



Lake Arrowhead
C O M M U N I T Y , I N C .

Fiscal Year Ending April 30, 2017

ANNUAL REPORT

TO

MEMBERS

Presented at the Annual Meeting on

August 5, 2017

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WARRANT

2017 Annual Membership Meeting
Lake Arrowhead Community, Inc.
Clubhouse 2 - 206 Old Portland Road
No. Waterboro, Maine
August 5, 2017 at 9:00 a.m.

In accordance with Article II, Sections 3 and 5 of the By-laws of Lake Arrowhead Community, Inc., the Board of Trustees hereby gives notice that the annual membership meeting of the Corporation will be held at Clubhouse 2, 206 Old Portland Road, No. Waterboro, Maine at 9:00 a.m. to conduct the business of the Corporation as stated in this Warrant.

Members of the Corporation are requested to be present to act on the business at hand.

Please note that ballots are due no later than 9:30 a.m. on the day of the meeting.

The ballots must be returned in the special pre-addressed envelope provided for this purpose. The pre-addressed envelope must be signed along with your name and lot number noted in the appropriate place on the back of the envelope. Envelopes returned without this information will be declared invalid. Ballots sent through the mail must arrive on or before August 4, 2017, one business day before the meeting. Mailed ballots received after this date will be declared invalid.

Your ballot envelope may also be placed in the ballot box located in the LAC office by August 4, 2017 or delivered to the Clerk in person at the ballot box no later than 9:30 a.m., August 5, 2017, the day of the meeting.

Action on Articles 2 through 8 will take place at the open portion of the meeting on August 5, 2017.

- Article 1*** Election of 3 trustees for a term of three (3) years. (Vote by secret ballot).
- Article 2*** Approval of the minutes of the Annual Meeting of the Corporation held on August 6, 2016.
- Article 3*** Hear and accept Auditor's Report.
- Article 4*** Ratification of selection of public accountants for the Fiscal Year.
- Article 5*** Hear Officers and Committee Reports.
- Article 6*** Hear Member's concerns.
- Article 7*** Special Announcements.
- Article 8*** Adjournment.

**LAKE ARROWHEAD COMMUNITY MEETING
2016 ANNUAL MEETING - AUGUST 6, 2016**

Present: President Dave Sanfason, Vice President Michael Fitzpatrick, Trustee Mary Singelais, Trustee Alan Martel, Trustee Robert Pomerleau, Trustee Philip Oreto, Trustee David DelloRusso, Scott Davis, Public Works Manager, Paul Carey, Security Officer, Michael Traister, Esq., Jason LeBlanc, CPA.

Absent: Trustee George Fowler and Trustee Steve Dawson

Call to Order: The meeting was called to order at 9:00 a.m.

Based on the number of members present and the number of ballots cast, a quorum exists for the purposes of conducting the Annual Meeting.

President Sanfason welcomed everyone and stated that the membership will vote on all matters that come to the Board today. He introduced special guests Gladys Sanfason, Sheila Sanfason, Victor Wakefield, Jean Burke, Tracie Doyle, John Festa and Andrea Boland.

Approval of the Minutes

MOTION: Trustee Oreto moved to accept the minutes of the Annual Meeting of August 1, 2015. Seconded by Trustee DelloRusso. **The motion passed unanimously.**

Security Report

Paul Carey reported:

- Good summer with no crime.
- Actively working with Deputy Sanborn on the ATV issues.
- Some parking problems at Love Lane and Bay Cove with non-members.

Legal Report

Michael Traister, Esq., of Murray, Plumb and Murray reported:

- Has been a relatively quiet year. His phone rarely rings, which is due to good governance of the Trustees.
- In general, we are continuing to deal with foreclosures, but the trend is improving and the number of foreclosures is decreasing.
- He has done work with deed restrictions, general governance, property issues and ROW issues.
- There is one matter that he is not handling regarding an alleged personal injury; that is being covered by the insurance carriers' counsel.

Presentation of Audit Report of FY 2016

Jason LeBlanc of Albin, Randall and Bennett presented the Audit Report for Fiscal Year ending April 30, 2016 and highlighted the following:

- Year was financially strong and ended with a cash surplus that allowed the Future Reserve to be fully funded at the statutory limit of \$500,000 and the cash balance is increased and improved overall.
- Strong financial year and the audit ran smoothly.

MOTION: Trustee Martel moved to accept the Auditor's Report for Fiscal Year ending 2016. Seconded by Trustee Oreto. **The motion passed unanimously.**

Appointment of the Corporation's Auditor

MOTION: Trustee Fitzpatrick moved to accept the firm of Albin, Randall and Bennett as the Corporation's Auditor. Seconded by Trustee Singelais. **The motion passed unanimously.**

President's Report / Water Report

President Sanfason presented his report and noted the following:

- It was another extremely good year. The winter was mild and fuel prices were low so we ended up with a large surplus. This surplus put our Future Reserve at the maximum allowable amount of \$500,000 and set money aside for some water system improvements.
- Many residents have taken advantage of cutting trees and getting loam from the community to put in lawns. Additionally, our foreclosure list is shrinking and those homes are putting in lawns as well. These actions resulted in the need for water conservation due to increased consumption. Daily usage went from 350,000 gallons per day to 500,000 at the beginning of the summer. We don't have a supply issue but a delivery issue; the lines are more like straws that deliver to the tanks and they can't fill fast enough.
- LAC has many recreational activities for our members making the LAC a great place to live.
- The community reduced dues slightly this year and ended last year with healthy surplus and that is due to the governance of this board.

Lake Improvement Committee

Trustee Fitzpatrick presented the Lake Improvement Committee report and noted the following:

- OSHA has implemented changes to the operations of the DASH program. LACC is now required to have communications equipment on board and a second diver to supervise. These increased labor costs have impacted our budget dramatically.
- LACC's membership is declining also compounding the financial strain.

Presentation of Voting Results

Article 1

Trustee Martel reported that there were three candidates running for re-election to three positions this year; one vote has been cast for David Sanfason, Robert Pomerleau and George Fowler, therefore, they have each been re-elected to a three-year term.

Treasurer's Report

Director Finance and Administration Amy Harris reported on behalf of Trustee Fowler:

- We had a great year.
- Internal change to way we track fixed assets, upping the amount to reflect actual.
- We had a lot of bad debt on the books and the office has taken on the task to collect past due accounts. We have contacted many of the delinquent accounts and collected quite a few before sending them off to a collection agency.

Road Committee

Trustee Martel presented the Road Committee report and noted the following:

- While the winter wasn't bad, managing the equipment and getting the sand up still takes a lot of work.
- The next paving project had to be delayed from last year due to some interruptions. So, it took a little longer than expected, but the road is completely prepared and compacted. Now that it is ready we are going to get in touch with FR Carroll to see if we can get on the schedule for paving this year. The goal is October.

Equipment Committee

Trustee DelloRusso presented the Equipment Committee report and noted the following:

- Two years ago, the equipment committee was formed after all the meetings where the Board was told about aging equipment that the crew spent too much time on fixing. The idea was to assess how old everything was and what was critical to fix providing our current two, five and ten-year plans.
- We have purchased two new F550's and a new F250 and refurbished others. Scott and Bob have worked together to put product out for bids to spend the community money wisely.

Real Estate Committee

Trustee Bob Pomerleau presented the Real Estate Committee report and noted the following:

- We had three new building permits this year.
- Worked with the Town of Waterboro to eliminate taxes on our common property. This helps to keep our dues stable and puts the money to work best for the members.
- Hoping to host a day with real estate agents to help improve the image of the committee.

Parks and Receptions Committee

Trustee Singelais presented the Parks and Recreation Committee report and noted the following:

- Once again, we had our annual Fourth of July Boat Parade with the following families taking home prizes: First place went to the Piela Family's "Finding Dory", Second place went to the Hart Family's "Pizza Hut", Third place went to the Fultz Family's "Funny Farm", Fourth place went to the DelloRusso Family's "Batman" and Fifth place went to the Krayenvenger Family's "Arrowhead Floating Ristorante". Also getting recognized for honorable mention were the Bottger Family's "Finding Dory" and the Sanfason Family's "Jaws" which was chasing the Bottger's "Finding Dory" boat. Special thanks to all the crew and Sheila Sanfason for putting the event together.
- The Third Annual LAC Tom Sotir Volunteer Service Award will be awarded to Carol Carey this year. Carol collects data for the Maine Volunteer Lake Monitoring Program and works with other members of the Garden Club to enhance our community with colorful flowers and beautiful landscaping. Congratulations Carol!
- This year the Garden Club founders Judy Juffre and Carol Carey along with Lou and Bonnie DeFeo, Bill Juffre and Rob Juffre have planted flowers, shrubs and trees at CH2, put in plant barrels at the mailboxes on New Dam Road and planted a border garden in front of CH1.
- We had our Memorial Day Ice Cream Social and the Labor Day Ice Cream Social will be coming up shortly, the walking class is ongoing at CH1 and we will be hosting our Annual Pumpkin Carving and Wreath Making events again thanks to coordinator Sheila Sanfason.
- Recently the Pilates room at CH1 was given a face lift with some fresh paint thanks to Debbie Broderick and several other members that use it for their walking class. We also added a new cybex recumbent bike to the cardio room at CH1.

Tom Sotir Volunteer Service Award

Trustee Singelais presented the Tom Sotir Volunteer Service Award to Carol Carey for her many years of service to Lake Arrowhead Community.

MEMBER CONCERNS:

Bob Gilchrest, Lot 1516: Asked if the people coming in for bass tournaments can be forced to put baskets on their props. Trustee Sanfason replied that we have asked DEP to limit the tournaments to four and donate 10% of the take back, but IFW is resistant to regulating tournaments.

Catherine Fisher, Lot 0787: Are we going to hear from the ID Membership Committee? Trustee Sanfason replied that the committee met and it is their opinion that the system is good and it's not worth tracking and issuing ID's

or stickers; it would become an administrative nightmare. A second concern is with the tennis court between Sunset Circle and Ridgeway. She would like to see it become basketball court. Trustee Sanfason replied it is on the back burner for now. Lastly, who manages the common space specifically with regards to dead trees? Trustee Sanfason replies the Board does and she should contact us regarding any potential tree issues.

John Festa, Lot 1442: He wants to make sure to keep the crack repairs on the courts on the radar and pine trees cut over the courts to keep the investment safe. Regarding the roads, he has observed excessive wash boarding and wants to know what causes it. Again, he just wants it to be kept on the radar. Scott Davis replied a lack of rain combined with excessive speed causes the wash boarding. Trustee Martel added yes, the crew has been driven to get the paving project job done, but we have also spent even more money on Calcium Chloride this year compared to years past. Regarding the Real Estate Committee, do LAC residents pay less in taxes? Trustee Pomerleau replied no, but the town taxes would probably go up overall to cover the additional costs the town would bear to maintain these roads. Lastly, does LAC have the authority to have a special assessment? Trustee Sanfason replied yes. He suggests using a special assessment for the purpose of improvements to the lake. Michael Traister replied that it gets complicated to assess members differently to maintain property. Also, the lake is owned by the State of Maine.

Linda Friedrich, Lot 0898: Wants to know if the dam is for sale? Trustee Sanfason replied it has been sold and the new owners are working to get the turbine running again.

Bob Gilchrest, Lot 1516: Wants to know if go-carts and ATV's are allowed on our roads now? He almost hit a kid on a go-cart and wants to know if the rules changed so that anything goes now; who is responsible for an accident? Trustee Sanfason stated that according to State Law they are private roads, private maintained with public access and we follow the State Law. If there is someone breaking the law, it is an issue for law enforcement and members should call Paul Carey or the Sheriff's Department.

Alicia Forni, Lot 1958: Thank you all, this is the best report in 20 years that she can remember. She was told dirt bikes were against the law in LAC. Trustee Pomerleau replied you must follow the State Law and Town Regulations. Trustee DelloRusso added they can ride to get to a trail, but can't use the road as a trail.

Scott Davis, Lot 1594: He saw the same go-cart as Bob Gilchrest and it was very unsafe.

Jean Burke, Lot 0098: Are there any trails within LAC? Trustee Fitzpatrick said there is one access trail down by the dam. Trustee Sanfason stated that part of the water project is to acquire some land to run a main. If so, there could be a possibility of putting trails in there.

Paul Carey, Lot 1347: Encouraged all members to call the sheriff's department also!

Lucille Gilchrist, Lot 1516: Suggested that people join the ATV club; a family membership is \$35.

MOTION: Trustee Martel moved to make the annual meeting the meeting of the month of August and cancel the regular Board meeting on the third Saturday of August. Seconded by Trustee Oreto. **The motion passed unanimously**

MOTION: Trustee Fitzpatrick moved to adjourn. Seconded by Trustee DelloRusso. **The motion passed unanimously.**

Adjourned at 10:57 a.m.

Nanette Walton, Recording Secretary

PRESIDENT'S MESSAGE

Putting together my thoughts for the state of Lake Arrowhead Community in 2017, I pause to think back to the way we were in 2003 when I first was approached by Tom Sotir and asked to run for the Board of Trustees. We had a hazmat threat to our well field; our old garage could no longer handle our equipment maintenance; Clubhouse 3 was falling down and mold infested; our Mayfair pumping station was dangerous and poorly designed; our main arteries were potholed and dusty; our BOT meetings were long and contentious; our playgrounds were in terrible disrepair. Some folks, including the then community manager, thought our water system was in immediate danger of complete collapse. Milfoil was taking over our lake. There was a group of members who called themselves CCI Afraid whose avowed purpose was to unseat the entire LAC BOT and replace it with their members. These were “the good old days.”

Fast forward to today. Hazmat threat gone; New, state-of-the-art garage; Clubhouse 3 demolished; Mayfair pump station rebuilt and refitted; three main arteries in largest population centers paved; your Board of Trustees is made up of talented, caring, hard-working members who get along well and want to make your community the best it can be. Our water system has undergone constant replacement. Our milfoil control program is the envy of the state. Our playgrounds, tennis courts and public beaches have all been remodeled and upgraded, and we've replaced run-down postal boxes with three new postal service centers. The dues increase over all these years has been less than one hundred dollars. Our clubhouses are in excellent shape and a great perk for our members. Our member boat ramp is so good that we have to watch to keep non-members from using it. Lake Arrowhead Community spirit has never been higher. Just check out our boat parade, our tri-level fireworks display, our pumpkin carving, wreath making and ice cream socials. Know anywhere else where all these events take place for membership? Do I sound boastful and a little proud? You're damn right I do!

Our finances are right where they should be. We have half a million in our future reserve. We're buying a 27-acre parcel of land near our water wells to serve as a future alternate well site should our community ever need it in the future. The parcel will be used for walking, hiking, cross-country skiing and snowmobiling for our LAC members. This year saw the completion of Phase 1 of our three-phase water system upgrade. We upgraded our second well pump to fifty horsepower (matching the first) and upgraded our meter from 4 to 6 inches. Phase 2 will consist of installing a new 12-inch transmission main from our wells across the new parcel to the 8-inch main on Old Portland Road. Phase 3 will connect the 12-inch line to Leisure Lane via a lake crossing. Once complete these upgrades will guarantee an endless supply of pristine water to all our members forever.

Couple all these improvements with what you will hear from our Equipment, Treasurer, Road, Lake Improvement, Real Estate and Recreation Chairs and I'm sure you will agree that the state of Lake Arrowhead Community in 2017 is outstanding!

Dave Sanfason
President

TREASURER'S REPORT

We once gain had a clean audit report. We are doing everything in accordance with generally accepted accounting guidelines. We will be making a change in how we maintain the books with regard to our inventory policy. We will be expensing items with a cost of less than \$50.00 individually. This will make it easier to keep track of what items should be controlled on a daily basis. This is in line with other organizations such as ours.

LAC had a loss of \$99,700 dollars for the year ended in April. All of this loss was due to writing off uncollectible accounts. This year the Board had to write off a total of \$179,766 of accounts that were deemed uncollectible. We make a distinct effort to collect past due accounts but at some point, a decision must be made as to whether it is collectible at all. Perhaps the owner has filed for bankruptcy or some other action has occurred to indicate that we will not collect the amount that is owed to us. Before an amount is written off we send it out to a collection agency in a last effort to collect the past due amount. Over the past two years the collection agency collected a total of \$3,576 of dues that were past due. Our office staff succeeded in collecting an additional \$7,092.

Currently there is \$746,973 of potential uncollectible accounts on the books. We will continue to make a definitive effort to collect these amounts before deciding to cease efforts and write the account off.

During the year the Board continued to maintain the current state of our property plant and equipment. We invested a total of \$456,116 of new equipment that will be used to maintain the facilities that are used by all our members. We must continue to invest in new equipment to maintain the roads, including plowing supplying water, and all of our facilities.

George C. Fowler
Treasurer

LAKE IMPROVEMENT COMMITTEE

The LIC/LACC committee has been busy for 2017 running the seasonal removal of milfoil on Lake Arrowhead and inspecting boats at the Ledgemere boat ramp.

LACC, like few other DASH harvesting operations in the state of Maine, has embraced the OSHA requirements that were thrust on us last year by the Federal agency and the Maine DEP. While the regulations continue to add labor and communication costs to the operation, we have no choice but to persevere. We are learning about incremental costs with communication equipment and are building in the costs to our annual budget. Items like microphones and speakers don't have a long-life cycle and some need to be kept in stock in order not to lose any dive time.

Another purchase we were able to make this season was for a back-up pump. The pumps drive the harvesting effort along with the air compressors for the divers. If we lost a pump, the average replacement time to order a replacement and have it operational is 4-6 weeks. That's roughly half the season. So, we now have the ability to turn around an equipment failure within a matter of a couple of days. This is critical when you realize how short our season truly is.

Our DEP grant was basically renewed this year close to what we were approved for last year. As I mentioned before, some DASH Operations cannot afford the OSHA requirements and this has left the DEP with some additional funds that a few of the organizations were able to benefit from. Eventually, that will not be there and we will see a reduction in the DEP grant. This turns my subject to our Membership Drive.....

LACC Trustee Kathy Hart took it as a personal challenge to increase LACC's membership. Kathy went to both Town Halls and looked at all the Tax Books and copied down all the names of folks living on the water in both towns surrounding our lake. Kathy sent a personal letter to each person explaining LACC and our need to be successful for the benefit of the lake. Her efforts generated a total of 34 new memberships for LACC. Great effort from Kathy and I'm hearing there is a round two of letters coming out to try and increase membership.

The combined LAC/LACC Annual Golf tournament was a great success this year along with the first of two Fishing Tournaments. Another big one is coming up in August sponsored by the Lake Arrowhead Prop Busters. Please reach out to LACC if you want to participate.

Thankfully, Limerick and Waterboro have given their support again this year. I hope you do as well. Please support the efforts that are keeping your lake a beautiful gem in southern Maine.

ALSO – please support LACC by purchasing a 50/50 raffle ticket available at the office!!

See you on the lake!

Mike Fitzpatrick
Lake Improvement Committee Chair

ROAD COMMITTEE REPORT

The winter of 2016-2017 presented the crew with many challenges due to the amount of snow storms we had. They spent long hours keeping the roads in our community clear and safe. This included spreading a lot of sand as would be expected in a winter with heavy snow. In the spring, Scott and the crew removed the sand from the paved roads, and repaired pot holes throughout the community. The crew spent many hours ditching, cutting back trees and opening roads that have not been used in many years.

The latest paving project in North Waterboro was completed in the fall of 2016. We paved Victoria East, from New Dam Road to Keystone and, Keystone from New Dam to Beaver Brook. This phase of the project affected approximately 600 homes, keeping us in line with our long-term goal of having everyone in LAC traveling over some part of a paved road to get to their home.

This was our third project in 6 years. We have no plans to do another road in the near future. We will instead focus on our water system upgrades. When we start the planning stages for paving our next road, I will inform the membership.

Alan Martel
Road Committee Chair

EQUIPMENT COMMITTEE

If you recall, we formed this committee two years ago to review and make recommendations for our aging LAC equipment. Our goal was also to review and update our bidding process to make sure we took full advantage of all pricing discounts available to us. I am proud to say that we have accomplished all of this and more.

This past year was a busy one as usual, requiring many equipment updates and repairs. Thanks to a crew with many years of maintenance experience, we have been able to repair/replace the majority of equipment issues without having to rely on outside support. What does this mean for LAC? We are able to minimize repairs significantly (in many times by 1/3) by buying the parts ourselves and using on site LAC labor to complete the repair. This allows us to minimize costs and ensure the job is done right and to our level of standards.

As we look to the future, we have many vehicles that are aging. Many of these have very limited parts availability forcing us to either make our own or create a work around. Because of this, we will be anticipating some equipment replacements in the upcoming two to three years. Luckily, the Board has anticipated this need and is budgeting for the replacement equipment.

We will continue to develop and modify the needs for our equipment fleet to make sure that LAC always has the right equipment for the right job. I am proud of the work this Board has done to improve our services to the community while minimizing the impact financially to the members.

David DelloRusso
Equipment Committee Chair

REAL ESTATE COMMITTEE

The Real Estate Committee with the Board of Trustees continues to acquire lots that were in arrears to the community. During this process, it gives the community the opportunity to clear the books of bad debt and create additional green space /common land for the community.

The collection process on delinquent accounts continues to bring a number of past due accounts up to date which lessens the burden upon the whole membership.

New Development Growth within our community continues to grow with a number of new homes being built over the past year and several additional under construction during this year. The additional membership will help by adding to the funding of the expenses of the community.

The Real Estate Committee has evaluated the structures within the community and has implemented a maintenance schedule for discrepancies found. Clubhouse #1 has had a new 50-year roof just installed. Clubhouse #2 plans are in the works to replace that roof within the next 2 years.

The Real Estate Committee will continue with our initiative on the collection of past due accounts and will continue to find ways to reduce the financial burden on its membership.

I want to thank Amy and Nanette from the office of LAC for all their help and support throughout the year.

Robert M. Pomerleau
Real Estate Chair

PARKS AND RECREATION COMMITTEE

Summer is in full swing up at the lake! It's great to see so many members enjoying the season with family and friends. Boating, barbequing, tennis, and fishing are just a few activities to enjoy at Lake Arrowhead.

The 4th of July was a spectacular week of fireworks, cookouts, and family gatherings. We had a wonderful turnout for the boat parade with over two dozen boats and many onlookers from all over the lake. Hope you were able to be there and share in the festivities! I want to extend a big thank you to all the families who participated and helped to make the parade a big success.

Boat Parade First Place: Went to the Piela family for their amazing 'Sesame Street' boat. Kristen Piela shared their family story with me about their colorful and creative boat. They were meticulous in every detail for sure! "The hustle and bustle of the holiday season had started; sale flyers galore! The lines for the Black Friday deals would begin forming in just a few hours. Preparations for the big meal were underway with the smell of turkey cooking wafting throughout the house. In the background, on a large screen tv, was the Macy's day parade. Lots of dancing and singing in the living room. "And next up....an old-time favorite; Big bird and crew from Sesame Street! After a commercial break, I saw it.... the next boat float idea. I decided then that I wanted to make Sesame Street come alive for the Lake Arrowhead 4th of July boat parade. And with "Sunny Days" and a willing group of family and friends, Big bird and company came to life." Meet the cast: Steven, Kristen, Jacob & Zachary. Celeste, Rylie, Isabelle, Asa & Julia. Chris, Kathy & Jude. ...and lending their talents; Warren, Laurie, Mark & Carl. The Piela family received a \$50 gift card to Lakeside Market. Congratulations to everyone!

Second Place: Went to Bill and Judy Juffre and family. Their hysterically funny rendition of the Minions was spot on! What a fun boat! Judy sent me the family story. "The minions were Jay, Gary, Ralph, Alex, Robbie, & Ralphie Juffre. Margo, Edith, & Agnes were Madie, Allie & Emma Juffre. Gru & Dru were Bill & Judy Juffre. Tyler Juffre and William Callahan were also on the boat as mini minions. Jay Juffre came up with the idea since Despicable Me 3 would be coming out in July. When Gary's girls heard about it they got so excited that we all agreed to do it. Gary, Ralph, Jay & Alex helped make the costumes and decorate the boat." Congratulations to Bill and Judy! They received a \$30 gift card to Lakeside Market.

Third Place: Went to the Fultz family took 3rd place for their fantastic 'Blast from the Past' entry. I heard from family member Cathy Musto. "On the afternoon of last year's boat parade, we brainstormed about this year's parade. That afternoon, our dad, Bill Fultz, thought of the theme: The Blast From The Past. We all agreed that it would be a great choice! We have visited this local restaurant and have enjoyed many meals there. Our mom, Connie Fultz, is amazing at creating the vision and delegating the tasks. It's always a family project and we all enjoy shopping for items, preparing decorations, creating the music playlist and best of all - riding on the boat during the parade. It's great to see the neighbors on the lake and it's always exiting to see the creativity others put into their boats. We look forward to next year!" The Fultz family received a \$20 gift card to Lakeside Market. Congratulations Fultz family!

Fourth Place \$10 prize went to John and Kathy Hart and family for the enchanting and whimsical Willie Wonka themed boat. On the boat were Justin and Christine O'Brien, John Hart Jr. with his children Reagan and Brynn. Also on board, were Kyle and Debbie McLaughlin from Georgia, with their children Lily, Ella, and Sophia, and of course the boat captain John Hart. Kathy had chosen the theme before the end of last summer and the kids look forward to the parade all year. Congratulations Hart family!

Fifth Place \$10 prize went to the majestic Loon pontoon boat by Mark Hazell and his beautiful fiancé of eleven years, Catherine Lamson. On board were family members Courtney and Josh Wescott, Jessica and Jeff

Kerr, as well as four grandchildren ages seven, five, two, and two. Daughter Courtney hand painted the Loon Pontoon sign on the side of the boat and daughter Jessica oversaw creating the magnificent loon head for the front of the boat. The grandchildren had a lot of fun and dressed in red, white, and blue stars and stripes pajamas. Congratulations Hazell family!

Honorable Mention: Thanks to Bob and Gloria Krayenvenger and family for their wonderful Despicable Me Minion boat.

Thanks to Ryan Blankenship and his fiancé Sheila Sanfason, Charlotte, Thomas, Page and Natalie Sanfason for the marvelous emoji boat. The Sanfason kids were in charge of the boat decorations this year. They picked the emoji theme and made most of the emoji decorations. Everyone had a blast decorating and being part of the parade.

Thanks to Pam Burnham and family for the fun Lake Aquarium boat. Enjoying the parade for the first time was Pamala Crabb-Burnham, Cara Crabb-Burnham, baby Dash Ogborn, Treg Ogborn, Madison Burnham. Also, Darren Burnham, Lauren Burnham, Caleb Burnham and Dale Burnham with Ballard the Dog.

Another honorable mention went to the well decorated Eagle boat. Everyone enjoys seeing the eagles right here on the lake. Great job everybody!

Also enjoying the boat parade were Dave and Sue Sanfason. They had four generations aboard their stars and striped themed boat, including Jason Sanfason, daughter Julie Jarosz and granddaughter Loretta, age 7 turning 8. Also present was Dave's mother, Gladys. The whole family was celebrating her 97th birthday. Happy Birthday Gladys!

Representing LACC (Lake Arrowhead Conservation Council), were Colin Irwin, Riley Marino, Charlie Capoganno, Ben Jarosz, Brad Jarosz, Maddie Marino, Joseph Veivito, and Jack Jarosz. They were all on board the Limwater boat, one of two boats used around the lake to remove milfoil. Thanks to all the LACC volunteers and supporters for their continued efforts for LACC. For more information about LACC and the harvester boats removing milfoil from the lake, please go to www.laccme.org.

Special thanks to Scott Davis and the LAC crew, for getting Tower Beach in prime shape for the annual boat parade. The crew does a fantastic job getting all the LAC beaches ready for the summer crowds.

The 4th Annual LAC Tom Sotir Volunteer Service Award: I'm very pleased to announce that LAC member, Judy Juffre, is the 2017 LAC Tom Sotir Volunteer Service Award recipient. Judy and Bill Juffre and family have been enjoying the lake for over forty years. They enjoy boating on the lake and swimming in the pools at Club 2. Judy organized and hosts the popular walking exercise class held at Club 1. The class has been ongoing for about five years now, and has a regular following of LAC members. You are invited to join this free class and have some fun with other members too. Judy has a strong community minded spirit, and two years ago organized the volunteer LAC Garden Club. Along with other gardening enthusiasts, the club has created different gardens and beautification projects at Club 1, Club 2, the LAC mail box areas, and at the public works office. They have planted hundreds of flowers, trees, and shrubs around the community. Judy enjoys designing and creating beautiful landscaped areas around LAC and the camaraderie of the garden club. Congratulations Judy and thank you so very much for all your efforts.

LAC Garden Club News: As well as maintaining the existing gardens and flower barrels, the garden club has been busy this summer putting in more perennials and shrubs. A shade garden is being developed at Club 2 and a few more perennials were added to the cottage garden there. At Club 1 the street garden at the entrance is being expanded and another garden on the left side is in the planning stages. Flowers were added by the maintenance buildings and in the office planters. Two more flower barrels were added at the Victoria Lane

mailboxes. Shrubs will soon be planted in that area along the playground fence. The garden club is continuing to develop the mailbox areas on New Dam Rd. and Old Portland Rd. Scott Davis and his crew have been very helpful planting some of the trees and shrubs. Local girl scouts helped with a project, putting down mulch, raking and other tasks. The girls are working on a gardening badge. Thank you to all the girl scouts who are participating in the LAC garden club efforts. Thanks to members Judy Juffre, Carol Carey, Bonnie Defeo, Phyllis Boucher, Joanne Beaupre, Lou Defeo, Bill Juffre, Anne Hodgkins, Pat Murphy, and Sharyn Fowler.

Thank you also to the anonymous donor who donated many plants, trees, and shrubs for our LAC gardening projects.

I'd like to extend a very special thank you to all the garden club members from the entire board of trustees. We truly appreciate your efforts and the beautiful landscapes you have made for our community.

2017 Events and Activities around Lake Arrowhead: An ice cream social was held over Memorial Day weekend, on Sun, May 28th. The event was free this year and open to all members and guests. Please go to www.lacinc.org and click on Pictures to see photos of the event. Many of the adorable decorations were hand made by Amy Harris. Thanks to Amy for hosting this wonderful family event for our community.

There is an ongoing indoor walking fitness class at Club 1. The class is free to LAC members. Please go to www.lacinc.org to view the flyer for more details. This popular video class has been ongoing year-round for almost five years now. I'd like to extend a big thank you to members Judy Juffre and Debbie Broderick for volunteering to host the class.

Clubhouse News: Did you know we have a total of five tennis courts, three basketball courts, and two pickleball courts throughout Lake Arrowhead? All have been completely refurbished and open to all members and their guests. Great job Scott Davis and crew!

Upcoming events: LAC is planning on having an ice cream social around Labor Day, a pumpkin carving event in Oct., and a wreath decorating event the end of Nov. Please watch our website for more details. The office will send an email out to LAC members ahead of upcoming events, to let everyone know the dates and times of each event. Please call the office if you need to be added to the email notification list, so you can keep informed about future LAC activities.

Thanks to Amy and Nanette in the office for all their help throughout the year getting the info out to our members for all the events and activities.

Do you have an idea for a future event at LAC, or would you be interested in hosting an exercise class at Club 1? Email me, Mary Singelais, at msingelais@comcast.net and let me know what your suggestion might be.

Enjoy the summer

Mary Singelais
Parks and Recreation Chair



ALBIN, RANDALL & BENNETT
Certified Public Accountants ▪ Business Consultants

INDEPENDENT AUDITORS' REPORT

Trustees and Members
Lake Arrowhead Community, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Arrowhead Community, Inc. (the Community) which comprise the balance sheets as of April 30, 2017 and 2016, and the related statements of revenues and expenses, changes in membership equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management 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; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Arrowhead Community, Inc. as of April 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information on Future Major Repairs and Replacements is not a required part of the basic financial statements but is supplementary 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.

Albin, Ransdell & Bennett

July 10, 2017

LAKE ARROWHEAD COMMUNITY, INC.

BALANCE SHEETS

APRIL 30, 2017 AND 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 232,015	246,401
Cash - future reserve fund	500,000	500,000
Cash - designated operating surplus funds	<u>234,918</u>	<u>434,005</u>
Total cash and cash equivalents	<u>966,933</u>	<u>1,180,406</u>
Membership receivables, net of allowance for uncollectible accounts of \$746,973 and \$753,026	83,020	118,319
Inventory	68,080	108,038
Prepaid expenses	<u>7,506</u>	<u>10,913</u>
Total current assets	<u>1,125,539</u>	<u>1,417,676</u>
PROPERTY AND EQUIPMENT:		
Land	190,873	187,623
Roads	1,299,371	1,055,529
Buildings and improvements	1,336,755	1,293,887
Water system	2,881,545	2,774,713
Motor vehicles	1,356,878	1,312,135
Tools and equipment	233,396	225,567
Furniture and fixtures	<u>129,927</u>	<u>129,927</u>
	7,428,745	6,979,381
Less accumulated depreciation	<u>5,114,562</u>	<u>4,801,859</u>
Net property and equipment	<u>2,314,183</u>	<u>2,177,522</u>
OTHER ASSET - Land inventory	<u>3,000</u>	<u>6,250</u>
	<u>\$ 3,442,722</u>	<u>3,601,448</u>

See accompanying independent auditors' report and notes to financial statements.

LIABILITIES AND MEMBERSHIP EQUITY

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 41,201	40,413
Accounts payable	19,010	38,796
Accrued expenses	10,873	3,165
Deferred revenue	<u>208,831</u>	<u>215,354</u>
Total current liabilities	<u>279,915</u>	<u>297,728</u>
 NON-CURRENT LIABILITY - Long-term debt, less current portion	 <u>296,303</u>	 <u>337,504</u>
 MEMBERSHIP EQUITY:		
Contributed capital	1,186,700	1,186,700
Retained earnings	944,886	845,511
Board designated funds	234,918	434,005
Future reserve fund	<u>500,000</u>	<u>500,000</u>
Total membership equity	<u>2,866,504</u>	<u>2,966,216</u>
	 <u>\$ 3,442,722</u>	 <u>3,601,448</u>

LAKE ARROWHEAD COMMUNITY, INC.
 STATEMENTS OF REVENUES AND EXPENSES
 YEARS ENDED APRIL 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES:		
Membership dues	\$ 1,530,006	1,463,948
Member revenue	211,937	217,768
Special assessment	9,039	91,359
New building fees	32,269	19,930
Other revenue	12,855	12,762
Interest income	<u>3,833</u>	<u>3,420</u>
Total revenues	<u>1,799,939</u>	<u>1,809,187</u>
EXPENSES:		
Amenities	26,382	25,451
Depreciation	321,090	312,473
Donations	20,000	15,000
Employee benefits	94,346	70,883
Employee education and travel	2,146	4,914
Fuel and oil	45,230	31,366
Heat and electricity	75,604	69,993
Insurance	94,794	84,607
Interest	4,742	5,316
Maintenance - roads and beaches	70,133	84,393
Maintenance - vehicles	136,241	91,097
Meetings and memberships	2,085	2,228
Miscellaneous	3,760	4,839
Office and administrative	40,752	36,906
Payroll taxes	46,846	40,493
Pension	13,732	14,965
Professional services	61,778	48,591
Property and excise taxes	20,231	37,637
Salaries and wages	540,127	474,241
Telephone and internet	17,682	16,395
Trustees' expenses	6,116	6,127
Uncollectible receivables	179,776	79,538
Water system	<u>75,443</u>	<u>36,915</u>
Total expenses	<u>1,899,036</u>	<u>1,594,368</u>
(LOSS) GAIN ON SALE OF PROPERTY AND EQUIPMENT	<u>(615)</u>	<u>30,500</u>
Excess of (expenses over revenues) revenues over expenses	<u>\$ (99,712)</u>	<u>245,319</u>

LAKE ARROWHEAD COMMUNITY, INC.
 STATEMENTS OF CHANGES IN MEMBERSHIP EQUITY
 YEARS ENDED APRIL 30, 2017 AND 2016

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Board designated funds</u>	<u>Future reserve fund</u>	<u>Total</u>
Membership equity at April 30, 2015	\$ 1,186,700	853,034	250,437	430,726	2,720,897
Excess of revenues over expenses	-	245,319	-	-	245,319
Net transfer from retained earnings fund to future reserve	-	(69,274)	-	69,274	-
Net transfer from retained earnings to board designated funds	<u>-</u>	<u>(183,568)</u>	<u>183,568</u>	<u>-</u>	<u>-</u>
Membership equity at April 30, 2016	1,186,700	845,511	434,005	500,000	2,966,216
Excess of expenses over revenues	-	(99,712)	-	-	(99,712)
Net transfer from board designated funds to retained earnings	<u>-</u>	<u>199,087</u>	<u>(199,087)</u>	<u>-</u>	<u>-</u>
Membership equity at April 30, 2017	<u>\$ 1,186,700</u>	<u>944,886</u>	<u>234,918</u>	<u>500,000</u>	<u>2,866,504</u>

See accompanying independent auditors' report and notes to financial statements.

LAKE ARROWHEAD COMMUNITY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES:		
Excess of (expenses over revenues) revenues over expenses	\$ (99,712)	245,319
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:		
Depreciation	321,090	312,473
Decrease in allowance for uncollectible accounts	(6,053)	(64,207)
Loss (gain) on sale of property and equipment	615	(30,500)
Change in current assets and liabilities:		
Membership receivables	41,352	15,217
Inventory	39,958	(12,357)
Prepaid expenses	3,407	(528)
Accounts payable	(19,786)	11,080
Accrued expenses	7,708	(9,460)
Deferred revenue	<u>(6,523)</u>	<u>(11,327)</u>
Net cash provided by operating activities	<u>282,056</u>	<u>455,710</u>
INVESTING ACTIVITIES:		
Proceeds from sale of land inventory	-	16,000
Purchases of property and equipment	(456,116)	(219,961)
Proceeds from sale of property and equipment	<u>1,000</u>	<u>30,500</u>
Net cash used by investing activities	<u>(455,116)</u>	<u>(173,461)</u>
FINANCING ACTIVITY - Repayments of long-term debt	<u>(40,413)</u>	<u>(39,643)</u>
(Decrease) increase in cash and cash equivalents	(213,473)	242,606
Cash and cash equivalents at beginning of year	<u>1,180,406</u>	<u>937,800</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 966,933</u>	<u>1,180,406</u>

See accompanying independent auditors' report and notes to financial statements.

LAKE ARROWHEAD COMMUNITY, INC.

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Lake Arrowhead Community, Inc. (the Community) is located in Limerick and North Waterboro, Maine. Membership is comprised of approximately 1,500 members, all owners of lots in the Community which encompasses 2,600 acres of land and 1,100 acres of water. Members pay annual fees to the Community in return for the administration of common services and the maintenance of common facilities in the community. Additional fees are assessed for water hook-up, building permits, fines, and service charges.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - The Community considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

Membership receivables - Membership receivables are stated at unpaid dues balances including interest and late fees, less an allowance for uncollectible accounts. Membership assessments are billed annually at the beginning of the fiscal year; accordingly, balances receivable at year-end are all in arrears. In order to collect unpaid membership dues and the interest accrued thereon, the Community has recourse to place liens on the related properties. In the event that lots with significant unpaid assessments are seized by local taxing authorities, any lien for unpaid membership dues remains with the prior owners.

Inventory - Inventory represents materials purchased for eventual use in construction and repairs and maintenance for the Community, and is stated at the lower of cost (first-in, first-out) or market.

Property and equipment - Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair market value at the date of donation. Major additions and improvements are included in the property accounts while maintenance and repairs, which do not improve or extend the lives of the assets, are expensed currently.

Buildings are generally depreciated over estimated useful lives by the straight-line method. Other classes are generally depreciated over estimated useful lives by the straight-line method for items acquired prior to January 1, 1981, and by various methods for items acquired subsequent to December 31, 1980.

Land inventory - Land inventory consists of land owned by the Community and is stated at the lower of fair market value or the balance due on the account at the time the Community acquired the land in exchange for past-due accounts. The Community's bylaws require a majority vote of its members to approve the sale or transfer of its land.

Dues and assessments - Dues and assessments are recognized as revenue in the applicable fiscal year. Amounts collected in advance of the applicable fiscal year are deferred.

Interest expense - Interest costs are expensed as incurred and totaled \$4,742 and \$5,316 for the years ended April 30, 2017 and 2016, respectively.

Sales taxes - Sales taxes collected from members and remitted to taxing authorities are excluded from revenues and expenses, respectively.

LAKE ARROWHEAD COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income taxes - The Community is exempt from income taxes under Internal Revenue Code Section 501(c)(4). It is only subject to tax on income from activities unrelated to its exempt purpose.

Uncertain tax positions - U.S. GAAP prescribes a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that the organization has taken or expects to take on a tax return. Accordingly, the Community recognizes the tax benefits from uncertain tax positions if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Subsequent events - The Community has evaluated events, if any, that have occurred subsequent to April 30, 2017 through July 10, 2017, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary.

Reclassifications - The financial statement presentation for 2016 has been changed to conform with the 2017 presentation. Total membership equity is unchanged as a result of the reclassifications.

2. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2017</u>	<u>2016</u>
Note payable to Maine Municipal Bond Bank due in annual installments of varying amounts, including interest at 1.70%, plus a 5.00% loan servicing fee, through October 2023. Secured by the water system and Community property with a net book value of \$1,033,872.	\$ 261,904	296,017
Non-interest bearing note payable to Maine Municipal Bond Bank due in semi-annual installments of \$3,150, plus a 5.00% loan servicing fee, through April 2029. Secured by substantially all Community assets with a net book value of \$3,442,722.	<u>75,600</u>	<u>81,900</u>
	337,504	377,917
Less current portion	<u>41,201</u>	<u>40,413</u>
Net long-term debt	<u>\$ 296,303</u>	<u>337,504</u>

Future maturities of long-term debt are as follows:

2018	\$ 41,201
2019	42,007
2020	42,832
2021	43,676
2022	44,539
Thereafter	<u>123,249</u>
	<u>\$ 337,504</u>

LAKE ARROWHEAD COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. DESIGNATED OPERATING SURPLUS FUNDS

The Board of Trustees designates a portion of the Community's operating surplus funds as of April 30 for expenditures anticipated in the following fiscal year.

Surplus funds designated for such purposes are as follows:

	<u>2017</u>	<u>2016</u>
Capital improvement	\$ 173,186	284,005
Capital equipment	61,732	-
Road improvement	<u>-</u>	<u>150,000</u>
Total	<u>\$ 234,918</u>	<u>434,005</u>

4. FUTURE RESERVE FUND

As of April 30, 2017 and 2016, the Board of Trustees has designated \$500,000 as a future reserve fund. There are no legal or constitutional requirements that such a fund be established; however, State of Maine Private and Special Law 1995, Chapter 37, establishes a maximum of \$500,000 for such a fund. The maximum limit of the fund may be increased by a 2/3 majority vote of the Community's membership. Aware that old equipment might need to be replaced and that the capacity of the water system would need to be increased, the Board began setting aside funds in 1989. No formal study was made. The Board members relied on their own knowledge and the advice of the manager and maintenance chief to determine future needs. During 2003, a water system master plan and a building needs assessment were prepared by an engineering firm to estimate future needs. Actual expenditures, however, may vary from estimated amounts and the variations may be material; therefore, amounts accumulated in the future reserve fund may not be adequate to meet future needs.

5. SPECIAL ASSESSMENT

Each primary lot is assessed a special assessment that is designated by the Board to be used to fund the difference between budgeted revenues and expenses. The special assessment was \$6 and \$60 for the years ended April 30, 2017 and 2016, respectively.

6. CONCENTRATIONS OF CREDIT RISK

The Community's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents. At times, the Community maintains cash balances with financial institutions in excess of amounts federally insured. The Community has entered into a cash management agreement with a bank to mitigate this risk.

LAKE ARROWHEAD COMMUNITY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

7. COMMITMENTS

The Community leases equipment from third parties under operating lease agreements with varying lease terms and options for renewal. The Community pays substantially all operating costs on the leased property. Rent expense was \$1,496 and \$3,884 for the years ended April 30, 2017 and 2016, respectively.

Future minimum lease obligations on noncancelable operating leases with terms greater than one year are as follows:

2018	\$	3,836
2019		2,589
2020		2,340
2021		2,340
2022		<u>2,340</u>
		<u>\$ 13,445</u>

8. RETIREMENT PLAN

The Community sponsors a 401(k) plan (the Plan) available to substantially all employees as certain eligibility requirements are met. The Plan provides for the Community to make discretionary matching contributions up to 5% of employee wages. Community contributions to the Plan totaled \$13,732 and \$14,965 for the years ended April 30, 2017 and 2016, respectively.

9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2017</u>	<u>2016</u>
Cash paid for interest	<u>\$ 4,742</u>	<u>5,316</u>
Schedule of non-cash investing and financing transactions:		
Land inventory transferred to land through common property acquisition	<u>\$ 3,250</u>	<u>-</u>
Land acquired in settlement of membership receivables	<u>\$ -</u>	<u>3,000</u>

LAKE ARROWHEAD COMMUNITY, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 APRIL 30, 2017

The Board of Trustees frequently reviews and updates the analysis of the Community's infrastructure taking into account recent updates, the estimated remaining useful lives, and the replacement costs of the components of common property. Replacement costs were estimated by the manager and maintenance chief based on their own knowledge and understanding of the Community. A water system master plan and a building needs assessment were prepared by an engineering firm in 2003. The public works manager and the Board of Trustees have assessed prior estimates based on these reports and an evaluation of future Community needs over the next ten years.

<u>Component</u>	<u>Estimated Future Replacement Costs (10 Year Estimate)</u>
Buildings - rehabilitation	\$ 47,000
Vehicles	460,000
Roads and grounds - road improvements	300,000
Water system	600,000
Furniture and equipment	<u>30,000</u>
	<u>\$ 1,437,000</u>

See accompanying independent auditors' report and notes to financial statements.