

INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR'S
REPORT
AND
FINANCIAL STATEMENTS**

**LINNE COMMUNITY SERVICES
DISTRICT**

For the Year Ending June 30, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

I have audited the accompanying financial statements of Linne Community Services District which comprise of the balance sheet as of June 30, 2023, the related income statement, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair representation of these financial statements in accordance with the Unites States GAAP (Generally Accepted Accounting Principles). This responsibility includes designing, implementing and maintaining 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

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with the Unites States GAAP (Generally Accepted Accounting Principles) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the Unites States. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from materials 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 risks 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of Linne Community Services District as of June 30, 2023, and its financial performance changes in equity, and its cash flow for the year then ended in accordance with the Unites States Generally Accepted Accounting Principles.

Aletha Ens
Layered Accounting, Inc.

INDEPENDENT AUDITOR'S REPORT

LINNE COMMUNITY SERVICES DISTRICT STATEMENT OF NET POSITION JUNE 30, 2023

	06/30/2023 UNRESTRICTED GENERAL FUND	06/30/2022 UNRESTRICTED GENERAL FUND
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	\$ 76,057	\$ 80,405
ACCOUNTS RECEIVABLE	2,959	1,470
TOTAL CURRENT ASSETS	79,016	81,875
PROPERTY AND EQUIPMENT		
PROPERTY AND EQUIPMENT, NET DEPRECIATION	0	0
OTHER ASSETS		
LOAN FEES, NET AMORTIZATION	0	0
TOTAL OTHER ASSETS	0	0
TOTAL ASSETS	79,016	\$ 81,875
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 3,000	\$ 0
TOTAL CURRENT LIABILITIES	3,000	0
LONG-TERM LIABILITIES		
NOTES PAYABLE	\$ 0	\$ 0
TOTAL LONG-TERM LIABILITIES	0	0
TOTAL LIABILITIES	3,000	0
FUND BALANCES		
UNRESTRICTED	76,016	81,875
TOTAL LIABILITIES AND FUND BALANCES	\$ 79,016	\$ 81,875

INDEPENDENT AUDITOR'S REPORT

LINNE COMMUNITY SERVICES DISTRICT STATEMENT OF ACTIVITIES JUNE 30, 2023

	06/30/2023 ACTUAL	06/30/2023 BUDGET
INCOME AND SUPPORT		
COUNTY TAX RECEIVED	\$ 83,083	\$ 82,000
INTEREST	5	0
OTHER INCOME	0	0
TOTAL INCOME AND SUPPORT	83,088	82,000
EXPENSES		
PROGRAM SERVICES	81,058	85,550
MANAGEMENT AND GENERAL	7,889	3,650
TOTAL EXPENSES	88,947	89,200
CHANGE IN NET INCOME	\$(5,859)	\$ (7,200)

INDEPENDENT AUDITOR'S REPORT

LINNE COMMUNITY SERVICES DISTRICT STATEMENT OF CHANGES IN FUND BALANCE JUNE 30, 2023

	UNRESTRICTED GENERAL FUND
FUND BALANCE – JUNE 30, 2021	\$ 78,981
CHANGE IN FUND BALANCE	2,894
FUND BALANCE – JUNE 30, 2022	81,875
CHANGE IN FUND BALANCE	(5,859)
FUND BALANCE – JUNE 30, 2023	\$ 76,016

INDEPENDENT AUDITOR'S REPORT

LINNE COMMUNITY SERVICES DISTRICT STATEMENT OF FUNCTIONAL EXPENSES JUNE 30, 2023

EXPENSES

INSURANCE
MISCELLANEOUS ADMIN EXPENSES
ROAD MAINTENANCE
TREE TRIMMING & REMOVAL
PROFESSIONAL AND OUTSIDE SERVICES
WEED ABATEMENT
COUNTY CLERK ELECTION FEES

TOTAL EXPENSES

06/30/2023			BUDGET
PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTALS	TOTALS
\$ 0	\$ 3,075	\$ 3,075	\$ 2,900
0	314	314	250
79,617	0	79,617	75,000
1,441	0	1,441	600
0	4,500	4,500	5,000
0	0	0	4,950
0	0	0	500
\$ 81,058	\$ 7,889	\$ 88,947	\$ 89,200

INDEPENDENT AUDITOR'S REPORT

LINNE COMMUNITY SERVICES DISTRICT STATEMENT OF CASH FLOWS JUNE 30, 2023

	06/30/2023 TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES	\$ (5,859)
CHANGE IN FUND BALANCE	
ADJUSTMENTS TO RECONCILE CHANGE IN FUND BALANCE TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
CHANGE IN ACCOUNTS RECEIVABLE	(1,489)
CHANGE IN DEPOSITS	
CHANGE IN ACCOUNTS PAYABLE	3,000
CHANGE IN ACCRUED EXPENSES	
CHANGE IN FUNDS DUE TO OTHERS	
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	(4,348)
CASH FLOWS FROM INVESTING ACTIVITIES	
PURCHASE OF PROPERTY AND EQUIPMENT	
NET CASH FLOWS USED BY INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES	
PAYMENTS ON LONG-TERM NOTES	
NET CASH FLOWS USED BY FINANCING ACTIVITIES	
NET CHANGE IN CASH	(4,348)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	80,405
CASH AND CASH EQUIVALENTS AT END OF PERIOD	76,057

INDEPENDENT AUDITOR'S REPORT

LINNE COMMUNITY SERVICES DISTRICT NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023

NOTE 1: ORGANIZATION

Linne Community Services District was formed in 1979, organized under the laws of the State of California as a Special District. The district operates under a Board of Directors form of government and provides road maintenance and road improvement services.

The District complies with US Generally Accepted Accounting Principles and all relevant Governmental Accounting Standards Board pronouncements. These technical pronouncements establish criteria for determining the District's activities and functions that are included in the financial statements of a governmental unit. Management has elected not to include a management discussion and analysis, which is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles. The District also maintains a separate general ledger with the County of San Luis Obispo.

NOTE 2: SUMMARY OF SIGNICANT ACCOUNTING POLICIES

Reporting Entity

The reporting entity is the Linne Community Services District. There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statements No. 39, No. 61, and No. 80.

Basis of Accounting

The financial statements of Linne Community Services District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on the modified accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after fiscal year-end.

INDEPENDENT AUDITOR'S REPORT

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from the non-exchange transactions must also be available before it can be recognized.

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the District. Governmental activities are normally supported by tax and intergovernmental revenues.

The government-wide financial statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by the program revenues. Direct expenses are those that are clearly identifiable with a specific

INDEPENDENT AUDITOR'S REPORT

function. The district does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges to customers who directly benefit from the goods/services and grants or contributions that are restricted to meeting the operational or capital requirements of a particular function. The Statement of Net Position demonstrates the position the organization is in with regards to assets and liabilities. The Statement of Cash Flows demonstrates the current cash position of the organization as of the fiscal year end.

Basis of Presentation

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into one major fund. The General Fund is the general operating fund of the District. It is used to account for all financial resources of the general government.

Budgets and Budgetary Accounting

In accordance with the California Government Code and other statutory provisions, on or before June 30 for each fiscal year, the District must prepare and submit a budget to the County Auditor. The annual budget is adopted for the general fund. The District budget is prepared on a modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. Annually, the Board of Directors conducts a public hearing for the discussion of a proposed budget. At the conclusion of the hearings, the Board adopts the final fiscal budget. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriation) is maintained at the object level. Any changes in the annual budget must be within the revenues and reserves estimated by the District or the revenue estimates must be changed by a vote of the Board.

INDEPENDENT AUDITOR'S REPORT

Fair Value Measurements

Linne Community Services District follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. This guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

For purposes of financial reporting, Linne Community Services District has determined that the fair values of its financial instruments, which include cash equivalents, accounts receivable and accounts payable, approximate the carrying values at June 30, 2023, based on their short maturities and/or the terms available to the Organization in financial markets.

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts, time deposits, certificates of deposit and all highly liquid investments with original maturities of three months or less. The District also maintains some cash in the San Luis Obispo County Treasurer's cash management investment pool.

Accounts Receivable

Management has determined that an allowance for doubtful accounts receivable would be zero based on the organization's credit policies, prior collection experience, and the type of customers associated with Linne Community Services District. All receivables are deemed to be collected as of June 30, 2023.

Property Taxes

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at

INDEPENDENT AUDITOR'S REPORT

one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The State Legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuations/Lien Dates(s)	January 1	January 1
Levy Date(s)	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 (Nov) April 10 (Feb)	August 31

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Fund Balances

Fund balances of the governmental funds are classified as follows:

Non-spendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid expenditures) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are considered by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget.

INDEPENDENT AUDITOR'S REPORT

Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

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

Net position that is net investment in capital assets of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it 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.

INDEPENDENT AUDITOR'S REPORT

NOTE 3: CASH AND INVESTMENTS

On June 30, 2023, the District had the following cash on hand:

Cash held by banks	\$ 76,057
Cash held by San Luis Obispo County Pool	<u>\$ 2,959</u>
Total Cash	\$ 79,016

Investments Authorized by District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Max Percentage of Portfolio</u>	<u>Max Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75 million
JPA Pools (other investment pools)	N/A	None	None

INDEPENDENT AUDITOR'S REPORT

Interest Rate Risk

Information about the sensitivity of the fair value of the District's investments to the market interest rate fluctuations is solely related to the investments in the San Luis Obispo County Investment Pool. The maturity of the current and past investment has been 12 months or less.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the District to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at high-quality financial institutions and accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2023, none of the District's deposits with financial institutions were in excess of federal depository insurance limits.

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 California Government Code. There are no investments in any one issuer that represent 5% or more of the total District investments.

NOTE 4: JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. Seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing programs listed below for the program period July 1, 2022 through June 30, 2023.

General and Auto Liability, Public Officials' and Employees' Errors, and Employment Practices Liability and Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 202021. This covers \$2,500,000 per occurrence, subject to \$1,000 policy deductibles.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 202021. This policy includes a \$400,000 Public Employee Dishonesty Blanket Coverage.

Property Loss: Special District Risk Management Authority, coverage number PPC SDRMA 202021. This policy covers the replacement cost for property on file, \$1,000,000 per occurrence, subject to \$500 policy deductibles.

The District also participated in the elective comprehensive/collision coverage on selected vehicles, subject to policy deductibles.

INDEPENDENT AUDITOR'S REPORT

Personal Liability Coverage for Board Members: This policy covers \$500,000 per occurrence, coverage number LCA SDRMA 202021, annual segregate per each selected/appointed official, subject to \$500 policy deductibles.

Members are subject to dividends and/or assessments, in accordance with Second Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied.

NOTE 5: COMMITMENTS, CONTINGENCIES, RELATED PARTY AND SUBSEQUENT EVENTS

According to the District's staff and attorney, no contingent liabilities or lawsuits are pending of any financial consequence as of June 30, 2023.

The District occasionally receives grant monies as reimbursements for specific costs incurred in certain projects it administers that may be subject to review and audit by the reimbursing agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material. The District did not receive any grant funding during the fiscal year ended June 30, 2023.

According to the District's staff, no related party transactions of any financial consequence occurred in the fiscal year ended June 30, 2023.

NOTE 6: SUBSEQUENT EVENTS

Linne Community Services District has evaluated events after June 30, 2023, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through December 31, 2023, the date these financial statements were available to the preparer. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

INDEPENDENT AUDITOR'S REPORT

Contact Information

ALETHA ENS
OWNER/ACCOUNTANT



aletha@layeredaccounting.com

Layered Accounting, Inc.
1075 Rossi Rd, Suite B
Templeton, CA 93465
805-952-5535
www.layeredaccounting.com



