

FINANCE COMMITTEE ANNUAL REPORT FY MAY 1, 2007 – APRIL 30, 2008

The Finance Committee is responsible to advise the Board of Directors of the Canyon Lake Property Owners Association on matters affecting the financial affairs of the corporation. The Committee helps to assure financial control and responsibility through: (1) Review and Evaluation of Detailed Annual Department Operating Budgets; (2) Review of Association Reserve Account Investments; (3) Insurance/Risk Management Review; and (4) Capital Improvement Expenditure Review/Analysis. The Finance Committee has no approval authority. It serves solely in an advisory capacity to the Board.

All members of the Finance Committee volunteer their time and meet once each month during the fiscal year, except during the budget review period when they meet weekly. Meetings include the Corporation's controller and an appointed Board-member liaison (usually the Treasurer). During 2007/2008 the Board liaison was David Johnson. Meetings focus primarily on the operating results of the Association's various Departments as compared to the monthly and year-to-date operating budget for each Department. There are 30 separate Departments, each with its own annual budget and monthly operating report covering 818 separate account codes.

Additionally, the Finance Committee members review monthly Reserve Account activity, actual/proposed Capital Improvement expenditures, Income Statements and Balance Sheets for the Corporation. The Committee regularly requests our Board Liaison and the Controller to communicate recommended actions to the full Board of Directors. During 2007/2008 we were fortunate that the Board accepted most of the Committee recommendations for implementation/further study.

This year it became apparent the volume of foreclosure activity within the community would substantially affect Association revenue – due to increased delinquencies and the legal effect of foreclosure on the Association's right to collect such delinquencies. The Committee requested a regular report from Mr. Phipps tracking delinquencies, foreclosures and the effect on Association. The impact of the general economic dislocation and foreclosure activity will continue into 2009.

Although in 2007 the Board directed the Finance Committee to assist in the development of a long range strategic/business plan to help guide future community decision making, it became apparent this task required more time than the Committee was able to devote to the task and a recommendation was made to establish a separate committee for this purpose.

In addition to its monthly meetings, in December/January the Finance Committee begins the annual budget review process, during which Committee members perform a detailed review of the budget for each account code, for each Department, for each month during the budget year. We review and evaluate the assumptions that Department managers use to create various budget projections. We make recommendations to optimize income and expense and minimize subsidies. The Committee members met 14 times during January, February and March 2008 for this purpose and spent numerous hours outside of meetings reviewing budget information

and historical comparisons. Dedicated Committee members formally submitted 136 questions and recommendations regarding budget revisions to Department managers and communicated countless informal observations/questions/recommendations to the controller. At the conclusion of the Annual Budget Process, the Committee submitted 15 formal recommendations to the Board of Directors accompanying the 2008-2009 Operating Budget, which in the opinion of the Committee would further its mission of assuring financial control and responsibility.

As outgoing Chairman of the Finance Committee, I would like to thank Committee Members Gene Ferrier, Robb Smith, Barry Talbot, Sue Moore, Jack Wamsley, and Dale Willingham for their dedication, hard work, attention to detail and community service orientation. I also want to acknowledge the efforts by Ron Phipps and each Department manager in preparing and implementing the Corporation's annual operating budget. The Canyon Lake community is fortunate to have such professional and competent employees who genuinely care about Canyon Lake working on our behalf.