

**CANYON LAKE PROPERTY  
OWNERS ASSOCIATION**

**REPORT ON AUDIT  
OF FINANCIAL STATEMENTS &  
SUPPLEMENTAL INFORMATION**

**For the Fiscal Year Ended  
April 30, 2011**



**CANYON LAKE PROPERTY OWNERS ASSOCIATION**

*For the Fiscal Year Ended April 30, 2011*

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Members  
Canyon Lake Property Owners Association  
Canyon Lake, California

We have audited the accompanying balance sheet of Canyon Lake Property Owners Association, for the fiscal year ended April 30, 2011 and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canyon Lake Property Owners Association for the fiscal year ended April 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

The Supplemental Information on Replacement Fund Balances included in the accompanying schedule is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The Supplemental Information on Operating Fund Functional Expenses is presented for purposes of additional analysis and is not required as part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nigro & Nigro, PC*

August 19, 2011

# CANYON LAKE PROPERTY OWNERS ASSOCIATION

## Balance Sheet

April 30, 2011

	<u>Operating Fund</u>	<u>Repair Replacement Reserve</u>	<u>Road Reserve</u>	<u>Community Facilities Fund</u>	<u>Total Funds</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 5,750	\$ -	\$ -	\$ -	\$ 5,750
Investments	-	6,766,892	4,306,557	978,896	12,052,345
Assessments and Fines Receivable, Net of Allowance	1,357,195	-	-	566,837	1,924,032
Interest Receivable	-	-	-	146,936	146,936
Other Receivables	618	-	-	-	618
Inventory	52,970	-	-	-	52,970
Prepaid Expenses	515,950	-	-	-	515,950
Other Assets	193,615	-	-	-	193,615
Due To / From Other Funds	(122,719)	181,915	53,069	(112,265)	-
<b>Noncurrent Assets</b>					
Capital Assets, Net of Depreciation	6,755,752	-	-	-	6,755,752
<b>Total Assets</b>	<u>\$ 8,759,131</u>	<u>\$ 6,948,807</u>	<u>\$ 4,359,626</u>	<u>\$ 1,580,404</u>	<u>\$ 21,647,968</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 539,810	\$ -	\$ -	\$ -	\$ 539,810
Notes Payable Due Within One Year	58,067	-	-	-	58,067
Accrued Payroll and Related Items	228,962	-	-	-	228,962
Other Accrued Liabilities	160,000	-	-	-	160,000
Prepaid Assessments / Deferred Revenue	1,668,220	-	-	-	1,668,220
Refundable Member Deposits	203,400	-	-	-	203,400
Sales Tax Payable	3,862	-	-	-	3,862
Other Deferred Revenue	160,513	-	-	-	160,513
<b>Noncurrent Liabilities</b>					
Notes Payable Due After One Year	602,478	-	-	-	602,478
<b>Total Liabilities</b>	3,625,312	-	-	-	3,625,312
<b>Fund Balances</b>	<u>5,133,819</u>	<u>6,948,807</u>	<u>4,359,626</u>	<u>1,580,404</u>	<u>18,022,656</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,759,131</u>	<u>\$ 6,948,807</u>	<u>\$ 4,359,626</u>	<u>\$ 1,580,404</u>	<u>\$ 21,647,968</u>

The notes to the financial statements are an integral part of this statement.

## CANYON LAKE PROPERTY OWNERS ASSOCIATION

### *Statement of Revenues, Expenses, and Changes in Fund Balances For the Fiscal Year Ended April 30, 2011*

	Operating Fund	Repair Replacement Reserve	Road Reserve	Community Facilities Fund	Total Funds
<b>REVENUES</b>					
Assessments	\$ 7,858,000	\$ 1,400,000	\$ 1,700,000	\$ 850,000	\$ 11,808,000
Interest Income	25,036	-	-	228,127	253,163
Administrative Fees	1,154,209	-	-	-	1,154,209
Architectural and Building Fees	118,393	-	-	-	118,393
Sales and User Fees	2,646,771	-	-	-	2,646,771
Lake Lease Income	377,139	-	-	-	377,139
Other Income	-	-	-	438,710	438,710
<b>Total Revenues</b>	<b>12,179,548</b>	<b>1,400,000</b>	<b>1,700,000</b>	<b>1,516,837</b>	<b>16,796,385</b>
<b>EXPENSES</b>					
Salaries and Related Expenses	3,694,672	-	-	-	3,694,672
Outside Services	4,037,368	-	-	-	4,037,368
Lake Lease	1,227,475	-	-	-	1,227,475
Utilities	810,281	-	-	-	810,281
Repairs and Maintenance	353,880	-	-	-	353,880
Supplies	419,642	-	-	-	419,642
Rental Equipment	39,384	-	-	-	39,384
Property Taxes	14,841	-	-	-	14,841
Cost of Goods Sold	514,465	-	-	-	514,465
General and Administrative	481,387	-	-	-	481,387
Insurance	163,652	-	-	-	163,652
Legal Fees	231,242	-	-	340,421	571,663
Bad Debt	-	-	-	632,121	632,121
Events	143,371	-	-	-	143,371
Income Taxes	3,159	-	-	-	3,159
Building Note	46,592	-	-	-	46,592
Contingency	5,335	-	-	-	5,335
Major Repairs and Replacements	-	233,297	2,846,726	387,586	3,467,609
<b>Total Expenses</b>	<b>12,186,746</b>	<b>233,297</b>	<b>2,846,726</b>	<b>1,360,128</b>	<b>16,626,897</b>
<b>Excess (Deficit) of Revenues</b>					
<b>Over (Under) Expenses Before Depreciation and Interfund Transfers</b>	(7,198)	1,166,703	(1,146,726)	156,709	169,488
Depreciation	(347,205)	-	-	-	(347,205)
Interfund Transfers	976,047	-	-	(976,047)	-
<b>Net Change in Fund Balances</b>	<b>621,644</b>	<b>1,166,703</b>	<b>(1,146,726)</b>	<b>(819,338)</b>	<b>(177,717)</b>
<b>Fund Balances, Beginning of Year</b>	<b>4,512,175</b>	<b>5,782,104</b>	<b>5,506,352</b>	<b>2,399,742</b>	<b>18,200,373</b>
<b>Fund Balances, End of Year</b>	<b>\$ 5,133,819</b>	<b>\$ 6,948,807</b>	<b>\$ 4,359,626</b>	<b>\$ 1,580,404</b>	<b>\$ 18,022,656</b>

*The notes to the financial statements are an integral part of this statement.*

# CANYON LAKE PROPERTY OWNERS ASSOCIATION

## Statement of Cash Flows

For the Fiscal Year Ended April 30, 2011

	Operating Fund	Repair Replacement Reserve	Road Reserve	Community Facilities Fund	Total Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess (Deficiency) of Revenues Over Expenses	\$ (354,403)	\$ 1,166,703	\$ (1,146,726)	\$ 156,709	\$ (177,717)
<b>Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities</b>					
Depreciation Expense	347,205	-	-	-	347,205
<b>Change in Assets and Liabilities</b>					
Change in Assessments Receivable	(308,353)	-	-	34,782	(273,571)
Change in Interest Receivable	-	-	-	(8,663)	(8,663)
Change in Other Receivables	29,972	-	-	-	29,972
Change in Inventory	(24,803)	-	-	-	(24,803)
Change in Prepaid Expenses	69,139	-	-	-	69,139
Change in Other Assets	9,765	-	-	-	9,765
Change in Accounts Payable	211,141	-	-	-	211,141
Change in Note Payable	(54,288)	-	-	-	(54,288)
Change in Accrued Payroll and Related Items	31,025	-	-	-	31,025
Change in Other Accrued Liabilities	160,000	-	-	-	160,000
Change in Refundable Member Deposits	(3,139)	-	-	-	(3,139)
Change in Prepaid Assessments / Deferred Revenue	13,891	-	-	-	13,891
Change in Sales Taxes Payable	(1,969)	-	-	-	(1,969)
Change in Other Deferred Revenue	(239,872)	-	-	-	(239,872)
<b>Total Adjustments</b>	239,714	-	-	26,119	265,833
<b>Net Cash Provided (Used) By Operating Activities</b>	(114,689)	1,166,703	(1,146,726)	182,828	88,116
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>					
Net Change in Investments	-	(1,963,150)	1,009,023	(978,896)	(1,933,023)
Net Change in Fixed Assets	(122,719)	-	-	-	(122,719)
<b>Net Cash Provided (Used) By Investing Activities</b>	(122,719)	(1,963,150)	1,009,023	(978,896)	(2,055,742)
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>					
Due Between Funds	(738,639)	(181,915)	(53,069)	973,623	-
Transfers Between Funds	976,047	-	-	(976,047)	-
<b>Net Cash Provided (Used) By Financing Activities</b>	237,408	(181,915)	(53,069)	(2,424)	-
<b>Net Increase (Decrease) in Cash</b>	-	(978,362)	(190,772)	(798,492)	(1,967,626)
<b>CASH AT BEGINNING OF YEAR</b>	5,750	978,362	190,772	798,492	1,973,376
<b>CASH AT END OF YEAR</b>	\$ 5,750	\$ -	\$ -	\$ -	\$ 5,750
<b>SUPPLEMENTAL DISCLOSURE</b>					
Interest Paid	\$ 46,592	\$ -	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

# CANYON LAKE PROPERTY OWNERS ASSOCIATION

## *Notes to Financial Statements*

*For the Fiscal Year Ended April 30, 2011*

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### **NOTE 1 - ORGANIZATION**

Canyon Lake Property Owners Association (the Association) was incorporated May 3, 1968 as a California nonprofit corporation. The Association is responsible for the operation and maintenance of the common areas of a 4,800 lot planned development in Canyon Lake, California. Association activities are governed by the Association's governing documents. The Association is controlled by a member-elected Board of Directors, all of whom serve on a voluntary basis. The Association is managed by a general manager and supporting staff.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fund Accounting**

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

**Operating Fund:** This fund is used to account for all current operating transactions of the Association.

**Repair & Replacement Fund:** This fund is used to account for member capital contributions and Association disbursements necessary to provide for the future repair, replacement and improvement of Association property, facilities and common areas.

**Road Reserve:** This fund is used to account for disbursements necessary to provide for the future repairs and replacement for common streets within the Association.

**Community Facilities Fund:** This fund is used to account for the accumulation and expenditure of funds for projects designated by the Board of Directors, consisting primarily of parks and recreation facilities.

#### **Member Assessments**

Each property owner is subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments are determined annually during the budget process based on the Association's fiscal year.

#### **Assessments Receivable**

Assessments receivable as reflected in the financial statements are from members whose units are located within the City of Canyon Lake. A provision has been made for bad debts, using the allowance method. The Association has the right to levy liens on a member's property to insure payment of amounts due the Association. At April 30, 2011, the Association had delinquent assessments of \$1,682,994 and delinquent fines of \$1,133,673. Management states that the past history indicates that the Association will ultimately prevail against eighty percent of the members with delinquent assessments and fifty percent of members with delinquent fines. Accordingly, a twenty percent and fifty percent allowance for uncollectible accounts is deemed necessary.

## CANYON LAKE PROPERTY OWNERS ASSOCIATION

### Notes to Financial Statements

For the Fiscal Year Ended April 30, 2011

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#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash includes cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less. The Association maintains bank accounts at financial institutions within the counties of Riverside and Los Angeles.

##### Investments

Investments consist of Certificates of Deposit and Municipal Bonds recorded at amortized cost. Based on the past investing history and the current intentions of Management these securities are classified as "Held to Maturity" for purposes of Statement of Financial Accounting Standards No. 115. These investments mature at dates ranging from June 2010 to June 2040 with interest rates ranging from 3.0% to 6.75%. The amortized cost of these investments held at April 30, 2011, was \$12,052,345. Investments are classified as designated funds. The unrealized gain at April 30, 2011 was \$148,520.

##### Inventories

Inventories consist primarily of food and beverage at the restaurants, gasoline at the campground and horse feed at the equestrian center. Inventory is stated at the lower of first-in, first-out cost or market, using a standard cost method.

##### Property and Equipment

Common areas are restricted to use by Association members, their tenants, and guests. The Association is responsible for the preservation and maintenance of the common areas. Personal property acquired by the Association is capitalized at cost and depreciated over the estimated useful life of the item purchased, ranging from three to forty years, using the straight-line method of depreciation.

Real property capitalized on the balance sheet of the Association includes the golf course and related improvements, buildings, the equestrian center, campground improvements, and the marina and related improvements. These assets are related either to the production of income to the Association or are severable and saleable at the Board of Directors' discretion. Real property not capitalized on the balance sheet of the Association includes the roads, administrative and maintenance buildings, parks, and greenbelts. Replacements and improvements to this property and common areas are not capitalized, as they are either not directly related to the production of income to the Association, or are not severable and saleable at the Board of Directors' discretion.

The following summarizes capital assets recorded as of April 30, 2011:

Description	Amount
Land and Improvements	\$ 6,705,585
Buildings	3,807,077
Machinery and Equipment	1,729,802
Pool	394,913
Furniture and Fixtures	643,449
Vehicles	568,597
Total Cost of Property and Equipment	13,849,423
Less Accumulated Depreciation	(7,093,671)
Net Property and Equipment at April 30, 2011	<u>\$ 6,755,752</u>

## **CANYON LAKE PROPERTY OWNERS ASSOCIATION**

### *Notes to Financial Statements*

*For the Fiscal Year Ended April 30, 2011*

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#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Construction Deposits**

The Association collects deposits from property owners of contractors (builders) when builders apply for a building permit. The purpose of the deposit is to ensure compliance with Association rules and regulations. The deposit is refunded when the builders apply for the refund and the Association verifies compliance. This is the required method of accounting for the Association for financial reporting purposes.

##### **Income Taxes**

The Association is classified as a non-exempt membership organization for both federal and state income tax purposes. Under this method of taxation, the Association is required to classify its taxable income and deductions between member activities, non-member activities, and capital transactions (for capital replacement fund components). The Association is subject to specific rulings and regulations applicable to non-exempt membership organizations.

For federal tax purposes, the Association is taxed on all net income from non-member activities reduced only by losses from non-member activities for which a profit motive exists. Non-member income may not be offset by member losses, and any net member losses may only be carried forward to offset member income of future tax periods. Any net member income not applied to the subsequent tax year is subject to taxation. The Association files Form 1120, with tax rates applicable to Association net taxable income based on a graduated rate table of 15% to 39%.

For California income tax purposes, the Association is taxed on all net income from non-member activities reduced only by losses from non-member activities for which a profit motive exists. Non-member income may not be offset by member losses. Any net member income is not subject to taxation. The tax rate for Association net taxable income is 8.84%.

For the fiscal year ended April 30, 2011, the Association incurred no Federal taxes and State taxes of \$3,159.

##### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and 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. Actual results could differ from those estimates.

##### **Basis of Accounting**

The Association's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when received, and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed. This is the required method of accounting for the Association for financial reporting purposes.

##### **Lines of Business**

The Association conducts only one line of business, which is providing management and recreation services to its members. This consists primarily of maintenance of the common areas and related administrative functions.

## **CANYON LAKE PROPERTY OWNERS ASSOCIATION**

### *Notes to Financial Statements*

*For the Fiscal Year Ended April 30, 2011*

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#### **NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require that funds be accumulated for the replacement and improvements of its common areas and for general operations. Such funds are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed.

It is the Association's policy to fund its reserves on a monthly basis. The Association annually reviews its reserve funding program. The last review was performed as part of the budget process for the current year. California Civil Code Section 1365 et.seq. mandates certain requirements for disclosure of the reserve funding program by the Association to its members. The Association believes that it has complied in all material respects with these requirements.

Actual expenditures may vary from estimated amounts and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. The Association updates cost data annually.

Cash balances in amounts equal to the designated capital reserves represent cash designated for this purpose only.

#### **NOTE 4 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK**

The Association maintains bank accounts at various financial institutions. Some accounts are not federally insured or have balances which exceed the federally insured amount of \$250,000. This is considered necessary due to the high volume of operating transactions.

The majority of the Association's investments are in long term local government bonds of governmental entities within the state of California. The brokerage account is insured by the Securities Investors Protection Corporation (SIPC).

#### **NOTE 5 - EMPLOYEE BENEFIT PLAN**

The Association has a 401(k) defined contribution plan (the "Plan") which covers all employees who have completed at least 1,000 hours of service within a 12 consecutive month period. Employees qualify for benefits upon reaching the age of 65. For the employer portion, employees become 25% vested after two years of service, 75% vested after three years, and 100% after four years. The Association may make a discretionary matching contribution not to exceed 4% of an employee's gross pay per pay period. The Association made matching contributions of \$61,915 during the year ended April 30, 2011. The Association may also make a discretionary contribution based on the amount of excess assessments and other revenues over expenses for each plan year which, when combined with the matching contribution, may not exceed 15% of an employee's annual compensation. The Association made no such contribution to the Plan for the year ended April 30, 2011.

## CANYON LAKE PROPERTY OWNERS ASSOCIATION

### Notes to Financial Statements

For the Fiscal Year Ended April 30, 2011

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#### NOTE 6 - OPERATING LEASE

The Association leases the Canyon Lake Reservoir (the "Reservoir") for water recreation purposes. The lease term extends through December 31, 2022, with an option to renew for an additional 44 years. The annual rent consists of a base rate of \$65,800 plus a "cost increase sum". The "cost increase sum" portion of the lake lease is determined each year by using the following formula [(Tier 1 rate for full service untreated water/22)\*52,000] - 52,000.

Future minimum lease expenses for the operating lease, if options are exercised (assuming the option through December 21, 2066 is exercised at the base rate of \$65,800 and excluding the "cost increase sum", which is not determinable for future years at this time), are \$3,619,000.

The "cost increase sum" amount is anticipated to continue in future years, and the amount paid in August 2010 was \$1,118,830. This payment covers the period from September 1, 2010 through August 31, 2011. The Association has accrued a prepaid expense for the four month portion of the lease covering May 1, 2010 through August 31, 2011.

#### NOTE 7 - NOTE PAYABLE

The Association purchased the building which houses the Association's accounting and administrative offices in 2004 for \$1,310,332, subject to a \$950,000 note payable, with interest at a rate of 6.75% per annum. The terms of the note call for monthly payments of \$8,407 for 8 years, beginning January 2005, and ending December 28, 2012, at which time the entire unpaid principal balance, together with interest due thereon, shall become due and payable. The outstanding balance as of April 30, 2011 is \$660,545. Future payments are as follows:

Year Ending April 30,	Principal	Interest	Total
2012	\$ 58,067	\$ 42,812	\$ 100,879
2013	602,478	26,312	628,790
Total	<u>\$ 660,545</u>	<u>\$ 69,124</u>	<u>\$ 729,669</u>

#### NOTE 8 - CONTINGENCIES

##### A. Litigation

The Association is involved in various legal matters. In the opinion of legal counsel, the Association does not anticipate that the outcome of any litigation will have a material impact on the financial statements.

##### B. Sales Tax Audit

The State Board of Equalization has performed an audit of the association's sales tax returns and has preliminarily determined the association owes \$29,310. Although the association plans to appeal the Board's decision, at the time of closing the books, an accrual of \$60,000 was established to account for the possible contingency.

## CANYON LAKE PROPERTY OWNERS ASSOCIATION

### *Supplementary Information on Future Major Repairs and Replacements For the Fiscal Year Ended April 30, 2011*

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The Association conducted a reserve study dated September 2008 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were estimated from published manuals such as construction estimators, appraisal handbooks, and valuation guides.

A separate study was conducted by a licensed engineer to estimate the timing and cost of future repairs and replacements for 36 miles of 2-way common streets within the Association to estimate the remaining useful lives of the common streets. The replacement costs were estimated from published guidelines. As a note, the Association has entered into a contract and is currently conducting a new study as of the date of this report.

Funding has been provided using a cash flow methodology with provisions for interest earnings, and no provisions for inflation or taxes, and the funding is updated annually by management.

Significant information about the components of common property derived from the reserve study is as follows:

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Future Replacement Costs</u>
Docks/Ramps/Lake	2-20	\$ 2,493,998
Equipment- Food & Beverage	4-24	142,050
Equipment- Mechanical	1-38	693,950
Equipment-Office/ Computers	0-13	590,000
Equipment-Playground	3-12	188,850
Exterior-Buildings	1-30	547,740
Facilities	2-30	1,828,451
Fences/Signs	0-30	1,199,700
Flooring	1-26	443,864
Furnishings	0-20	530,719
Grounds	0-26	1,945,745
Interior-Building	2-24	860,880
Paths/Walkways/Parking Lots	0-24	1,989,198
Vehicles/Boats	0-18	<u>1,245,000</u>
<b>Total</b>		14,700,145
Roads	0-40	<u>16,700,000</u>
<b>Total</b>		<u>\$ 31,400,145</u>
Designated for Repairs and Replacements at April 30, 2011		<u>\$ 11,308,433</u>

**CANYON LAKE PROPERTY OWNERS ASSOCIATION**  
*Supplementary Information on Operating Fund Functional Expenses*  
*For the Fiscal Year Ended April 30, 2011*

	Corporate	Lake Operations	Operations	Member Services	Planning & Compliance	Community Patrol	Activities	Equestrian Center	Campground	Golf Course	Lighthouse	Country Club	Total
<b>REVENUES</b>													
Assessments	\$ 1,233,374	\$ 1,060,544	\$ 2,705,410	\$ (58,380)	\$ 101,675	\$ 1,216,500	\$ 360,455	\$ 113,062	\$ 44,340	\$ 858,650	\$ 11,086	\$ 211,284	\$ 7,858,000
Interest Income	25,036	-	-	-	-	-	-	-	-	-	-	-	25,036
Administrative Fees	751,594	-	-	342,245	60,370	-	-	-	-	-	-	-	1,154,209
Architectural and Building Fees	-	-	-	-	118,393	-	-	-	-	-	-	-	118,393
Sales and User Fees	-	462,077	22,370	160,862	-	-	42,157	151,962	220,349	706,174	254,963	625,857	2,646,771
Other Income	16,321	-	16,854	1,979	158,000	156,000	23,426	4,050	-	-	-	509	377,139
<b>Total Revenues</b>	<b>2,026,325</b>	<b>1,522,621</b>	<b>2,744,634</b>	<b>446,706</b>	<b>438,438</b>	<b>1,372,500</b>	<b>426,038</b>	<b>269,074</b>	<b>264,689</b>	<b>1,564,824</b>	<b>266,049</b>	<b>837,650</b>	<b>12,179,548</b>
<b>EXPENSES</b>													
Salaries and Related Expenses	543,133	148,732	1,429,281	272,955	335,694	-	148,812	122,934	68,875	-	148,284	475,970	3,694,672
Outside Services	792,880	130,743	538,762	3,414	24,323	1,248,319	43,787	50,057	12,708	1,119,840	16,647	55,888	4,037,368
Lake Lease	-	1,227,475	-	-	-	-	-	-	-	-	-	-	1,227,475
Utilities	89,664	-	357,682	390	2,438	14,619	62,078	22,501	34,306	190,691	1,462	34,450	810,281
Repairs and Maintenance	6,465	49,987	175,853	-	1,461	6,049	13,632	12,630	8,847	50,602	6,771	21,583	353,880
Supplies	54,770	27,487	98,002	31,718	11,568	40,328	35,389	9,132	7,440	21,655	20,970	61,185	419,642
Rental Equipment	19,765	394	13,727	-	-	-	-	1,625	2,080	542	(1,500)	2,751	39,384
Property Taxes	14,841	-	-	-	-	-	-	-	-	-	-	-	14,841
Cost of Goods Sold	-	-	-	-	-	-	-	58,175	91,637	-	-	282,486	514,465
General and Administrative	250,205	727	25,313	1,900	51,594	-	2,540	-	6,811	36,819	26,514	78,964	481,387
Insurance	163,652	-	-	-	-	-	-	-	-	-	-	-	163,652
Legal Fees	217,460	-	-	-	13,783	-	-	-	-	-	-	-	231,242
Events	49,789	18,419	1,224	162	-	-	31,630	-	-	-	22,125	20,022	143,371
Income Taxes	3,159	-	-	-	-	-	-	-	-	-	-	-	3,159
Building Note	46,592	-	-	-	-	-	-	-	-	-	-	-	46,592
Contingency	5,335	-	-	-	-	-	-	-	-	-	-	-	5,335
<b>Total Expenses</b>	<b>2,257,710</b>	<b>1,603,964</b>	<b>2,639,844</b>	<b>310,539</b>	<b>440,861</b>	<b>1,309,315</b>	<b>337,868</b>	<b>277,054</b>	<b>232,704</b>	<b>1,420,149</b>	<b>323,440</b>	<b>1,033,299</b>	<b>12,186,746</b>
<b>Excess (Deficit) of Revenues Over Expenses Before Depreciation</b>	<b>(231,385)</b>	<b>(81,343)</b>	<b>104,790</b>	<b>136,167</b>	<b>(2,423)</b>	<b>63,185</b>	<b>88,170</b>	<b>(7,980)</b>	<b>31,985</b>	<b>144,675</b>	<b>(57,391)</b>	<b>(195,650)</b>	<b>(7,198)</b>
Depreciation	(347,205)	-	-	-	-	-	-	-	-	-	-	-	(347,205)
<b>Excess (Deficit) of Revenues Over Expenses</b>	<b>\$ (578,590)</b>	<b>\$ (81,343)</b>	<b>\$ 104,790</b>	<b>\$ 136,167</b>	<b>\$ (2,423)</b>	<b>\$ 63,185</b>	<b>\$ 88,170</b>	<b>\$ (7,980)</b>	<b>\$ 31,985</b>	<b>\$ 144,675</b>	<b>\$ (57,391)</b>	<b>\$ (195,650)</b>	<b>\$ (354,403)</b>