



# Lindsay Management Services

A Division of Corporate Management Consultants, Inc.

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## SUNSET PLACE HOMEOWNERS' ASSOCIATION

December 22, 2021

### INDEPENDENT ACCOUNTANT'S FINANCIAL REVIEW REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Dear Homeowner:

Please find enclosed the report of the Annual Financial Review of Records for the Association's Fiscal Year Ending June 30, 2021.

This enclosed report should be retained with your permanent records for future reference.

Sincerely,

LINDSAY MANAGEMENT SERVICES  
For the Board of Directors



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Leonard C. Sonnenberg, CPA

**Sunset Place  
Association of Carlsbad  
Reviewed Financial Statements  
Year Ended June 30, 2020**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Members  
**Sunset Place Association of Carlsbad**

We have reviewed the accompanying financial statements of Sunset Place Association of Carlsbad, which comprise the balance sheet as of June 30, 2020, the related statement of revenues, expenses, and changes in fund balances, and statement of cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to the Association's financial data and making inquiries of the Association's management and/or the Board of Directors. 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 and/or the Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; 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 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 U.S. generally accepted accounting principles. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion on the Financial Statements**

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 U.S. generally accepted accounting principles.

*Sunset Place Association of Carlsbad  
Independent Accountant's Review Report*

**Prior Year Financial Statements**

We previously reviewed the June 30, 2019 financial statements and in our conclusion dated August 15, 2019, stated that based on our review, we were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with U.S. generally accepted accounting principles. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2019, for it to be consistent with the reviewed financial statements from which it has been derived.

**Required Supplementary Information**

U.S. generally accepted accounting principles require that the information about future major repairs and replacements of common property on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial 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 compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.



January 7, 2021

Sonnenberg & Company, CPAs

**Sunset Place Association of Carlsbad**  
**Balance Sheet**  
**June 30, 2020**  
(With Comparative Totals for June 30, 2019)

	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>ASSETS:</b>				
Cash	\$ 37,332	\$ 111,021	\$ 148,353	\$ 128,121
Investment in CDs		73,016	73,016	72,652
Accrued Interest		199	199	181
Assessments Receivable	10,435		10,435	3,438
Allowance for Uncollectible	(4,977)		(4,977)	(2,796)
Prepaid Insurance	405		405	395
<b>TOTAL ASSETS</b>	<b>\$ 43,195</b>	<b>\$ 184,236</b>	<b>\$ 227,431</b>	<b>\$ 201,991</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 14,949	\$	\$ 14,949	\$ 10,753
Prepaid Assessments	8,103		8,103	12,880
<b>TOTAL LIABILITIES</b>	<b>23,052</b>	<b>-</b>	<b>23,052</b>	<b>23,633</b>
<b>FUND BALANCES:</b>	<b>20,143</b>	<b>184,236</b>	<b>204,379</b>	<b>178,358</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 43,195</b>	<b>\$ 184,236</b>	<b>\$ 227,431</b>	<b>\$ 201,991</b>

See Accompanying Notes to the Financial Statements and Independent Accountant's Review Report

**Sunset Place Association of Carlsbad**  
**Statement of Revenues and Expenses, and Changes in Fund Balances**  
**For the Year Ended June 30, 2020**  
(With Comparative Totals for the Year Ended June 30, 2019)

	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES:</b>				
Regular Assessments	\$ 220,800	\$ 12,720	\$ 233,520	\$ 233,520
Other Income	4,495		4,495	3,051
Interest		713	713	582
<b>TOTAL REVENUES</b>	<u>225,295</u>	<u>13,433</u>	<u>238,728</u>	<u>237,153</u>
<b>EXPENSES:</b>				
<b>Administrative-</b>				
Accountant's Review & Tax Preparation	1,400		1,400	1,400
Bad Debts	512		512	4,628
Insurance	4,755		4,755	4,726
Legal	280		280	3,097
Management	15,400		15,400	16,800
Other Administration	6,025		6,025	6,163
Reserve Study			-	1,075
<b>Total Administrative</b>	<u>28,372</u>	<u>-</u>	<u>28,372</u>	<u>37,889</u>
<b>Maintenance-</b>				
Landscape	105,261		105,261	110,159
Repairs & Maintenance	2,945		2,945	2,015
Slope Enhancement		2,165	2,165	5,913
Sprinkler	6,612		6,612	5,632
Tree Service	5,895	400	6,295	8,946
<b>Total Maintenance</b>	<u>120,713</u>	<u>2,565</u>	<u>123,278</u>	<u>132,665</u>
<b>Utilities-</b>				
Electricity	1,010		1,010	777
Water & Sewer	60,047		60,047	51,557
<b>Total Utilities</b>	<u>61,057</u>	<u>-</u>	<u>61,057</u>	<u>52,334</u>
<b>TOTAL EXPENSES</b>	<u>210,142</u>	<u>2,565</u>	<u>212,707</u>	<u>222,888</u>
Excess Revenue	\$ 15,153	\$ 10,868	\$ 26,021	\$ 14,265
Beginning Fund Balances	4,990	173,368	178,358	164,093
<b>Ending Fund Balances</b>	<u>\$ 20,143</u>	<u>\$ 184,236</u>	<u>\$ 204,379</u>	<u>\$ 178,358</u>

See Accompanying Notes to the Financial Statements and Independent Accountant's Review Report

**Sunset Place Association of Carlsbad**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**  
**(With Comparative Totals for the Year Ended June 30, 2019)**

Cash Flows From -	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
Operating Activities:				
Excess Revenue	\$ 15,153	\$ 10,868	\$ 26,021	\$ 14,265
(Increase) in:				
Assessments Receivable	(6,997)		(6,997)	(554)
Allowance for Uncollectible	2,181		2,181	2,796
Prepaid Insurance	(10)		(10)	36
Increase / (Decrease) in:				
Accounts Payable	4,196	-	4,196	2,250
Prepaid Assessments	(4,777)		(4,777)	4,799
Net Operating Activities	9,746	10,868	20,614	23,592
Investing Activities:				
Reinvestment of CD Interest		(382)	(382)	(342)
Net Investing Activities	-	(382)	(382)	(342)
Financing Activities:				
Net Interfund Receivables	(2,800)	2,800	-	-
Net Financing Activities	(2,800)	2,800	-	-
Net Increase in Cash	6,946	13,286	20,232	23,250
Cash at Beginning of Year	30,386	97,735	128,121	104,871
Cash at End of Year	\$ 37,332	\$ 111,021	\$ 148,353	\$ 128,121

See Accompanying Notes to the Financial Statements and Independent Accountant's Review Report

**Sunset Place Association of Carlsbad**  
Notes to Financial Statements  
Year Ended June 30, 2020

**Note 1. Organization:**

Sunset Place Association of Carlsbad was incorporated on August 20, 1986 as a California mutual benefit corporation. The Association is a planned unit development whose primary purpose is to act as a "management body" for the preservation, maintenance and architectural control of the common area within the project located in Carlsbad, California which includes 140 residential lots.

**Note 2. Accounting Policies:**

The accompanying financial statements are presented on the accrual basis in accordance with generally accepted accounting principles whereby all revenues are recognized when earned and expenses are recognized when incurred. The Association records operating and replacement fund assessments as revenue when due from members, which the Association believes is in compliance with FASB ASC 606.

Homeowners associations operate on a fund accounting basis whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Real property acquired from the developer and replacements and improvements to common property are not capitalized or depreciated because the common areas are owned, in effect, by the individual unit owners as tenants in common and generally cannot be disposed of by the Association.

In accordance with generally accepted accounting principles regarding "Statement of Cash Flows," cash equivalents consist primarily of certificates of deposits and securities with original maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as short-term investments.

The Association's investments are classified as "held-to-maturity," therefore the investments are carried on the financial statements at amortized cost, and any gain or loss will be recorded at time of sale.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

The amounts shown for the previous year are included to provide a basis for comparison and present summarized totals only. Accordingly, the amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles. Some items may have been reclassified for purposes of overall comparability and consistency of presentation.



**Sunset Place Association of Carlsbad**  
Notes to Financial Statements  
Year Ended June 30, 2020

**Note 3. Income Tax Status and Policies:**

The Association files its tax returns as an exempt homeowners association under IRC Sec. 528, and State Rev. & Tax Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. The Association incurred no income taxes for the year ended June 30, 2020. The Association's income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed; and the California Franchise Tax Board, generally for four years after they are filed.

**Note 4. Investments and Fair Value Measurements:**

At June 30, 2020, the Association's investment assets consisted of Certificates of Deposit (CDs), which have original maturities of 12 months and the interest rates of 0.5%. The total adjusted cost amount of the CDs is \$73,016 and the CDs are considered "held to maturity". The valuations of the Association's investments in CDs, according to the fair value hierarchy, are all Level 1 measurements. The fair values are based on quoted prices in active markets in the balance sheet. Therefore, the CDs are carried on the financial statements at cost, and any gain or loss will be recorded at time of sale.

**Note 5. Members Assessments and Receivables:**

The annual budget and members' assessments are determined by the Board of Directors or may be approved by the members. The Association retains any excess funds for expenses in future years. Regular assessments to members were \$139 per unit per month for the year ended June 30, 2020. The Association's policy is to place liens on the properties of owners whose assessments are in arrears, and pursue other legal remedies if necessary to collect delinquent assessments. An allowance for uncollectible accounts has been recorded.

**Note 6. Future Major Repairs and Replacements:**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$184,236 at June 30, 2020, are held in separate interest bearing accounts and are generally not available for operating purposes. The Association's policy is to fund major repairs and replacements from replacement funds if available. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacement of common property components. Actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If funds are not adequate, the Association has the right to increase regular assessments, pass special assessments, or delay replacement until funds are available.

A replacement funding program is required by California law to be prepared and distributed to the members annually as part of the annual budget. As shown in the Supplementary Information, a study to determine the adequacy of the current funding program for repair and replacement of Association common areas has been conducted. Included in the study are major repair and replacement components that the Association is obligated to maintain, that have useful lives of more than one year and remaining useful lives of less than thirty years.

**Sunset Place Association of Carlsbad**  
Notes to Financial Statements  
Year Ended June 30, 2020

**Note 6. Future Major Repairs and Replacements (continued):**

Excluded from the study are certain major structural components such as buildings, concrete, and underground utility systems. It is assumed that the excluded major structural items have indefinite lives and the appropriate funding method for their replacement will be decided if and when those items need to be replaced.

The Association's budgeted replacement funding for the year ended June 30, 2020 was \$12,720. The Association transferred the full amount of budgeted replacement funding to replacement savings accounts.

Replacement fund disbursements totaling \$2,565 were made during the year for slope enhancements and tree services.

**Note 7. Subsequent Events:**

The Association has evaluated subsequent events through January 7, 2021, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. There is significant uncertainty around the effects and duration of business interruption related to COVID-19. The extent of the impact on the Association's operations, management, employees, vendors, and the homeowners, will depend on certain developments, which cannot be determined at this time.

**Sunset Place Association of Carlsbad**  
**Required Supplementary Information**  
**Future Major Repairs and Replacements**  
**June 30, 2020**

(Compiled)

Calif. CC 5550 requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary.

A study of the Association's replacement funding requirements, based upon a physical inspection by an independent consultant, was prepared in February 2019 and projected to June 30, 2019.

The study provides estimates of remaining useful lives and current replacement costs of the components of the common property. The following table is based on the reserve study and presents the significant information about the components of the common property.

Components	<u>Estimated Remaining Useful Life/Yrs</u>	<u>Estimated Current Replacement Costs</u>	<u>Annual Funding Requirement</u>	<u>Accumulated Replacement Requirement Per Study</u>	<u>Component of Fund Balance</u>
Painting/Repairs	1 - 3	\$ 5,922	\$ 1,087	\$ 2,901	\$ 2,675
Fencing/Walls	1 - 24	47,589	4,172	27,720	25,560
Concrete Surfaces	4 - 11	56,489	2,611	37,961	35,003
Landscaping/Irrigation	2 - 20	72,701	3,918	41,380	38,155
Lighting/Electrical	7 - 17	3,700	195	785	724
Miscellaneous	4 - 14	44,418	2,358	32,037	29,540
Contingency (5%)		<u>11,541</u>	<u>717</u>	<u>7,139</u>	<u>6,583</u>
Totals		<u>\$ 242,360</u>	<u>\$ 15,059</u>	<u>\$ 149,923</u>	<u>\$ 138,239</u>
Percentage Funded as of June 30, 2019					<u>92.21%</u>

As of June 30, 2020

The annual budgeted allocation to replacements	<u>\$ 12,720</u>	
The cash balance in replacement funds		<u>\$ 184,236</u>

See Independent Accountant's Review Report