

LINNE COMMUNITY SERVICES DISTRICT

Independent Auditor's Report
and
Financial Statements

For the Year Ended
June 30, 2015

LINNE COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
BOARD OF DIRECTORS	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
Statement of Net Position and Governmental Fund Balance Sheet	4
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	5
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.....	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities.....	7
NOTES TO THE FINANCIAL STATEMENTS	8 – 12
REQUIRED SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual.....	14

LINNE COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
June 30, 2015

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
Gary Hubbard, President	December 2018
W. Miller Newlon, Vice President	December 2018
Ellen Frost, Secretary	December 2018
Doris Somerville, Director	December 2018
James Dempsey, Director	December 2016

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Board of Directors
Linne Community Services District
Paso Robles, California

Report on the Financial Statements

I have audited the accompanying financial statements of the Linne Community Services District (the District), as of and for the year ended 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

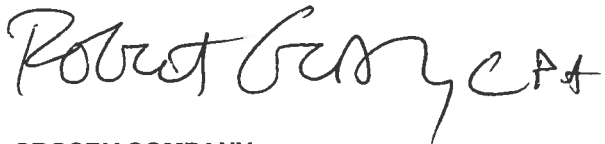
Other Matters

Required Supplementary Information – Management Discussion and Analysis

As described in Note 1, management has elected not to include a management discussion and analysis. This analysis is not a required part of the basic financial statements but is supplementary information normally required by U.S. generally accepted accounting principles.

Other Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Information on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

October 23, 2015

LINNE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
 June 30, 2015

ASSETS	<u>Governmental Fund General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash and cash equivalents	\$ 57,612	\$ -	\$ 57,612
Total assets	\$ 57,612	-	\$ 57,612
LIABILITIES			
Accounts payable	\$ -	-	\$ -
Total liabilities	\$ -	-	\$ -
FUND BALANCES			
Assigned for: Other	\$ 57,612	(57,612)	\$ -
Total fund balances	57,612	(57,612)	-
Total liabilities and fund balances	\$ 57,612		
NET POSITION			
Unrestricted		57,612	57,612
Total net position		\$ 57,612	\$ 57,612

The accompanying notes are an integral part of the financial statements

LINNE COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 June 30, 2015

Total fund balances - government fund

	\$ 57,612
	-
	\$ 57,612

Amounts reported for governmental activities in the statement of net position are different because:

No differences

Net position of governmental activities

The accompanying notes are an integral part of the financial statements

LINNE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2015

	Governmental Fund <u>General Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
<i>Revenues and other sources:</i>			
Property taxes	\$ 20,549	\$ -	\$ 20,549
Property assessments	40,768		40,768
Interest income	51		51
Total revenues	61,368	-	61,368
<i>Expenditures/expenses:</i>			
Road maintenance	53,000		53,000
Administration	813		813
Insurance	1,397		1,397
Professional services	2,686		2,686
Fire protection - weed abatement	4,195		4,195
Total expenditures	62,091	-	62,091
<i>Excess of expenses over revenue and other sources:</i>	(723)	723	-
<i>Change in net position:</i>		(723)	(723)
<i>Fund balance/net position at beginning of year:</i>	58,335	-	58,335
<i>Fund balance/net position at end of year:</i>	\$ 57,612	\$ -	\$ 57,612

The accompanying notes are an integral part of the financial statements

LINNE COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net Change in Governmental Fund Balances

\$	(723)
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Amounts reported for governmental activities in the statement of activities are different because:

No differences

	-
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Change in Net Position of Governmental Activities

\$	(723)
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LINNE COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: ORGANIZATION

The Linne Community Services District (District) was formed in 1979 under the authorization 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 U.S. 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 County of San Luis Obispo maintains the general ledger and prepares the budgetary financial statements for the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the primary government (the District). These statements include financial activities of the overall District.

Fund Financial Statements

The accounts of the District are organized into a governmental fund which is considered to be a separate accounting entity. Only current assets and current liabilities are generally included on the balance sheet. The operating statements present sources and uses of available resources during a given period. The District reports the following major governmental fund:

General Fund – Used to report the District's primary operating fund. It accounts for all financial resources of the general government.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Interest income and various intergovernmental revenues comprise the significant revenues susceptible to accrual.

LINNE COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with 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

For purposes of the statement of cash flows, the District considers all highly liquid investments including money market accounts to be cash and cash equivalents.

Budget

An annual budget is approved by the Board. The budget is revised by the District's governing Board during the year to give consideration to unanticipated income and expenditures. All unencumbered appropriations in the budget lapse at the end of the fiscal year. A budget analysis for governmental funds is included as a required statement in the financial statements.

Property Taxes

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year levied.

Concentrations

The District provides road maintenance and improvement services to the Linne Community Services District area. Consequently, its ability to collect amounts from the County of San Luis Obispo may be affected by economic fluctuations, within this region and within the State of California as a whole.

LINNE COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

Fund balance can now be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that have no specific restrictions, commitments or assignments.

If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

Net Position

Net position present the difference between assets and liabilities in the statement of net assets. Net assets are reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws or regulations of other governments.

LINNE COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 3: CASH AND CASH EQUIVALENTS

The values of cash and cash equivalents at June 30, 2015 are summarized as follows:

Demand deposit	\$	56,575
Cash and investment with:		
County treasurer		1,037
Total cash and investments	\$	57,612

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

Category 1 - insured or collateralized with securities held by the entity or by its agent in the entity's name;

Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and

Category 3 - uncollateralized.

Investments in pools managed by other governments (LAIF) or in mutual funds are not required to be categorized.

At June 30, 2015, the carrying amount of the District's cash deposits was \$56,575. The bank balances were \$56,575. District cash deposits by category as of June 30, 2015, are as follows:

		<u>Category</u>		<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Bank accounts	\$ <u>56,575</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>56,575</u>	\$ <u>56,575</u>

LINNE COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 program(s) listed below for the program period July 1, 2014 through June 30, 2015.

General Liability: S.D.R.M.A. No. LCA-SDRMA-201415, \$2.5 million per occurrence and a \$500 deductible on property damage.

Personal Liability Coverage for Board Members: S.D.R.M.A. No. LCA-SDRMA-201415, \$500,000 per occurrence/annual aggregate per Board member and a \$500 deductible.

Employee Dishonesty Coverage: S.D.R.M.A. No. EDC-SDRMA-201415, \$400,000 per occurrence.

Uninsured/Underinsured Motorist: S.D.R.M.A. No. UMI-SDRMA-201415, \$750,000 each accident.

Public Officials and Employees Errors: S.D.R.M.A. No. LCA-SDRMA-201415 total risk financing limits of \$2.5 million per occurrence/annual aggregate.

Employment Practices Liability: S.D.R.M.A. No. LCA-SDRMA-201415 \$2.5 million per occurrence/annual aggregate.

Employee Benefits Liability: S.D.R.M.A. No. LCA-SDRMA-201415 \$2.5 million per occurrence/annual aggregate.

Auto Liability: S.D.R.M.A. No. LCA-SDRMA-201415 \$2.5 million per occurrence with a \$1,000 deductible.

Total insurance expense for the year ended June 30, 2015 was \$1,397. 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.

**REQUIRED
SUPPLEMENTAL INFORMATION**

LINNE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
 Budget and Actual
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues and other sources:				
Property taxes	\$ 19,000	\$ 19,000	\$ 20,549	\$ 1,549
Property assessments	41,000	41,000	40,768	(232)
Interest income	60	60	51	(9)
Total revenues	60,060	60,060	61,368	1,308
Expenditures/expenses:				
Road maintenance	53,000	53,000	53,000	-
Administration	600	600	813	(213)
Insurance	1,350	1,350	1,397	(47)
Professional services	2,000	2,000	2,686	(686)
Fire protection - weed abatement	5,000	5,000	4,195	805
Total expenditures	61,950	61,950	62,091	(141)
Excess of revenues and other sources over expenses	\$ (1,890)	\$ (1,890)	(723)	\$ 1,167
Fund balance at beginning of year			58,335	
Fund balance at end of year			<u>\$ 57,612</u>	

The accompanying notes are an integral part of the financial statements