



Lake Arrowhead

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

ANNUAL REPORT TO MEMBERS

FISCAL YEAR ENDING APRIL 30, 2020



PRESENTED AT THE ANNUAL MEETING ON

AUGUST 1, 2020

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WARRANT

2020 Annual Membership Meeting
Lake Arrowhead Community, Inc.
Clubhouse 2, 206 Old Portland Road, No. Waterboro, Maine
August 1, 2020 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 July 31, 2020, 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 July 31, 2020 or delivered to the Clerk in person at the ballot box no later than 9:30 a.m., August 1, 2020, the day of the meeting.

Action on Articles 2 through 8 will take place at the open portion of the meeting on August 1, 2020.

- | | |
|-------------------------|--|
| <i>Article 1</i> | Election of 3 trustees for a term of three (3) years. (Vote by secret ballot). |
| <i>Article 2</i> | Approval of the minutes of the Annual Meeting held on August 3, 2019. |
| <i>Article 3</i> | Hear and accept Auditor's Report. |
| <i>Article 4</i> | Ratification of selection of public accountants for the Fiscal Year. |
| <i>Article 5</i> | Hear Officers and Committee Reports. |
| <i>Article 6</i> | Hear Member's concerns. |
| <i>Article 7</i> | Special Announcements. |
| <i>Article 8</i> | Adjournment. |

**LAKE ARROWHEAD COMMUNITY MEETING
2019 ANNUAL MEETING - AUGUST 3, 2019**

Present: President Dave Sanfason, Vice President Michael Fitzpatrick, Trustee George Fowler, Trustee Mary Singelais, Trustee Alan Martel, Trustee Philip Oreto, Trustee Beverly Hudson, Scott Davis, Public Works Manager, Jason LeBlanc, CPA, Michael Traister, Esq.

Absent: 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 including long time standing Water Committee Member, Victor Wakefield, as well as the two women that allow him to continue his service to Lake Arrowhead, Gladys and Susan Sanfason. The Board members introduced themselves.

Approval of the Minutes

MOTION: Trustee Fowler moved to accept the minutes of the Annual Meeting of August 4, 2018. Seconded by Trustee Fitzpatrick. **The motion passed unanimously.**

Presentation of Audit Report of FY 2019

Jason LeBlanc of Albin, Randall and Bennett presented the Audit Report for Fiscal Year ending April 30, 2019 and highlighted the following:

- The audit was finished in June and an unqualified opinion was issued.
- Very strong year resulting in a strong surplus at year end.

MOTION: Trustee Oreto moved to accept the Auditor's Report for Fiscal Year ending 2019. Seconded by Trustee Singelais. **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 Oreto. **The motion passed unanimously.**

Presentation of the Legal Report

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

- He has been involved since the community was founded back in the 1970's and his firm values our relationship.
- Primarily handled foreclosures this year, which are consistent and standard with years past.
- Quiet year otherwise due to the good governance by the Board.

President's Report

President Sanfason presented the President's report and noted the following:

- We had another great year.
- Our finances are in great shape.
- The two indoor pools have had the plumbing repaired due to supply line leaks. The outdoor pool will need to be addressed soon.
- We have three paved roads, 14 beautiful beaches and beautiful gardens.

- We are continuing to make improvements to the water infrastructure by adding a new 12' main to supply water to the tanks. Next year that will be completed by connecting the two sides of the community across the lake. This not only provides steady water pressure to members in the higher elevations, but our pumps also work 50% more efficiently.
- The Garden Club is planting and maintaining beautiful flowers all over the community.
- The Lake Improvement Committee has worked diligently at keeping the milfoil away.
- Recreation Committee provides many fun family activities.
- Housing starts are up.
- Town relationships are strong.
- The success of the community is due to the efforts of a bunch of individuals that bring their talents to our community.

Treasurer's Report

Trustee Fowler presented the Treasurer's report and noted the following:

- We had a good year financially and we ended with a small profit. The goal is to break even and not raise dues.
- Because of fiscal policies we were able to pay cash for a new front-end loader.

Lake Improvement Committee

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

- Due to changes in some of the fundraising efforts and the changes in grant funding, LACC will end up with a \$7,000 shortage this year.
- The good news is that we have been running successfully without any breakdowns.
- Soon, we will have to address a problem with the compressors the divers use. The new OSHA requirements are going to force us to have to buy new compressors at a cost of \$11,000 to meet the new demands for air supply to the divers.
- Please support LACC in the following ways: joining LACC, making purchases through Amazon Smile, purchasing 50/50 raffle tickets, or participating in the fishing tournament that is coming up in a few weeks.

Scholarship Committee

Trustee Beverly Hudson presented the Scholarship Committee report and noted the following:

- The Board established the Lake Arrowhead Community Scholarship last year. A committee reviewed multiple submissions and selected Maxwell Sweeny as the winner.
- Trustee Sanfason thanked Trustee Pomerleau for his inception of this great program.

Presentation of Voting Results

Article 1

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

Article 2

Trustee Martel reported that there were four lots of land the community wants to divest itself of. The membership voted (122 for, 4 opposed) to sell / transfer those lots.

Article 3

Trustee Martel reported there is a discontinued road that the community wants to divest itself of. The membership voted (119 for, 7 opposed) to transfer the road to the abutters.

Parks and Recreations 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 Juffre Family's "Toy Story 4", Second place went to the Burnham Family's "Vikings of Arrowhead", Third place went to the Santella Family's "Woodstock's 50th Anniversary", Fourth place went to the Hart Family's "Family Circus" and Fifth place went to the O'Brien Family's "Ice Cream Boat".
- The Sixth Annual LAC Tom Sotir Volunteer Service Award will be awarded to Lew DeFoe. Lew goes the extra distance to lug water jugs to the areas a hose will not reach. He enjoys being able to spend time with his wife while making the community look beautiful.
- The Garden Club has been working hard for the past four years and has grown significantly. This year we are dedicating a plaque in honor of Judy Juffre for her dedication and efforts to keep the community beautiful.
- Upcoming events include the Labor Day Ice Cream Social, Pumpkin Carving and Wreath Making. These are hosted by Beth, our event coordinator. If you have any other ideas contact Mary!

Tom Sotir Volunteer Service Award

Trustee Singelais presented the Tom Sotir Volunteer Service Award to Lew DeFeo for his dedication.

Public Works Report

Scott Davis reported:

- The crew spent most of its time over the past year working on finishing the Waterboro side of the new 12" transmission main project.
- Additional main work has been done on King Hill Circle, Beech Circle and Quaker Lane.
- We traded our old 21-year-old loader for a newer state of the art loader.
- We corrected some major drainage issues on Hunter Road.
- An incorrectly installed air handler at Clubhouse 1 was the cause of some major wall rot that we repaired.
- During a short period of lake drawdown this spring we repaired the Bay Cove boat launch that had separated.
- All our facilities now have on demand generators.

MEMBER CONCERNS:

Martha Zier, Lot 1667 – She notices the improvements LACC is making as they do not find milfoil on his prop anymore when they take their boat out. Bottles can also be donated at JD's to LACC.

Anthony Gideika, Lot 0039 – Asks how many and which beaches are dog friendly? Is it possible to move them around? Trustee Fitzpatrick replied there are five dog friendly beaches and they do not rotate. Anthony shared that he has multiple issues with dogs running loose and damaging his property from the beach.

Linda Freidrich, Lot 0043 – Would it be possible to put up a fence or video surveillance? Trustee Sanfason replied members do have the ability to put up a fence by filling out a fence permit request.

Robert Zier, Lot 1667 – Thanks the Board for their service and controlling costs. His granddaughter loves the taste of our water.

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

Adjourned at 10:32 a.m.

Nanette Walton, Recording Secretary

PRESIDENT'S MESSAGE and WATER COMMITTEE REPORT

What a year! I am reminded of the opening lines of A Tale of Two Cities, "It was the best of times. It was the worst of times." For Lake Arrowhead Community as a whole, we had a great year. When Covid-19 hit the State of Maine, we fell in line with Governor Mills' guidelines. Our clubhouses were closed, then opened with severe restrictions on numbers allowed. Two of our Board Meetings were held electronically. For our 2020 Annual Meeting all members present must wear masks. To many of us it seems the world has gone mad.

In the midst of this maelstrom, your Board and professional staff has responded with many measures to assist our membership through what, for many, has been extremely trying times. First, we allowed members who needed it, the ability to defer their May monthly payment to the end of the year. Financially, as you will hear from our auditors, we had another good year. Our Future Reserve Fund is at max capacity and our Capital Improvement Fund is healthy as well. This fall we will finish Phase 3 of our Water Improvement plan with the 12" lake crossing from our new transmission main across the lake to our Caribou Water Tank.

Our crew, led by Scott Davis, has replaced many miles of old, worn-out 2" water mains with new HDPE pipe and transferred many member residences from 2" to 8" mains. On the horizon, we are conducting beginning planning and research for a third production well. Additionally, we are looking into increasing the pump size of our Mayfair Lift Station. Our goal remains that all members, even the folks at the highest elevations, have no interruptions in the flow of pristine water to their homes.

As you will hear from your outstanding committee chairpersons, we have made great strides in Lake Improvement in the fight to control milfoil. We are maintaining careful vigilance of our roads; our recreation activities have never been better. In the middle of the pandemic, we even managed to have a socially distant boat parade. No small feat!

Our finances are in good shape thanks to your Treasurer, George Fowler and his finance team of Amy and Nanette. Equipment Chairman Mark Berry working with Scott Davis is planning for gradual replacement and upgrade of our fleet. Phil Oreto and the Personnel Committee have done an outstanding job of managing the pay and benefits of our full and part-time employees. One of our newest trustees, Beverly Hudson has taken charge of our Lake Arrowhead Scholarship program.

What makes our community an outstanding place to live? An outstanding Board whose only motivation is the care of Lake Arrowhead, a professional staff, and great members. The greatest of the three is you, our terrific members. Thank you for your kindness, patience and understanding of the changes we have had to make because of the pandemic. I know I join with the Board when I say that we are all looking forward to the day when social distancing, masks and Covid fear is over. In spite of it all, we will continue to conduct ourselves in such a way as to keep our great community the best it can be.

Dave Sanfason
President

TREASURER'S REPORT

The Association finished up the year with a small profit. This amount was put into the Future Reserve so that we would have savings to pay for equipment that is needed in the close future. We will also need funds to pay for the new water crossing and production well which are also in our future.

Because of Covid-19 we made an allowance for several months for late payment of dues. We realize that this pandemic has had a severe effect on our members, and we have done our best to work with them.

We went another year with no increase in dues. Due to strict budgeting and expense control we have been able to keep a tight rein on our expenditures. At some point in the future, we will inevitably need to increase our dues again. We are continually looking several years into the future as to what we will need to spend. We try to put these monies away in our Future Reserves so that there are no major surprise expenditures.

George Fowler
Treasurer, LAC Board of Trustees

LAKE IMPROVEMENT COMMITTEE

New Invasive Found in LAC – Headlines I had hoped to never have to share with our members. Early this summer, LAC member Deb Broderick forwarded a photo of a snail to Maine VLMP group. It was not a normal looking snail. Well the report came back that the snail is known as the Chinese Mystery Snail which is considered an invasive species. (Photo credit: Deb Broderick)



That report triggered a call by me to John McPhedran of the Maine DEP, Head of the Invasive Aquatics Section. John oversees LACC's milfoil operation and is very familiar with Lake Arrowhead and our milfoil issues. Of course, my concerns were heightened because of the discovery and I needed answers! When I told John what I was calling about, he acknowledged he had also heard, but he gave me some sense of relief when he said every lake they have scuba diving in so far this year has had a population of this Chinese Mystery Snail. This is in fact the first year they are tracking this as an invasive. For this invasive, John said what makes it an "invasive species" is it is not native to the lake. The negatives of this invasive primarily seem to be on lakes with water intakes for homes/business, etc. They like to live in the intake lines and clog the water intakes. Thankfully, that does not hit LAC. Another concern is it produces wastes product/bacteria, but so do other native freshwater snails. We have a constant recycling of water in our lake as well, with the three feeds and the dam. The conversation backed me away from the edge of the cliff and the world is not crashing, at least not from mystery snails!! Basically, John and the VLMP group say that we can just throw them into the woods and the critters will enjoy the food source. Another way to get rid of them humanely is to put them in a plastic bag and freeze them...not sure if that is any more humane!!

Onto our normal subject...Milfoil: Both of our DASH harvesters were outfitted with brand new air compressors for the DASH divers. A few years ago, we had to switch over to full face masks with communications equipment, due to OSHA requirements. Because of the additional air now required, our old systems were not providing an adequate air flow and the toll began to show as our divers tired a bit sooner than previously. When we researched the air flow requirements, our old equipment fell markedly short. The LACC & LAC team and divers researched what would provide the required air flow and settled on two new self-powered (their own motors) compression systems for the DASH boats. Approximately 11k later, they are fully operational on both boats and the divers are getting the required air flow and are so appreciative of abundant air!! The only downside is we use more gas daily with the two additional motors.

COVID and LACC – of course as this whole virus exploded into our everyday lives it had an impact on LACC. First, were we even going to be able to harvest? Thankfully, Governor Mills designated DASH operations as essential and we were able to run our program. Secondly, most of our fund-raising opportunities have been cancelled. The two that we were able to have were the Golf tournament and the Calendar. Phil Oreto ran the Golf Tournament on a much scaled down effort. Our numbers were limited by the course, as well as Executive Orders that required out of state visitors to quarantine. In any case, approximately 40 golfers had a great day and we raised 2k for LACC. Thanks to all who participated. Our calendar will continue with Kellie McHugh once again leading the charge. Please take those beautiful pictures and be prepared to send them in when the announcement comes out.

Thankfully, the Towns of Limerick and Waterboro have given their support again this year. In addition, Maine DEP reversed its cut back of funding last year after a long discussion of how their distribution formula impacted LACC. This should allow us to continue past the normal Labor Day shut down.

Please support the efforts that are keeping your lake a beautiful gem in southern Maine.

Mike Fitzpatrick
LAC Vice President and Lake Improvement, Chair
LACC, President

REAL ESTATE COMMITTEE

Growth within our community continues to grow with 10 new home permit applications over the past Fiscal Year and several into Fiscal Year 21. The additional membership will help by adding to the funding of the expenses of the community.

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

For further information on the Real Estate Committee and other committees please attend our monthly meetings at Clubhouse 2 on the third Saturday of the Month at 8:30am.

Mike Fitzpatrick
Real Estate Chair

ROAD COMMITTEE

It is hard to believe that nine years have gone by since we paved Old Portland Road. It seems like only yesterday. The following year we paved Old Country Way. Time has taken its toll and some cracks are starting to get bigger. We want to keep our roads in the best possible condition, so it has been decided to do crack sealing in the fall of this year on Old Portland Road and Old Country Way. This will further extend the life of the roads and maintain our investment. As you know in 2016, we put in our third group of paved roads. They are in good shape at this time, so they do not require any crack sealing.

The road committee is constantly looking at our infrastructure to determine what our next project will be. We are not planning any new paved roads currently. Scott and his crew continue to keep our roads in the best possible condition. Paving these three major areas has allowed the crew to use resources elsewhere in our community. This is especially important during the summer months when grading is needed.

Safety of our residents is a top priority. You may have noticed that we added signage to our roads in some areas where extra caution should be used.

Alan Martel
Road Committee Chair

LAKE ARROWHEAD COMMUNITY SCHOLARSHIP

In 2018, Lake Arrowhead Community started offering an educational scholarship to a child, grandchild, stepchild, or step grandchild of a member of the community in good standing in the amount of \$1,000.00 to be used to promote their education in a secondary form of study. LAC received an outstanding response again this year. The Independent Scholarship Review Committee enjoyed reading every essay we received. It is always so rewarding for us to hear from the young members of the community.

Lake Arrowhead Community is proud to award the 3rd Annual LAC Scholarship to Karlee Wescott, the daughter of Scott and Kristen Wescott of Limerick, Maine. Karlee is a current graduate of Massabesic High School, she was the President of the 4-H Club and has accumulated over 100 volunteer hours over the course of her high school career. Karlee also works in the LAC clubhouse. Karlee will be studying cosmetology in the fall.

Below is Karlee's essay which she will read to us today

Every house that is built on a strong foundation will be able to weather the storms life may throw its way. The purpose of a strong foundation is to hold together the structure above, and to keep it up right. Lake Arrowhead is the foundation on which my life was built, and the strength that I have gained lies in this foundation.

From my younger years my foundation began in Lake Arrowhead. Learning all my firsts in this community. Learning to crawl, and later walk, with my sister cheering me on and my brother trying to race past me or push me down when mother wasn't looking.

Before long though, I was up and running. Later learning to ride a bike and how to swim with the neighborhood children. With these kids I also learned leadership, responsibility, and problem-solving skills. These experiences all strengthened my foundation.

When I was finally old enough for one of my first jobs, Lake Arrowhead Community is where I turned. Here I was asked to apply my strong work ethic, responsibility and problem-solving skills that were a part of my foundations.

The foundational skills nurtured while growing up in Lake Arrowhead will serve me while weathering the storms in my everyday life as a Cosmetologist and in the field of Agriculture. Without this foundation, built in Lake Arrowhead, I would not be the person I am today.

For further information on the Lake Arrowhead Scholarship please visit the LAC Community website.

Beverly Hudson
Scholarship Chair

PARKS AND RECREATION COMMITTEE

Here we are LAC members, the summer of 2020, with a global pandemic, social distancing, and statewide restrictions in force. Be that as it may, I know we are all trying very hard to make the best of it and to carry on. We are all in this together as they say. Stay safe, stay well, and stay connected. Better days are ahead.

Our members were still treated to a wonderful 4th of July Boat Parade. With a few modifications, the BOT went ahead with our annual event on the lake, with plenty of well decorated boats participating, and lots of onlookers cheering and waving from their docks. Hope you enjoyed a family cookout and some time on the lake. It was a perfect day to enjoy the festivities. Many thanks to all the boaters and families who came out and participated in this year's parade. Hope it brought some fun and happiness to your day. We all needed a reason to smile!

You can see all the great pictures from the parade at lacinc.org. Thanks to LAC member Nanette Walton for volunteering to take the pictures this year. Great photos Nanette! Thanks very much!

Boat Parade: Although there were no prizes this year, we definitely had winners! First place went to the Eagle themed boat, constructed by Jill Reynolds and Rich Frost from Limerick. The eagle conveyed strength, leadership, and determination. Just what we needed this year! Congratulations on your inspirational boat!

Second place went to the fantastic Hawaiian themed boat, hosted by the Hazel family. Complete with music and plenty of family and kids on board, they made a tropical paradise right here on Lake Arrowhead. Congratulations to the Hazel family.

Third place went to the elaborately decorated Christmas in July boat by the D'Onofrio, Fallon, and Gallant families. What a wonderful boat! Santa looked very happy! Everyone on board looked like they were having a wonderful time, spreading cheer cruising around the lake.

Fourth place went to the Candy Lake boat by the Metivier family. Beautiful decorations! Wonderful boat! Congratulations to the Metivier family!

Special recognition went to the Class of 2020 boat. What a great theme! To all the graduates of 2020, and your families, congratulations for achieving your goals in spite of the unbelievable challenges this year. Seeing a graduate in cap and gown was a great reminder of how we can still achieve our goals even under the most difficult circumstances. Hip, hip, hooray to you!

Most patriotic boat went to the Santella family. With the large FREEDOM banner, and all the red, white, and blue decorations, they stood out in the crowd for their enthusiastic salute to our great country, the USA. Great job Santella family!

Representing Lake Arrowhead Conservation Council (LACC) was the Limwater dash boat. On board were Brad Jarosz, Ben Jarosz, Matt Jarosz, and Jack Jarosz. During the week, the dash boat and its crew are busy removing milfoil from the lake. The work they do is vital to supporting the quality of the lake. I encourage all LAC members to support this worthwhile cause.

Congratulations and Happy Birthday wishes to Gladys Sanfason, who celebrated her 100th birthday on July 4th. Helping her celebrate were four generations of family members enjoying a wonderful day at the lake.

The 7th Annual LAC Tom Sotir Volunteer Service Award: I am very pleased to announce that LAC Member, Sharyn Fowler, is this year's recipient. Sharyn and her husband, George, have been coming to the lake for over 45 years! For the last 12 years, they have been living in LAC and greatly enjoy the peacefulness

of the lake. Sharyn has volunteered with the Garden Club every summer for the last 5 years. She said she enjoys socializing with the other members and is happy to help with the annual projects. Along with gardening, Sharyn enjoys being out on the water and afternoon boat rides. Congratulations Sharyn and thank you so much for all your efforts!

LAC Garden Club News: The Garden Club has been busy this summer watering and maintaining the existing gardens at both Clubhouses. They also created big planters by the mailboxes at New Dam Rd. and Victoria. Thanks to all the members, Carol Carey, Bonnie Defeo, Lou Defeo, Bill Juffre, Anne Hodgkins, and Sharyn Fowler. I would like to extend a very special thank you to all the volunteer Garden Club members from the entire Board of Trustees. We truly appreciate your efforts and the beautiful gardens you have made for our community. This has been a difficult and challenging time. Your passion to beautify Lake Arrowhead is firmly evident by all your inspiring work.



2020 Events and Activities around Lake Arrowhead: Although we had to cancel the Spring Ice Cream Event, we are planning on hosting a Labor Day Ice Cream Event with a few changes to the format, in light of social distancing. Please watch for more information to be posted for that event as Labor Day Weekend approaches.

Upcoming events include:

Sept. 6th - Labor Day Ice Cream 'Grab n Go' Event planned at Club 2.

Oct. 25th - Pumpkin Carving Event planned at Club 2

Dec. 6th – Holiday Wreath Event planned for Club 2.

We will do our best to host the events in one format or another. Keep your fingers crossed!

Many thanks to Scott Davis and the entire crew who work very hard to keep our clubhouses, tennis courts, beaches, and other amenities in great shape.

Many thanks as well to Amy and Nanette in the office for all their help throughout the year with the various activities we host for our members and friends.

Enjoy the summer.

Mary Singelais
Parks and Recreation Chair



LAKE ARROWHEAD COMMUNITY, INC.

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY SCHEDULE

With Independent Auditors' Report

APRIL 30, 2020 AND 2019



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, 2020 and 2019, 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, 2020 and 2019, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on Future Major Repairs and Replacements on Page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Albin, Randall & Bennett

June 25, 2020

LAKE ARROWHEAD COMMUNITY, INC.

BALANCE SHEETS

APRIL 30, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 230,974	220,918
Cash - future reserve fund	500,000	500,000
Cash - designated operating surplus funds	<u>260,211</u>	<u>306,535</u>
Total cash and cash equivalents	991,185	1,027,453
Membership receivables, net of allowance for doubtful membership receivables of \$352,491 and \$401,268	66,468	95,618
Inventory	57,434	63,392
Prepaid expenses	<u>7,720</u>	<u>7,872</u>
Total current assets	<u>1,122,807</u>	<u>1,194,335</u>
PROPERTY AND EQUIPMENT:		
Land	291,964	286,039
Roads	1,311,405	1,311,405
Buildings and improvements	1,426,114	1,426,114
Water system	3,195,811	3,151,722
Motor vehicles	1,410,480	1,309,718
Tools and equipment	262,342	229,696
Furniture and fixtures	149,198	139,792
Construction in progress	<u>136,160</u>	<u>-</u>
	8,183,474	7,854,486
Less accumulated depreciation	<u>5,881,648</u>	<u>5,637,878</u>
Net property and equipment	<u>2,301,826</u>	<u>2,216,608</u>
OTHER ASSET - Land inventory	<u>52,769</u>	<u>9,489</u>
	<u>\$ 3,477,402</u>	<u>3,420,432</u>

LIABILITIES AND MEMBERSHIP EQUITY

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 50,014	49,107
Accounts payable	19,649	7,039
Accrued expenses	19,981	16,388
Deferred revenue	<u>199,065</u>	<u>205,363</u>
Total current liabilities	<u>288,709</u>	<u>277,897</u>
LONG-TERM DEBT - net of current portion	<u>213,962</u>	<u>263,976</u>
MEMBERSHIP EQUITY:		
Contributed capital	1,186,700	1,186,700
Retained earnings	1,027,820	885,324
Board-designated funds	260,211	306,535
Future reserve fund	<u>500,000</u>	<u>500,000</u>
Total membership equity	<u>2,974,731</u>	<u>2,878,559</u>
	<u>\$ 3,477,402</u>	<u>3,420,432</u>

LAKE ARROWHEAD COMMUNITY, INC.
STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED APRIL 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES:		
Membership dues	\$ 1,619,005	1,610,210
Member revenue	103,956	155,852
New building fees	62,265	81,890
Other revenue	23,654	27,673
Interest income	<u>10,811</u>	<u>9,886</u>
Total revenues	<u>1,819,691</u>	<u>1,885,511</u>
EXPENSES:		
Amenities	27,717	23,946
Depreciation	311,999	296,054
Donations	20,000	20,000
Employee benefits	90,943	105,609
Employee education and travel	1,850	2,456
Fuel and oil	40,951	52,081
Heat and electricity	84,473	103,784
Insurance	98,843	97,208
Interest	3,498	4,174
Maintenance - roads and beaches	107,809	109,893
Maintenance - vehicles	120,952	125,418
Meetings and memberships	3,395	3,650
Miscellaneous	4,136	4,335
Office and administrative	43,728	43,060
Payroll taxes	44,808	47,769
Pension	19,431	23,218
Professional services	49,873	45,243
Property and excise taxes	17,330	14,772
Salaries and wages	539,244	545,322
Telephone and internet	18,387	17,935
Trustees' expenses	10,509	6,721
Uncollectible member receivables	62,380	165,624
Water system	<u>71,543</u>	<u>35,111</u>
Total expenses	<u>1,793,799</u>	<u>1,893,383</u>
NON-OPERATING INCOME:		
Gain on disposal of property and equipment	27,450	21,456
In-kind contribution of land	<u>42,830</u>	<u>-</u>
Total non-operating income	<u>70,280</u>	<u>21,456</u>
Excess of revenues and non-operating income over expenses	<u>\$ 96,172</u>	<u>13,584</u>

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

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LAKE ARROWHEAD COMMUNITY, INC.
STATEMENTS OF CHANGES IN MEMBERSHIP EQUITY
YEARS ENDED APRIL 30, 2020 AND 2019

	Contributed <u>capital</u>	Retained <u>earnings</u>	Board- designated <u>funds</u>	Future <u>reserve fund</u>	<u>Total</u>
Membership equity at April 30, 2018	\$ 1,186,700	855,477	322,798	500,000	2,864,975
Excess of revenues over expenses	-	13,584	-	-	13,584
Net transfer from retained earnings to board-designated funds	<u>-</u>	<u>16,263</u>	<u>(16,263)</u>	<u>-</u>	<u>-</u>
Membership equity at April 30, 2019	1,186,700	885,324	306,535	500,000	2,878,559
Excess of revenues over expenses	-	96,172	-	-	96,172
Net transfer from board- designated funds to retained earnings	<u>-</u>	<u>46,324</u>	<u>(46,324)</u>	<u>-</u>	<u>-</u>
Membership equity at April 30, 2020	<u>\$ 1,186,700</u>	<u>1,027,820</u>	<u>260,211</u>	<u>500,000</u>	<u>2,974,731</u>

LAKE ARROWHEAD COMMUNITY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 96,172	13,584
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	311,999	296,054
Provision for doubtful membership receivables	(68,080)	(165,624)
(Gain)/loss on disposal of property and equipment	(27,450)	44
Land acquired in settlement of membership receivables	(5,700)	-
In-kind contribution of land	(42,830)	-
Change in current assets and liabilities:		
Membership receivables	97,230	228,558
Inventory	5,958	(10,956)
Prepaid expenses	152	484
Land inventory	(450)	(21,500)
Accounts payable	12,610	(3,583)
Accrued expenses	3,593	9,561
Deferred revenue	<u>(6,298)</u>	<u>(22,552)</u>
Net cash provided by operating activities	<u>376,906</u>	<u>324,070</u>
INVESTING ACTIVITIES:		
Proceeds from sale of land inventory	-	26,500
Purchases of property and equipment	<u>(364,067)</u>	<u>(334,703)</u>
Net cash used by investing activities	<u>(364,067)</u>	<u>(308,203)</u>
FINANCING ACTIVITY - Repayments of long-term debt	<u>(49,107)</u>	<u>(48,220)</u>
Decrease in cash and cash equivalents	(36,268)	(32,353)
Cash and cash equivalents and restricted cash at beginning of year	<u>1,027,453</u>	<u>1,059,806</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 991,185</u>	<u>1,027,453</u>
COMPOSITION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR:		
Cash and cash equivalents	\$ 230,974	220,918
Cash restricted for future reserve fund	500,000	500,000
Cash designated for capital improvements and equipment	<u>260,211</u>	<u>306,535</u>
	<u>\$ 991,185</u>	<u>1,027,453</u>

LAKE ARROWHEAD COMMUNITY, INC.

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2020 AND 2019

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 the balance of unpaid dues, including interest and late fees, less an allowance for doubtful membership receivables. 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. Inventory is valued at the lower of cost and net realizable value, determined on a first-in, first-out (FIFO) basis. Net realizable value is defined as the estimated selling prices of the inventory in the ordinary course of business, less reasonably predictable costs of disposal and transportation. Cost is determined on an average cost method.

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. The Community's policy is to capitalize property and equipment and improvements of assets that extend the asset's useful life with a cost of at least \$2,500.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 \$3,498 and \$4,174 for the years ended April 30, 2020 and 2019, respectively.

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

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.

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, 2020, through June 25, 2020, 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.

2. ALLOWANCE FOR DOUBTFUL MEMBERSHIP RECEIVABLES

A summary of activity for the allowance for doubtful membership receivables is as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 401,268	682,744
Provision charged to operations	14,910	112,018
Accounts charged off	(116,858)	(447,100)
Recoveries	<u>53,171</u>	<u>53,606</u>
Balance at end of year	<u>\$ 352,491</u>	<u>401,268</u>

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

3. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2020</u>	<u>2019</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 substantially all Community assets with a net book value of \$3,477,402.	\$ 154,764	191,296
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 \$3,477,402.	56,700	63,000
Note payable to Maine Municipal Bond Bank due in annual installments of varying amounts, including interest at 1.00%, plus a 5.00% loan servicing fee, through October 2027. Secured by substantially all Community assets with a net book value of \$3,477,402.	<u>52,512</u>	<u>58,787</u>
	263,976	313,083
Less current portion	<u>50,014</u>	<u>49,107</u>
Net long-term debt	<u>\$ 213,962</u>	<u>263,976</u>

Future maturities of long-term debt are as follows:

2021	\$ 50,014
2022	50,940
2023	51,888
2024	52,855
2025	12,896
Thereafter	<u>45,383</u>
	<u>\$ 263,976</u>

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

4. 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>2020</u>	<u>2019</u>
Capital improvement	\$ 260,211	244,803
Capital equipment	<u>-</u>	<u>61,732</u>
Total	<u>\$ 260,211</u>	<u>306,535</u>

5. FUTURE RESERVE FUND

As of April 30, 2020 and 2019, the Board of Trustees has designated \$500,000 and \$500,000, respectively, 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.

6. CONCENTRATIONS OF CREDIT RISK

The Community's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents and membership receivables. 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. Member accounts receivable are primarily attributable to the Community's broad membership of lot and home owners. The Community has the ability to place liens on the underlying property to ensure payment of member dues.

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 \$3,836 for both years ended April 30, 2020 and 2019.

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

2021	\$ 3,836
2022	3,836
2023	<u>1,247</u>
	<u>\$ 8,919</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 \$19,431 and \$23,218 for the years ended April 30, 2020 and 2019, respectively.

9. UNCERTAIN CONDITIONS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic. The outbreak of COVID-19 continues to grow both in the United States and globally, and related government and private sector responsive actions may continue to adversely affect our business operations. The Community is in the process of implementing risk mitigation tactics for the Community as to the risk of the impact, if any, of COVID-19 related to all aspects of the Community's business transactions. As the global outbreak continues to rapidly evolve, the extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted.

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2020</u>	<u>2019</u>
Cash paid for interest	<u>\$ 3,498</u>	<u>4,174</u>
Schedule of Noncash Investing and Financing Transactions:		
Land deeded to the Community by a member	<u>\$ 42,380</u>	<u>-</u>
Land acquired in settlement of membership receivables	<u>\$ 5,700</u>	<u>-</u>
Acquisition of equipment through like-kind exchange	<u>\$ 27,450</u>	<u>-</u>

LAKE ARROWHEAD COMMUNITY, INC.

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

APRIL 30, 2020

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	\$ 41,500
Furniture and equipment	30,000
Vehicles	300,000
Water system	<u>600,000</u>
	<u>\$ 971,500</u>