



Lake Arrowhead

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

ANNUAL REPORT TO MEMBERS
FISCAL YEAR ENDING APRIL 30, 2023



PRESENTED AT THE ANNUAL MEETING ON
AUGUST 5, 2023

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WARRANT

2022 Annual Membership Meeting
Lake Arrowhead Community, Inc.
Clubhouse 2
206 Old Portland Road
No. Waterboro, Maine
August 5, 2023, at 9:00 a.m.

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

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

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

The ballots must be returned in the special pre-addressed envelope provided for this purpose. The pre-addressed envelope must be signed along with your name and lot number noted in the appropriate place on the back of the envelope. Envelopes returned without this information will be declared invalid. Ballots sent through the mail must arrive on or before August 4, 2023, one business day before the meeting. Mailed ballots received after this date will be declared invalid.

Your ballot envelope may also be placed in the ballot box located in the LAC office by August 4, 2023 or delivered to the Clerk in person at the ballot box no later than 9:30 a.m., August 5, 2023, the day of the meeting.

Action on Articles 2 through 8 will take place at the open portion of the meeting on August 5, 2023.

- Article 1*** Election of 3 trustees for a term of three (3) years. (Vote by secret ballot).
- Article 2*** Approval of the minutes of the Annual Meeting of the Corporation held on August 6, 2022.
- 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
2022 ANNUAL MEETING - AUGUST 6, 2022**

Present: President Dave Sanfason, Vice President Michael Fitzpatrick, Trustee George Fowler, Trustee Alan Martel, Trustee Mary Singelais, Trustee Philip Oreto, Trustee Mark Berry, Trustee Megann Exley and Trustee Scott Davis, Dale McMillan, Public Works Supervisor, Amy Harris, Director of Finance and Administration, Wendy Staples, Administrative Assistant, Carol Carey, Security Officer, Jason LeBlanc, CPA, and Michael Traister, Esq.

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. Some dignitaries in attendance today are, head of Crime Watch, Bill Juffre, former Trustee and Real Estate Committee member Bob Pomerleau, and Susan Sanfason. The members of the head table introduced themselves.

Approval of the Minutes

MOTION: Trustee Oreto moved to accept the minutes of the Annual Meeting of August 7, 2021. Seconded by Trustee Fitzpatrick. **The motion passed unanimously.**

Presentation of Audit Report of FY 2022

Jason LeBlanc of Albin, Randall and Bennett presented the Audit Report for Fiscal Year ending April 30, 2022, and highlighted the following:

- The audit was finished in June and reported no findings or significant issues requiring modifications.
- The Balance Sheet is very strong.
- Very good year resulting in a surplus at year end.
- Clean Audit Report.

MOTION: Trustee Martel moved to accept the Auditor's Report for Fiscal Year ending 2022. Seconded by Trustee Exley. **The motion passed unanimously.**

Appointment of the Corporation's Auditor

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

Presentation of the Legal Report

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

- They handled a few matters of corporate governance.
- Continued to work on a few matters regarding foreclosures.
- Mostly quiet on the legal front, largely in part because of the Board's governance.

President's and Water Committee Report

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

- We have come through the COVID19 pandemic in relatively good shape.
- Inflation will be a concern going forward.

- New Well has been drilled, this Well will be glass-packed rather than gravel-packed. This Well will be built to be completely stand-alone if needed but will work with our current wells. This project should be completed in the next few years.
- Despite the challenges the state of Lake Arrowhead Community is outstanding.

Treasurer's Report

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

- We had a good year financially and ended with a cash surplus which allowed us to fund our Future Reserves and Capital Improvement Account, which will help us pay for the new Well, currently being constructed.
- The Dues have remained the same for several years, however, for FY23 we did have to increase them by 5%.

Lake Improvement Committee

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

- There are three confirmed invasive species and the Chinese Mystery snail, to deal with.
- Unfortunately, the possibility of an ECO-Harvester is not going as planned, the DEP is not being helpful with the process.
- One of the DASH boats will be converted to harvest our second invasive, Brittle Naiad.
- The third invasive is a bladder wart, which was found by member Debbie Broderick, who along with her husband, Dale, have been instrumental in the removal of this invasive.
- Fundraising efforts continue, with the Golf Tournament and the 50/50 Raffle

Real Estate Committee

Trustee Martel presented the Real Estate Committee Report and noted the following:

- Great year for real estate sales in LAC, as mentioned in a recent Bangor Daily News Article.
- We had fourteen new homes starts this Fiscal Year, all homes were over 1200 square feet, which helps increase the value of all homes in our community.
- Committee Member Bob Pomerleau took on the project of selling six properties that we owned and was able to bring in approximately \$71,000.

Road Committee

Trustee Davis presented the Road Committee Report and noted the following:

- Roads are an on-going process; the crew is continually working on fixing our roads.
- Beaver Dam Road project upgraded the road, the crew removed trees and improved the ditches along the road.

Equipment Committee

Trustee Berry presented the Equipment Committee Report and noted the following:

We now have stainless steel dump bodies on all of our sanding trucks.

Recent purchases include the Western Star plow truck and a riding mower for the common area.

Will have some major expenses upcoming as we will need to replace some larger pieces of equipment.

Presentation of Voting Results

Article 1

Trustee Martel reported that there were four candidates running for election to three, three-year, positions; Mark Berry, George Fowler and Dave Sanfason were all re-elected. The fourth candidate James Farias will be considered in the future should a seat become open.

Scholarship Committee

Trustee Megann Exley presented the Scholarship Committee Report and noted the following:

- Fifth year that we have been able to give back to the community and help the future of our members.
- A committee reviewed multiple submissions and selected Mary Duffy as the winner.
- Mary was unable to attend the meeting, but her essay truly captured what it is like to live in LAC.

Parks and Recreations Committee

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

- We had an enthusiastic group of families participate in our Annual July 4th Boat Parade.
 1. First place went to the Hart Family's "Rock N' Roll Heaven"
 2. Second place went to the Burnham Family's "Dragon Slayers of Arrowhead"
 3. Third place went to the Berger Family's "LAC Fire Truck"
 4. Fourth place went to the D'Onofrio Family's "Lobster Pot"
 5. Fifth place was the Frost Family's "Shark Boat"
- Thanks to Merrill's Country Store for sponsoring the Boat Parade and providing gift cards for the winners.
- The Ninth Annual LAC Tom Sotir Volunteer Service Award is awarded to Bob Pomerleau this year. Bob is a long-term member and former Trustee. He has been involved with the Real Estate Committee for many years and has helped the community with many projects, such as stripping the Pickle Ball Court at Clubhouse 2.
- Thank you to the Garden Club for all their efforts to make the clubhouses beautiful.

MEMBER CONCERNS:

David Clark, Lot 1757 – Asked if the DEP can help with the invasives on the lake. Trustee Fitzpatrick stated that they help by providing grants to help with the removal.

Rebecca Bonner, Lot 2033 - Complained that there are too many cars and trucks speeding on Old Portland Road, including she feels, LAC trucks. Mrs. Bonner also inquired as to whose responsibility it is to clean out and maintain the ditches. The Board answered that she should contact the YCSD regarding speeding and that LAC has trackers on our trucks that are routinely checked and have not indicated that speed is a problem. As for the ditches, homeowners can certainly maintain the ditches as necessary, because LAC Public Works does not have enough time to get to them all.

Bradly Brown, Lot A144 – Inquired as to whether the trash cans will be put back at the Victoria Playground. President Sanfason indicated they would discuss at the September BOT Meeting.

Burnham, Lot 1358 – Stated that jet skis are a problem. The Board indicated that the only thing we can do is ask for an increased Warden presence on the lake.

David Clark, Lot 1757 – Indicated that they spoke to the Maine Warden's Service and the best thing to do regarding issues with jet skis, etc. is get a picture and the registration number.

Jean Burke, Lot 0098 – Asked if handouts of boating rules could be given out at the boat launches. Trustee Fitzpatrick indicated that this might be something LACC can work on.

Linda Friedrich, Lot 0043 – Asked if the trash cans will be put back on the beaches. President Sanfason stated that they would discuss at the September Board Meeting.

Gail Branson, Lot 0951 - Asked if a sign could be put up between her and her neighbor, people have been using this area to launch kayaks and canoes. Dale McMillan indicated that the Crew will be putting larger rocks in the area.

David Clark, Lot 1757 – Do we know who the renters are in the community? Trustee Fitzpatrick indicated that only if they check in with the office.

Randall Smith, Lot 521 – Why has LACC never been incorporated into LAC? Trustee Fitzpatrick indicated that, for LACC to succeed this is something that is being considered.

MOTION: Trustee Exley moved approve the payment of the donation to LACC in the amount of \$20,000. Seconded by Trustee Fowler. **The motion passed unanimously.**

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

Adjourned at 10:16 a.m.
Amy Harris, Secretary

PRESIDENT'S MESSAGE and WATER COMMITTEE REPORT

Summer of 2023 finds our Lake Arrowhead Community rain-soaked and immersed in lots of change. In June, the members of Lake Arrowhead Conservation Council voted to become an official, self-funding subset of Lake Arrowhead Community. We felt that by joining we would stop the duplication of effort in bookkeeping, legal and leadership. LACC will retain its fund raising and recruiting functions while keeping its focus on protecting Lake Arrowhead. The over-arching reason for the merger is the supervision and control of chemical applications to halt the spread of invasive aquatic plants which threaten our lake.

As you know, moreover, we have been battling Variable Water Milfoil for over nineteen years. Our two DASH boats have kept the Variable Leaf Milfoil at bay in our lake. Though we will never eradicate the plant, our senior divers estimate that our efforts over the years have reduced the Lake Arrowhead VLM infestation by about 75% from what it was 20 years ago. DEP corroborates this estimate. Our problem now is not Milfoil. We have a new invasive plant called European Naiad. It has been found primarily in the portion of the lake from the Five Island Narrows to Ledgemere Dam. The danger of this new invader is that it produces seeds and has geometric explosion if left alone. One annual plant can spawn 200 new plants in one season. Left unchecked, huge underwater hedges will grow from the lake bottom to six inches from the lake surface, rendering the lake unusable for swimming, boating and recreation.

Because we have caught this invader early in its introduction to the lake, we feel we have a good chance to rid the lake of this plant by hitting it with chemicals designed to destroy the invasive plant. DEP and Lake Arrowhead did not agree to make this decision lightly. As many of you have accurately pointed out, preserving our pristine water supply is paramount. Because of the emphasis on our drinking water quality, the area to be treated will be at least two miles away and downstream from our water wells. The chemical used, named Aquastrike hits the plants then degrades within five days. We all feel that preventing European Naiad from taking over our Lake is worth the minimal risk to our water supply.

Speaking of our water supply, we are in the final stages of completing Well #3, our third production well. The well is drilled. It is glass-packed rather than gravel-packed like our other two wells. The mechanical parts are ready to be installed. Our next step is to run an 8" pipe from the pump to the hydrant, then to the site of our pump house. We are gathering prices and bids for the construction of the new pump house. Once completed, Well #3 will be capable of producing more water than both Wells #1 and #2 combined. The Well #3 project is, by far, the largest and most impactful endeavor Lake Arrowhead Community has ever undertaken. We are extremely proud of it.

In addition to invasive underwater botanical challenges, Lake Arrowhead Community has been hit hard with shortages of help. For the first time in 20 years, we cannot find a person to inspect boats on Saturday at either Ledgemere Dam or Bay Cove. I know this shortage is everywhere, but it is frustrating, nonetheless.

In conclusion, though our challenges are many, Lake Arrowhead Community is up to finding solutions. We have a terrific board, fabulous support workers, terrific infrastructure, financial security, and caring members. That is a combination that can't lose. Let's hope the rain stops. See you on the lake!

Dave Sanfason
President

TREASURER'S REPORT

For the past few years, the Board has been able to hold off on any dues increases. The past year and what we expect for the future has now caused us to make a very difficult decision. We will have to increase dues by 5% for the coming fiscal year. As each of you knows inflation has been a difficult factor to deal with recently. The cost of electricity and heating oil has been something that creates havoc with budgeting and maintaining expenses. We have not increased the number of employees either in the office or on the maintenance crew. We are doing more work with the same number of people and raises have been held to what the local economy is paying.

We have had a significant amount of capital expenditures over the past couple of years and this will continue. We still need to maintain and replace equipment and repair roads and buildings to keep things running properly. There is also a significant expense in maintaining the clubhouses, gym, tennis courts and pools. There are also costs associated with the water system and maintenance of the lake itself to be considered. These costs are continually increasing each year. As we put the budget together each year, we spend a great amount of time going over expected expenditures and do not just increase last year's budget and go from there. Your Board makes every effort to keep expenses under control but at the same time we need to keep our properties in good operating condition.

We once again had a "clean audit" which means that our external auditors agree with how we maintain the financial books. This is very important and shows that we are doing things in accordance with the laws governing LAC. As of this writing I do not have the final numbers for fiscal year 2023 just ended.

George Fowler
Treasurer

LAKE IMPROVEMENT COMMITTEE

It has been an eventful past year when it comes to LAC & LACC; the DEP planning an application of Aqua Strike to treat Lake Arrowhead's Brittle Naiad infestation and planning for a milfoil treatment later this summer.

First and foremost, your LAC Trustees are now the board for LACC as well. With the application of Aqua Strike and ProcellaCOR in the planning stages and the desire for oversight for our wells and sustainability of LACC, both boards approved the transition, and it was fully executed with LAC's corporate counsel and auditing firms playing a key role in the execution of the transition. All documents have been filed with the Attorney General's office and everything has been completed.

The Maine DEP notified us that an application date was available for 7/20 to treat the Naiad infestation. Due to the costs, the DEP reduced the coverage area to the littoral zone (shoreline to about 7-8 feet) around the treatment areas identified in previous maps. Deep water areas will be monitored. DEP Mailings went to all landowners in the treatment zone and email notifications have been sent to LAC and LACC members by our office. If you didn't get one, please provide your current email to the office.

The DEP will pay for the July 20th treatment out of their Rapid Response Program. Unfortunately, any milfoil treatment will be our responsibility to pay for. The cost estimate I received to treat from Brown Brook to Five Island Narrows was \$120K for approx. 160 acres. That is a lot of money LACC doesn't have and still fund the Dash Program for the rest of the Lake. We will obviously need to ramp up some MAJOR FUNDRAISING if we wish to use herbicidal treatments. I do plan on working with the trustees and DEP to identify an application area for a milfoil treatment this year. We will work with our current funding and identify an area for treatment that makes the most sense. Obviously, any additional donations to LACC to fund the milfoil application will allow us to expand the treatment area this year. Remember, LACC donations are Tax deductible.

Our fundraising efforts continue with the annual LACC/LAC Golf Tournament run by LAC trustee, Phil Oreto. This year's results were again awesome in terms of the contributions made to LACC. The 50/50 which is run by Tracie Doyle on behalf of LACC has been sold out completely the last two years and has been struggling with only half the tickets sold as I write. As you can see, fundraising is going to be huge. Please buy some tickets at the annual meeting if you have not.

See you on the lake.

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

REAL ESTATE COMMITTEE

It has been another good year for real estate sales in Lake Arrowhead. We had 22 new home starts in FY 2023, that was eight more than last year, resulting in \$110,000 worth of income from the building impact fee. Twenty homes were at the \$5,000 rate which means they were larger homes, increasing the value of all homes within Lake Arrowhead. These new homes will result in additional dues being put right back into our community.

The Real Estate market continues to be strong here in Lake Arrowhead. Home prices are higher than they have ever been, and many new families are calling our community home. The Real Estate Committee takes all of this new construction into account to make sure that the services we are providing are available for everyone and the infrastructure can meet the needs of the community. We will continue to do what is best for our community as we move forward.

Alan Martel
Real Estate Chair

ROAD COMMITTEE

It is a pleasure to present the 2023 Road Committee Report. As we all know, most of our roadways within the Lake Arrowhead Community are gravel. Many challenges present themselves to consistently maintain such roads on a year-round basis. Our efforts are to maintain our roadway surfaces and adjacent drainage utilities on a consistent basis. Traffic, temperature changes, precipitation, vandalism, and normal usage are a burden to our roads and public works crew. Each year our road crew spends the majority of their time fixing what weather, ice, plowing, and traffic have damaged.

Water system service is always a top priority, but the minute our crew is finished with necessary water repairs and maintenance, our crew's mission is back to the road work. Not always, but quite often these projects run parallel to each other. When time allows, water system upgrades are followed by a full Right of Way "pin to pin" road upgrade including tree removal, ditching, culvert replacement, replacement of rip rap, and surface upgrades.

This year our crew has been busy every workday on several projects including a road widening, water main replacement, new gravel, and ditching project on Grandview Road in Limerick. This project will include hooking up all the homes to the new water main and the decommissioning of the old water main. When completed, this section of Grandview Road will be wider, bigger, and better! Alice Drive is also on the docket this year to finish the gravel placement and improvement to the ditching. Magnolia Circle (off Stony Brook Drive) has the water main completed, and the ditching & gravel will be completed by the crew as soon as the new home(s) are completed.

As always, our crew has taken quick action to mitigate spring and summer flooding when it occurs. There are portions of some roadways that may be just barely above the adjacent swamp and streams and could be underwater during the spring thaw. Our crew replaces failed culverts and raises the road to keep the road dry year-round.

In addition, our crew has patched the paved road aprons in both Limerick and Waterboro when needed. Those road aprons are about 15-16 years old and may need replacement, which the Road Committee plans to seek funding when appropriate. Pothole repairs and road grading is a continuous process and is performed readily in our community.

The Road Committee members would like to remind everybody that if you have a road condition concern, the fastest way to get our crew out there is to call the office at 247-5239. Someone is on call 24/7 for road and water emergencies. For non-emergencies please call during normal business hours and your concern will be added to the list for repairs. So please call, be patient, slow down and avoid the potholes as best you can until our repair crew gets there.

Rob Berger
Road Committee Chair

EQUIPMENT COMMITTEE

This year we made strides upgrading some of our ageing road equipment. We replaced the John Deere Excavator with a new used Volvo 160 and replaced our Komatsu with a Volvo 145.

We were able to purchase a road sweeper for less money than we were being charged to have the roads swept every year.

We traded our old FL80 for a newer used 2006 Six-Wheeler.

All in all, our fleet got a little newer this past year.

Mark Berry
Equipment Committee Chair

LAKE ARROWHEAD COMMUNITY SCHOLARSHIP

In the spirit of giving back to our community, and supporting the future of our members, LAC selects one anonymously written essay, whose author is awarded an educational scholarship.

There were several very well written essays submitted, all providing unique views on what Lake Arrowhead means to them.

It is an honor to present the 6th annual LAC Scholarship to this year's winner, Camden Yale.

Lake Arrowhead will forever hold a special place in my heart as I embark on my new journey to attend college in New Orleans, Louisiana. 18 years ago my parents brought me home to a small, ranch style home where I would grow up to learn all of life's ins and outs. Lake Arrowhead is where I met my best friend, only a few houses down. The shallow parts of this beautiful lake is where I learned to swim, where my dad taught me how to drive a boat, and how to fish. Year after year I celebrated countless birthdays inside the community clubhouse, building important friendships and learning responsibility. As I grew up and the days of biking around the dirt roads of Lake Arrowhead came to an end, many things remained the same. The pool I used to once swim with friends in, I now look at through the glass windows of the gym as I train for an upcoming sports season. I still walk the same dirt road to see my best friend that I did when riding my bike or walking my childhood dog. To me, Lake Arrowhead is my definition of home. This is where I learned how to walk, talk, make decisions for myself, and the place where I gave myself enough strength to know that although my college endeavors might bring me far away from what I so greatly know, I will always have a place to call home.

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

Megann Exley
Scholarship Chair

PARKS AND RECREATION COMMITTEE

Here's hoping the summer ahead will be filled with warm sunshine, bright blue skies, and lots of fun times around the lake, enjoying all the great amenities Lake Arrowhead has to offer.

We had our fingers crossed that the 4th of July boat parade would not be rained out, and we were all in place, and ready to go, when at the last minute, it started to rain, and it started to pour! We hung in there though, and made it to Tower Beach, so to everyone who participated this year, thank you so much for hanging in there. Your boats were fantastic, and we all had an awesome adventure in this year's boat parade, LOL!

Boat Parade - First place went to the Robert Berger family. Their theme was the Lake Arrowhead Steamship Authority. The boat was smoking! Awesome! Along with Rob was Sue Berger, Shannon Berger, and Laurie Goriss of Buxton. Rob had a smoke generator onboard, and the boat was decorated with patriotic flags and banners. Rob said they all had a blast, even with the typhoon weather! He joked they could do Noah's Ark next year if it rained again, LOL. First place was a \$50 gift card. Congratulations to the Berger family!

Second place went to the Patrick Crowley family. They had an eye-catching Irish themed boat. The Kelly-Green decorations and costumes were fabulous. On board were Pat and Kim Crowley, along with their three kids, Meghan, Leah, and Jack, and some friends too. Kim told me how very proud Pat is of his Irish heritage, so it would be very fitting to do an Irish theme. Kim added that Pat often leads the St. Patrick's Day parade in their town, and joked he is basically a leprechaun, so they were very excited to finally get Pat to play the part, along with their son Jack. Second place was a \$40 gift card. Congratulations to the Crowley family!

Third place went to the Rich Frost family. They had a magnificent pirate themed boat, named the Black Pearl, after one of the Pirates of the Caribbean movies. On board were Noah, Bennett and Rich Frost and Jill Reynolds, with Mike, Kate, Catherine, and John Dalzell. Almost everything was hand-made, the sails, the flags, even the costumes! Rich said it was a good challenge for their design skills. The kids helped out so much. They do a ton of work, and they all have a lot of fun. Third place was a \$30 gift card. Congratulations to the Frost family!

Fourth place went to the Lake Arrowhead boat. On board was Captain Jack Jarosz, Matt Jarosz, and Katerina Crowell. The DASH boat is one of two used on the lake to remove the variable leaf milfoil and European naiad plants from the lake. Their work is vital to support lake quality. They received a \$20 gift card and donated it back to LACC.

Fifth place went to Dave Sanfason and family. On board with Dave was Sue Sanfason, Julie Jarosz, Scott Sanfason, along with Bradley Jarosz and girlfriend Nikki Morgida. Bradley had recently returned from a tour in Saudi Arabia with the Mass. Army National Guard. Thank you for your service, Bradley! Dave donated the \$15 gift card back to LACC.

In support of local businesses, all of the gift cards are for use at Merrill's Country Store in N. Waterboro.

The 10th Annual LAC Tom Sotir Volunteer Service Award: I am very pleased to announce that LAC member, Debbie Broderick, is the 2023 LAC Tom Sotir Volunteer Service Award recipient. I am also very pleased to point out we have had this award for our very deserving members for 10 years now, and that is a nice milestone for LAC to enjoy.

I had the chance to talk to Debbie recently, and she told me she and her husband, Dale, moved from MA to live year-round at their lakefront home on Lake Arrowhead in 2012.

Most recently Debbie has been closely involved with locating and identifying aquatic plants throughout the lake. I asked her about those volunteer projects and how she got started with them.

During the stay-home period of the COVID-19 pandemic, Debbie took an online class in aquatic plant identification, and became a Certified Invasive Plant Patroller. About a month after the class, she discovered the invasive European Naiad close to their waterfront and began marking and mapping the locations of the plant. The following year, in a late season survey, she discovered another invasive aquatic plant in the lake, the Swollen Bladderwort, which had not formally been documented in the State of Maine. Her efforts resulted in the plant being added to the Maine List of Invasive Aquatic Species.

Debbie and her husband have hosted two Lake Stewards of Maine plant ID paddles from their property. She has also presented informational trays of aquatic plants at different locations, where members can see plant samples and learn more first-hand. Over the past year, she has mentored a group of Lake Arrowhead residents on a weekly basis, through the summer and fall, identifying aquatic plants in various coves around the lake. That work effort is continuing this year too. It is through her continued surveys and data collection that we have an idea of the location and spread of the European Naiad on our lake.

Debbie has also served as a Courtesy Boat Inspector, examining boats coming and going from the lake, to catch fragments from an invasive plant before they spread.

Prior to Debbie's involvement in aquatic plants, she co-hosted the Walking Group class held at Club 1. That experience led to organizing the group to paint the exercise room, which needed sprucing up. Great job everyone!

I asked Debbie what she likes best about Lake Arrowhead, and she told me she loves the serenity and peacefulness that living near water and nature gives her. She enjoys kayaking to remote places on the lake, and idly floating among the dragonflies and water lilies. She takes pleasure in nurturing native plants and takes great pride in keeping her cove and the lake as free from invasives as possible.

Debbie, you are an outstanding person in our community. Congratulations and thank you so much for your wonderful volunteer spirit and community support!

LAC Garden Club News: The Garden Club has been busy this summer watering, weeding, and maintaining the gardens at both clubhouses and at the mailbox areas. LAC member Carol Carey has been overseeing the annual projects for several years now. She is an avid gardener and takes pride in the beautiful enrichments the Garden Club has created. Carol sends a big "thank you" to our maintenance crew for delivering the much-needed bags of mulch to the various garden sites. And a big "thank you" as well to member, Lou Defeo, who put down at least 40 bags of the mulch around all of the garden areas. Carol is already planning ahead to the fall and has mums in mind for later in September. I am sure they will look fantastic! Thanks to all the members, Carol Carey, Bonnie and Lou Defeo, Anne Hodgkins, Sharyn Fowler, Rebecca and Brian Bonner.

Would you like to volunteer and help out with a Garden Club project? Please call Carol Carey at 207-247-4058 for more information. They are a terrific bunch of members!

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. Please know your hard work is greatly admired and enjoyed by all our members.

2023 Events and Activities around Lake Arrowhead: We had our Memorial Day ‘grab-n-go’ ice cream event at Club 2. Everyone picks their own individual ice cream from the assortment pictured on the poster board. We had over a dozen novelty ice cream choices. Thanks to Amy Harris and Wendy Staples for their help organizing and hosting the event with me. Hope you came by and enjoyed a yummy treat! July 4th was our annual Boat Parade. Thanks again to all who joined us this year, even in the rain!

Upcoming events include:

Sunday Sept. 3rd - Labor Day ice cream ‘grab-n-go’ event planned at Club 2.

Sunday Oct. 22nd - Pumpkin ‘grab-n-go’ event planned at Club 2

Oct. 22nd – Oct. 29th is the NEW Halloween Lights Contest

Dec. 8th – Dec. 15th is our traditional Holiday Lights Contest

Member Debbie Mousseau is our LAC contact for information about the tennis club, or pickleball, and the Walking Class at Club 1. Please reach out to Debbie at 978-888-8260 for more info. Many thanks to Debbie for her volunteer efforts. We appreciate your strong community spirit.

Many thanks to Dale McMillan and the entire LAC crew who work very hard to keep our club houses, tennis courts, beaches, and other amenities in great shape.

Many thanks as well to Amy Harris and Wendy Staples in the office for all their help throughout the year with the various activities we host. Their assistance is very much appreciated!

Enjoy the summer!

Mary Singelais
Parks and Recreation Chair



LAKE ARROWHEAD COMMUNITY, INC.

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY SCHEDULE

With Independent Auditors' Report

APRIL 30, 2023 AND 2022



INDEPENDENT AUDITORS' REPORT

To the Trustees and Members
Lake Arrowhead Community, Inc.:

Opinion

We have audited the accompanying financial statements of Lake Arrowhead Community, Inc. (the Community) which comprise the balance sheets as of April 30, 2023 and 2022, 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.

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, 2023 and 2022 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 16 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Arrowhead Community, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Arrowhead Community, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lake Arrowhead Community, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Arrowhead Community, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other information included in the Organization's Annual Report

Management is responsible for the other information included in the Community's Annual Report. The other information comprises management and governance discussion and analysis but it does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Albin, Ransdell & Bennett

July 26, 2023

LAKE ARROWHEAD COMMUNITY, INC.

BALANCE SHEETS

APRIL 30, 2023 AND 2022

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 309,183	310,641
Cash - future reserve fund	479,999	480,000
Cash - designated operating surplus funds	<u>130,214</u>	<u>399,002</u>
Total cash and cash equivalents	919,396	1,189,643
Membership receivables, net of allowance for doubtful membership receivables of \$221,511 and \$249,846	84,662	76,458
Inventory	58,913	68,834
Prepaid expenses	<u>9,252</u>	<u>8,653</u>
Total current assets	<u>1,072,223</u>	<u>1,343,588</u>
PROPERTY AND EQUIPMENT:		
Land	292,289	292,289
Roads	1,350,624	1,332,904
Buildings and improvements	1,487,816	1,458,616
Water system	3,444,422	3,414,430
Motor vehicles	1,755,148	1,615,138
Tools and equipment	297,780	297,780
Furniture and fixtures	154,623	154,623
Construction in progress	<u>270,638</u>	<u>80,440</u>
	9,053,340	8,646,220
Less accumulated depreciation	<u>6,717,414</u>	<u>6,492,487</u>
Net property and equipment	<u>2,335,926</u>	<u>2,153,733</u>
OTHER ASSET - Land inventory	<u>2,425</u>	<u>2,425</u>
	<u>\$ 3,410,574</u>	<u>3,499,746</u>

LIABILITIES AND MEMBERSHIP EQUITY

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 86,037	83,902
Accounts payable	15,687	13,029
Accrued expenses	15,530	9,632
Deferred revenue	<u>287,219</u>	<u>296,632</u>
Total current liabilities	<u>404,473</u>	<u>403,195</u>
LONG-TERM DEBT, net of current portion	<u>110,248</u>	<u>196,211</u>
MEMBERSHIP EQUITY:		
Contributed capital	1,186,700	1,186,700
Retained earnings	1,098,940	834,638
Board-designated funds	130,214	399,002
Future reserve fund	<u>479,999</u>	<u>480,000</u>
Total membership equity	<u>2,895,853</u>	<u>2,900,340</u>
	<u>\$ 3,410,574</u>	<u>3,499,746</u>

LAKE ARROWHEAD COMMUNITY, INC.
STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED APRIL 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES:		
Membership dues	\$ 1,713,327	1,627,966
Member revenue	88,891	87,168
New building fees	136,010	88,280
Other revenue	17,583	27,490
Interest income	<u>6,034</u>	<u>4,008</u>
Total revenues	<u>1,961,845</u>	<u>1,834,912</u>
EXPENSES:		
Amenities	35,707	30,112
Depreciation	350,737	361,162
Donations	20,000	20,000
Employee benefits	103,586	105,451
Employee education and travel	3,530	2,715
Fuel and oil	72,390	49,301
Heat and electricity	129,885	114,727
Insurance	118,819	109,874
Interest	5,141	6,988
Maintenance - roads and beaches	133,805	99,463
Maintenance - vehicles	125,358	92,633
Meetings and memberships	3,504	3,434
Miscellaneous	4,207	3,943
Office and administrative	50,205	50,765
Payroll taxes	53,215	48,629
Pension	24,343	17,699
Professional services	54,565	42,152
Property and excise taxes	18,734	16,877
Salaries and wages	630,769	595,833
Telephone and internet	20,769	20,225
Trustees' expenses	6,505	4,438
Uncollectible member receivables	-	27,697
Water system	<u>43,558</u>	<u>48,718</u>
Total expenses	<u>2,009,332</u>	<u>1,872,836</u>
NON-OPERATING INCOME:		
Gain on disposal of property and equipment	43,000	4,800
Gain on sale of land	<u>-</u>	<u>18,138</u>
Total non-operating income	<u>43,000</u>	<u>22,938</u>
Excess of expenses over revenue and non-operating income	<u>\$ (4,487)</u>	<u>(14,986)</u>

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

LAKE ARROWHEAD COMMUNITY, INC.
STATEMENTS OF CHANGES IN MEMBERSHIP EQUITY
YEARS ENDED APRIL 30, 2023 AND 2022

	<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, 2021	\$ 1,186,700	931,152	297,474	500,000	2,915,326
Excess of expenses over revenues	-	(14,986)	-	-	(14,986)
Expenditures of board-designated funds	-	167,037	(100,655)	(66,382)	-
Appropriation of retained earnings for board-designated funds	<u>-</u>	<u>(248,565)</u>	<u>202,183</u>	<u>46,382</u>	<u>-</u>
Membership equity at April 30, 2022	1,186,700	834,638	399,002	480,000	2,900,340
Excess of expenses over revenues	-	(4,487)	-	-	(4,487)
Expenditures of board-designated funds	-	446,948	(399,002)	(47,946)	-
Appropriation of retained earnings for board-designated funds	<u>-</u>	<u>(178,159)</u>	<u>130,214</u>	<u>47,945</u>	<u>-</u>
Membership equity at April 30, 2023	<u>\$ 1,186,700</u>	<u>1,098,940</u>	<u>130,214</u>	<u>479,999</u>	<u>2,895,853</u>

LAKE ARROWHEAD COMMUNITY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES:		
Excess of expenses over revenues	\$ (4,487)	(14,986)
Adjustments to reconcile excess of expenses over revenues to net cash provided by operating activities:		
Depreciation	350,737	361,162
Provision for doubtful membership receivables	-	(27,697)
Gain on disposal of property and equipment	(43,000)	(4,800)
Gain on sale of land inventory	-	(18,138)
Change in current assets and liabilities:		
Membership receivables	(8,204)	15,628
Inventory	9,921	(29,994)
Prepaid expenses	(599)	(323)
Accounts payable	2,658	(18,843)
Accrued expenses	5,898	2,520
Deferred revenue	<u>(9,413)</u>	<u>61,683</u>
Net cash provided by operating activities	<u>303,511</u>	<u>326,212</u>
INVESTING ACTIVITIES:		
Proceeds from sale of land inventory	-	70,907
Proceeds from disposal of property and equipment	43,000	4,800
Purchases of land inventory	-	(325)
Purchases of property and equipment	<u>(532,930)</u>	<u>(193,274)</u>
Net cash used by investing activities	<u>(489,930)</u>	<u>(117,892)</u>
FINANCING ACTIVITY - Repayments of long-term debt		
	<u>(83,828)</u>	<u>(81,754)</u>
(Decrease) increase in cash and cash equivalents	(270,247)	126,566
Cash and cash equivalents and restricted cash at beginning of year	<u>1,189,643</u>	<u>1,063,077</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 919,396</u>	<u>1,189,643</u>
COMPOSITION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR:		
Cash and cash equivalents	\$ 309,183	310,641
Cash restricted for future reserve fund	479,999	480,000
Cash designated for capital improvements and equipment	<u>130,214</u>	<u>399,002</u>
	<u>\$ 919,396</u>	<u>1,189,643</u>

LAKE ARROWHEAD COMMUNITY, INC.

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2023 AND 2022

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. Membership receivables, less the allowance for doubtful membership receivables, totaled \$64,389 at the beginning of the year ending April 30, 2022.

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.

Property and equipment - Purchased property, common 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 as incurred. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Interest expense - Interest costs are expensed as incurred and totaled \$5,141 and \$6,988 for the years ended April 30, 2023 and 2022, respectively.

Revenue recognition - Revenue consists of membership dues, member revenue and new building fees. The majority of the Community's revenue is from transactions with members. The amount of revenue recognized is measured based on the consideration specified in contracts with members. The Community recognizes revenue when a performance obligation is satisfied, over time as services are performed or at a point in time depending on the nature of the services provided as further discussed below.

Contract assets and liabilities - When the timing of the provision of goods or services is different from the timing of the payments made by members, the Community recognizes either a contract asset (performance precedes contractual due date) or a contract liability (member payment precedes performance). Contract liabilities represent payments received in advance of providing services or goods under certain contracts for which the Community's performance obligations have not been satisfied. Contract liabilities are included in deferred revenue on the accompanying balance sheets. The change in contract liabilities primarily relate to either party's performance under the contracts. Contract liabilities totaled \$287,219 and \$296,632 at April 30, 2023 and 2022, respectively.

Membership dues - Community members are subject to annual assessments to provide funds for the Community's operating expenses. The Community's dues are based on the Community's cost of service and are approved by the Board of Trustees. Membership dues are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Community's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. Unearned membership revenue is reflected as deferred revenue on the balance sheets, as discussed previously. Membership dues totaled \$1,713,327 and \$1,627,966 at April 30, 2023 and 2022, respectively.

Member revenue, new building fees and other revenue - These revenues consists primarily of additional fines, late fees and service charges to members. New building fees consists primarily of fees assessed for water hook-up and building permits. Other revenue primarily consists of loam and fill sales and credit card processing fees. Revenue is recognized at a point in time when the good or service is provided.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Adoption of ASC Topic 842 "Leases" - Effective May 1, 2022, the Community adopted Topic 842, *Leases*, which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. The Community adopted the new lease standard utilizing the modified retrospective transition method, under which amounts in prior periods presented are not restated. For contracts existing at the time of adoption, the Community elected the practical expedient package to not reassess (i) whether any are or contain a lease, (ii) lease classification, or (iii) initial direct costs. Existing leases were either less than 12 months or immaterial to the financial statements; and therefore, did not result in the recognition of a right of use asset or lease liability on the Community's Balance Sheets.

Adoption of Topic 842 did not change the Community's recognition of leases; therefore, there was no impact on the Community's financial statements.

Leases - The Community determines if an arrangement is a lease or contains a lease at inception of a contract based on the right to control the use of the identified asset in exchange for consideration. In evaluating its contracts, the Community separately identifies lease and nonlease components, such as common area and other maintenance costs. The Community has elected not to record a right-of-use (ROU) asset for leases with an initial term of 12 months or less. Lease expense from short-term leases is recognized on a straight-line basis over the lease term. The Community determined there were no ROU assets or liabilities as of or for the year ended April 30, 2023.

The Community leases equipment on a short-term, as-needed basis from unrelated third parties. The community pays substantially all operating costs on the leased property. Rent expense related to these short-term leases totaled \$3,792 and \$3,799 for the years ended April 30, 2023 and 2022, 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, 2023, through July 26, 2023, 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.

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

2. MEMBERSHIP RECEIVABLES

An aging analysis of membership receivables is as follows:

	<u>2023</u>	<u>2022</u>
Current	\$ 67,341	75,101
One year past due	45,600	51,271
Two years past due	31,477	35,684
Greater than two years past due	<u>161,755</u>	<u>164,248</u>
Total membership receivables	306,173	326,304
Less allowance for doubtful membership receivables	<u>221,511</u>	<u>249,846</u>
Net membership receivables	<u>\$ 84,662</u>	<u>76,458</u>

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 249,846	312,268
(Decrease) to provision	(60,313)	(12,774)
Accounts charged off	(28,335)	(90,119)
Recoveries	<u>60,313</u>	<u>40,471</u>
Balance at end of year	<u>\$ 221,511</u>	<u>249,846</u>

3. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</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 \$3,410,574.	\$ 40,026	79,149

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

3. LONG-TERM DEBT, CONTINUED

	<u>2023</u>	<u>2022</u>
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 \$3,410,574.	37,800	44,100
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 \$3,410,574.	33,308	39,773
Note payable to Partners Bank due in monthly installments of \$2,976, including interest at 3.60%, through October 2025. Secured by a motor vehicle with a net book value of \$100,994.	<u>85,151</u>	<u>117,091</u>
	196,285	280,113
Less current portion	<u>86,037</u>	<u>83,902</u>
Net long-term debt	<u>\$ 110,248</u>	<u>196,211</u>

Future maturities of long-term debt are as follows:

2024	\$ 86,037
2025	47,300
2026	30,527
2027	13,027
2028	13,095
Thereafter	<u>6,299</u>
	<u>\$ 196,285</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>2023</u>	<u>2022</u>
Capital improvements	\$ <u>130,214</u>	<u>399,002</u>

5. FUTURE RESERVE FUND

As of April 30, 2023 and 2022, the Board of Trustees has designated \$479,999 and \$480,000, 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. 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 homeowners. The Community has the ability to place liens on the underlying property to ensure payment of member dues.

7. 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 \$24,343 and \$17,699 for the years ended April 30, 2023 and 2022, respectively.

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

8. SUBSEQUENT EVENTS

In May 2023, the board of the Organization and the board of Lake Arrowhead Conservation Council (LACC) approved a plan to permanently overlap the members of the two boards, thereby creating a variable interest entity, with the Lake Arrowhead Community being the primary beneficiary of the arrangement. LACC is a 501(c)(3) organization, and due to the difference in tax status between the two organizations, the entities will continue to operate on a separate basis in compliance with the IRS rules and regulations.

9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2023</u>	<u>2022</u>
Cash paid for interest	\$ <u>5,141</u>	<u>6,988</u>

LAKE ARROWHEAD COMMUNITY, INC.

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

APRIL 30, 2023

The Board of Trustees periodically 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	\$ 100,000
Furniture and equipment	75,000
Vehicles	1,000,000
Water system	<u>1,000,000</u>
	<u>\$ 2,175,000</u>