

Linne Community Services District



Financial Structure and Reporting Policies and Procedures



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Entity Description

A Community Services District (CSD) in California is a local government agency — not a corporation, nonprofit, or private entity. Thus, the Linne Community Services District (LCSD) is a local government agency under the State of California.

- **Type of Entity:** It is classified as a “special district” formed under California Government Code §61000 et seq. (the Community Services District Law). That makes it a political subdivision of the State of California, like a water district or fire protection district.
- **Tax Status:** The LCSD is tax-exempt because it is a governmental entity, not because it filed under the IRS 501(c) rules like a nonprofit would. Instead, its exemption comes automatically under IRC §115 — income earned from performing essential governmental functions isn’t subject to federal income tax.
- **Filing & Oversight:**
 - It must file annual reports (like the State Controller’s Report) and maintain public transparency (Brown Act, Public Records Act).
 - It has its own Employer Identification Number (EIN) if it pays employees or vendors.

Legal and Financial Responsibilities

1. Federal Level

- No income tax returns (Form 1120 or 990) required. CSDs are exempt from federal income tax under IRC §115, since their revenue comes from performing essential public functions (road maintenance, water, etc.).
- EIN still required for banking, payroll, and vendor reporting.
- Payroll reporting applies if the district has employees:
 - Form 941: Quarterly payroll tax return
 - Form W-2: Employee wage reporting
 - Form 1099-NEC: Contractor payments

2. State Level (California)

- No corporate income tax filing required. CSDs are political subdivisions, not corporations, so they are exempt from California franchise and income taxes.
- Annual State Controller’s Report: the key filing that reports revenues, expenditures, assets, liabilities, and fund balances.
- Transparency requirements include:
 - Brown Act (open meetings)
 - Public Records Act
 - Annual budget adoption and posting

3. Accounting & Financial Reporting

- Follow Governmental Accounting Standards Board (GASB) principles (fund accounting), not GAAP for corporations.
- Common fund types:
 - General Fund: all primary operations
 - Capital Projects Fund: for major road or facility projects
 - Special Revenue Fund: for specific fee-based programs
- Annual Financial Statements typically include:
 - Balance Sheet (Statement of Net Position)
 - Income Statement (Statement of Revenues, Expenditures, and Changes in Fund Balance)
 - Schedule of Cash

4. Audit / Oversight

- If total revenues exceed \$150,000, an annual audit by an independent CPA is generally required.
- Smaller districts may opt for a compilation or review report depending on board policy.

5. Annual Reporting Calendar

- **January–March:** Prepare and submit annual budget for the next fiscal year.
- **April–June:** Finalize any audit for the previous fiscal year.
- **February:** File State Controller’s Report for the prior fiscal year.
- **Annually:** Issue W-2 and 1099-NEC forms by January 31.
- **Ongoing:** Maintain compliance with the Brown Act and Public Records Act.

This schedule provides a practical roadmap for maintaining compliance and transparency as a California Community Services District.

Annual State Controller's Report

Goal and Purpose

GOAL: Submit the Special Districts Financial Transactions Report to the California State Controller's Office (SCO) by January 31 each year. This is one of the key requirements to be fulfilled by the treasurer.

PURPOSE: As a community services district (CSD) in California, the treasurer files the annual report to the State Controller's Office (SCO) called the "Special Districts Financial Transactions Report." It is required under Government Code §53891, and every special district — including CSDs — must file it each year, typically by late January for the prior fiscal year ending June 30. The report is filed electronically through the SCO's Government Financial Reports (GFR) portal. Most districts prepare it from their audited financial statements or year-end QuickBooks data, depending on size and complexity.

Required Report Elements

1. General Information

- District name, address, contact, governing board info
- Services provided (e.g., roads, etc.)
- Population served and number of employees (any?)

2. Financial Data

- Revenues: property taxes, service charges, grants, interest, and other income sources
- Expenditures: by function (administration, operations, maintenance, etc.) and by category (salaries, benefits, services, supplies, capital outlay, etc.)
- Debt: outstanding loans, bonds, leases
- Fund Balances / Net Position: beginning and ending balances for each fund type

3. Capital Assets (Not applicable to LCSD)

- Additions and disposals during the year
- Total value of land, infrastructure, equipment, and buildings

4. Enterprise Activities (Not applicable to LCSD)

- Separate reporting for utilities or fee-based services (like water or wastewater systems)

5. Other Disclosures (Not applicable for LCSD)

- Compensation of the five highest-paid employees
- Pension and OPEB (Other Post-Employment Benefits) data if applicable

Mapping Matrix

Quick Rules of Thumb

- All “Prop Tax ... (Secured / Unsecured / Unitary / Supplemental / Current / PY)” lines roll up to Property Taxes on the State Controller report.
- For CSD, “Service Charges” is the parcel-based road maintenance assessment (reported as Property Assessments).
- State aid lines (e.g., HO Property Tax Relief) roll up to Intergovernmental Revenue – State.
- Admin cost withholdings (e.g., SB2557) are expenses (Administration), not revenue.

County Code / Label	County Description	State Controller Category	Notes
4000005 Prop Tax-Curr Sec	Current-year secured property tax (real property)	Property Taxes	Revenue
4000025 Prop Tax-Curr Unsec	Current-year unsecured property tax (personal property)	Property Taxes	Revenue
Property Tax Unitary	Utility/railroad unitary property tax apportionment	Property Taxes	Revenue
Supplemental (Sec/Unsec)	Supplemental tax from ownership change/new construction	Property Taxes	Revenue
Prop Tax-PY (Sec/Unsec)	Prior-year property tax collections/true-ups	Property Taxes	Revenue (can be +/-)
Prop Tax-PY-Sup (Sec/Unsec)	Prior-year supplemental collections/true-ups	Property Taxes	Revenue (can be +/-)
4010035 Penalties/Int-Delinq	Penalty/interest on delinquent property taxes	Property Taxes	Typically reported with property taxes; can be +/- adjustments
4351085 Service Charges	Parcel / direct charge collected on the tax roll for the District (road assessment)	Property Assessments	For Linne: this is the \$752/parcel road maintenance assessment
Interest Revenue	Interest earnings on pooled cash held/distributed by County	Interest & Investment Income	Revenue
Interest Property Tax Refund	Property tax-related refund/adjustment interest	Property Taxes (or contra)	If negative, treat as reduction of property tax revenue; be consistent year-to-year
4200075 St Aid-HO Prp Tx Rlf	State homeowners’ property tax relief / state backfill	Intergovernmental Revenue – State	Revenue
Admin Costs SB2557	County admin cost for property tax allocation/collection	Administration (Expense)	Expense (often withheld from distributions)
SB 1090 Proceeds	State program proceeds allocated to local agencies (county label varies)	Intergovernmental Revenue – State (or Other)	Treat consistently; often state pass-through/program revenue

How to Post to QuickBooks (or Report to the Board)

Posting Approach for County ACH Deposits

- Record the ACH deposit as a single bank deposit, then split the deposit lines by County code/description into the revenue (or expense) accounts below.
- Post County withholdings (e.g., SB2557 admin costs) as expenses (often shown as negative lines on the advice).
- Keep “Service Charges” in an assessment revenue account (for Linne: the \$752/parcel road assessment).

Revenue Accounts (use these for County deposit splits)

QuickBooks Account Name	Type	County line(s) to post here	SCO roll-up
Property Taxes – Secured	Income	Prop Tax–Curr Sec; Prop Tax–PY Sec	Property Taxes
Property Taxes – Unsecured	Income	Prop Tax–Curr Unsec; Prop Tax–PY Unsec; PY–Sup–Unsc	Property Taxes
Property Taxes – Unitary	Income	Property Tax Unitary	Property Taxes
Property Taxes – Supplemental	Income	Supplemental (Sec/Unsec); PY Supplemental	Property Taxes
Property Taxes – Penalties & Delinquent Interest	Income	Penalties/Int–Delinq	Property Taxes
Property Tax Adjustments / Refunds	Income (can be neg)	Interest Property Tax Refund (and other tax corrections)	Property Taxes (net)
Assessments – Road Maintenance (Parcel Assessment)	Income	Service Charges (4351085) – \$752/parcel assessment	Property Assessments
Intergovernmental – State Aid (Property Tax Relief/Backfill)	Income	St Aid–HO Prp Tx Rlf (4200075) and similar	Intergovernmental – State
Interest Earnings	Other Income	Interest Revenue	Interest & Investment Income
Other Revenue – SB 1090 Proceeds	Other Income	SB 1090 Proceeds (if applicable)	Intergovernmental–State or Other (consistent)

Expense Accounts

QuickBooks Account Name	Type	Notes / Examples
Road Maintenance – Contract Services	Expense	Grading, paving, pothole repair, dust control, contractors
Road Maintenance – Materials & Supplies	Expense	Rock, base, signage, small materials
Insurance	Expense	GL, D&O
Professional Services	Expense	CPA/audit, legal
Audit Expense	Expense	Annual audit/engagement costs
County Charges / Admin Costs	Expense	Admin Costs SB2557 (post here when shown/withheld)
Office & Admin	Expense	Postage, printing, supplies
Bank Fees	Expense	Monthly bank service charges
Meeting / Public Notice Costs	Expense	Room fees, postings, noticing

Posting Approach for County ACH Deposits

The goal is clean roll-ups for the State Controller report: Property Taxes, Property Assessments, Intergovernmental (State), and Interest/Investment.

Post the deposits to QuickBooks according to the following:

- Record the ACH deposit as a single bank deposit, then split the deposit lines by County code/description into the revenue (or expense) accounts below.
- Post County withholdings (e.g., SB2557 admin costs) as expenses (often shown as negative lines on the advice).
- Keep “Service Charges” in an assessment revenue account (for Linne: as of 2025, the \$752/parcel road assessment).

Revenue Accounts

Use these accounts for the County deposit splits.

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Expense Accounts

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Road Maintenance – Contract Services	Expense	Grading, paving, pothole repair, dust control, contractors
Road Maintenance – Materials & Supplies	Expense	Rock, base, signage, small materials
Insurance	Expense	GL, D&O, workers comp (if any)
Professional Services	Expense	CPA/audit, legal, bookkeeping support
Audit Expense	Expense	Annual audit/engagement costs
County Charges / Admin Costs	Expense	Admin Costs SB2557 (post here when shown/withheld)
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SCO Checklist & Timeline

October – Gather Background Info

PURPOSE: Confirm what was filed last year.

Actions to Begin Process:

- Retrieve last year's SCO report (download from the SCO By the Numbers portal).
- Confirm which services are officially listed for Linne CSD (roads, etc.).
- Note reporting categories that were blank or 'N/A.'
- Contact prior treasurer or county liaison if available and you have any questions.

November – Collect Financial Data

Purpose: Assemble all FY data (July 1–June 30).

What to Gather:

- Bank Statements: July 1 and June 30 balances.
- County Tax Reports: Property tax and special assessment distributions.
- Invoices & Receipts: Road work, insurance, legal, admin, utilities, etc.
- Deposit Records: Grants, donations, or reimbursements.
- Interest Statements: From your bank or LAIF account, if used.

Tip: Build a simple Excel or QuickBooks summary by category (Revenue, Expenditures, Fund Balance).

Early January – Prepare the SCO Report

- Log into the SCO Government Financial Reports portal.
- Select 'Special Districts Financial Transactions Report.'
- Enter data under General Information, Revenues, Expenditures, Assets & Liabilities.
- Verify totals match your bank and county figures.
- Certify as Treasurer and submit electronically.

After Submission

- Send a PDF copy of the filed report to the Board and keep one in the district's permanent records.
- Note any changes or issues to simplify next year's filing.

Documents to Keep on File:

- Excel or ledger worksheet used for totals.
- Copy of report submission confirmation.
- Backup invoices or bank statements (for audit trail).

Quick Contact List

Entity	Contact Purpose	How to Reach
County Auditor-Controller	Property tax and assessment revenues	San Luis Obispo County Auditor's Office
District Bank	Year-end statements, interest earned	Local branch or online portal
SCO Help Desk	Report access or portal issues	specialdistricts@sco.ca.gov
Board President	Confirm services and capital assets	Internal

Login Site: <https://lgrsonline.sco.ca.gov/account/login>

**Local Government
Financial Reporting System**

Malia M. Cohen
California State Controller



[Home](#) [Financial](#)

LGRS Online: Log in.

Please enter your user name and password.

Entity Type: ← **Select Special Districts**

User Name: ← **Select LCSD**

Password:

[Forgot your password?](#)