

Financial Performance Update April 2008

The following is a summary of the Associations' financial status. Table A below provides information from the Audited Financials from 2002 through 2006 and also includes the unaudited 2007 Financial Data and the Budget for 2008. You will note that the Associations' excess revenue over expense has improved each year from 2003 through 2007. The total increase in assessment dollars collected during this period was 18.3% or approximately 4.6% per year. The actual average increase in the monthly assessment on a property owner basis was 2.6% per year. The difference represents assessments collected on new lots and or homes.

Total revenues during this period increased 26% (6.5% per year) while total operating expenses increased only 13% (3.25% per year). In the 2008 Budget total revenues are anticipated to grow by 4.7%. This is less than the average for the last four years due to reductions in interests income (cash reserves were utilized to fund the amenity upgrade projects) and fees connected with the building of new homes. Offsetting some of these losses is an increase in the revenues that are anticipated from the food and beverage operations at the new clubhouse that are projected to increase by \$295,000 or 49%.

Expenses are budgeted to increase by 12.8%. The major components include:

- Additional staffing needs in the areas of Staff Architectural, Director of Amenities, Public Safety Dispatch positions, and Food and Beverage staffing for the opening of the new Clubhouse.
- Recruiting fees for the replacement of the General Manager (Not all of these funds will be expended as the recruiting process has been postponed.)
- Products that are tied to the cost of oil such as propane, vehicle gas, oil, chemicals etc.
- Volunteer Fire Fighters expenses
- General Liability and Property Insurance that is tied to the opening of the new clubhouse
- Cost of sales in Food and Beverage that is tied to the increase in revenues. The actual cost of sale percentage is targeted at 36% and is in line with industry standards.
- It should be noted that the increase in revenues over the entire period (2003 through 2008) reflect an increase of 32% in revenues (6.4% average per year) and a 28% increase in expense (5.6% average per year).

During the same period, it has been necessary to invest in our infrastructure. At the bottom of Table A you will note that the total assets of the Association have grown from \$19,214,000 to \$33,462,000 at the end of 2007. It is anticipated that total assets will grow to \$40,250,000 by the end on 2008. The investment in the Association's infrastructure include both operating capital expenditures such as road paving and golf cart replacement as well as the upgrades that have been done to the amenities (Cherokee and Choctaw Golf Courses, the North Gate Entrance, Ball field parking , Marina