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To the Board of Directors
Sunset Heights Community Service District

It is our sincere pleasure to present the review reports for the fiscal years ending June 30, 2023 and 2024 to the Board. Reviews are time consuming and often interrupt the daily routine. We appreciate all the timely and knowledgeable responses to our questions and providing us the requested documentation. This is very much appreciated.

As is customary during the course of the review, there are matters and discrepancies that come to our attention we would like to communicate. These observations and suggestions are brought to your attention for the purpose of improving the operational and administrative efficiency of the District.

Bank Reconciliations

As part of our review procedures, we inquire if bank accounts have been reconciled. A reconciliation ensures the District's general ledger cash balance is accurate and provides the necessary information to make financial decisions.

We noted upon review of the bank reconciliation, there were outstanding items that were not current. In order for reconciled bank balances to be accurate, outstanding items appearing on subsequent reconciliations should be investigated and the necessary corrections made.

Annual Assessment Billing

Every June the District sends annual assessments for the upcoming July through June fiscal year. Payments received are applied to the individual accounts and deposited into the bank. Due to the timing of this process, many times assessments are paid in June resulting in prepaid assessments. However, in June of 2023 no prepaid assessments were reported. This lack of prepaid assessments indicates there were delays in the billing process. The District should have policies regarding the billing and payment process. These policies should include when assessments are sent out, when payments are recorded in Quickbooks, and how long payments may be held prior to depositing them into the bank.

Capital Assets:

During our review we noted the District does not maintain a property ledger of capital assets and depreciation. The District should maintain a record of property transactions for items above your capitalization policy of \$5,000. This can be done on an Excel spreadsheet or software the District clerk uses. The records should include:

- Description of assets acquired
- Date acquired and/or placed in service
- Dollar amount paid, including any in-kind portions
- Useful life
- Current depreciation and accumulated depreciation

Detailed property records are an important tool of management in maintaining control over fixed assets. The detail records should be updated each time a piece of equipment is purchased, sold or donated. A fixed asset control system is invaluable in analyzing replacement needs, insurance coverage and inventorying assets to reduce risk of losing assets. We will provide H & R Block a template of this.

Budget for Capital Assets:

The budget for the District is prepared on the cash basis. As such the depreciation for capital assets is not included, as it does not impact the Districts cash. Neither the 6/30/23 or the 6/30/24 budget provided to our office include the capital outlay budget. We recommend capital outlays be included in the budget. Capital expenditures budgets are essential to the long term planning for the District and provide an effective method of controlling capital expenditures.

Very truly yours,



Cathy Castillo

Certified Public Accountant