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital Assets, Not Being Depreciated:				
Land	\$ 42,727	\$ -	\$ -	\$ 42,727
Total Capital Assets, Not Being Depreciated	42,727	-	-	42,727
Capital Assets, Being Depreciated:				
Structures and improvements	1,833,429	-	-	1,833,429
Equipment	54,812	-	-	54,812
Total Capital Assets, Being Depreciated	1,888,241	-	-	1,888,241
Less accumulated depreciation for:				
Structures and improvements	(740,798)	(59,887)	-	(800,685)
Equipment	(50,965)	(1,467)	-	(52,432)
Total Accumulated Depreciation	(791,763)	(61,354)	-	(853,117)
Total Capital Assets, Being Depreciated, Net	1,096,478	(61,354)	-	1,035,124
Net Capital Assets	\$ 1,139,205	\$ (61,354)	\$ -	\$ 1,077,851

**MADISON COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

NOTE 3. CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital Assets, Not Being Depreciated:				
Land	\$ 42,727	\$ -	\$ -	\$ 42,727
Total Capital Assets, Not Being Depreciated	42,727	-	-	42,727
Capital Assets, Being Depreciated:				
Structures and improvements	1,833,429	-	-	1,833,429
Equipment	54,812	-	-	54,812
Total Capital Assets, Being Depreciated	1,888,241	-	-	1,888,241
Less accumulated depreciation for:				
Structures and improvements	(680,911)	(59,887)	-	(740,798)
Equipment	(49,496)	(1,469)	-	(50,965)
Total Accumulated Depreciation	(730,407)	(61,356)	-	(791,763)
Total Capital Assets, Being Depreciated, Net	1,157,834	(61,356)	-	1,096,478
Net capital assets	<u>\$ 1,200,561</u>	<u>\$ (61,356)</u>	<u>\$ -</u>	<u>\$ 1,139,205</u>

NOTE 4. LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Loans payable	\$ 174,070	\$ -	\$ (10,475)	\$ 163,595	\$ 10,794

The following is a summary of long-term liabilities transactions for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Loans payable	\$ 184,237	\$ -	\$ (10,167)	\$ 174,070	\$ 10,475

Loans Payable

In May of 2003, the District obtained Community Development Block Grant (CDBG) funding from the County of Yolo in the amount of \$30,000 to help finance a planning study of a new well for the community of Madison. Of the \$30,000, \$14,700 was granted to the District and \$15,300 was loaned to the District. The term of the loan is 15 years with payments being deferred for 3 years from the date of closing. Simple interest accrues at 3 percent per annum and both principal and interest payments are due monthly through the maturity of the loan.

**MADISON COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

NOTE 4. LONG-TERM DEBT (CONTINUED)

Loans Payable (Continued)

As of June 30, 2016 and 2015, annual debt service requirements to maturity are as follows:

Year Ended June 30, 2015	Loan Payable		Year Ended June 30, 2016	Loan Payable	
	Principal	Interest		Principal	Interest
2016	\$ 1,131	\$ 389	2017	\$ 1,166	\$ 354
2017	1,166	354	2018	11,174	319
2018	11,174	319			
Total	\$ 13,471	\$ 1,062	Total	\$ 12,340	\$ 673

In August 2003, the District obtained CDBG funding from the County of Yolo in the amount of \$70,100 to purchase a 4-stage turbine pump and motor. Of the \$70,100, \$34,349 was granted to the District and \$35,751 was loaned to the District. The equipment was also used as collateral to secure the loan. The terms of the loan is 12 years with payments being deferred for three years from the date of closing. Simple interest accrues at 3 percent per annum and both principal and interest payments are due monthly through the maturity of the loan.

As of June 30, 2016 and 2015, annual debt service requirements to maturity are as follows:

Year Ended June 30, 2015	Loan Payable		Year Ended June 30, 2016	Loan Payable	
	Principal	Interest		Principal	Interest
2016	\$ 2,652	\$ 899	2017	\$ 2,733	\$ 818
2017	2,733	818	2018	2,816	735
2018	2,816	735	2019	22,974	114
2019	22,974	114			
Total	\$ 31,175	\$ 2,566	Total	\$ 28,523	\$ 1,667

In November 2007, the District obtained CDBG funding from the County of Yolo in the amount of \$75,000 for Waste Water Treatment Improvements. The term of the loan is 30 years with payments being deferred for five years from the date of closing. Simple interest accrues at 3 percent per annum and both principal and interest payments are due monthly through the maturity of the loan.

As of June 30, 2016 and 2015, annual debt service requirements to maturity are as follows:

Year Ended June 30, 2015	Loan Payable		Year Ended June 30, 2016	Loan Payable	
	Principal	Interest		Principal	Interest
2016	\$ 2,216	\$ 2,052	2017	\$ 2,283	\$ 1,984
2017	2,283	1,984	2018	2,353	1,915
2018	2,353	1,915	2019	2,425	1,843
2019	2,425	1,843	2020	2,498	1,770
2020	2,498	1,770	2021	2,574	1,694
2021-2025	13,678	7,661	2022-2026	14,094	7,245
2026-2030	15,889	5,451	2027-2031	16,372	4,967
2031-2035	18,457	2,883	2032-2036	19,018	2,321
2036-2038	9,606	352	2037-2038	5,571	119
Total	\$ 69,405	\$ 25,911	Total	\$ 67,188	\$ 23,858

**MADISON COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

NOTE 4. LONG-TERM DEBT (CONTINUED)

Loans Payable (Continued)

In October 2011, the District obtained CDBG funding from the County of Yolo in the amount of \$75,000 for a sewage pump replacement project. The term of the loan is 15 years with payments beginning December 1, 2011. Simple interest accrues at 3 percent per annum and both principal and interest payments are due monthly through the maturity of the loan.

As of June 30, 2016 and 2015, annual debt service requirements to maturity are as follows:

Year Ended June 30, 2015	Loan Payable		Year Ended June 30, 2016	Loan Payable	
	Principal	Interest		Principal	Interest
2016	\$ 4,476	\$ 1,739	2017	\$ 4,612	\$ 1,603
2017	4,612	1,603	2018	4,752	1,463
2018	4,752	1,463	2019	4,897	1,318
2019	4,897	1,318	2020	5,046	1,169
2020	5,046	1,169	2021	5,199	1,016
2021-2025	27,627	3,450	2022-2026	28,467	2,609
2026-2027	8,609	195	2027	2,570	19
Total	\$ 60,019	\$ 10,937	Total	\$ 55,543	\$ 9,197

As of June 30, 2016 and 2015, the combined annual debt service requirements to maturity for all loans payable is the following:

Year Ended June 30, 2015	Loan Payable		Year Ended June 30, 2016	Loan Payable	
	Principal	Interest		Principal	Interest
2016	\$ 10,475	\$ 5,079	2017	\$ 10,794	\$ 4,759
2017	10,794	4,759	2018	21,095	4,432
2018	21,095	4,432	2019	30,296	3,275
2019	30,296	3,275	2020	7,544	2,939
2020	7,544	2,939	2021	7,773	2,710
2021-2025	41,305	11,111	2022-2026	42,561	9,854
2026-2030	24,498	5,646	2027-2031	18,942	4,986
2031-2035	18,457	2,883	2032-2036	19,018	2,321
2036-2038	9,606	352	2037-2038	5,571	119
Total	\$ 174,070	\$ 40,476	Total	\$ 163,594	\$ 35,395

NOTE 5. RISK MANAGEMENT

The District is exposed to various risks of loss related to theft, damage and/or destruction of assets, errors and omissions and general liability. The District participates in the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA), a joint powers agency (risk sharing pool). Fourteen local agencies participate in the pool. Each participating agency makes a cash payment for each year of participation in an amount approved by the Authority's Board of Directors. New members must remain a part the fund for a minimum of three years and give six months written notice before withdrawing from the pool. Participation by the agencies is authorized pursuant to California Government Code section 6500. The District is covered for general liability and automobile liability, workers' compensation, property damage, and fidelity through YCPARMIA. Through YCPARMIA membership in the California Joint Powers Insurance Authority (CALJPIA), the County is provided with an excess coverage fund for catastrophic liability losses. Loss contingency reserves established by YCPARMIA are funded by contributions from member agencies.



**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**

To the Board of Directors
Madison Community Service District
Madison, 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 Madison Community Service District (District) as of and for the years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 6, 2019

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 opinion 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
June 6, 2019