

Sunset  
Heights  
Community  
Services  
District

2020  
and  
2019

For the Fiscal Years Ended June 30, 2020  
and June 30, 2019

Annual  
Financial  
Report

## **BOARD OF DIRECTORS**

Ron Kosage - President

Vanessa McDermott - Secretary/ Treasurer

Steve Lawson - Vice President

Hub Gurbari- Director

Vacant - Director

# SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Sunset Heights Community Service District  
Pine Grove, California

I have reviewed the accompanying financial statements of Sunset Heights Community Service District (the District), as of and for fiscal year ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

### 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.

### Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America 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 financial reporting, and for placing the basic financial statements in an appropriate operational, economic or historical context.



Cathy Castillo  
Certified Public Accountant

Sutter Creek, California  
November 19, 2020

**SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF NET POSITION**  
June 30, 2020 and 2019

	Business- Type Activities	
	2020	2019
<b>ASSETS</b>		
Current Assets		
Cash in checking	\$ 18,293	\$ 48,889
Accounts receivable	2,077	1,157
Prepaid expense	2,142	2,164
Total Current Assets	<u>22,512</u>	<u>52,210</u>
Non-Current Assets		
Capital assets, net	1,232,976	1,189,967
Total Non-current assets	<u>1,232,976</u>	<u>1,189,967</u>
<b>Total Assets</b>	<b><u>\$ 1,255,488</u></b>	<b><u>\$ 1,242,177</u></b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 6,533	\$ 370
Total Current Liabilities	<u>6,533</u>	<u>370</u>
Deferred Inflows of Resources		
Unearned revenue	471	1,025
Total Deferred Inflows of Resources	<u>471</u>	<u>1,025</u>
<b>NET POSTION</b>		
Net investment in capital assets	1,232,976	1,189,967
Unrestricted	15,508	50,815
Total Net Position	<u>1,248,484</u>	<u>1,240,782</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,255,488</u></b>	<b><u>\$ 1,242,177</u></b>

"See accompanying notes and independent accountant's review report"

**SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
For the Fiscal Years Ending June 30, 2020 and 2019

	Business- Type Activities	
	2020	2019
<b>OPERATING REVENUES</b>		
Assessments for road maintenance service	\$ 25,616	\$ 24,631
Service charges	384	277
<b>Total Operating Revenues</b>	<b>26,000</b>	<b>24,908</b>
<b>OPERATING EXPENSES</b>		
Administration and general	163	340
Depreciation	10,732	9,073
General liability insurance	2,593	2,559
Professional services	1,437	3,454
Repairs & maintenance	2,736	1,427
Utilities	646	147
<b>Total Operating Expenses</b>	<b>18,307</b>	<b>17,000</b>
<b>Operating Income</b>	<b>7,693</b>	<b>7,908</b>
<b>NON-OPERATING REVENUES</b>		
Interest income	9	10
<b>Total Non-Operating Revenues</b>	<b>9</b>	<b>10</b>
<b>Change in Net Position</b>	<b>7,702</b>	<b>7,918</b>
Net Position -beginning of year	1,240,782	1,232,864
<b>Net Position -end of year</b>	<b>\$ 1,248,484</b>	<b>\$ 1,240,782</b>

"See accompanying notes and independent accountant's review report"

**SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION- BUDGET AND ACTUAL  
For the Fiscal Years Ending June 30, 2020 and 2019**

	Business- Type Activities		
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE
<b>2020</b>			
<b>REVENUES</b>			
Assessments for road maintenance service	\$ 25,616	\$ 25,616	\$ -
Service charges	-	384	384
Interest income	-	9	9
<b>Total Revenues</b>	<u>25,616</u>	<u>26,009</u>	<u>393</u>
<b>EXPENSES</b>			
Administration and general	350	163	187
Depreciation	-	10,732	(10,732)
General liability insurance	2,600	2,593	7
Professional services	3,000	1,437	1,563
Repairs & maintenance	4,000	2,736	1,264
Utilities	175	646	(471)
<b>Total Expenses</b>	<u>10,125</u>	<u>18,307</u>	<u>(8,182)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 15,491</u>	<u>\$ 7,702</u>	<u>\$ (7,789)</u>



	Business- Type Activities		
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE
<b>2019</b>			
<b>REVENUES</b>			
Assessments for road maintenance service	\$ 24,631	\$ 24,631	\$ -
Service charges	-	277	277
Interest income	-	10	10
<b>Total Revenues</b>	<u>24,631</u>	<u>24,918</u>	<u>287</u>
<b>EXPENSES</b>			
Administration and general	300	340	(40)
Depreciation	-	9,073	(9,073)
General liability insurance	2,555	2,559	(4)
Professional services	5,000	3,454	1,546
Repairs & maintenance	5,400	1,427	3,973
Utilities	275	147	128
<b>Total Expenses</b>	<u>13,530</u>	<u>17,000</u>	<u>(3,470)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 11,101</u>	<u>\$ 7,918</u>	<u>\$ (3,183)</u>

"See accompanying notes and independent accountant's review report"



**SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
For the Fiscal Years Ending June 30, 2020 and 2019

	Business- Type Activities	
	2020	2019
<b>CASH FLOWS USED FOR OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 24,526	\$ 25,480
Cash payments to suppliers	(1,390)	(8,262)
Net cash from operating activities	23,136	17,218
<b>CASH FLOWS USED FOR CAPITAL AND FINANCING ACTIVITIES:</b>		
Cash payments for capital improvements	(53,741)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest income	9	10
<b>NET INCREASE (DECREASE) IN CASH</b>	(30,596)	17,228
<b>CASH BEGINNING OF YEAR</b>	48,889	31,661
<b>CASH END OF YEAR</b>	\$ 18,293	\$ 48,889
<b>CASH FLOWS USED FOR OPERATING ACTIVITIES</b>		
Change in net position	\$ 7,693	\$ 7,908
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	10,732	9,073
Changes in assets and liabilities		
Accounts receivable	(921)	(453)
Prepaid expenses	22	(39)
Accounts payable	6,163	(296)
Unearned revenue	(553)	1,025
Net cash from operating activities	\$ 23,136	\$ 17,218

"See accompanying notes and independent accountant's review report"

**SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT**  
Notes to the Financial Statements  
June 30, 2020 and 2019

**NOTE 1- ORGANIZATION AND PURPOSE**

*Reporting Entity:*

Sunset Heights Community Services District (the District), was formed July 16, 1981 as an independent special district to provide road services to the residents of the unincorporated area located two miles west of the town of Pine Grove, Amador County, California. The 114 acre district has 1.4 miles of roadways that it maintains on 50 parcels. Assessments are collected on 49 parcels. The District does not collect an assessment on one parcel, which the Amador Water Agency uses to store water tanks. A five-member Board of Directors governs the district, serving for a four-year term once elected.

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basic Financial Statements and Basis of Accounting:*

The accounting records of the District are organized on the generally accepted basis of accounting for an enterprise fund and categorized as a business type activity, where the intent is the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The District has one operating fund.

The District's records are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenditures are recognized when the related liability is incurred. Operating revenues and expenses are those that result in providing services. Non-operating revenues and expenses are those related to financing and investing activities.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, The Statement of Revenues, Expenses and Changes in Fund Net Position reports different sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

*Deferred Outflows of Resources-* represent outflows of resources (consumption of net position) that may apply to future periods and that, therefore, will not be recognized as an expense until that time.

*Deferred Inflows of Resources-* represents inflows of resources (acquisition of net position) that may apply to future periods and that, therefore, will not be recognized as a revenue until that time. The District's deferred inflows of resources consists of unearned assessment revenue remitted to the District in the current fiscal year for assessments due in subsequent fiscal year as described in Assessments note.

*Assessments:*

The District's general operations are funded primarily by assessments on approximately 49 parcels that comprise the District. The District uses the services of an outside financial services provider, who is responsible for assessing, collecting and distributing the assessments. Assessments are billed annually in July, which become delinquent after three months from billing date. Late charges are billed at 1.5% of the amount overdue per month. Delinquent charges over one year are attached as liens on the property by the Amador County Assessor's office. Assessment rates for June 30, 2020 and 2019 were \$502.68 and \$522.78, respectively.

**SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT**  
Notes to the Financial Statements  
June 30, 2020 and 2019

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

Deferred inflows of resources is unearned assessment revenue remitted to the District in the current fiscal year for assessments due in subsequent fiscal years.

***Budgetary Control:***

The District establishes the fiscal year as the twelve-month period beginning July 1. The Budget is formally adopted by the Board of Directors by July of each year. The Board complied with this requirement. Under the guidelines of Amador County for the preparation of the District's budget, the District is not required to budget expenditures for any other fund than the General Fund. The budget adopted is on the cash basis of accounting, which varies from generally accepted accounting principles in the exception that depreciation is not a budgeted item. Board monitors monthly expenses using the budget as a control device. Any expenditure in excess of budgeted amount is paid by the available fund balance.

***Capital Assets:***

Fixed assets, which consist of culverts, road improvements and roads, are recorded at cost. All fixed assets are valued at historical cost or estimated historical cost if actual historical is not available. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not materially extend the useful lives of the assets, are expenses. Capital assets, which may include renewals and betterments, are defined by the District as assets with an initial individual cost of more than \$5,000. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recorded.

Depreciation is estimated on the straight line basis over the useful life of the asset. Estimated useful life for the District's assets ranges from 5 to 15 years. Depreciation expense for June 30, 2020 and 2019 was \$10,732 and \$9,073 respectively.

***Estimates and Assumptions:***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates as 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. Estimates and assumptions are reviewed periodically and the effects of any revisions are reflected in the financial statements in the period they are determined necessary. Actual results could differ from those estimates.

***Net Position:***

Net position comprises the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

*Net investment in capital assets-* This component of net position consists of 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-* This component of net position consists of constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments. The District had no restricted assets as of June 30, 2020 or 2019.

**SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT**  
Notes to the Financial Statements  
June 30, 2020 and 2019

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

*Unrestricted-* This component of net position consists of net assets that do not meet the definition of “net investment in capital assets” or “restricted”. The board established a \$10,000 reserve for operations within the District’s unrestricted funds.

The District determines the use of restricted funds on a case by case basis and has no formal policy regarding the use of restricted assets versus unrestricted assets.

***Prepaid Expenses:***

Prepaid expenses represent payments made by the District in the current year to provide services occurring in the subsequent fiscal year. The prepaid item has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures. The entire balance of prepaid expenses is annual insurance premiums.

**NOTE 3- CASH**

Cash and other highly liquid investments with maturities of three months or less are considered cash equivalents. The entire bank balances were held at El Dorado Savings Bank in Placerville, CA. An average yield of .02% was paid in both years.

Interest rate risk: Interest rate risk is the risk that changes in markets and interest rates will adversely affect the market value of the investment. The District has no formal policy to mitigate this risk.

Credit risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. The District mitigates this risk by only investing in highly reputable financial institutions.

Concentration of credit risk: Concentration of credit risk is the risk of loss that may occur by investment in a single issuer. The District has no policy to mitigate this risk.

Custodial credit risk: Custodial credit risk is the risk, that in the event of a failure of a depository institution, the District may not be able to recover all its deposits. All bank balances were insured by the Federal Depository Insurance Corporation (FDIC). At no time during either fiscal year, did the deposits exceed the insured amount of \$250,000.

**NOTE 4- ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2020 and 2019 consist entirely of customer road assessment billings due. No allowance for uncollectible accounts has been established because the District expects all accounts to be collected.

**SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT**  
Notes to the Financial Statements  
June 30, 2020 and 2019

**NOTE 5- CAPITAL ASSETS**

Capital assets at June 30, 2020 consisted of the following:

	Beginning 7/01/19	additions	deletions	Ending 6/30/20
Capital assets, not being depreciated:				
Land	\$ 1,090,747	\$ -	\$ -	\$ 1,090,747
Total capital assets, not being depreciated	1,090,747	-	-	1,090,747
Capital assets, being depreciated:				
Culverts	5,600	-	-	5,600
Road improvements	137,757	53,741	-	191,498
Roads	648,660	-	-	648,660
	792,017			845,758
Less accumulated depreciation	(692,797)	(10,732)	-	(703,529)
Total capital assets, being depreciated, net	99,220			142,229
Total capital assets, net	<u>\$ 1,189,967</u>	<u>\$ 43,009</u>	<u>\$ -</u>	<u>\$ 1,232,976</u>

Capital assets at June 30, 2019 consisted of the following:

	Beginning 7/01/18	additions	deletions	Ending 6/30/19
Capital assets, not being depreciated:				
Land	\$ 1,090,747	\$ -	\$ -	\$ 1,090,747
Total capital assets, not being depreciated	1,090,747	-	-	1,090,747
Capital assets, being depreciated:				
Culverts	5,600	-	-	5,600
Road improvements	137,757		-	137,757
Roads	648,660	-	-	648,660
	792,017			792,017
Less accumulated depreciation	(683,724)	(9,073)	-	(692,797)
Total capital assets, being depreciated, net	108,293			99,220
Total capital assets, net	<u>\$ 1,199,040</u>	<u>\$ (9,073)</u>	<u>\$ -</u>	<u>\$ 1,189,967</u>

**NOTE 6- REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218**

In November of 1996, the voters of California approved proposition 218, which amended the Constitution of California. Proposition 218 regulates the ability of local government, including special districts, to impose or increase taxes and assessments. Local governments must seek voter approval before applying any new changes that fall within the scope of Prop 218. Voters also have the right to rescind changes to taxes, assessments, and fees in future years.

**SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT**  
Notes to the Financial Statements  
**June 30, 2020 and 2019**

**NOTE 7- COMMITMENTS AND CONTIGENCIES**

The District is unaware of any claims against it which may have a material effect on the financial statements as of June 30, 2020 and 2019.

**NOTE 8- RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There were no significant reductions in insurance coverage from prior periods.

**NOTE 9- SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 19, 2020, which is the date through which the financial statements were available to be issued. The following events are reportable:

The District's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption, caused by the outbreak, is uncertain; however, it may result in a material adverse impact on the District's financial position, operations and cash flow. Possible effects may include, but are not limited to, a disruption to the company's activities and operations.