



Sonnenberg & Company, CPAs

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Leonard C. Sonnenberg, CPA

**Sunset Place
Association of Carlsbad
Reviewed Financial Statements
Year Ended June 30, 2024**

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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, 2024, the related statements of revenues, expenses, and changes in fund balances and 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 these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); 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. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Sunset Place Association of Carlsbad and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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. GAAP.

Prior Year Financial Statements

We previously reviewed Sunset Place Association of Carlsbad's June 30, 2023 financial statements and in our conclusion dated March 21, 2023, stated that based on our review, we were not aware of any material modifications that should be made to the June 30, 2023 financial statements in order for them to be in accordance with U.S. GAAP. 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, 2023, for it to be consistent with the reviewed financial statements from which it has been derived.

Required Supplementary Information

U.S. GAAP 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. 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. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

A handwritten signature in blue ink, reading "Reed Sonnenberg".

July 24, 2024

Sonnenberg & Company, CPAs

Sunset Place Association of Carlsbad
Balance Sheet
June 30, 2024
(With Comparative Totals for 2023)

	2024			2023
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS:				
Cash in Checking	\$ 97,400	\$	\$ 97,400	\$ 88,930
Cash in Savings		20,493	20,493	148,968
Investment in CDs		20,920	20,920	47,247
Assessments Receivable	173,760		173,760	2,473
Fines Receivable	245,400		245,400	111,000
Allowance for Uncollectible			-	(5,062)
Prepaid Insurance	2,290		2,290	2,290
Prepaid Expenses			-	20,600
TOTAL ASSETS	\$ 518,850	\$ 41,413	\$ 560,263	\$ 416,446
LIABILITIES:				
Accounts Payable	\$ 5,525	\$	\$ 5,525	\$ 5,711
Prepaid Assessments	10,035		10,035	13,027
Fines Liability	245,400		245,400	-
Income Taxes Payable	362		362	-
TOTAL LIABILITIES	261,322	-	261,322	18,738
FUND BALANCES:	257,528	41,413	298,941	397,708
TOTAL LIABILITIES AND FUND BALANCES	\$ 518,850	\$ 41,413	\$ 560,263	\$ 416,446

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

Sunset Place Association of Carlsbad
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended June 30, 2024
(With Comparative Totals for The Year Ended June 30, 2023)

	2024			2023
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES:				
Regular Assessments	\$ 277,116	\$ 38,724	\$ 315,840	\$ 280,224
Fines			-	115,448
Recovery of Bad Debt	5,062		5,062	-
Other Income	2,706		2,706	305
Interest		1,600	1,600	696
TOTAL REVENUES	284,884	40,324	325,208	396,673
EXPENSES:				
Administrative-				
Accountant Review/Tax Preparation	1,700		1,700	1,950
Insurance	6,882		6,882	5,756
Legal & Collection			-	7,028
Management	19,096		19,096	18,540
Other Administration	9,205		9,205	6,415
Replacement Study	475		475	475
Taxes - Income	362		362	-
Total Administrative	37,720	-	37,720	40,164
Maintenance-				
Irrigation	7,621		7,621	2,358
Landscape	139,140		139,140	132,840
Landscape Extras	11,929		11,929	13,083
Painting			-	-
Pest Control	1,680		1,680	1,500
Repairs & Maintenance	2,899	5,750	8,649	7,643
Tree Service	7,500		7,500	12,015
Wall replacement		179,460	179,460	
Total Maintenance	170,769	185,210	355,979	169,439
Utilities-				
Electricity	460		460	205
Water & Sewer	53,116		53,116	50,297
Total Utilities	53,576	-	53,576	50,502
TOTAL EXPENSES	262,065	185,210	447,275	260,105
Excess Revenue / (Expense)	\$ 22,819	\$ (144,886)	\$ (122,067)	\$ 136,568
Beginning Fund Balances	201,493	196,215	397,708	261,140
Prior Year Adjustment	23,300	-	23,300	-
Interfund Transfers	9,916	(9,916)	-	-
Ending Fund Balances	\$ 257,528	\$ 41,413	\$ 298,941	\$ 397,708

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, 2024
(With Comparative Totals for The Year Ended June 30, 2023)

	2024			2023
Cash Flows From -	Operating Fund	Replacement Fund	Total Funds	Total Funds
Operating Activities:				
Excess Revenue / (Expense)	\$ 22,819	\$ (144,886)	\$ (122,067)	\$ 136,568
(Increase) / Decrease in:				
Assessments Receivable	(171,287)		(171,287)	1,775
Fines Receivable	(134,400)		(134,400)	(91,000)
Allowance for Uncollectible	(5,062)		(5,062)	
Prepaid Expenses	20,600		20,600	(20,600)
Increase / (Decrease) in:				
Accounts Payable	(186)		(186)	(8,500)
Prepaid Assessments	(2,992)		(2,992)	424
Fines Liability	245,400		245,400	
Income Taxes Payable	362		362	-
Net Operating Activities	<u>(24,746)</u>	<u>(144,886)</u>	<u>(169,632)</u>	<u>18,667</u>
Investing Activities:				
Sale of Investments		26,327	26,327	26,774
Accrued Interest			-	(234)
Net Investing Activities	<u>-</u>	<u>26,327</u>	<u>26,327</u>	<u>26,540</u>
Financing Activities:				
Net Interfund Transfers	9,916	(9,916)	-	-
Net Financing Activities	<u>33,216</u>	<u>(9,916)</u>	<u>23,300</u>	<u>-</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	8,470	(128,475)	(120,005)	45,207
Cash and Cash Equivalents at:				
Beginning of Year	<u>88,930</u>	<u>148,968</u>	<u>237,898</u>	<u>192,691</u>
End of Year	<u>\$ 97,400</u>	<u>\$ 20,493</u>	<u>\$ 117,893</u>	<u>\$ 237,898</u>

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, 2024

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 accounting principles generally accepted in the United States of America (U.S. GAAP). The Association records operating and replacement fund assessments as revenue when due from members and expenses when incurred.

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606 (Topic) *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). The Association does not believe the attributes of the Topic fit with the nature, definitions, and practices of such revenues of the Association. The Association's revenues are dues assessments from members not "customers" and there is no contract with the members regarding such revenues.

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 can not be disposed of by the Association.

In accordance with U.S. GAAP 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 U.S. GAAP 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 U.S. GAAP. 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, 2024

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 taxes totaling \$362 for the year ended June 30, 2024.

Note 4. Investments:

Investments consist of one certificate of deposit held at Pacific Premier Bank totaling \$20,920. Certificates of deposit are recorded at cost, which approximates fair value, and therefore, are not subject to provisions of fair value measurements. Any penalties for early withdrawal would not have a material effect on the financial statements. The certificates of deposit are FDIC-insured up to \$250,000 per depository institution.

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 \$188 per lot per month for the year ended June 30, 2024. In addition, substantial fines were assessed totaling \$245,400. Fines may be retracted depending on completion of certain improvements. 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. No 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 \$41,413 as of June 30, 2024, 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.

Sunset Place Association of Carlsbad
Notes to Financial Statements
Year Ended June 30, 2024

Note 6. Future Major Repairs and Replacements (Continued):

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. 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 study indicates the Association is 20% funded.

The Association's budgeted replacement funding for the year ended June 30, 2024 was \$38,724. Replacement fund disbursements totaling \$185,210 were made during the year for major repairs, primarily wall replacement.

Note 7. Date of Management Review:

The Association has evaluated subsequent events through July 24, 2024, 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.

Sunset Place Association of Carlsbad
Required Supplementary Information
Future Major Repairs and Replacements
June 30, 2024

(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 in 2022 was updated in February, 2024.

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	Estimated Remaining Useful Life/Yrs	Estimated Current Replacement Costs	Annual Funding Requirement	Accumulated Replacement Requirement Per Study	Component of Fund Balance
Painting/Repairs	1- 1	\$ 6,811	\$ 1,362	\$ 5,449	\$ 1,088
Fencing/Walls	1- 29	76,347	3,918	47,112	9,410
Concrete Surfaces	1- 10	80,763	3,516	60,434	12,071
Landscaping/Irrigation	1- 15	80,984	4,361	62,863	12,556
Lighting/Electrical	1- 12	4,429	235	2,156	431
Miscellaneous	1- 25	58,257	2,987	49,052	9,797
Contingency (5%)		<u>15,380</u>	<u>819</u>	<u>11,353</u>	<u>2,268</u>
Totals		<u>\$ 322,971</u>	<u>\$ 17,199</u>	<u>\$ 238,420</u>	<u>\$ 47,621</u>

Per Cent Funded 20.0%

As of June 30, 2024

The annual budgeted allocation to replacements \$ 38,724

The cash and investment balance in replacement funds \$ 41,413

See Independent Accountant's Review Report