



**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, 2014 and June 30, 2013. 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 2014 and 2013. 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.

*Vavrinick, 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, 2014 and June 30, 2013

**MADISON COMMUNITY SERVICE DISTRICT**

**FOR THE YEARS ENDED  
JUNE 30, 2014 AND JUNE 30, 2013**

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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, 2014 and June 30, 2013, 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 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 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 opinions

### *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, 2014 and June 30, 2013, 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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current Assets		
Cash and investments	\$ 318,191	\$ 295,035
Accounts receivable	11,791	11,493
Due from other governments	-	9,120
Total Current Assets	<u>329,982</u>	<u>315,648</u>
Non-current assets:		
Capital Assets:		
Non-depreciable	42,727	42,727
Depreciable, net	1,157,834	1,223,002
Restricted cash and investments	2,579	2,571
Total Non-Current Assets	<u>1,203,140</u>	<u>1,268,300</u>
Total Assets	<u>1,533,122</u>	<u>1,583,948</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	15,884	11,741
Accrued liabilities	3,642	3,216
Interest payable	435	461
Loans payable (due within one year)	10,167	9,177
Total Current Liabilities	<u>30,128</u>	<u>24,595</u>
Non-Current Liabilities		
Loans payable	174,070	184,237
Total Liabilities	<u>204,198</u>	<u>208,832</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,016,324	1,072,315
Restricted:		
Developer Fees/CDBG Grant	2,579	2,571
Unrestricted	310,021	300,230
Total Net Position	<u>\$ 1,328,924</u>	<u>\$ 1,375,116</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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 234,140	\$ 225,808
Other revenue	-	60
Total Operating Revenues	<u>234,140</u>	<u>225,868</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	93,936	89,615
Services and supplies	103,881	89,445
Depreciation	65,168	40,470
Other operating expenses	13,875	10,873
Total Operating Expenses	<u>276,860</u>	<u>230,403</u>
Net Operating Income (Loss)	<u>(42,720)</u>	<u>(4,535)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest expense	(4,930)	(248)
Use of money and property	958	820
Non-capital contributions and donations	500	-
Total Non-Operating Revenues (Expenses)	<u>(3,472)</u>	<u>572</u>
Net Change in Net Position	(46,192)	(3,963)
Net Position - Beginning of Year	<u>1,375,116</u>	<u>1,379,079</u>
Net Position - End of Year	<u><u>\$ 1,328,924</u></u>	<u><u>\$ 1,375,116</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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 242,962	\$ 216,581
Cash paid to suppliers for goods and services	(113,213)	(100,238)
Cash paid to employees for services	(93,936)	(89,615)
Net Cash Provided (Used) by Operating Activities	<u>35,813</u>	<u>26,728</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Interest paid on loan	(4,930)	(249)
Principal payments on loan	(9,177)	(6,797)
Non-capital contribution	500	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(13,607)</u>	<u>(7,046)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	958	820
Net Increase (Decrease) in Cash and Cash Equivalents	23,164	20,502
Cash and Cash Equivalents, Beginning of Year	297,606	277,104
Cash and Cash Equivalents, End of Year	<u>\$ 320,770</u>	<u>\$ 297,606</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</b>		
Cash and investments	\$ 318,191	\$ 295,035
Restricted cash and investments	2,579	2,571
Cash and Cash Equivalents	<u>\$ 320,770</u>	<u>\$ 297,606</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, 2014 AND 2013**

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

	<u>2014</u>	<u>2013</u>
Operating Income (Loss)	\$ (42,720)	\$ (4,535)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	65,168	40,470
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(298)	(167)
Due from other governments	9,120	(9,120)
Increase (decrease) in:		
Accounts payable	4,143	7,948
Interest Payable	(26)	(7,867)
Accrued liabilities	426	(1)
Net Cash Provided (Used) by Operating Activities	<u>\$ 35,813</u>	<u>\$ 26,728</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, 2014 AND JUNE 30, 2013**

**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, 2014 and 2013:

In December 2010, GASB issued Statement No. 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 39*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The District has implemented this Statement as of July 1, 2012.

In December 2010, GASB issued Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement improves financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The provisions of the Statement are effective for periods beginning after December 15, 2011. The District has implemented this Statement as of July 1, 2012.

**MADISON COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

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

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

In June 2011, GASB issued Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on net position. It alleviates uncertainty about reporting those financial statements elements by providing guidance where none previously existed. The District has implemented this Statement as of July 1, 2012.

In March 2012, GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement sets forth criteria to properly classify items previously reported assets and liabilities as deferred outflows of resources and deferred inflows of resources. The District has implemented this Statement as of July 1, 2012.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The District has implemented this Statement as of July 1, 2012.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. 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 interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The District has determined that this Statement does not have a material impact on the financial statements.

In April 2013, GASB issued Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The District has determined that this Statement does not have a material impact on the financial statements.

**D. Cash**

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.

**MADISON COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

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

**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.

**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 assets are valued at their estimated fair market value. Depreciation of exhaustible capital 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. 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, 2014 AND JUNE 30, 2013**

**NOTE 2. CASH AND INVESTMENTS**

The District's cash and investments at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Cash:		
Imprest cash	\$ 300	\$ 300
Cash and Investments held with the County of Yolo:		
Unrestricted	317,891	294,735
Restricted for developer fees	2,579	2,571
Total Cash and Investment held with the County of Yolo	<u>320,470</u>	<u>297,306</u>
Total Cash and Investments	<u>\$ 320,770</u>	<u>\$ 297,606</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, 2014, 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	\$ 320,470	\$ 320,470	\$ 320,470

At June 30, 2013, 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	\$ 297,306	\$ 297,306	\$ 297,306

**MADISON COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

**NOTE 3. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
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	(621,024)	(59,887)	-	(680,911)
Equipment	(44,215)	(5,281)	-	(49,496)
Total Accumulated Depreciation	(665,239)	(65,168)	-	(730,407)
Total Capital Assets, Being Depreciated, Net	1,223,002	(65,168)	-	1,157,834
Net Capital Assets	\$ 1,265,729	\$ (65,168)	\$ -	\$ 1,200,561

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
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	(585,836)	(35,188)	-	(621,024)
Equipment	(38,934)	(5,281)	-	(44,215)
Total Accumulated Depreciation	(624,770)	(40,469)	-	(665,239)
Total Capital Assets, Being Depreciated, Net	1,263,471	(40,469)	-	1,223,002
Net capital assets	\$ 1,306,198	\$ (40,469)	\$ -	\$ 1,265,729

**MADISON COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

**NOTE 4. LONG-TERM DEBT**

The following is a summary of long-term liabilities transactions for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
Loans payable	\$ 193,414	\$ -	\$ (9,177)	\$ 184,237	\$ 10,167

The following is a summary of long-term liabilities transactions for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
Loans payable	\$ 200,211	\$ 3,083	\$ (9,880)	\$ 193,414	\$ 9,177

**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.

As of June 30, 2014 and 2013, annual debt service requirements to maturity are as follows:

Year Ended June 30, 2013	Loan Payable		Year Ended June 30, 2014	Loan Payable	
	Principal	Interest		Principal	Interest
2014	\$ 1,065	\$ 454	2015	\$ 1,098	\$ 422
2015	1,098	422	2016	1,131	389
2016	1,131	389	2017	1,166	354
2017	1,166	354	2018	11,174	319
2018	11,174	319			
Total	\$ 15,634	\$ 1,938	Total	\$ 14,569	\$ 1,484

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.



**MADISON COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

**NOTE 4. LONG-TERM DEBT, (CONTINUED)**

As of June 30, 2014 and 2013, annual debt service requirements to maturity are as follows:

Year Ended June 30, 2013	Loan Payable		Year Ended June 30, 2014	Loan Payable	
	Principal	Interest		Principal	Interest
2014	\$ 2,498	\$ 1,053	2015	\$ 2,574	\$ 977
2015	2,574	977	2016	2,652	899
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	<u>\$ 36,247</u>	<u>\$ 4,596</u>	Total	<u>\$ 33,749</u>	<u>\$ 3,543</u>

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% per annum and both principal and interest payments are due monthly through the maturity of the loan.

As of June 30, 2014 and 2013, annual debt service requirements to maturity are as follows:

Year Ended June 30, 2013	Loan Payable		Year Ended June 30, 2014	Loan Payable	
	Principal	Interest		Principal	Interest
2014	\$ 1,398	\$ 1,447	2015	\$ 2,151	\$ 2,117
2015	2,151	2,117	2016	2,216	2,052
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
2019-2023	12,883	8,457	2020-2024	13,275	8,065
2024-2028	14,965	6,375	2025-2029	15,420	5,920
2029-2033	17,383	3,956	2030-2034	17,912	3,428
2034-2038	17,322	1,172	2035-2038	13,521	704
Total	<u>\$ 72,954</u>	<u>\$ 29,475</u>	Total	<u>\$ 71,556</u>	<u>\$ 28,028</u>

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.

**MADISON COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013**

**NOTE 4. LONG-TERM DEBT, (CONTINUED)**

As of June 30, 2014 and 2013, annual debt service requirements to maturity is as follows:

Year Ended June 30, 2013	Loan Payable		Year Ended June 30, 2014	Loan Payable	
	Principal	Interest		Principal	Interest
2014	\$ 4,216	\$ 2,000	2015	\$ 4,344	\$ 1,871
2015	4,344	1,871	2016	4,476	1,739
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
2019-2023	26,020	5,057	2020-2024	26,811	4,265
2024-2027	20,159	1,076	2025-2027	14,471	549
Total	\$ 68,579	\$ 14,809	Total	\$ 64,363	\$ 12,808

As of June 30, 2014 and 2013, the combined annual debt service requirements to maturity for all loans payable is the following:

Year Ended June 30, 2013	Loan Payable		Year Ended June 30, 2014	Loan Payable	
	Principal	Interest		Principal	Interest
2014	\$ 9,177	\$ 4,954	2015	\$ 10,167	\$ 5,387
2015	10,167	5,387	2016	10,475	5,079
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
2019-2023	61,877	13,628	2020-2024	40,086	12,330
2024-2028	35,124	7,451	2025-2029	29,891	6,469
2029-2033	17,383	3,956	2030-2034	17,912	3,428
2034-2038	17,322	1,172	2035-2038	13,521	704
Total	\$ 193,414	\$ 50,818	Total	\$ 184,237	\$ 45,863

**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, 2014 and June 30, 2013, 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