

Sunset
Heights
Community
Services
District

2023
and
2024

For the Fiscal Years Ended June 30,
2024 and June 30, 2023

**Annual
Financial
Report**

SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT

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BOARD OF DIRECTORS

Sean Regan - President

Tara Farrish - Vice President

Vanessa McDermott - Secretary

Donna Christenson - Treasurer

Hub Gurnari - Director

Nataliya Regan - Director

✦ CATHY CASTILLO

CERTIFIED PUBLIC ACCOUNTANT

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Member of the American Institute of Certified Public Accountants,
California Society of CPA's and AICPA Peer Review Program

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sunset Heights Community Service District (the District), as of and for the fiscal years ending June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic 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, we 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

Our 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 us to perform procedures to obtain limited assurance as a basis for reporting whether we are 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Sunset Heights Community Services District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review

Accountant's Conclusion

Based on our review, we are 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

Accounting principles generally accepted in the United States of America require that the Statements of Revenues, Expenses and Changes in Net Position-Budget and Actual on page 12 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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. Management has omitted Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a required 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. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.



Cathy Castillo
Certified Public Accountant

Sutter Creek, California
August 27, 2024

SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT
STATEMENTS OF NET POSITION
June 30, 2024 and 2023

	Business- Type Activities	
	2024	2023
ASSETS		
Current Assets		
Cash in checking	\$ 22,532	\$ 36,278
Accounts receivable	4,650	3,570
Prepaid expense	2,116	1,949
Total Current Assets	29,298	41,797
Non-Current Assets		
Capital assets, net	1,277,412	1,229,597
Total Non-current assets	1,277,412	1,229,597
Total Assets	\$ 1,306,710	\$ 1,271,394
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 18,616	\$ -
Deferred assessments	9,633	-
Total Current Liabilities	28,249	-
 NET POSITION		
Net investment in capital assets	1,277,412	1,229,597
Unrestricted	1,049	41,797
Total Net Position	1,278,461	1,271,394
Total Liabilities and Net Position	\$ 1,306,710	\$ 1,271,394

"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, 2024 and 2023

	Business- Type Activities	
	2024	2023
OPERATING REVENUES		
Assessments for road maintenance service	\$ 30,612	\$ 28,790
Service charges	-	761
Total Operating Revenues	<u>30,612</u>	<u>29,551</u>
OPERATING EXPENSES		
Administration and general	356	182
Depreciation	16,060	13,387
General liability insurance	2,372	2,246
Professional services	1,143	4,009
Repairs & maintenance	2,942	2,325
Utilities	679	469
Total Operating Expenses	<u>23,552</u>	<u>22,618</u>
Operating Income	<u>7,060</u>	<u>6,933</u>
NON-OPERATING REVENUES		
Interest income	7	8
Total Non-Operating Revenues	<u>7</u>	<u>8</u>
Change in Net Position	7,067	6,941
Net Position -beginning of year	1,271,394	1,264,453
Net Position -end of year	<u><u>\$ 1,278,461</u></u>	<u><u>\$ 1,271,394</u></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, 2024 and 2023

	Business- Type Activities	
	<u>2024</u>	<u>2023</u>
CASH FLOWS USED FOR OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 39,172	\$ 27,818
Cash payments to suppliers	(7,231)	(9,533)
Net cash from operating activities	31,941	18,285
CASH FLOWS USED FOR CAPITAL AND FINANCING ACTIVITIES:		
Cash payments for capital improvements	(45,687)	(34,549)
NET INCREASE (DECREASE) IN CASH	(13,746)	(16,264)
CASH BEGINNING OF YEAR	36,278	52,542
CASH END OF YEAR	\$ 22,532	\$ 36,278

CASH FLOWS USED FOR OPERATING ACTIVITIES

Change in net position	\$ 7,067	\$ 6,941
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	16,060	13,387
Changes in assets and liabilities		
Accounts receivable	(1,081)	(1,740)
Prepaid expenses	(167)	(93)
Accounts payable	429	(210)
Unearned revenue	9,633	-
Net cash from operating activities	\$ 31,941	\$ 18,285

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

SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2024 and 2023

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.

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, 2024 and 2023 were \$612 and \$588, respectively.

SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2024 and 2023

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Deferred assessments are 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, 2024 and 2023 was \$16,060 and \$13,387 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.

SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2024 and 2023

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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, 2024 or 2023.

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.

	<u>Unrestricted</u>		<u>Invested in Capital Assets</u>
	<u>General fund</u>	<u>Reserve for Maint</u>	
06/30/2022 Balance	\$ 46,017	\$ 10,000	\$ 1,208,436
Depreciation	13,387	-	(13,387)
Purchase of new assets	(34,548)	-	34,548
Net Income	6,939	-	
06/30/2023 Balance	\$ 31,795	\$ 10,000	\$ 1,229,597
Depreciation	16,060		(16,060)
Purchase of new assets	(63,875)		63,875
Net Income	7,067		
06/30/2024 Balance	\$ (8,953)	\$ 10,000	\$ 1,277,412

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.

SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2024 and 2023

NOTE 3- CASH - continued

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 represents the amount the District has billed customers for annual road assessments but not yet received. No allowance for uncollectible accounts has been established because the District expects all accounts to be collected. Management considers invoices which have not been paid within 10 months past due and a second invoice is sent. Invoices which have not been paid by August of the following year, are considered delinquent and are sent to the Amador County Tax Collectors office. The Tax Collectors office includes them on the resident's property tax bill that is issued in November.

	Beginning Balance 7/1/2022	Ending Balance 6/30/2023	Ending Balance 6/30/2024
Road Assessments	\$ 1,829	\$ 3,226	\$ 3,893
Tax Roll Assessments	-	344	757
Total	\$1,829	\$3,570	\$4,650

NOTE 5- CAPITAL ASSETS

Capital assets at June 30, 2024 consisted of the following.

	Beginning 07/01/23	additions	deletions	Ending 6/30/24
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	226,046	63,875	-	289,921
Roads	648,660	-	-	648,660
	880,306			944,181
Less accumulated depreciation	(741,456)	(16,060)	-	(757,516)
Total capital assets, being depreciated, net	138,850	(16,060)	-	186,665
Total capital assets, net	\$ 1,229,597	\$ (16,060)	\$ -	\$ 1,277,412

SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2024 and 2023

NOTE 5- CAPITAL ASSETS - continued

Capital assets at June 30, 2023 consisted of the following:

	<u>Beginning 7/01/22</u>	<u>additions</u>	<u>deletions</u>	<u>Ending 6/30/23</u>
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	191,497	34,549	-	226,046
Roads	648,660	-	-	648,660
	845,757			880,306
Less accumulated depreciation	(728,069)	(13,387)	-	(741,456)
Total capital assets, being depreciated, net	117,688	(13,387)	-	138,850
Total capital assets, net	\$ 1,208,435	\$ (13,387)	\$ -	\$ 1,229,597

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.

NOTE 7- COMMITMENTS AND CONTINGENCIES

The District is unaware of any claims against it which may have a material effect on the financial statements as of June 30, 2024 and 2023.

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.

SUNSET HEIGHTS COMMUNITY SERVICES DISTRICT
Notes to the Financial Statements
June 30, 2024 and 2023

NOTE 9- RELATED PARTY

The District has the following related parties to disclose as of June 30, 2024 and 2023:

Sean Regan, President of Board, and Nataliya Regan board member, are married.

NOTE 10- SUBSEQUENT EVENTS

The District has evaluated subsequent events through August 27, 2024 which is the date through which the financial statements were available to be issued. The following was determined to be a reportable event.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**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, 2024 and 2023**

2024	Business- Type Activities		
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Assessments for road maintenance service	\$ 30,316	\$ 30,612	\$ 296
Interest income	-	7	7
Total Revenues	30,316	30,619	303
EXPENSES			
Administration and general	570	356	214
Depreciation	-	16,060	(16,060)
General liability insurance	2,340	2,372	(32)
Professional services	3,840	1,143	2,697
Repairs & maintenance	5,300	2,942	2,358
Utilities	685	679	6
Total Expenses	12,735	23,552	(10,817)
CHANGE IN NET POSITION	\$ 17,581	\$ 7,067	\$ (10,514)

Related Notes: Depreciation for capital assets is not included as it does not impact District cash.

2023	Business- Type Activities		
	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Assessments for road maintenance service	\$ 28,790	\$ 28,790	\$ -
Service charges	-	761	761
Interest income	-	8	8
Total Revenues	28,790	29,559	769
EXPENSES			
Administration and general	400	182	218
Depreciation	-	13,387	(13,387)
General liability insurance	2,340	2,246	94
Professional services	4,500	4,009	491
Repairs & maintenance	4,150	2,325	1,825
Utilities	468	469	(1)
Total Expenses	11,858	22,618	(10,760)
CHANGE IN NET POSITION	\$ 16,932	\$ 6,941	\$ (9,991)

Related Notes: Depreciation for capital assets is not included as it does not impact District cash.