



Lake Arrowhead

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

Fiscal Year Ending April 30, 2016

ANNUAL REPORT

TO

MEMBERS

Presented at the Annual Meeting on

August 6, 2016

206 Old Portland Road, No. Waterboro, ME 04061

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WARRANT

2016 Annual Membership Meeting
Lake Arrowhead Community, Inc.
Clubhouse 2
206 Old Portland Road
No. Waterboro, Maine
August 6, 2016 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 5, 2016, 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 5, 2016 or delivered to the Clerk in person at the ballot box no later than 9:30 a.m., August 6, 2016, the day of the meeting.

Action on Articles 2 through 8 will take place at the open portion of the meeting on August 6, 2016.

- 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 held on August 1, 2015.
- 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
2015 ANNUAL MEETING
AUGUST 1, 2015**

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

Absent: Trustee Bob Pomerleau

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

Steve Dawson, Clerk of the Corporation, declared that 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 our special guests Joanne Fitzpatrick, Gladys Sanfason, Susan Sanfason and John Festa.

Approval of the Minutes

MOTION: Trustee Fitzpatrick moved to accept the minutes of the Annual Meeting of August 2, 2014. Seconded by Trustee DelloRusso. **The motion passed unanimously.**

Legal Report

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

- In general, we are continuing to deal with foreclosures, but the trend is improving and the number of foreclosures is decreasing.
- This year we did initiate two foreclosure actions resulting in successful closure and the properties were deeded back to the Association and they are on the warrant this year. One of these foreclosures resulted in collection of funds, as well as obtaining the property.
- Trustee Fitzpatrick added that the Town of Limerick has been auctioning lots recently, and as an incentive to potential buyers to purchase and build new homes, the Board recently agreed to lower the impact fee from \$10,000 to \$5,000 on properties that are over 1,200 square feet for a period of two years.

Presentation of Audit Report of FY 2015

Jason LeBlanc of Albin, Randall and Bennett presented the Audit Report for Fiscal Year ending April 30, 2015 and highlighted the following:

- The organization ended the year with a cash surplus of \$105,000 up from last year, for a total cash balance of \$938,000 of which \$250,000 is set aside for capital improvements.
- Strong financial year and the audit ran smoothly.

MOTION: Kate Howard, Lot A207, moved to accept the Auditor's Report for Fiscal Year ending 2015. Seconded by Trustee DelloRusso. **The motion passed unanimously.**

Appointment of the Corporation's Auditor

MOTION: Trustee Oreto moved to accept the firm of Albin, Randall and Bennett as the Corporation's Auditor. Seconded by Kate Howard, A207. **The motion passed unanimously.**

President's Report

President Sanfason presented his report and highlighted the following:

- It was another extremely good year at LAC despite the harsh winter. The Public Works Crew is spending time this summer and fall upgrading some pipe and insulation that was hit with the deep frost this past winter.
- The Board has made many improvements to amenities, making our community more attractive to potential buyers. We have a newly formed ID committee to identify ways to ensure members, and not the general public, enjoy these amenities.
- The Board has directed the paving of Victoria East and Keystone for next season.
- The DASH harvesters continue to work on reducing the milfoil in our lake.
- The auditors have reported we are in great shape financially.

Treasurer's Report

Treasurer Fowler presented his report and noted the following:

- This past year the Board initiated foreclosures against a couple of the worst non-paying undeveloped lot owners. This action resulted in the properties being recovered by Lake Arrowhead and these bad debts removed from our records.
- This year we are trying a different method of collection. We sent letters to about a dozen members who are behind on their dues for undeveloped lots. We gave members the opportunity to bring accounts current or turn them over to an outside collection agency. We had to send only four properties to collections.

Water Committee Report

Trustee Sanfason asked Committee Member and Public Works Manager Scott Davis to present the report and noted the following:

- Water is what makes our community viable and we have one of the largest systems and best supply in the state. As our community grows, so do our needs and dedication to keeping the system running smoothly.
- This past winter was especially hard on the water system, we had frost as much as six feet in the ground and as a result, many homes had frozen service lines. Additionally, when service lines freeze in the winter we have to go back in the spring to put everything back to normal.
- Currently, our big project is replacing some problematic sections of pipe on Mayfair Way, Deerfield Drive and Greenfield Road.
- Over the past ten years, we have also added pressurized fire hydrants to our water system to provide valuable fire protection to our community. The need continues on this front and we hope to continue adding hydrants.

Lake Improvement Committee

Trustee Fitzpatrick presented the Lake Improvement Committee report:

- Now that the long cold winter is gone we are moving onto summer and the harvesters are out.

- Based on recommendations of James O'Donnell & Associates, the Town of Limerick adjusted the land values in 2007 based on the impact of milfoil. This past year they re-evaluated values again and as a result values were deflated, but this time on the houses as well. It is possible for DEP to put on surface water restrictions, which the harvesters and LACC are trying to prevent.
- The DASH harvesters are making progress, while the Ledgemere Dam has the largest number of catches, we are seeing the catch rates go down. We've been fortunate this year, the new operator is keeping the water levels higher allowing us access to areas we were unable to get to before.
- Thank you for supporting LACC.

Road Committee

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

- The Public Works Crew did a great job this year keeping roads clear over the winter.
- It has been a couple years since we did a road project. The roads are pay as you go, so until we have money, we don't get a new road. We have successfully paved two roads – one in each town. We are now prepared to pave another road, in the spring. When the roads are compacted and there is a good base we will pave the Victoria East to Keystone and Keystone to Beaver Dam sections. The efforts by the Real Estate Committee to collect on the outstanding lot accounts combined with good fiscal management by the Board enable us to do more paving.

Presentation of Voting Results

Article 1

Trustee Sanfason reported that there were three candidates running re-election to three positions this year; one vote has been cast for Mary Singelais, David DelloRusso and Phil Oreto, therefore, they have each been re-elected to a three year term.

Article 2

Trustee Sanfason reported that Article 2, Sale and/or Transfer of Association owned lots was overwhelmingly approved by the Lake Arrowhead Community.

Article 3

Trustee Sanfason reported that Article 3, Disposal of Discontinued Road was also overwhelmingly approved by the Lake Arrowhead Community.

Parks and Recreations Committee

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

- Summer on Lake Arrowhead is special, just about any time you can see pontoon boats, jet-skis and kayaks on the water, as well as people swimming.
- Another wonderful year for the Boat Parade with over thirty boats participating and community members watching the parade from all areas of the lake. The Hart Family won first place with "Candyland". The Piela Family took second this year with "Tow Mater". Third place went to the Fultz Family with "LAC Ambulance". The Juffre's took fourth with the "LAC Jail" and the Krayenvenger's took fifth with "American Sports". David and Betsy Dello Russo took most patriotic with their red, white and blue themed boat. There was also Christmas themed "Tis the Season" boat, as well as a Godfather inspired "Fishing with Fredo" boat. Thanks to Mark and

Karen Harris for representing LACC and leading the parade. Also, thanks to Scott and the crew for getting Tower Beach "ship shape" and Sheila Sanfason organizing the event and taking some pictures this year.

- This year the "Tom Sotir Volunteer Service Award" will be awarded to another wonderful volunteer in our community, Jean Burke.
- New this year is our LAC Garden Club. Judy Juffre, Carol Carey and Bonnie Defeo are adding some beautiful color to various areas around our community.
- Annually, we offer ice cream socials, walking classes, sewing socials, yoga classes, pumpkin carving and wreath making.
- Our clubhouses have undergone several improvements including fully reconstructed tennis courts with pickle ball stripes and the fitness center has a new Cybex Treadmill.

Tom Sotir Volunteer Service Award

Trustee Singelais presented the Tom Sotir Volunteer Service Award to Jean Burke for her many years of service to Lake Arrowhead Community and Lake Arrowhead Conservation Council.

Equipment Committee

Trustee Dello Russo presented the Equipment Committee report and noted the following:

- The Equipment Committee was formed in order to better evaluate community needs. Scott Davis put a list together of all the equipment and its condition. After working with Trustee Fowler, we were able to identify and plan the best method to purchase two new trucks this fiscal year and track needs for the next ten years.

Real Estate Committee

Trustee Mike Fitzpatrick presented the Real Estate Committee report on behalf of Trustee Bob Pomerleau and noted the following:

- The Real Estate Committee was re-activated this year primarily due to the Town of Limerick working to divest the Town's books of non-performing lots that they have tax acquired.
- Lake Arrowhead Community is not in the Real Estate business and as a result the lots that the community owns would have to be divested by a vote of the membership. The long term goal is to take these lots and turn them into performing house lots in the future.
- The Board changed the \$10,000 impact fee to a tiered fee: \$10,000 for any home under 1,200 square feet and \$5,000 for any home over 1,200 square feet in order to stimulate growth.

MEMBER CONCERNS:

Steve Westbrook, Lot 1437 – He appreciates the facilities, however there appears to be an algae problem in the CH1 pool and why were there \$80,000 in salary increases? Trustee Sanfason stated we will look at the pool. Trustee Fowler stated that some vacancies were filled and there were some increases in insurances.

Kate Howard, Lot A407 – Is the Real Estate Committee working with local agents? Trustee Fitzpatrick replied that we developed a promo brochure to provide local agents. There is a thought to hold an open house in the future with the agents. Also, she thanks the board for the dog friendly beaches.

Debbie Wentworth, Lot 1509 – Did the Board consider shared beach time with the dogs? Trustee Fitzpatrick replied the Board didn't because the beaches are closed at dusk in order to respect the neighbors of the beaches.

John Festa, Lot 1442 – Asked with the formation of the ID Membership committee, if the Board and the committee would consider non-membership fees. Trustee Sanfason stated the committee can look into it.

Bob Smyth, Lot 0736 – He retired, moved here and has enjoyed his eight years year. He urges everyone to attend more meetings. Never seen a Board as good as this one.

MOTION: Kate Howard, Lot A207, moved to adjourn. Seconded by Trustee Dello Russo. **The motion passed unanimously.**

Adjourned at 10:57 a.m.

Nanette Walton, Recording Secretary

PRESIDENT'S MESSAGE

Welcome all to the 2016 Annual Meeting. 2016 has been a great year for Lake Arrowhead Community. A mild winter coupled with low fuel prices allowed us to come in significantly under budget. This fact created a surplus which we can use to complete the paving of Victoria/Keystone and make some needed upgrades to our water system. Alan will cover the paving project in his report.

As far as the water system upgrades, we have a three-phased strategy. In phase 1 we will upgrade our second pump (PW2) from 35 HP to 50 HP. This will give us equal ability to fill our tank during peak demand periods (Currently our PW1 is 50 HP). We expect to complete Phase 1 this season before the winter. In Phase 2, which will happen next spring, your LAC crew will run a new 12" transmission main from our well field to the Old Portland Road 8" main which runs across the lake to our Caribou Water Tank. Completion of Phase 2 will increase our ability to fill the tank by 100%. Phase 3, which we hope to complete in 2018, will connect the Phase 2 transmission main directly to the tank with a diagonal lake crossing, bypassing the OPR main. Before any of these water projects get started, we will complete the installation of a new Silver Lane water main culminating in a hydrant and fire protection. We expect that project to be done this summer or early fall.

As Mike will elucidate in his report, we were forced to become OSHA compliant as a commercial diving operation on our LACC DASH Boats. This raised our diver and personnel payroll considerably. We need our LAC members who use the lake or value it to step up and contribute to LACC. It's an annual 100-dollar payment to keep our beautiful lake pristine. Our membership has gone from 150 to 100. Without increased member support or increased LAC donation, we may have to curtail milfoil control operations weeks earlier than expected. Please help us. If you've been a member in the past, re-join. If you haven't, step up to the bar.

One has only to look around at our refurbished tennis courts, clubhouses, postal service centers, beautiful flower gardens and containers done by our volunteer garden club, our activities such as the boat parade, pumpkin carving, wreath making, ice cream socials and fleet upgrade to realize that Lake Arrowhead Community with its 14 public beaches and member boat ramp is an awesome place to live. Your LAC Board accomplished all this and managed to lower the annual dues by a slight amount. So, once again, it is my pleasure to report to you that the state of Lake Arrowhead is absolutely outstanding!

Dave Sanfason
President

TREASURER'S REPORT

Once again the audit report for LAC contained no significant issues in the way that we account for the fund of the community. We will be making one small change in the way that we account for the fixed assets of the community. We will be capitalizing all assets that cost us more than \$2,500. In the past we have been capitalizing assets which cost more than \$1,000. These assets will now be written off over a number of years instead of being charged entirely to the current year. This in line with how other similar organization handle these assets.

This year was a good one for LAC. We ended up the year with a small surplus which will be put aside for replacement of equipment, for future paving jobs and for future upgrades to the water system. Even though we had a surplus we managed to lower the dues for all members. If we could collect the amount owed from all member we could lower the dues even more in the future. This is something that the office staff is working very hard to do every day. They have made good progress but there is still a lot of work to do. We have taken the necessary step of sending some of the more delinquent accounts for collection and have even taken several lots back because of non-payment of dues.

Currently, there is balance of \$118,319 of bad debts on the books. This number went up from last year because the Auditors felt that the effort made to collect the old accounts was very successful and that we have written off most of the old items that may not be collectable. As we send more of these out for collection and possibly foreclose on some of the older, larger accounts this number will decrease. By collecting on these old accounts, we may be able to keep the dues constant even with rising costs.

George Fowler
Treasurer

LAKE IMPROVEMENT COMMITTEE REPORT

2016 has proven to be a very challenging year for LACC! It's incredible to believe how difficult government can make life for organizations working to save the lakes in the state of Maine. In this case, it wasn't the state government, it was the Federal government doing their big brother routine in the form of OSHA.

LACC, like the other DASH harvesting operations in the state of Maine, had a very cold dose of OSHA regulations thrown at us at the annual Milfoil Conference at the University of Maine in February. The DEP sheepishly introduced representatives from OSHA at the conference and they proceeded to dictate the new regulations we have to operate under, since they are now viewing the DASH harvesting programs as Commercial Dive Operations. This means our small non-profit groups must now adhere to the same rules and regulations that divers operating in deep depths in the ocean.

The additional diver labor costs resulted in projected labor costs almost doubling. Required new on-board communication devices added an additional one time cost of over five thousand dollars plus the cost of new full-face masks for some of our divers. This was a tremendous hit on LACC's budget and not a lot of time to figure out ways to raise the funds to cover the increase.

Fortunately for LACC, some of the other DASH operators could not handle the increase costs and had to bow out of their grants this year. That allowed the DEP to modestly increase their grant to LACC, but not enough to fund the full shortage. In my note to LACC members this year, I asked for members to consider contributing a little extra this year above the normal waterfront membership support of \$100. We did have quite a few that were very gracious and contributed some extra money. Unfortunately, others have not renewed their memberships yet and we are half-way through the harvesting season. I hope to do another round of invoicing soon to see if we can generate some additional revenue this season. Hopefully, some of you reading this will pick up on the call for support and join LACC. I especially target the waterfront owners reading this and ask you to please get behind this effort and join LACC. It's your lake; your home; your investment. Sitting on the sidelines while others do the work for you is starting to wear thin on the core group of volunteers that give their time and money to make Lake Arrowhead a viable, clean safe lake to enjoy.

If we do not see an increase in members and folks renewing; in all likelihood we will probably have to stop the program two week earlier than planned. Please take this to heart, we only have a ten week season to remove milfoil every year. The towns 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

This winter was not nearly as bad as last year; however it still presented challenges for our crew. The Public Works Crew spent many hours keeping the roads in our community clear and safe. It took a lot of sand again this year and a toll on our equipment. The Crew had to make repairs to keep our fleet rolling. Scott and the crew remove the sand from the paved roads, and gravel was replaced as needed throughout the community to repair pot holes. The crew has spent many hours ditching and cutting back trees.

The crew has been spending a lot of time getting the roads ready for the next paving project in Waterboro. The crew has spent as much time as they could on Victoria East, from New Dam Road to Keystone and also, Keystone from New Dam to Beaver Brook. Scott Davis and his crew spent some time last fall preparing the roads. Trees were removed and the roads were widened. Scott Davis rented equipment to compact the gravel and the crew has placed wooden stakes to shoulder the edges of the roads. We will start the paving as soon as the base is complete. Unfortunately, we had to pull the crew off the roads to deal with the water issues we had this spring and early summer. I will update the community monthly at the Board of Trustees Meetings on when we plan to start paving. We want the base to be completed properly before we pave it. Robert Pomerleau has been communicating with F.R. Carroll on a regular basis to get the best possible value for our members. This next phase of the project will affect 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.

Alan Martel
Road Committee Chair

PARKS AND RECREATION COMMITTEE REPORT

Summer on Lake Arrowhead is the most wonderful time of year. We look forward to long summer days, afternoon boating on the lake, and evening camp fires for the whole family to enjoy. What could be better than that? Well, possibly the Annual Boat Parade, of course!

What a fantastic Boat Parade we had on the 4th of July, with beautiful weather the whole day long. Over two dozen boats of all shapes and sizes joined in this year's parade, as we cruised around the lake, waving and cheering to all the onlookers at the fun filled procession. Thanks to everyone who participated in this year's spectacular event. You made the parade a very memorable day on our beautiful lake.

First Place Winners: First place went to the Piela family for their amazing 'Finding Dory' boat. Kristen Piela shared their family story with me about their colorful and creative creation. "Finding Dory has been in our hearts ever since it was introduced as the sequel to one of our favorite Disney movies, Finding Nemo. Its anticipated arrival, June 17, 2016, was marked on our calendar; and consequently, was a family movie night. When the movie was over (including the secret ending) and the popcorn digested, we decided to continue the animation on the lake. It was a family affair; near and far. It took creative thinking, crafty prototypes and lots of manpower. This was a tremendous task that was fun and rewarding. However, not only on the lake...but while the boat was being constructed neighbors stopped by to "watch the magic" and wish us luck. It was a joy to see a smile on the faces of the children that walked by and recognized the characters. This year my ocean friends consisted of: Steven P, Kristen P, Jacob P, Zachary P, Chris C, Kathy C, Jude M, Warren C, Laurie L, Celeste W, Izzi W, Asa W, Julia W, Mark C." The Piela family received a \$50 gift card to Lakeside Market. Congratulations to everyone!

Second Place Winners: John and Kathy Hart and family took 2nd place with the fantastic 'Pizza Hut' boat. Kathy shared their story with me behind this year's theme. "My granddaughter Reagan (6 years old) decided last year that we would be a pizza parlor, so we chose to do one that everyone recognized. The manager at the Saco Pizza Hut was kind enough to supply us with pizza boxes. The Pizza Man was John Hart Jr. and our little waitresses were Reagan Hart, Brynn Hart, Lily McLaughlin, Ella McLaughlin, and Sophia McLaughlin. Also on the boat were John Hart, Christine O'Brien, Justin O'Brien, Kyle McLaughlin and Debbie McLaughlin. The McLaughlin family is my niece and her husband from Georgia. They hope to be back here next 4th of July to be in the parade again. The kids loved the parade, they had a blast. We have a few ideas that we are already thinking about. We had a great time and as always we look forward to next year." Congratulations to the Hart family! They received a \$30 gift card to Lakeside Market.

Third Place Winners: The Fultz family took 3rd place for their hilarious 'Funny Farm' entry. I heard from family member Cathy Musto. "Our farm theme boat was pleased to receive 3rd place this year. The boat parade is an event that we look forward to each year. It takes a great deal of planning and organizing to execute such a large project. Our mom took the lead role and we all shared in her excitement as the thoughtfully, planned execution was underway. Many hours went into this project and our mom personally drew and painted the horse and cow which were proudly displayed on the front and back ends of our farm. Everyone participated in decorating and many of us enjoyed riding on the boat during the parade. We have a large family and this is one of the

weekends that we wouldn't miss. We are looking forward to participating next year." The Fultz family received a \$20 gift card to Lakeside Market. Congratulations Fultz family!

Fourth Place Winners: The DelloRusso family for their caped crusader entry 'Batman'. Ten year old Alex DelloRusso dressed as Batman, mom (Betsy) was Catwoman, and dad (David) was Robin. Their pontoon boat was decorated by black panels as the Batmobile, complete with the bat emblem emblazoned on the side. They received a \$10 gift card to Lakeside Market. Great job DelloRusso family!

Fifth Place Winners: The Krayenvenger family for their Arrowhead Floating Ristorante. The lively Italian restaurant theme was definitely 'molto buona'. As Gloria put it, "yes, Mary – we did offer fine dining on Lake Arrowhead for this year's boat parade! We often enjoy meals on the boat, so we thought we'd share the experience with our neighbors. Helping us with the float were my parents – Richard and Barbara, my sister Theresa and brother-in-law Steve, and nieces Kristi and Katie. We just enjoy seeing the great creativity that everybody comes up with for the parade, and love the celebration!" They also received a \$10 gift card to Lakeside Market. Congratulations to Bob and Gloria and the whole family.

In the new, non-pontoon, smaller boat class, honorable mention category, two boats were recognized for their entries. The Bottger family had the 'Finding Dory' theme, chased after by the Scott Sanfason family, who had the 'Jaws' shark theme. Jo Bottger sent me a wonderful write-up about their experience. "The boat parade was so much fun and the children have loved watching it and being on the Sanfason Juniors boat for it for the past 4-5 years. The children had been looking forward to the parade for months and we set them the expectation that they could enter it, but they had to come up with the idea and how they were going to decorate it themselves. It was their project as soon as they finished school in early June. They thought about different characters and came up with Finding Dory as it was the new movie being released this July. Both Rianna (age 12) and Rylan (age 6) painted Dory and Nemo themselves and asked me to take them to Michaels for seaweed looking ribbons to hang down from the bimini top. They used their own sand buckets and found a couple of sea creatures to blow up amongst the seaweed. They chose their own Dory shirts to wear and we found some Dory sun visors in party city. Rylan insisted on finding Dory fruit gummies and lollipops to hand out at the beach. We were staying with our friend, Mrs. Joann Yauga, and her brother David, who were also on the boat, as well as Chris, Rianna and Rylan Bottger. It's funny as we are from Holland and England and came to live in the States 16 years ago. July 4th at Lake Arrowhead is the highlight and our favorite holiday of the year and we all look forward to the annual boat parade and spectacular firework displays that the local families put on each year. It's a wonderful tradition which we hope will continue forever. The children have so many wonderful memories of it already and it really inspires them to be creative and immerse themselves in the family fun that is involved with taking part. This year was particularly memorable as it was the first year we actually had our own little boat, the weather was just perfect and I can't remember seeing so many boats all lined up and slowly making their way around the lake to the beach. So when Mr. Sanfason Senior announced their honorable mention with the Sanfason Juniors for the non-pontoon class, it made the children's day. They are still super excited about it and happily telling all their friends back in Massachusetts all about it now! They are already thinking about what they might be able to do next year!"

Scott and Chrissy Sanfason and family created the shark boat, complete with giant teeth hanging down from across the entire top of the boat. While Scott drove the fearsome shark, children Charlotte, Thomas, Natalie, and Paige were the official riders. Chrissy said they came up with the theme because of shark week and the shape of our boat. The kids had a blast blaring the JAWS theme, and made sure my husband did not change the tune once. They had a blast as usual! Congratulations to the Bottger and Sanfason families for their wonderful entries.

Also enjoying the boat parade were Dave and Sue Sanfason and family. They were also celebrating Dave's mother's 96th birthday. Happy Birthday Gladys.

4th of July birthday greetings also to LAC member, Diane Gray, who was waving and enjoying the parade from her Bay Cove home.

Representing LACC (Lake Arrowhead Conservation Council), Mark and Karen Harris were hosts on board the Limwater boat, one of two boats used around the lake to remove milfoil. Thanks to Mark and Karen for their continued volunteer 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 ship shape" for the annual boat parade. They also clean up and get ready all of the LAC public beaches for the summer season.

Special thanks to Sheila Sanfason, our LAC Event Coordinator, for organizing the event and for taking the photos again this year. Her photos are fantastic! I urge everyone to go out to www.lacinc.org and click on the Pictures link to the boat parade.

The 3rd Annual LAC Tom Sotir Volunteer Service Award: I'm very pleased to announce that LAC member, Carol Carey, is the 2016 LAC Tom Sotir Volunteer Service Award recipient. Carol, and her husband Paul, came to the lake in 1992 and moved here full time in 2003. Carol enjoys kayaking and seeing the loons around the lake. She has been volunteering for ten years, conducting water quality testing for Lake Arrowhead in coordination with the Maine Volunteer Lake Monitoring Program. Carol has completed training and is certified to use instruments that measure the oxygen levels in the lake, as well as water density. Testing occurs every two weeks from May thru October. Carol was happy to say she has seen an improvement in water clarity, and feels the improvement is one result of Lake Arrowhead's milfoil removal program under LACC (Lake Arrowhead Conservation Council). She is also very involved with the LAC Garden Club and enjoys creating colorful flower gardens for the community. Congratulations Carol and thank you so very much for all your efforts.

LAC Garden Club News: Garden Club co-founders, Judy Juffre and Carol Carey, have been hard at work this summer. Along with Lew and Bonnie DeFeo, Bill Juffre and Rob Juffre, the LAC Volunteer Garden Club has done a tremendous job planting and caring for multiple flower gardens around LAC. They've planted flowers, shrubs, and trees at Club 2, creating a beautiful garden along the side of the building by Old Portland Rd. They've made two new beautiful plant barrels at the mailbox area on New Dam Rd. They also created a border garden of plants and flowers along the front of Club 1, and are adding another garden to the front left side of the building.

With funding from the Board of Trustees and additional plant donations from an anonymous and generous LAC member, they have made lasting changes for the whole LAC community to enjoy. 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.

2016 Events and Activities around Lake Arrowhead: An ice cream social was held over Memorial Day weekend, hosted by LAC member Sheila Sanfason. The \$1 make your own ice cream sundae event is held annually, and continues to draw a big crowd. Please go to www.lacinc.org and click on Pictures to see Sheila's photos of the event. Thanks Sheila for another great LAC family outing.

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 four years now. I'd like to extend a big thank you to LAC members Judy Juffre and Debbie Broderick for volunteering to host the class.

Clubhouse News: LAC member Debbie Broderick led a volunteer effort to spruce up the Pilates room at Club 1. Debbie and several other LAC members painted the ceiling and walls of the room, where they meet weekly for the walking class. With some help from Scott Davis and our LAC crew, the clean-up effort was completed in just a few days. Thanks and great job to everyone!

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 over the last two years and open to all members and their guests. Great job Scott Davis and crew!

You can get a good workout on the new Cybex Recumbent Bike at Club 1. It's in the Cardio room along with treadmills and elliptical machines.

Upcoming Events: LAC is planning on having an ice cream social for 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
Recreation Committee Chair

EQUIPMENT COMMITTEE

If you recall, we formed this committee last year 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 any and all pricing discounts available to us. I am proud to say that we have accomplished all of this and more.

Last year we identified our (2) 2002 Ford F550 trucks as equipment that needed immediate replacement. We took delivery of these new trucks in 2015 and they have been put to good use ever since. This year, we have purchased more new equipment as well as replaced well-worn parts of others. We now have some very talented crew members that have heavy equipment repair credentials. This has led to timely repairs at a fraction of the cost.

We created an equipment planning and bidding process which allows us to manage and predict when we will need repairs or replacement of our fleet. It also allows us to bid, all outside purchases, to take advantage of the most competitive pricing available. As with last year, we constantly update the equipment status to be sure we keep our equipment needs well in hand.

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 REPORT

The Real Estate Committee with the Board of Trustees has acquired several properties that were in arrears to the community over the last year. Two of the properties were offered and purchased by LAC member abutters per a warrant article passed before the membership at the yearly meeting of August 2015, the remaining properties were turned into additional green space /common land to the community.

Since the implementation of a collection process on delinquent accounts. Many past due members have made arrangements to bring their accounts up to date which lessens the burden upon the whole membership.

New Development Growth: 3 new homes were started within the last year within our community.

The Real Estate Committee has reviewed the LAC tax liability status with the Towns of Waterboro and Limerick in which we were granted tax free status with the Town of Waterboro on Green space / common property.

The Committee is in the process of evaluating the real estate structures within the community to determine condition and apply a maintenance schedule for any discrepancies found.

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.

Sincerely,

Robert M. Pomerleau
Real Estate Committee 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, 2016 and 2015, 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, 2016 and 2015, 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, Ransdall & Bennett

July 7, 2016

LAKE ARROWHEAD COMMUNITY, INC.

BALANCE SHEETS

APRIL 30, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 246,401	256,637
Cash - future reserve fund	500,000	430,726
Cash - designated operating surplus funds	<u>434,005</u>	<u>250,437</u>
Total cash and cash equivalents	<u>1,180,406</u>	<u>937,800</u>
Membership receivables, net of allowance for uncollectible accounts of \$753,026 and \$817,233	118,319	69,329
Inventory	108,038	95,681
Prepaid expenses	<u>10,913</u>	<u>10,385</u>
Total current assets	<u>1,417,676</u>	<u>1,113,195</u>
PROPERTY AND EQUIPMENT:		
Land	190,623	187,623
Roads	1,055,529	1,037,584
Buildings and improvements	1,293,887	1,272,717
Water system	2,774,713	2,746,138
Motor vehicles	1,312,135	1,295,795
Tools and equipment	225,567	215,549
Furniture and fixtures	129,927	127,968
Construction in progress	<u>-</u>	<u>9,279</u>
	6,982,381	6,892,653
Less accumulated depreciation	<u>4,801,859</u>	<u>4,619,619</u>
Net property and equipment	<u>2,180,522</u>	<u>2,273,034</u>
OTHER ASSET - Land inventory	<u>3,250</u>	<u>19,250</u>
	<u>\$ 3,601,448</u>	<u>3,405,479</u>

LIABILITIES AND MEMBERSHIP EQUITY

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 40,413	39,643
Accounts payable	38,796	27,716
Accrued expenses	3,165	12,625
Deferred revenue	<u>215,354</u>	<u>226,681</u>
Total current liabilities	<u>297,728</u>	<u>306,665</u>
NON-CURRENT LIABILITY - Long-term debt, less current portion	<u>337,504</u>	<u>377,917</u>
MEMBERSHIP EQUITY:		
Contributed capital	1,186,700	1,186,700
Retained earnings	845,511	853,034
Board designated funds	434,005	250,437
Future reserve fund	<u>500,000</u>	<u>430,726</u>
Total membership equity	<u>2,966,216</u>	<u>2,720,897</u>
	<u>\$ 3,601,448</u>	<u>3,405,479</u>

LAKE ARROWHEAD COMMUNITY, INC.
 STATEMENTS OF REVENUES AND EXPENSES
 YEARS ENDED APRIL 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUES:		
Membership dues	\$ 1,418,486	1,352,110
Other membership assessments	258,868	341,135
Interest income	<u>131,833</u>	<u>135,841</u>
Total revenues	<u>1,809,187</u>	<u>1,829,086</u>
EXPENSES:		
Amenities	25,451	29,830
Depreciation	312,473	299,149
Donations	15,000	15,000
Employee benefits	70,883	75,372
Employee education and travel	4,914	4,236
Fuel and oil	31,366	48,467
Heat and electricity	69,993	90,212
Insurance	84,607	81,394
Interest	5,316	5,876
Maintenance - roads and beaches	84,393	94,976
Maintenance - vehicles	91,097	108,741
Meetings and memberships	2,228	2,136
Miscellaneous	4,839	3,614
Office and administrative	36,906	37,345
Payroll taxes	40,493	43,401
Pension	14,965	18,973
Professional services	48,591	61,310
Property and excise taxes	37,637	34,924
Salaries and wages	474,241	534,231
Telephone and internet	16,395	17,369
Trustees' expenses	6,127	5,138
Uncollectible receivables	79,538	153,210
Water system	<u>36,915</u>	<u>50,852</u>
Total expenses	<u>1,594,368</u>	<u>1,815,756</u>
GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT	<u>30,500</u>	<u>(833)</u>
Excess of revenues over expenses	<u>\$ 245,319</u>	<u>12,497</u>

LAKE ARROWHEAD COMMUNITY, INC.
 STATEMENTS OF CHANGES IN MEMBERSHIP EQUITY
 YEARS ENDED APRIL 30, 2016 AND 2015

	<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, 2014	\$ 1,186,700	1,021,700	-	500,000	2,708,400
Excess of revenues over expenses	-	12,497	-	-	12,497
Net transfer from future reserve fund to retained earnings	-	69,274	-	(69,274)	-
Net transfer from retained earnings to board designated funds	-	(250,437)	250,437	-	-
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 future reserve fund to retained earnings	-	(69,274)	-	69,274	-
Net transfer from board designated funds to retained earnings	-	(183,568)	183,568	-	-
Membership equity at April 30, 2016	<u>\$ 1,186,700</u>	<u>845,511</u>	<u>434,005</u>	<u>500,000</u>	<u>2,966,216</u>

LAKE ARROWHEAD COMMUNITY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 245,319	12,497
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	312,473	299,149
(Decrease) increase in allowance for uncollectible accounts	(64,207)	61,833
(Gain) loss on sale of property and equipment	(30,500)	833
Change in current assets and liabilities:		
Membership receivables	15,217	(93,646)
Inventory	(12,357)	(14,614)
Prepaid expenses	(528)	(429)
Accounts payable	11,080	(1,284)
Accrued expenses	(9,460)	(878)
Deferred revenue	<u>(11,327)</u>	<u>(8,122)</u>
Net cash provided by operating activities	<u>455,710</u>	<u>255,339</u>
INVESTING ACTIVITIES:		
Proceeds from sale of land inventory	16,000	-
Purchase of property and equipment	(219,961)	(111,382)
Proceeds from sale of property and equipment	<u>30,500</u>	<u>450</u>
Net cash used by investing activities	<u>(173,461)</u>	<u>(110,932)</u>
FINANCING ACTIVITY - Repayments of long-term debt		
	<u>(39,643)</u>	<u>(38,890)</u>
Increase in cash and cash equivalents	242,606	105,517
Cash and cash equivalents at beginning of year	<u>937,800</u>	<u>832,283</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,180,406</u>	<u>937,800</u>

LAKE ARROWHEAD COMMUNITY, INC.

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016 AND 2015

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 property. 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 \$5,316 and \$5,876 for the years ended April 30, 2016 and 2015, 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, 2016 through July 7, 2016, 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 2015 has been changed to conform with the 2016 presentation. Total membership equity is unchanged as a result of the reclassifications.

2. 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>2016</u>	<u>2015</u>
Capital improvement	\$ 284,005	225,946
Road improvement	<u>150,000</u>	<u>24,491</u>
Total	<u>\$ 434,005</u>	<u>250,437</u>

3. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2016</u>	<u>2015</u>
Note payable to Maine Municipal Bond Bank, due in annual installments of varying amounts including interest at 1.70%, plus a 5% loan servicing fee, through October 2023. Secured by the water system and Community property with a net book value of \$1,050,135.	\$ 296,017	329,360

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

3. LONG-TERM DEBT, CONTINUED

	<u>2016</u>	<u>2015</u>
Non-interest bearing note payable to Maine Municipal Bond Bank, due in semi-annual installments of \$3,150, plus a 5% loan servicing fee, through April 2029. Secured by substantially all Community assets with a net book value of \$3,601,448.	81,900	88,200
	377,917	417,560
Less current portion	40,413	39,643
Net long-term debt	\$ 337,504	377,917

Future maturities of long-term debt are as follows:

2017	\$	40,413
2018		41,201
2019		42,007
2020		42,832
2021		43,676
Thereafter		167,788
	\$	377,917

4. FUTURE RESERVE FUND

As of April 30, 2016 and 2015, the Board of Trustees has designated \$500,000 and \$430,726, 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.

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 revenue and expenses. The special assessment was \$60 and \$106 for the years ended April 30, 2016 and 2015, respectively. Total revenue from the special assessments, included in "Other membership assessments" in the Statements of Revenues and Expenses, totaled \$91,359 and \$160,136 for the years ended April 30, 2016 and 2015, respectively.

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

6. CONCENTRATIONS OF CREDIT RISK

The Community's financial instruments exposed to concentrations of credit risk consist primarily of cash. 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.

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 \$3,884 for the years ended April 30, 2016 and 2015.

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

	2017	\$	3,884
	2018		3,884
	2019		<u>2,239</u>
		\$	<u>10,007</u>

8. RETIREMENT PLAN

The Community sponsors a 401(k) 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 \$14,965 and \$18,973 for the years ended April 30, 2016 and 2015, respectively.

9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2016</u>	<u>2015</u>
Cash paid for interest	\$ <u>5,316</u>	<u>5,876</u>
Schedule of non-cash investing and financing transactions:		
Land inventory acquired in settlement of membership receivables	\$ <u>-</u>	<u>16,000</u>
Land acquired in settlement of membership receivables	\$ <u>3,000</u>	<u>-</u>

LAKE ARROWHEAD COMMUNITY, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

APRIL 30, 2016

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	\$ 99,000
Vehicles	500,000
Roads and grounds - road improvements	300,000
Water system	400,000
Furniture and equipment	<u>30,000</u>
	<u>\$ 1,329,000</u>