

Lake Arrowhead



Community Services District

Budget

Fiscal Year
2010-2011

To protect,

provide,

& preserve



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**Lake Arrowhead Community Services District
Fiscal Year 2010/2011 Budget
Executive Summary**

The Lake Arrowhead Community Services District's 2010/2011 budget reflects the District's mission: *To provide exceptional water and wastewater service while protecting water resources and preserving the environment;* while recognizing the financial realities of the local economy.

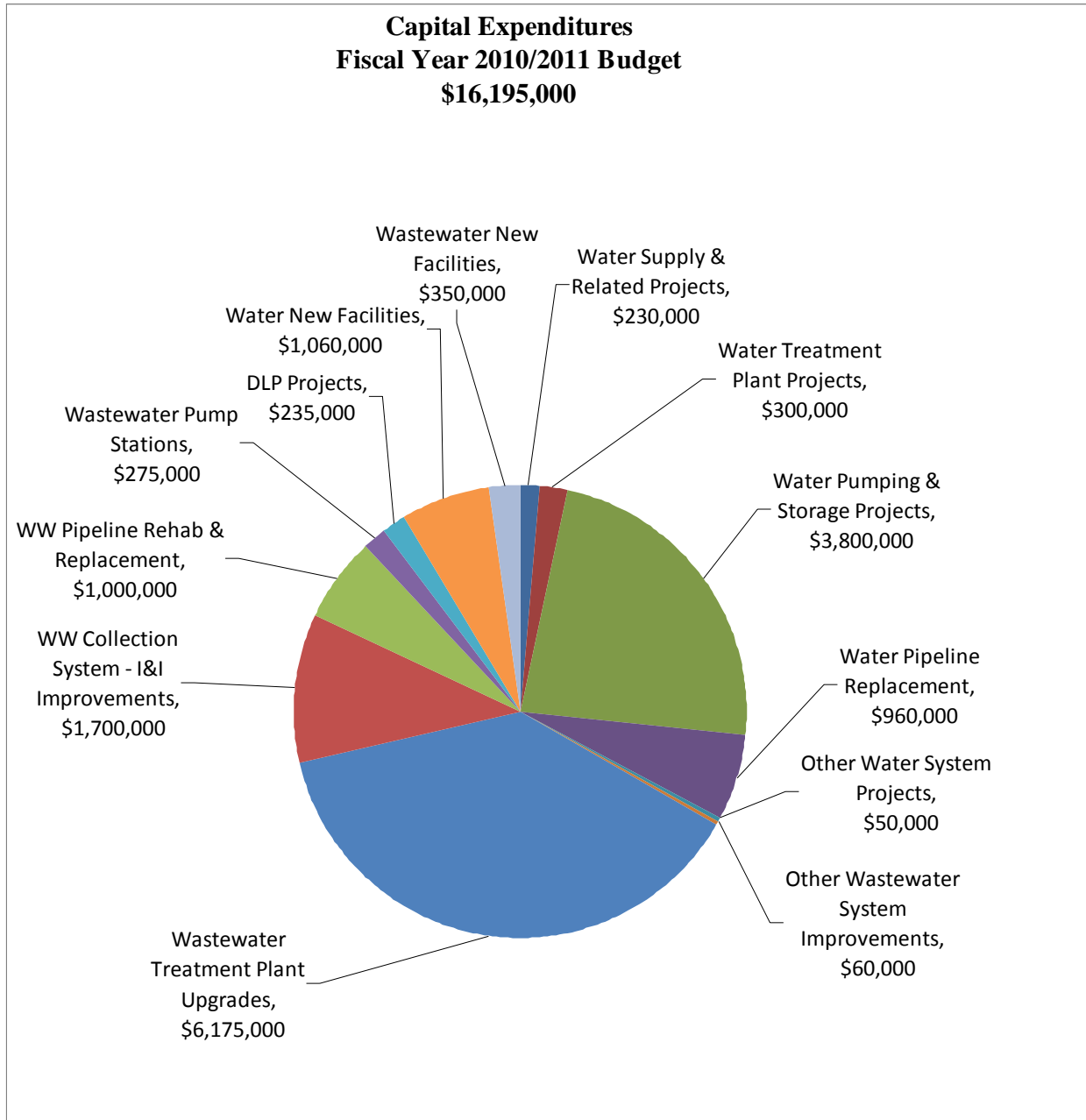
In an effort to provide the Lake Arrowhead Community with some financial stability in these uncertain economic times, the District is not going to raise rates this fiscal year and will keep operational expenses balanced with operating revenues, however the District will continue to pursue an aggressive capital improvement plan to allow for increased operating efficiency of both water and wastewater systems. This is illustrated in the consolidated budget.

The capital projects budget of \$16,195,000 is a 12% decrease from the prior year budget. These projects include replacing aging infrastructure and will provide efficiencies to both the water and wastewater systems. Funding for these projects is coming from the 2009 COP bond proceeds issued in November of 2009, district reserves and state and federal grants. The number of projects is still robust, but several significant projects, including the recycled water Grass Valley Wastewater Treatment Plant upgrade, recycled water transmission line and conversion of the Lake Arrowhead Country Club golf course for recycled water use were completed in the prior budget year resulting in the year-to-year decline in absolute value of the projects.

The District is proposing a revised organizational structure that will make more efficient use of the District's staff through reduction of the number of authorized positions from 69.75 to 66.75 and the reallocation of duties within existing positions. Please refer to the authorized position listing for specific changes.

The 2010/2011 budget breaks down as follows:

Capital Expenditures

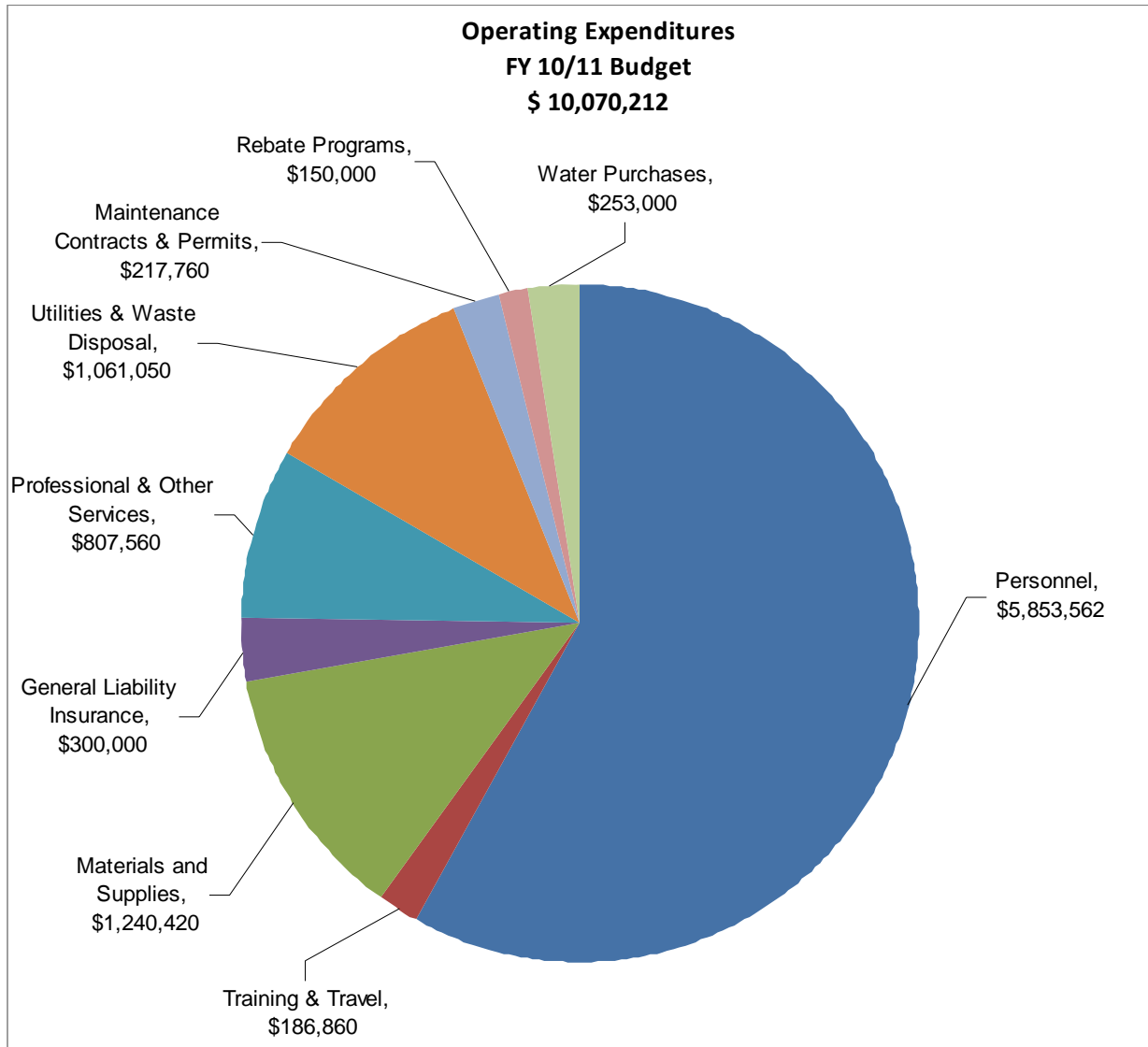


▪ **WATER FUND**

- Bernina Water Treatment Plant (WTP) Filter Structure Lining – to repair leaking filter structure discovered during the upgrades to the Bernina WTP.
- Banff and Shasta Water Storage Tanks Seismic Upgrades.

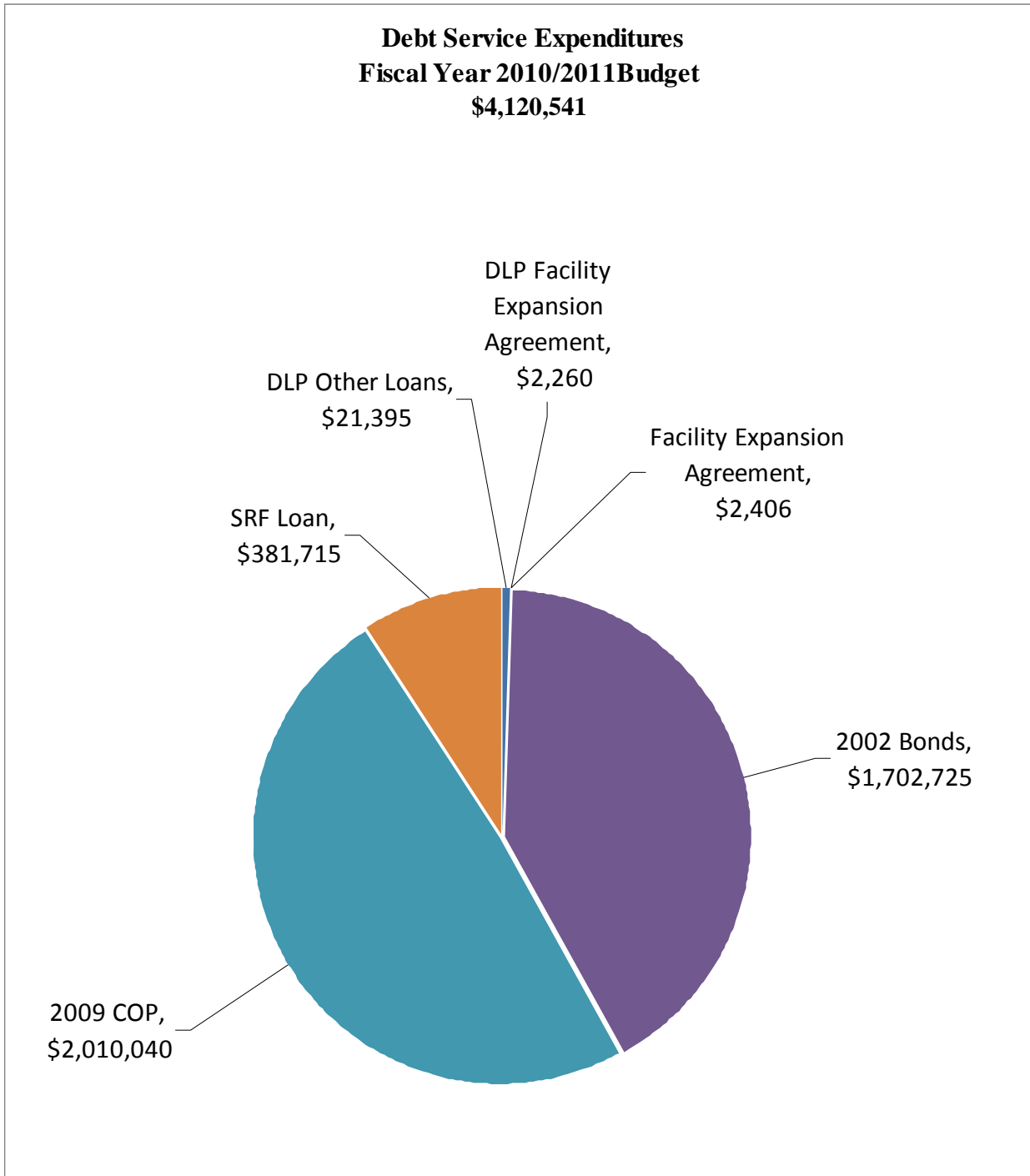
- Brentwood and Mittry Water Storage Tank Replacement.
- Groundwater Treatment Plant (IX Plant) Improvements – installation of a break tank and piping modifications to improve the production of groundwater in the Grass Valley Basin.
- North Bay Intake Pump Station Improvements – install provisions for emergency backup power and improve pump configuration.
- North Bay and Emerald Bay Raw Water Intake Pipeline Replacements.
- Surface and Groundwater Monitoring and Management – appraisal study for imported water pipeline from Hesperia to LACSD along with completion of hydrodynamic study and bathymetric survey of Lake Arrowhead in cooperation with the USGS and USBR.
- System-wide SCADA improvements – upgrade the District’s Supervisory Control and Data Acquisition (SCADA) system for the water and wastewater systems.
- Other – acquisition of land from County Special Districts for proposed new District maintenance and administration facility, sewer collection system I & I improvements, the replacement of water pipelines and manholes, slip lining of sewer lines, fire flow improvements, etc.
- WASTEWATER FUND
- Grass Valley Wastewater Treatment Plant (GVWWTP) – the upgrade and expansion of GVWWTP to meet State requirements for the District’s discharge permit.
- Willow Creek Wastewater Treatment Plant (WCWWTP) Improvements – conversion of WCWWTP to a primary flow equalization facility.
- Hillside Ponds Restoration – conversion of percolation ponds to natural state and return to the National Forest Service.
- Burnt Mill to Blue Jay & Smithport to Tavern Bay Sewer Rehabilitation – slip lining and manhole rehabilitation of approximately 7,800 linear feet of deteriorating sewer pipeline and rehabilitation of approximately 50 manholes.
- Sewer Lift Station #12 Expanded Wet Well Capacity – increase holding time during high flow and wet weather events to minimize risk of sanitary sewer overflows (SSOs) into Lake Arrowhead.
- Tract 58 Sewer Replacement – replacement of approximately 2,500 linear feet of 8 inch diameter sewer pipeline.

Operating Expenditures



Operating expenses are the on-going day to day costs of providing water and wastewater services. Examples are water purchases, employee salaries, utilities, materials and supplies, etc.

Debt Service Expenditures



The District has approximately \$40 million in its reserve accounts and approximately \$36 million in debt service, all of which will be paid off in 20 years.

District Reserve Funds

These reserves can be broken out into five types that include operating reserves, debt reserves, rate stabilization reserves, supplemental water supply fees and capital facility reserves.

Operating reserves are funded from water/sewer rates and charges and accumulate in the District's General Fund. These reserves are for use in the event of unexpected loss of the district's revenue stream.

Debt reserves are required by the District's debt obligations. The purpose of a Debt Reserve is to provide a safeguard for bondholders, in the event the enterprise funds have insufficient funds to meet annual debt service.

Rate stabilization reserves are in place for all three enterprise funds. The purpose of a Rate Stabilization Reserve is to provide options for rate policy in the face of year-to-year fluctuations in revenues or expenses.

Supplemental Water Supply Fee Reserve was adopted on August 7, 2004 by the Board of Directors. The fee is intended to remain in effect until fiscal year 2018. The revenue generated from this fee is restricted for use in obtaining supplemental water supplies. This reserve fund is revenues that have accumulated but have not yet been designated for specific qualified uses.

Capital reserves are used to fund capital projects that expand, improve, repair and rehabilitate the water and wastewater systems or for special projects that support the long-term management of the systems. These funds are the New Facilities Fund and the Repair and Replacement Fund.

New Facilities Reserve Fund accumulates funds collected from new connections. These resources may be spent on projects which expand the system the system capacity.

Repair and Replacement Reserve Fund accumulates resources that can be used to fund capital projects that repair, rehabilitate, or replace the assets of each of the enterprise funds. The source of these funds is water/sewer rates and charges in excess of operating and non-operating expenses.

Included in this budget on page 12 is an analysis of the District reserve funds, which reflect a projected beginning balance of approximately \$40 million and a projected ending balance of \$26 million.

Lake Arrowhead Community Services District
Fiscal Year 2010 - 2011 Budget
Combined Statement of Receipts and Expenditures

	WATER	WASTEWATER	DLP	TOTAL
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 4,500,000	\$ 5,260,000	\$ 105,000	\$ 9,865,000
Other Income	100,000	200,000	5,000	305,000
TOTAL OPERATING REVENUES	\$ 4,600,000	\$ 5,460,000	\$ 110,000	\$ 10,170,000
<u>OPERATING EXPENSES</u>				
Operations	1,551,285	2,103,415	65,560	3,720,260
Physical Plant Maintenance	304,100	368,745	-	672,845
Distribution & Collection Maintenance	756,555	920,655	10,180	1,687,390
Administrative Services	1,501,185	1,786,240	12,780	3,300,205
Engineering	153,170	203,095	-	356,265
Water Conservation	333,247	-	-	333,247
TOTAL OPERATING EXPENSES	\$ 4,599,542	\$ 5,382,150	\$ 88,520	\$ 10,070,212
NET	\$ 458	\$ 77,850	\$ 21,480	\$ 99,788
<u>NON-OPERATING REVENUES</u>				
Supplemental Water Supply Fee	3,660,000	-	-	3,660,000
Property Taxes	-	2,800,000	-	2,800,000
Interest Income	77,410	137,965	4,625	220,000
Grant Income	-	-	-	-
Capital Contributions - Connect Fees	-	-	-	-
Capital Contributions - Water Resource Fee	-	-	-	-
Capital Contributions - Meters	-	-	-	-
Principal Received on DLP Bonds & Loans	-	-	-	-
SRF Loan Proceeds	-	-	-	-
2009 COP Proceeds	937,500	2,812,500	-	3,750,000
TOTAL NON-OPERATING REVENUES	\$ 4,674,910	\$ 5,750,465	\$ 4,625	\$ 10,430,000
<u>NON-OPERATING EXPENSES</u>				
Water Purchase	355,000	-	-	355,000
Interest Expense	370,765	1,074,165	8,590	1,453,520
Trustee Fees	3,100	3,000	-	6,100
Principal Payments	474,606	2,171,250	15,065	2,660,921
Capital Projects	6,400,000	9,560,000	235,000	16,195,000
TOTAL NON-OPERATING EXPENSES	\$ 7,603,471	\$ 12,808,415	\$ 258,655	\$ 20,670,541
NET	\$ (2,928,561)	\$ (7,057,950)	\$ (254,030)	\$ (10,240,541)
<u>TOTAL REVENUES</u>	\$ 9,274,910	\$ 11,210,465	\$ 114,625	\$ 20,600,000
<u>TOTAL EXPENSES</u>	\$ 12,203,013	\$ 18,190,565	\$ 347,175	\$ 30,740,753
<u>NET</u>	\$ (2,928,103)	\$ (6,980,100)	\$ (232,550)	\$ (10,140,753)

Lake Arrowhead Community Services District
Fiscal Year 2010 - 2011 Budget
Statement of Receipts and Expenditures

Description	FY 09/10 Budgeted	FY 10/11 Budgeted	FY 09/10 Budget to FY 10/11 Budget Comparison
WATER ENTERPRISE			
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 5,441,305	\$ 4,500,000	\$ (941,305)
Other Income	100,000	100,000	-
TOTAL WATER OPERATING REVENUES	\$ 5,541,305	\$ 4,600,000	\$ (941,305)
<u>OPERATING EXPENSES</u>			
Operations	1,288,965	1,551,285	262,320
Physical Plant Maintenance	349,500	304,100	(45,400)
Distribution & Collection Maintenance	913,985	756,555	(157,430)
Administrative Services	1,332,170	1,501,185	169,015
Engineering	150,845	153,170	2,325
Water Conservation	588,305	333,247	(255,058)
TOTAL WATER OPERATING EXPENSES	\$ 4,623,770	\$ 4,599,542	\$ (24,228)
NET	\$ 917,535	\$ 458	\$ (917,077)
<u>NON-OPERATING REVENUES</u>			
Supplemental Water Supply Fee	3,588,265	3,660,000	71,735
Interest Income	155,625	77,410	(78,215)
Grant Income	-	-	-
Capital Contributions - Connect Fees	-	-	-
Capital Contributions - Water Resource Fee	-	-	-
Capital Contributions - Meters	-	-	-
Principal Received on DLP Bonds & Loans	157,190	-	(157,190)
SRF Loan Proceeds	2,940,290	-	(2,940,290)
2009 COP Proceeds	-	937,500	937,500
TOTAL WATER NON-OPERATING REVENUES	\$ 6,841,370	\$ 4,674,910	\$ (2,166,460)
<u>NON-OPERATING EXPENSES</u>			
Water Purchase	1,583,300	355,000	(1,228,300)
Interest Expense	139,200	370,765	231,565
Trustee Fees	3,100	3,100	-
Principal Payments	400,655	474,606	73,951
Capital Projects	9,912,000	6,400,000	(3,512,000)
TOTAL WATER NON-OPERATING EXPENSES	\$ 12,038,255	\$ 7,603,471	\$ (4,434,784)
NET	\$ (5,196,885)	\$ (2,928,561)	\$ 2,268,324
<u>TOTAL WATER REVENUES</u>	\$ 12,382,675	\$ 9,274,910	\$ (3,107,765)
<u>TOTAL WATER EXPENSES</u>	\$ 16,662,025	\$ 12,203,013	\$ (4,459,012)
<u>NET</u>	\$ (4,279,350)	\$ (2,928,103)	\$ 1,351,247

**Lake Arrowhead Community Services District
Fiscal Year 2010 - 2011 Budget
Statement of Receipts and Expenditures**

Description	FY 09/10 Budgeted	FY 10/11 Budgeted	FY 09/10 Budget to FY 10/11 Budget Comparison
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WASTEWATER ENTERPRISE

OPERATING REVENUES

Charges for Services	\$ 4,988,000	\$ 5,260,000	\$ 272,000
Other Income	200,000	200,000	-
TOTAL WASTEWATER OPERATING REVENUES	\$ 5,188,000	\$ 5,460,000	\$ 272,000

OPERATING EXPENSES

Operations	2,053,335	2,103,415	50,080
Physical Plant Maintenance	298,650	368,745	70,095
Distribution & Collection Maintenance	1,103,075	920,655	(182,420)
Administrative Services	1,664,095	1,786,240	122,145
Engineering	202,645	203,095	450
TOTAL WASTEWATER OPERATING EXPENSES	\$ 5,321,800	\$ 5,382,150	\$ 60,350

NET	\$ (133,800)	\$ 77,850	\$ 211,650
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NON-OPERATING REVENUES

Property Taxes	2,000,000	2,800,000	800,000
Interest Income	246,000	137,965	(108,035)
Grant Income	-	-	-
Capital Contributions - Connect Fees	-	-	-
2009 COP Proceeds	-	2,812,500	2,812,500
TOTAL WASTEWATER NON-OPERATING REVENUES	\$ 2,246,000	\$ 5,750,465	\$ 3,504,465

NON-OPERATING EXPENSES

Interest Expense	613,060	1,074,165	461,105
Trustee Fees	3,000	3,000	-
Principal Payments	1,871,750	2,171,250	299,500
Capital Projects	8,199,000	9,560,000	1,361,000
TOTAL WASTEWATER NON-OPERATING EXPENSES	\$ 10,686,810	\$ 12,808,415	\$ 2,121,605
NET	\$ (8,440,810)	\$ (7,057,950)	\$ 1,382,860

<u>TOTAL WASTEWATER REVENUES</u>	\$ 7,434,000	\$ 11,210,465	\$ 3,776,465
<u>TOTAL WASTEWATER EXPENSES</u>	\$ 16,008,610	\$ 18,190,565	\$ 2,181,955
<u>NET</u>	\$ (8,574,610)	\$ (6,980,100)	\$ 1,594,510

**Lake Arrowhead Community Services District
Fiscal Year 2010 - 2011 Budget
Statement of Receipts and Expenditures**

Description	FY 09/10 Budgeted	FY 10/11 Budgeted	FY 09/10 Budget to FY 10/11 Budget Comparison
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DLP WATER ENTERPRISE

OPERATING REVENUES

Charges for Services	\$ 120,000	\$ 105,000	\$ (15,000)
Other Income	4,600	5,000	400
TOTAL DLP OPERATING REVENUES	\$ 124,600	\$ 110,000	\$ (14,600)

OPERATING EXPENSES

Operations	65,210	65,560	350
Distribution & Collection Maintenance	12,035	10,180	(1,855)
Administrative Services	14,705	12,780	(1,925)
TOTAL DLP OPERATING EXPENSES	\$ 91,950	\$ 88,520	\$ (3,430)
NET	\$ 32,650	\$ 21,480	\$ (11,170)

NON-OPERATING REVENUES

Assessments Received	20,000	-	(20,000)
Interest Income	14,470	4,625	(9,845)
Capital Contributions - Connect Fees	-	-	-
Capital Contributions - Meters	-	-	-
TOTAL DLP NON-OPERATING REVENUES	\$ 34,470	\$ 4,625	\$ (29,845)

NON-OPERATING EXPENSES

Interest Expense	13,670	8,590	(5,080)
Principal Payments	159,450	15,065	(144,385)
Capital Projects	235,000	235,000	-
TOTAL DLP NON-OPERATING EXPENSES	\$ 408,120	\$ 258,655	\$ (149,465)
NET	\$ (373,650)	\$ (254,030)	\$ 119,620

TOTAL DLP REVENUES

TOTAL DLP EXPENSES

NET

\$ 159,070	\$ 114,625	\$ (44,445)
\$ 500,070	\$ 347,175	\$ (152,895)
\$ (341,000)	\$ (232,550)	\$ 108,450



Enterprise and Reserve Structure

Supplemental Water Supply Fee Reserve	Assessment District Reserve	Bond Reserve
Rate Stabilization Reserve	Rate Stabilization Reserve	Rate Stabilization Reserve
Repair & Replacement Reserve	Repair & Replacement Reserve	Repair & Replacement Reserve
New Facilities Reserve	New Facilities Reserve	New Facilities Reserve
Operating Reserve	Operating Reserve	Operating Reserve
Water Enterprise	Wastewater Enterprise	Deer Lodge Park (DLP) Water

**Lake Arrowhead 2010/2011 Budget
District Reserve Fund Analysis**

	Projected Beginning Balance 07/01/10	Total Receipts	Total Expenditures	Projected Ending Balance 06/30/11
<u>Water Enterprise</u>				
Supplemental Water Supply Fee Fund	\$ 1,950,615	\$ 3,660,000	*	\$ 5,380,615
New Facilities Fund	2,809,072	15,510	*	1,764,582
Repair & Replacement Reserve Fund	1,099,547	15,005	*	(3,995,448)
Operating Reserve Fund	781,964	4,641,615	*	(379,434)
Rate Stabilization Reserve Fund	973,864	5,280	*	979,144
Cash w/Fiscal Agent	3,750,000	-	*	3,750,000
Total Water Enterprise	<u>\$ 11,365,062</u>	<u>\$ 8,337,410</u>	<u>\$ (12,203,013)</u>	<u>\$ 7,499,459</u>
<u>Wastewater Enterprise</u>				
New Facilities Fund	\$ 6,118,393	34,320	*	\$ 5,802,713
Repair & Replacement Reserve Fund	4,585,437	15,775	*	(4,608,788)
Operating Reserve Fund	2,095,940	8,338,580	*	1,803,955
Rate Stabilization Reserve Fund	1,485,765	8,055	*	1,493,820
Assessment District Reserve Fund	1,893,258	1,235	*	1,894,493
Cash w/Fiscal Agent	11,250,000	-	*	11,250,000
Total Wastewater Enterprise	<u>\$ 27,428,793</u>	<u>\$ 8,397,965</u>	<u>\$ (18,190,565)</u>	<u>\$ 17,636,193</u>
<u>Deer Lodge Park Enterprise</u>				
New Facilities Fund	\$ 78,192	420	*	\$ 78,612
AD Repair & Replacement Reserve Fund	95,375	90	*	(139,535)
Bond Fund	541,599	2,310	*	543,909
Operating Reserve Fund	271,811	111,630	*	271,266
Rate Stabilization Reserve Fund	32,140	175	*	32,315
Total Deer Lodge Park Enterprise	<u>\$ 1,019,117</u>	<u>\$ 114,625</u>	<u>\$ (347,175)</u>	<u>\$ 786,567</u>
Total All Enterprises	<u>\$ 39,812,972</u>	<u>\$ 16,850,000</u>	<u>\$ (30,740,753)</u>	<u>\$ 25,922,219</u>

*Budgeted Expenditures

Due To Economic Conditions
No Rate Changes



Administration Department (Page One of Three)

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

General Administration	
<ul style="list-style-type: none"> • General Manager Department • General District Wide Costs (Copiers, office supplies, public notices, phones, postage) • Membership Dues & Subscriptions • Lobbyist • Legal fees 	<ul style="list-style-type: none"> • Maintain outside funding options through use of legislative advocate • Continue evaluation of supplemental water supply alternatives • Review and update District Policies • Resolve interagency issues with adjacent purveyors
Customer Service	
<ul style="list-style-type: none"> • Phones – main switchboard (approx. 100 calls per day) • Service Orders (approx. 7,000 per year) • Dispatching calls • Payment processing and posting (500 per day) • Support services for field personnel • Door tags for non-payment, late fees, shut off's • Mosaic reports for leaks and tampers 	<ul style="list-style-type: none"> • Streamline billing procedures • Implement new phone system • Develop web-based customer contacts
Public Information & Outreach	
<ul style="list-style-type: none"> • Analyze, update and design brochures • Coordinate/produce print, ads and direct mail • Coordinate with media through releases and partnering • Maintain and update website and audio production • Provide support for Customer Service communications • Publish Newsletters, Annual Reports & CCRs • Represent District through community organizations 	<ul style="list-style-type: none"> • Increase web presence • Integrate e-communication with customers and staff • Improve utility and accessibility of Incode data to support all departments



Administration Department (Page Two of Three)

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Finance	
<ul style="list-style-type: none"> • Financial audit • Budget • Charges on tax roll • Maintain general ledger/accounting • Accounts payable and receivable • Utility billing • Accounting for grants and loans 	<ul style="list-style-type: none"> • Finalize records retention policy and schedule • Enhance Laser Fiche capabilities
Personnel & Risk Management	
<ul style="list-style-type: none"> • Recruitment, retention & succession planning • Benefits administration • Performance management programs • Employee development • Employee relations • HR process development 	<ul style="list-style-type: none"> • General liability insurance and claims • Risk assessment – general liability and personnel • Records management • Implementation of Safety Committee
Information Technology	
<ul style="list-style-type: none"> • Computer support services – District-wide (currently outsourced) • Purchase/replacement of aging hardware • Maintenance contracts <p>Note: Excludes the SCADA system, Engineering software, & miscellaneous programs in Operations</p>	<ul style="list-style-type: none"> • Complete Incode Version 10 implementation



Administration Department (Page Three of Three)

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Board Administration

- Provide support services to the Board of Directors and liaison with public
- Public record act requests
- Develop/post/certify/assemble and distribute Board Agendas
- Minutes
- As required, execute and affix District seal as District Secretary on District documents
- Annual Statement of Economic Interest (Form 700) filing
- Biennial review of the Conflict of Interest Code
- Maintenance of resolutions and ordinances
- Liaison w/Clerk of Board of Supervisors and Registrar of Voters for all documentation/forms/election

- Execute all other programs/projects incorporated in the Fiscal Year 2010/2011 Budget
- Adoption of the Records Retention Schedule and the Records Management Program Policies and Procedures
- Implementation of the Records Management Program

Meter Reading

- Read & verify meters
- Leak detection follow up
- Meter maintenance
- Meter re-reads
- Door tags for non-payment
- Door tags for shut off
- Service shut off
- Water use profiling
- AMR maintenance

- Create policies and procedures for Mosaic system
- Read and verify all meters every year
- Finalize Mosaic / SCADA communication
- Final read & verify process performed by Datamatic
- Continue change out of meters that truncate ones and tens

Note: The Water Conservation function within the Administration Department is described in the separate section 16

“Water Purchases and Conservation Expenditures.”



Water Conservation

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Water Conservation

- | | |
|--|---|
| <ul style="list-style-type: none">• Promote water use efficiency• Newsletters, advertising, customer outreach• Enforcement of water conservation policies• Grant applications | <ul style="list-style-type: none">• Evaluate effectiveness of hardware retrofit programs• Work with LAE, MPH, Mountains Community Hospital, and Lake Arrowhead Village on landscape retrofits• Complete CUWCC BMP reporting for 2009-2010• Work with consultant on Urban Water Management Plan |
|--|---|

**Lake Arrowhead Community Services District
Fiscal Year 2010/2011 Budget
Listing of Functional Costs
(Comparing proposed budget with prior budget)**

<u>FUND DEPT</u>			<u>FY 09/10</u>	<u>FY 10/11</u>
<u>Total Water Enterprise Administration</u>				
100	1110	Water Enterprise General Administration	\$ 578,065	\$ 625,555
100	1255	Water Enterprise Meter Reading	183,725	360,585
100	1510	Water Enterprise Finance	509,110	461,915
100	6110	Water Enterprise Board Administration	61,270	53,130
Total Water Enterprise Administration			<u>\$ 1,332,170</u>	<u>\$ 1,501,185</u>
<u>Total Wastewater Enterprise Administration</u>				
200	1110	Wastewater Enterprise General Administration	\$ 837,260	\$ 912,060
200	1510	Wastewater Enterprise Finance	739,925	787,175
200	6110	Wastewater Enterprise Board Administration	86,910	87,005
Total Water Enterprise Administration			<u>\$ 1,664,095</u>	<u>\$ 1,786,240</u>
<u>Total Deer Lodge Park Water Enterprise Administration</u>				
300	1110	Deer Lodge Park Enterprise General Administration	\$ 8,760	\$ 6,550
300	1255	Deer Lodge Park Enterprise Meter Reading	5,945	6,230
Total Deer Lodge Park Enterprise Administration			<u>\$ 14,705</u>	<u>\$ 12,780</u>

Lake Arrowhead Community Services District
Fiscal Year 2010/2011 Budget
Listing of Functional Costs
(Comparing proposed budget with prior budget)

<u>FUND DEPT</u>	<u>FY 09/10</u>	<u>FY 10/11</u>
<u>Total Water Enterprise Water Conservation</u>		
100 5110 Water Enterprise Water Conservation	<u>\$ 588,305</u>	<u>\$ 333,247</u>



Engineering Department & Capital Improvement Program

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Engineering

- | | |
|---|---|
| <ul style="list-style-type: none">• Improve, expand, rehabilitate and replace the District's water and wastewater infrastructure and water resources program• Capital improvement program development• Design and construction project management: planning, budgeting, environmental review, permitting, design, contract management and inspection• Implementation of:<ul style="list-style-type: none">• Integrated Water Resources Program• Facilities Master Plan recommendations• Water resources planning• Asset management• Maintenance of facilities master plans and hydraulic models for water and wastewater system• Engineering analysis of new construction and development projects• Grant and loan administration• Maintenance of District mapping and geographic information system• Service availability and permitting for construction | <ul style="list-style-type: none">• Complete the following projects:<ul style="list-style-type: none">• Construction of GVWWTP Expansion to 3.75 MGD• Next phase of wastewater collection system R&R• SCADA system upgrade• WCWWTP Improvements• Lift Station #12 wet well expansion• DLP groundwater wells treatment system• Seismic retrofit of Banff and Shasta water tanks• Replacement of Brentwood and Mitty water tanks• Ion exchange treatment plant improvements• North Shore Intake Pump Station design• Bernina raw water intake pipeline design• Hillside ponds rehabilitation plans• CSA 70-D1 property acquisition• Maintain ground and surface water monitoring and management program• Obtain NPDES Emergency Discharge Permit from Lahontan Regional Water Quality Control Board• Continue development of geographic information system InfoWater and InfoSewer hydraulic models• Refer to the Capital Program for specific projects to be initiated or completed by the Engineering Department in fiscal year 2010/2011 |
|---|---|

Note: The above list of Core Services describes the complete array of activities in the Engineering Department. In budgeting, the District assumes that half of the Department's labor costs will be recovered through resources associated with its capital program. Therefore, the following budget reflects only those expenditures which are not expected to be capitalized. Please refer to the²⁰Capital Program for costs associated with specific projects managed by the Engineering Department.

**Lake Arrowhead Community Services District
 Fiscal Year 2010/2011 Budget
 Listing of Functional Costs
 (Comparing proposed budget with prior budget)**

<u>FUND DEPT</u>	<u>FY 09/10</u>	<u>FY 10/11</u>
<u>Total Water Enterprise Engineering</u>		
100 2130 Water Enterprise Engineering	<u>\$ 150,845</u>	<u>\$ 153,170</u>
<u>Total Wastewater Enterprise Engineering</u>		
200 2130 Wastewater Enterprise Engineering	<u>\$ 202,645</u>	<u>\$ 203,095</u>



Operations Department - Water

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Operations Administration	
<ul style="list-style-type: none"> • Manage safe and reliable water supplies for Arrowhead Woods 	<ul style="list-style-type: none"> • Improve emergency response program
Repair & Maintenance	
<ul style="list-style-type: none"> • Preventative maintenance on water facilities • Operation of SCADA control system • Emergency maintenance of equipment 	<ul style="list-style-type: none"> • Update the preventative maintenance program • Review emergency operations procedures
Treatment Plants	
<ul style="list-style-type: none"> • Operation of 2 water treatment plants • Operation of 20 storage tanks 	<ul style="list-style-type: none"> • Improve the plants' chemical pumping systems • Implement SCADA system wireless upgrades
Supplemental Water Groundwater Treatment	
<ul style="list-style-type: none"> • Operation of 7 groundwater wells • Operation of 2 well treatment systems 	<ul style="list-style-type: none"> • Expand well treatment with pumping upgrade • Implement SCADA system wireless upgrades
Pump Stations	
<ul style="list-style-type: none"> • Operation of 19 water pump houses • Operation of 11 standby generators 	<ul style="list-style-type: none"> • Convert SCADA communication to wireless in Grass Valley Basin
Physical Plant and Fleet Maintenance	
<ul style="list-style-type: none"> • Routine maintenance of District buildings • Maintenance of vehicle fleet (53 total in District) 	<ul style="list-style-type: none"> • Convert 25% of diesel motors per new regulation • Outsource basic Fleet maintenance



Operations Department - Wastewater

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Operations Administration	
<ul style="list-style-type: none"> • Manage treatment and reclamation of wastewater in an environmentally safe manner 	
Plant Repairs & Maintenance	
<ul style="list-style-type: none"> • Preventative maintenance on wastewater facilities • Operation of SCADA control system • Emergency maintenance of equipment 	<ul style="list-style-type: none"> • Convert SCADA system to wireless technology
Treatment Plant	
<ul style="list-style-type: none"> • Operation of 2 wastewater treatment plants • Operation of one laboratory • Management of a 350-acre reclamation site 	<ul style="list-style-type: none"> • Obtain emergency discharge permit for the GVWWTP • Evaluate effluent reuse options • Complete GVWWTP upgrade to Tertiary Treatment and initiate delivery to LACC • Expand GVWWTP to 3.5 MGD treatment capacity
Lift Stations	
<ul style="list-style-type: none"> • Operation of 21 wastewater lift stations • Operation of 20 standby generators 	
Waste Disposal	
<ul style="list-style-type: none"> • Disposal of approximately 2,100 tons of biosolids 	<ul style="list-style-type: none"> • Investigate alternative, lower cost disposal options
Physical Plant and Fleet Maintenance	
<ul style="list-style-type: none"> • Routine maintenance of District buildings • Maintenance of vehicle fleet (53 total District) 	<ul style="list-style-type: none"> • Convert 25% of diesel motors per new regulation • Outsource basic Fleet maintenance



Operations Department - Deer Lodge Park Water

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Treatment	
<ul style="list-style-type: none">• Treatment of water supplies in Deer Lodge Park	<ul style="list-style-type: none">• Increase the groundwater well pumping operation by using new treatment technology
Pump Stations	
<ul style="list-style-type: none">• Operation of water pump stations in Deer Lodge Park	

**Lake Arrowhead Community Services District
Fiscal Year 2010/2011 Budget
Listing of Functional Costs
(Comparing proposed budget with prior budget)**

<u>FUND DEPT</u>			<u>FY 09/10</u>		<u>FY 10/11</u>	
<u>Total Water Enterprise Operations</u>						
100	4210	Water Enterprise Operations Administration	\$	97,425	\$	125,330
100	4248	Water Enterprise Repair & Maintenance		124,375		113,240
100	4280	Water Enterprise Treatment Plants		624,980		659,990
100	4281	Water Enterprise Supplemental Water Treatment		92,415		105,130
100	4290	Water Enterprise Pump Stations		349,770		547,595
		Total Water Enterprise Operations		<u>\$ 1,288,965</u>		<u>\$ 1,551,285</u>
<u>Total Wastewater Enterprise Operations</u>						
200	4110	Wastewater Enterprise Operations Administration	\$	92,875	\$	142,525
200	4148	Wastewater Enterprise Plant Repairs & Maintenance		143,830		176,025
200	4180	Wastewater Enterprise Treatment Plant		1,251,000		1,200,805
201	4185	Recycled Water		-		60,230
200	4194	Wastewater Enterprise Lift Stations		363,130		336,330
200	4195	Wastewater Enterprise Waste Disposal		202,500		187,500
		Total Wastewater Enterprise Operations		<u>\$ 2,053,335</u>		<u>\$ 2,103,415</u>
<u>Total Deer Lodge Park Water Enterprise Operations</u>						
300	4280	Deer Lodge Park Enterprise Treatment	\$	15,255	\$	15,630
300	4290	Deer Lodge Park Enterprise Pump Stations		49,955		49,930
				<u>\$ 65,210</u>		<u>\$ 65,560</u>
<u>Total Water Enterprise Physical Plant Maintenance</u>						
100	4310	Water Enterprise Physical Plant Maintenance		<u>\$ 349,500</u>		<u>\$ 304,100</u>
<u>Total Wastewater Enterprise Physical Plant Maintenance</u>						
200	4310	Wastewater Enterprise Physical Plant Maintenance		<u>\$ 298,650</u>		<u>\$ 368,745</u>



Maintenance Department - Water

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Maintenance Administration	
<ul style="list-style-type: none"> • Manage the repair, replacement, and maintenance of the water distribution system 	
Distribution Preventative Maintenance	
<ul style="list-style-type: none"> • Manage the backflow prevention and cross-connection program for 450-500 devices • Manage the valve maintenance and leak detection programs 	<ul style="list-style-type: none"> • Identify, operate, and repair all valves within the water system and input into the asset tracking program
Distribution Repairs	
<ul style="list-style-type: none"> • Replace 5,000 to 7,000 feet of old and under-sized water mains annually • Repair leaks (historically 250 annually) 	<ul style="list-style-type: none"> • Work on small repairs and bottle necks identified within the water master plan and leak detection program
Distribution Service Orders	
<ul style="list-style-type: none"> • Provide customer service in response to general questions, leaks at the meter, water quality complaints, turn-on/turn-off, odor complaints, line markings 	
Distribution Service Installation	
<ul style="list-style-type: none"> • Install new customer service connections as required 	



Maintenance Department - Wastewater

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Maintenance Administration

- | | |
|---|---|
| <ul style="list-style-type: none"> • Manage the repair, replacement, and maintenance of the wastewater collection system | <ul style="list-style-type: none"> • Schedule repairs based on historic identification of breaks and defects |
|---|---|

Collection Preventative Maintenance

- | | |
|---|--|
| <ul style="list-style-type: none"> • Conduct TV-inspection of approximately 250,000 lineal feet of pipe • Clean approximately 500,000 lineal feet of pipe • Conduct smoke testing of approximately 450,000 lineal feet of pipe | <ul style="list-style-type: none"> • Maintain the root inhibitor program to 60,000 lineal feet per year in an effort to control root growth and reduce line blockages in the collection system • Complete smoke testing of the District lines in an effort to identify infiltration/inflow sources and illegal connections |
|---|--|

Collection Repairs

- | | |
|--|---|
| <ul style="list-style-type: none"> • Repair 200-300 small segments of pipe • Contract 5,000 lineal feet of large pipeline segment replacements • Contract 4,500 lineal feet of slip lining rehabilitation projects • Contract 50-100 manhole rehabilitation projects | <ul style="list-style-type: none"> • Continue repair program that uses slip linings for in-place repairs of cracks |
|--|---|

Collection Service Orders

- | | |
|--|--|
| <ul style="list-style-type: none"> • Provide customer assistance in response to questions and concerns in regards to the collection system. | |
|--|--|

Collection Inspection

- | | |
|--|---|
| <ul style="list-style-type: none"> • Continue to inspect roughly 1,200+ homes/businesses for the anti-flood program | <ul style="list-style-type: none"> • Continue the Anti-Flood Program in an effort to lower the exposure of costly claims of sewer backups into homes |
|--|---|



Maintenance Department – Deer Lodge Park Water

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Maintenance

- Manage the repair, replacement, and maintenance of the water distribution system in Deer Lodge Park

**Lake Arrowhead Community Services District
Fiscal Year 2010/2011 Budget
Listing of Functional Costs
(Comparing proposed budget with prior budget)**

<u>FUND DEPT</u>			<u>FY 09/10</u>	<u>FY 10/11</u>
<u>Total Water Enterprise Maintenance</u>				
100	3210	Water Enterprise Maintenance Administration	\$ 219,705	\$ 148,050
100	3244	Water Enterprise Maintenance Distribution Preventative Maint	115,920	100,315
100	3248	Water Enterprise Maintenance Distribution Repairs	340,315	298,435
100	3250	Water Enterprise Maintenance Distribution Service Orders	116,120	119,900
100	3260	Water Enterprise Maintenance Distribution Service Installation	121,925	89,855
Total Water Enterprise Maintenance			<u>\$ 913,985</u>	<u>\$ 756,555</u>
<u>Total Wastewater Enterprise Maintenance</u>				
200	3110	Wastewater Enterprise Maintenance Administration	\$ 274,930	\$ 160,950
200	3140	Wastewater Enterprise Collection Inspection	99,905	166,290
200	3144	Wastewater Enterprise Collection Preventative Maintenance	471,250	358,555
200	3148	Wastewater Enterprise Collection Repairs	185,825	154,250
200	3150	Wastewater Enterprise Collection Service Orders	71,165	80,610
Total Water Enterprise Maintenance			<u>\$ 1,103,075</u>	<u>\$ 920,655</u>
<u>Total Deer Lodge Park Water Enterprise Maintenance</u>				
300	3210	Deer Lodge Park Enterprise Maintenance Administration	<u>\$ 12,035</u>	<u>\$ 10,180</u>



Debt Service Principal Payments

Water Debt Repayment

- Facility Expansion Agreement (paid off in 2010)
- SRF Loan (paid off in 2030)
- 2009 Certificates of Participation (paid off in 2039)

Wastewater Debt Repayment

- 2009 Certificates of Participation (paid off in 2039)
- 2002 Bonds (paid off in 2014)

Deer Lodge Park Water Debt Repayment

- Loans Due to Water (paid off in 2018)
- Facility Expansion Agreement (paid off in 2015)

**Lake Arrowhead Community Services District
Fiscal Year 2010 - 2011 Budget
Debt Service Principal Payments**

	FY 10/11 Budgeted	Future Payments	Total Outstanding Debt	YEAR PAID OFF
Water Enterprise				
Facility Expansion Agreement	\$ 2,406	\$ -	\$ 2,406	2010
2009 COP	243,750	5,651,250	5,895,000	2039
SRF Loan	228,450	5,639,810	5,868,260	2030
Subtotal Water Enterprise Debt Service	\$ 474,606	\$ 11,291,060	\$ 11,765,666	
Wastewater Enterprise				
2002 Bonds	1,440,000	4,665,000	6,105,000	2014
2009 COP	731,250	16,953,750	17,685,000	2039
Subtotal Wastewater Enterprise Debt Service	\$ 2,171,250	\$ 21,618,750	\$ 23,790,000	
Deer Lodge Park Enterprise				
DLP Other Loans-Due to Water	\$ 12,805	\$ 158,855	\$ 171,660	
Facility Expansion Agreement	2,260	11,315	13,575	2015
Subtotal Deer Lodge Park Enterprise Debt Service	\$ 15,065	\$ 170,170	\$ 185,235	
Total Debt Service Principal Payments	\$ 2,660,921	\$ 33,079,980	\$ 35,740,901	



Capital Programs

CORE SERVICES

FISCAL YEAR 2010/11 GOALS & INITIATIVES

Capital Improvement Program

- | | |
|--|---|
| <ul style="list-style-type: none"> • Improve, rehabilitate and replace the District's water and wastewater infrastructure and water resources to increase reliability and flexibility | <ul style="list-style-type: none"> • Complete the following projects: <ul style="list-style-type: none"> •Construction of GVWWTP Expansion to 3.75 MGD •Next phase of wastewater collection system R&R •SCADA system upgrade •WCWWTP Improvements •Lift Station #12 wet well expansion •DLP groundwater wells treatment system •Seismic retrofit of Banff and Shasta water tanks •Replacement of Brentwood and Mittry water tanks •Ion exchange treatment plant improvements •North Shore Intake Pump Station design •Bernina raw water intake pipeline design •Hillside ponds rehabilitation plans •CSA 70-D1 property acquisition • Maintain ground and surface water monitoring and management program • Obtain NPDES Emergency Discharge Permit from Lahontan Regional Water Quality Control Board • Continue development of geographic information system InfoWater and InfoSewer hydraulic models • Refer to the Capital Program for specific projects to be initiated or completed by the Engineering Department in fiscal year 2010/2011 |
|--|---|

Vehicles & Equipment

- None

- None

**Lake Arrowhead Community Services District
Fiscal Year 2009-2010 Budgeted
Five Year Capital Improvement Program Budget Summary**

	FY 10/11			TOTAL PROJECT COST		
	Water	Wastewater	Total	Water	Wastewater	Total
Capital Projects						
Amador Fire Flow Improvements				380,000		380,000
Banff Fire Flow Improvements & PRV	370,000		370,000	370,000		370,000
Bernina WTP Roof Repairs, Security Upgrade	100,000		100,000	100,000		100,000
Bernina WTP Filter Structure Lining	200,000		200,000	200,000		200,000
Bishorn/Crown Fire Flow Improvements				10,000		10,000
Blue Jay #1 Generator & Pumps		100,000	100,000		100,000	100,000
Brentwood Tank Replacement	500,000		500,000	1,300,000		1,300,000
Burnt Mill to Blue Jay Bay Sliplining		750,000	750,000		1,000,000	1,000,000
CCTV & Spot Repair in AD5					50,000	50,000
CCTV & Spot Repair in AD6					50,000	50,000
Cyn View, Emerald, Old Mill, Hook Creek Tr2542	170,000		170,000	400,000		400,000
Cedar Ridge #18 Generator & Pumps					150,000	150,000
Chippewa/Shenandoah ADD Improvements	20,000		20,000	20,000		20,000
Clubhouse Fire Flow Improvements				80,000		80,000
Crest Park #17 (AD#8)					80,000	80,000
Deer Lodge #14 (air pots)					50,000	50,000
Deer Lodge #14A (air pots)					50,000	50,000
Demo Castlegate Pump Station	20,000		20,000	20,000		20,000
Demo LeMont Tank	50,000		50,000	50,000		50,000
Demo Pump House 73	20,000		20,000	20,000		20,000
Demo Summit Tank	10,000		10,000	20,000		20,000
District Maintenance Facility & HQ	250,000	350,000	600,000	2,400,000	3,615,000	6,015,000
Edgewater Condo #4 (air pots)					50,000	50,000
Emerald Bay #6 Improvements					80,000	80,000
Emerald Bay Intake Security Fence & Alarm	70,000		70,000	70,000		70,000
Emerald Bay Raw Water Pipeline Replacement	250,000		250,000	1,010,000		1,010,000
Emerald Drive Fire Flow Improvements				200,000		200,000
GVWWTP Boiler Replacement		50,000	50,000		50,000	50,000
GVWWTP Treatment Capacity Upgrade		3,500,000	3,500,000		6,000,000	6,000,000
Hillside Ponds Rehab & Restoration		200,000	200,000		400,000	400,000
Hesperia Disposal Site Pond Dikes		125,000	125,000		250,000	250,000
Improvements to Correct I&I					2,750,000	2,750,000
InfoSewer Model Maintenance		10,000	10,000		60,000	60,000
InfoWater Model Maintenance	10,000		10,000	50,000		50,000
Innsbruck/Cortina Fire Flow Improvements	20,000		20,000	20,000		20,000
Ion Exchange Treatment Plant Improvements	60,000		60,000	120,000		120,000

**Lake Arrowhead Community Services District
Fiscal Year 2009-2010 Budgeted
Five Year Capital Improvement Program Budget Summary**

	FY 10/11			TOTAL PROJECT COST		
	Water	Wastewater	Total	Water	Wastewater	Total
Capital Projects						
Jasmine/Mittry Fire Flow Improvements				10,000		10,000
John Muir Pipeline Improvements	50,000		50,000	100,000		100,000
Kodiak Fire Flow Improvements				380,000		380,000
Kuffel Canyon Sewer Rehab/Replacement		200,000	200,000		1,000,000	1,000,000
Lift Station #7 Generator & Improvements					100,000	100,000
Lift Station #12 Expanded Wet Well Capacity		75,000	75,000		125,000	125,000
Lupin Road Fire Flow Improvements				160,000		160,000
Matterhorn/St. Bernard Improvements				40,000		40,000
Meadow Bay #8 (air pots)					50,000	50,000
Mittry 1&2 Tank Replacement	1,000,000		1,000,000	3,050,000		3,050,000
N Bay Raw Water Intake Pipeline Replacement	450,000		450,000	1,500,000		1,500,000
N Shore Intake Pump Station Improvements	1,400,000		1,400,000	2,040,000		2,040,000
Orchard Bay #5A Generator & Pumps		100,000	100,000		100,000	100,000
Orchard Bay #5 Improvements					230,000	230,000
Pioneer/Peninsula ADD Improvements				400,000		400,000
Pt Hamiltair N. #9 (air pots)					50,000	50,000
Pt Hamiltair N. #10 (air pots)					50,000	50,000
Pyramid Drive Fire Flow Improvements				110,000		110,000
Raise 125 Manholes, CCTV & Rehab in AD4					100,000	100,000
Raise Manholes, CCTV & Rehab in AD8					50,000	50,000
Rim Forest #15 (air pots)					50,000	50,000
Rim Forest #15A (air pots)					50,000	50,000
Rim Forest # 16 (air post)					50,000	50,000
SCADA System Upgrade	50,000	50,000	100,000	750,000	500,000	1,250,000
Seismic Upgrades - Banff Tank	400,000		400,000	450,000		450,000
Seismic Upgrades - Shasta Tank	400,000		400,000	450,000		450,000
Seismic Upgrades - Amador Tank				350,000		350,000
Seismic Upgrades - Polar Tank				350,000		350,000
Seismic Upgrades - Potomac Tank				350,000		350,000
Seismic Upgrades - Spyglass Tank				350,000		350,000
Seismic Upgrades - Kodiak Tank				350,000		350,000

**Lake Arrowhead Community Services District
Fiscal Year 2009-2010 Budgeted
Five Year Capital Improvement Program Budget Summary**

	FY 10/11			TOTAL PROJECT COST		
	Water	Wastewater	Total	Water	Wastewater	Total
Capital Projects						
Seismic Upgrades - Wabash Tank				350,000		350,000
Seismic Upgrades - Bernina 2 Tank				600,000		600,000
Seismic Upgrades - Cedar Ridge Tank				200,000		200,000
Seismic Upgrades - Bernina 1 Tank				700,000		700,000
Sewer Replacement Tract 58		1,000,000	1,000,000		1,100,000	1,100,000
Shasta Fire Flow Improvements	360,000		360,000	360,000		360,000
Shelter Cove Fire Flow Improvements				150,000		150,000
Smithport Lift Station to Tavern Bay Sliplining		750,000	750,000		1,000,000	1,000,000
Spyglass Fire Flow Improvements				340,000		340,000
Spyglass/Fairway Fire Flow Improvements				100,000		100,000
St. Anton/Zermatt Fire Flow Improvements				40,000		40,000
Supplemental Water Supply	100,000		100,000	300,000		300,000
Surface & Groundwater Monitoring & Mgmt	70,000		70,000	500,000		500,000
Talisman Lane Fire Flow Improvements				30,000		30,000
Teakwood Fire Flow Improvements				10,000		10,000
T-50/51 (3,000-ft)Contractor Pipeline Replace				200,000		200,000
T- 59 (6,000 ft) Contractor Pipeline Replace				400,000		400,000
Upsize existing sewer pipe along Calgary Dr., Tract No. 7775 per Master Plan Page 5-41					450,000	450,000
Upsize existing sewer pipe along Grass Valley Rd. Tract No. 6489 per Master Plan Page 5-41					140,000	140,000
Upsize existing sewer pipe along Clubhouse Dr., Tract No. 6489 & 7915 per Master Plan Page 5-41					110,000	110,000
Outfall: Upsize the 2300' 8" section to 14"					425,000	425,000
Village Cove #3 Improvements					85,000	85,000
Willow Creek WWTP Improvements		2,300,000	2,300,000		4,300,000	4,300,000
Yukon Drive Fire Flow Improvements				10,000		10,000
DLP Water			-			-
DLP/Overlook Lane Fire Flow Improvements				440,000		440,000
DLP Water System Analysis				50,000		50,000
Ion Exchange Treatment System for Wells	35,000		35,000	70,000		70,000
Rehab Groundwater Wells	150,000		150,000	150,000		150,000
New DLP Water Tank				500,000		500,000
SCADA System Upgrade	50,000		50,000	60,000		60,000
Seismic Upgrades - DLP Lower Tank				120,000		120,000
Seismic Upgrades - DLP Upper Tank				60,000		60,000
Total - Capital Projects	\$ 6,635,000	\$ 9,560,000	\$ 16,195,000	\$ 23,770,000	\$ 24,900,000	\$ 48,670,000

**Lake Arrowhead Community Services District
Water System Capital Improvements Program**

Water CIP		FY 09/10 & Prior Years	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	TOTAL PROJECT COST
Description	P/N							
Supplemental Water Supply Fund (191)								
Surface & Groundwater Monitoring & Mgmt	O36	\$ 250,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 40,000		\$ 500,000
Ion Exchange GW Treatment Plant Improvements	O37	\$ 60,000	\$ 60,000					\$ 120,000
Supplemental Water Supply (\$20-\$100 million)	O39	\$ 150,000	\$ 100,000	\$ 50,000				\$ 300,000
Supplemental Water Supply Fund (191) Subtotal		\$ 460,000	\$ 230,000	\$ 120,000	\$ 70,000	\$ 40,000	\$ -	\$ 920,000
Repair & Replacement Reserve Fund (120)								
Water Treatment Plant Projects								
Bernina WTP Filter Structure Lining			\$ 200,000					\$ 200,000
Bernina WTP Roof Repairs, Security Upgrade & Painting			\$ 100,000					\$ 100,000
Water Treatment Plant Projects Subtotal		\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000
Water Pumping & Storage Projects								
North Shore Intake Pump Station Improvements	O72	\$ 140,000	\$ 1,400,000	\$ 500,000				\$ 2,040,000
Demo Summit Tank		\$ 10,000	\$ 10,000					\$ 20,000
Demo LeMont Tank			\$ 50,000					\$ 50,000
Demo Castlegate Pump Station			\$ 20,000					\$ 20,000
Demo Pump House 73			\$ 20,000					\$ 20,000
Seismic Upgrades - Banff Tank	O75	\$ 50,000	\$ 400,000					\$ 450,000
Seismic Upgrades - Shasta Tank	O75	\$ 50,000	\$ 400,000					\$ 450,000
Brentwood Tank Replacement	O75	\$ 50,000	\$ 500,000	\$ 750,000				\$ 1,300,000
Mittry 1 & 2 Tank Replacement	O75	\$ 50,000	\$ 1,000,000	\$ 2,000,000				\$ 3,050,000
Seismic Upgrades - Amador Tank				\$ 350,000				\$ 350,000
Seismic Upgrades - Polar Tank				\$ 350,000				\$ 350,000
Seismic Upgrades - Potomac Tank				\$ 350,000				\$ 350,000
Seismic Upgrades - Spyglass Tank					\$ 350,000			\$ 350,000
Seismic Upgrades - Kodiak Tank					\$ 350,000			\$ 350,000
Seismic Upgrades - Wabash Tank					\$ 350,000			\$ 350,000
Seismic Upgrades - Bernina 2 Tank						\$ 600,000		\$ 600,000
Seismic Upgrades - Cedar Ridge Tank						\$ 200,000		\$ 200,000
Seismic Upgrades - Bernina 1 Tank						\$ 700,000		\$ 700,000
Water Pumping & Storage Projects Subtotal		\$ 350,000	\$ 3,800,000	\$ 4,300,000	\$ 1,050,000	\$ 1,500,000	\$ -	\$ 11,000,000
Water Line Replacement								
North Bay Raw Water Intake Pipeline Replacement	O73	\$ 50,000	\$ 450,000	\$ 1,000,000				\$ 1,500,000
Emerald Bay Raw Water Pipeline Replacement		\$ 10,000	\$ 250,000	\$ 750,000				\$ 1,010,000
John Muir Pipeline Improvements		\$ 50,000	\$ 50,000					\$ 100,000
Chippewa/Shenandoah ADD Improvements			\$ 20,000					\$ 20,000
Innsbruck/Cortina Fire Flow Improvements			\$ 20,000					\$ 20,000
Canyon View, Emerald, Old Mill & Hook Creek, Tr2542		\$ 30,000	\$ 170,000	\$ 200,000				\$ 400,000
Tract 59 Contractor Pipeline Replacement (6,000-ft)				\$ 400,000				\$ 400,000
Tracts 50/51 Contractor Pipeline Replacement (3,000-ft)				\$ 200,000				\$ 200,000
Matterhorn/St. Bernard Improvements				\$ 40,000				\$ 40,000
Shelter Cove Fire Flow Improvements				\$ 150,000				\$ 150,000
Emerald Drive Fire Flow Improvements					\$ 200,000			\$ 200,000
Bishorn/Crown Fire Flow Improvements					\$ 10,000			\$ 10,000
Yukon Drive Fire Flow Improvements					\$ 10,000			\$ 10,000
Teakwood Fire Flow Improvements					\$ 10,000			\$ 10,000
St. Anton/Zermatt Fire Flow Improvements						\$ 40,000		\$ 40,000
Pioneer/Peninsula ADD Improvements						\$ 400,000		\$ 400,000
Clubhouse Fire Flow Improvements							\$ 80,000	\$ 80,000

**Lake Arrowhead Community Services District
Water System Capital Improvements Program**

Water CIP		FY 09/10 & Prior Years	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	TOTAL PROJECT COST
Description	P/N							
Lupin Road Fire Flow Improvements							\$ 160,000	\$ 160,000
Spyglass/Fairway Fire Flow Improvements							\$ 100,000	\$ 100,000
Pyramid Drive Fire Flow Improvements							\$ 110,000	\$ 110,000
Jasmine/Mittry Fire Flow Improvements							\$ 10,000	\$ 10,000
Talisman Lane Fire Flow Improvements							\$ 30,000	\$ 30,000
Water Line Replacement Subtotal		\$ 140,000	\$ 960,000	\$ 2,740,000	\$ 230,000	\$ 440,000	\$ 490,000	\$ 5,000,000
Other Water System Projects								
SCADA System Upgrade	O62	700,000	50,000					\$ 750,000
Other Water System Projects Subtotal		\$ 700,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 750,000
Repair & Replacement Reserve Fund (120) Subtotal		\$ 1,190,000	\$ 5,110,000	\$ 7,040,000	\$ 1,280,000	\$ 1,940,000	\$ 490,000	\$ 17,050,000
New Facilities Fund (111)								
Water Pumping & Storage Projects								
Banff Fire Flow Improvements & PRV			\$ 370,000					\$ 370,000
Shasta Fire Flow Improvements			\$ 360,000					\$ 360,000
Amador Fire Flow Improvements				\$ 380,000				\$ 380,000
Spyglass Fire Flow Improvements					\$ 340,000			\$ 340,000
Kodiak Fire Flow Improvements					\$ 380,000			\$ 380,000
Water Pumping & Storage Projects Subtotal		\$ -	\$ 730,000	\$ 380,000	\$ 720,000	\$ -	\$ -	\$ 1,830,000
Other Water System Projects								
InfoWater Model Maintenance		\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000		\$ 50,000
District Maintenance Facility & HQ	200W	\$ 80,000	\$ 250,000	\$ 400,000	\$ 800,000	\$ 870,000		\$ 2,400,000
Emerald Bay Intake Security Fence and Alarm			\$ 70,000					\$ 70,000
Other Water System Projects Subtotal		\$ 90,000	\$ 330,000	\$ 410,000	\$ 810,000	\$ 880,000	\$ -	\$ 2,520,000
New Facilities Fund (111) Subtotal		\$ 90,000	\$ 1,060,000	\$ 790,000	\$ 1,530,000	\$ 880,000	\$ -	\$ 4,350,000
SUMMARY BY FUND								
Supplemental Water Supply Fund (191)								
Supplemental Water Supply Fund (191) Subtotal		\$ 460,000	\$ 230,000	\$ 120,000	\$ 70,000	\$ 40,000	\$ -	\$ 920,000
Repair & Replacement Reserve Fund (120)								
Water Treatment Plant Projects Subtotal		\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000
Water Pumping & Storage Projects Subtotal		\$ 350,000	\$ 3,800,000	\$ 4,300,000	\$ 1,050,000	\$ 1,500,000	\$ -	\$ 11,000,000
Water Line Replacement Subtotal		\$ 140,000	\$ 960,000	\$ 2,740,000	\$ 230,000	\$ 440,000	\$ 490,000	\$ 5,000,000
Other Water System Projects Subtotal		\$ 700,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 750,000
Repair & Replacement Reserve Fund (120) Subtotal		\$ 1,190,000	\$ 5,110,000	\$ 7,040,000	\$ 1,280,000	\$ 1,940,000	\$ 490,000	\$ 17,050,000
New Facilities Fund (111)								
Water Pumping & Storage Projects Subtotal		\$ -	\$ 730,000	\$ 380,000	\$ 720,000	\$ -	\$ -	\$ 1,830,000
Other Water System Projects Subtotal		\$ 90,000	\$ 330,000	\$ 410,000	\$ 810,000	\$ 880,000	\$ -	\$ 2,520,000
New Facilities Fund (111) Subtotal		\$ 90,000	\$ 1,060,000	\$ 790,000	\$ 1,530,000	\$ 880,000	\$ -	\$ 4,350,000
Total Capital Costs		\$ 1,740,000	\$ 6,400,000	\$ 7,950,000	\$ 2,880,000	\$ 2,860,000	\$ 490,000	\$ 22,320,000

**Lake Arrowhead Community Services District
Water System Capital Improvements Program**

Water CIP		FY 09/10 & Prior Years	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	TOTAL PROJECT COST
Description	P/N							
DLP Water Enterprise (320)								
DLP/Overlook Lane Fire Flow Improvements				\$ 220,000	\$ 220,000			\$ 440,000
Seismic Upgrades - DLP Lower Tank						\$ 120,000		\$ 120,000
Seismic Upgrades - DLP Upper Tank						\$ 60,000		\$ 60,000
DLP Water System Analysis						\$ 50,000		\$ 50,000
New DLP Water Tank							\$ 500,000	\$ 500,000
Ion Exchange Treatment System for Wells		\$ 35,000	\$ 35,000					\$ 70,000
Rehab Groundwater Wells			\$ 150,000					\$ 150,000
SCADA System Upgrade		\$ 10,000	\$ 50,000					\$ 60,000
DLP Water Enterprise (320) Subtotal		\$ 45,000	\$ 235,000	\$ 220,000	\$ 220,000	\$ 50,000	\$ 680,000	\$ 1,450,000

**Lake Arrowhead Community Services District
Wastewater System Capital Improvements Program**

Wastewater CIP		FY 09/10 & Prior Years	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	TOTAL PROJECT COST
Description	P/N							
Repair & Replacement Reserve Fund (220)								
Treatment Plant Improvements								
GVWWTP Treatment Capacity Upgrade	OO4	\$ 2,500,000	\$ 3,500,000					\$ 6,000,000
GVWWTP Boiler Replacement			\$ 50,000					\$ 50,000
Hesperia Disposal Site Pond Dikes			\$ 125,000	\$ 125,000				\$ 250,000
Willow Creek WWTP Improvements	O54	\$ 300,000	\$ 2,300,000	\$ 1,700,000				\$ 4,300,000
Hillside Ponds Rehab & Restoration	O54		\$ 200,000	\$ 200,000				\$ 400,000
Treatment Plant Improvements Subtotal		\$ 2,800,000	\$ 6,175,000	\$ 2,025,000	\$ -	\$ -	\$ -	\$ 11,000,000
Collection System - I&I Improvements								
Burnt Mill to Blue Jay Bay Sliplining	O48	\$ 250,000	\$ 750,000					\$ 1,000,000
Smithport Lift Station to Tavern Bay Sliplining	O48	\$ 250,000	\$ 750,000					\$ 1,000,000
Kuffel Canyon Sewer Rehab/Replacement	AD4		\$ 200,000	\$ 650,000	\$ 150,000			\$ 1,000,000
Raise 125 Manholes, CCTV & Rehab in AD4	AD4			\$ 100,000				\$ 100,000
CCTV & Spot Repair in AD5	AD5				\$ 50,000			\$ 50,000
CCTV & Spot Repair in AD6	AD6				\$ 50,000			\$ 50,000
Raise Manholes, CCTV & Rehab in AD8	AD8					\$ 50,000		\$ 50,000
Improvements to Correct I&I	O48			\$ 100,000	\$ 650,000	\$ 1,000,000	\$ 1,000,000	\$ 2,750,000
Collection System - I&I Improvements Subtotal		\$ 500,000	\$ 1,700,000	\$ 850,000	\$ 900,000	\$ 1,050,000	\$ 1,000,000	\$ 6,000,000
Pump Stations								
Lift Station #12 Expanded Wet Well Capacity	O50	\$ 50,000	\$ 75,000					\$ 125,000
Blue Jay #1 Generator & Pumps			\$ 100,000					\$ 100,000
Orchard Bay #5A Generator & Pumps			\$ 100,000					\$ 100,000
Lift Station #7 Generator & Improvements				\$ 100,000				\$ 100,000
Edgewater Condo #4 (air pots)					\$ 50,000			\$ 50,000
Rim Forest #15 (air pots)					\$ 50,000			\$ 50,000
Rim Forest #15A (air pots)					\$ 50,000			\$ 50,000
Rim Forest #16 (air pots)						\$ 50,000		\$ 50,000
Pt. Hamiltair N. #9 (air pots)						\$ 50,000		\$ 50,000
Pt. Hamiltair S. #10 (air pots)						\$ 50,000		\$ 50,000
Deer Lodge #14 (air pots)							\$ 50,000	\$ 50,000
Deer Lodge #14A (air pots)							\$ 50,000	\$ 50,000
Meadow Bay #8 (air pots)							\$ 50,000	\$ 50,000
Cedar Ridge #18 Generator & Pumps				\$ 150,000				\$ 150,000
Crest Park #17 (AD #8)				\$ 80,000				\$ 80,000
Orchard Bay #5 Improvements					\$ 230,000			\$ 230,000
Village Cove #3 Improvements						\$ 85,000		\$ 85,000
Emerald Bay #6 Improvements							\$ 80,000	\$ 80,000
Pump Stations Subtotal		\$ 50,000	\$ 275,000	\$ 330,000	\$ 380,000	\$ 235,000	\$ 230,000	\$ 1,500,000
Pipeline Rehab & Replacement								
Tract 58 Sewer Replacement	O48	\$ 100,000	\$ 1,000,000					\$ 1,100,000
Upsize existing sewer pipe along Calgary Dr., Tract No. 7775 per Master Plan Page 5-41	2.3.02			\$ 450,000				\$ ³⁹ 450,000

**Lake Arrowhead Community Services District
Wastewater System Capital Improvements Program**

Wastewater CIP		FY 09/10 & Prior Years	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	TOTAL PROJECT COST
Description	P/N							
Upsize existing sewer pipe along Grass Valley Rd. Tract No. 6489 per Master Plan Page 5-41	2.3.17				\$ 140,000			\$ 140,000
Upsize existing sewer pipe along Clubhouse Dr, Tract No. 6489 & 7915 per Master Plan Page 5-41	2.3.18					\$ 110,000		\$ 110,000
Outfall: Upsize the 2300' 8" section to 14"							\$ 425,000	\$ 425,000
Pipeline Rehab & Replacement Subtotal		\$ 100,000	\$ 1,000,000	\$ 450,000	\$ 140,000	\$ 110,000	\$ 425,000	\$ 2,225,000
Other Wastewater System Improvements								
SCADA System Upgrade	O55	\$ 450,000	\$ 50,000					\$ 500,000
InfoSewer Model Maintenance		\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 60,000
Other Wastewater System Improvements Subtotal		\$ 460,000	\$ 60,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 560,000
Repair & Replacement Reserve Fund (220) Subtotal		\$ 3,910,000	\$ 9,210,000	\$ 3,665,000	\$ 1,430,000	\$ 1,405,000	\$ 1,665,000	\$ 21,285,000
New Facilities Fund (211)								
District Maintenance Facility & HQ	200	\$ 120,000	\$ 350,000	\$ 1,500,000	\$ 1,500,000	\$ 145,000		\$ 3,615,000
New Facilities Fund (211) Subtotal		\$ 120,000	\$ 350,000	\$ 1,500,000	\$ 1,500,000	\$ 145,000	\$ -	\$ 3,615,000
SUMMARY BY FUND								
Repair & Replacement Reserve Fund (220)								
Treatment Plant Improvements Subtotal		2,800,000	6,175,000	2,025,000	-	-	-	11,000,000
Collection System - I&I Improvements Subtotal		500,000	1,700,000	850,000	900,000	1,050,000	1,000,000	6,000,000
Pump Stations Subtotal		50,000	275,000	330,000	380,000	235,000	230,000	1,500,000
Pipeline Rehab & Replacement Subtotal		100,000	1,000,000	450,000	140,000	110,000	425,000	2,225,000
Other Wastewater System Improvements Subtotal		460,000	60,000	10,000	10,000	10,000	10,000	560,000
Repair & Replacement Reserve Fund (220)		3,910,000	9,210,000	3,665,000	1,430,000	1,405,000	1,665,000	21,285,000
New Facilities Fund (211)								
Other Improvements - District Office		120,000	350,000	1,500,000	1,500,000	145,000	-	3,615,000
New Facilities Fund (211)		120,000	350,000	1,500,000	1,500,000	145,000	-	3,615,000
Total Capital Costs		\$ 4,030,000	\$ 9,560,000	\$ 5,165,000	\$ 2,930,000	\$ 1,550,000	\$ 1,665,000	\$ 24,900,000



Departmental Structure

ADMINISTRATION/BOARD

General Manager
Board Administration
Personnel & Risk Management

General Manager
Board Administration
Personnel & Risk Management

General Manager
Board Administration
Personnel & Risk Management

ADMINISTRATIVE SERVICES

General Administration
Customer Service
Public Information and Outreach
Finance
Information Technology
Water Conservation
Field Representative & Meter Reading

General Administration
Customer Service
Public Information and Outreach
Finance
Information Technology
Field Representative

General Administration
Field Representative & Meter Reading

ENGINEERING

Engineering

Engineering

OPERATIONS & MAINTENANCE

Operations Administration
Repair & Maintenance
Treatment Plants
Supplemental Water Treatment
Pump Stations
Physical Plant Maintenance
Maintenance Administration
Distribution Preventative Maintenance
Distribution Repairs
Distribution Service Orders
Distribution Service Installation

Operations Administration
Plant Repairs & Maintenance
Treatment Plant
Lift Stations
Waste Disposal
Physical Plant Maintenance
Maintenance Administration
Collection Preventative Maintenance
Collection Repairs
Collection Service Orders
Collection Inspection

Treatment
Pump Stations
Maintenance

Water Enterprise

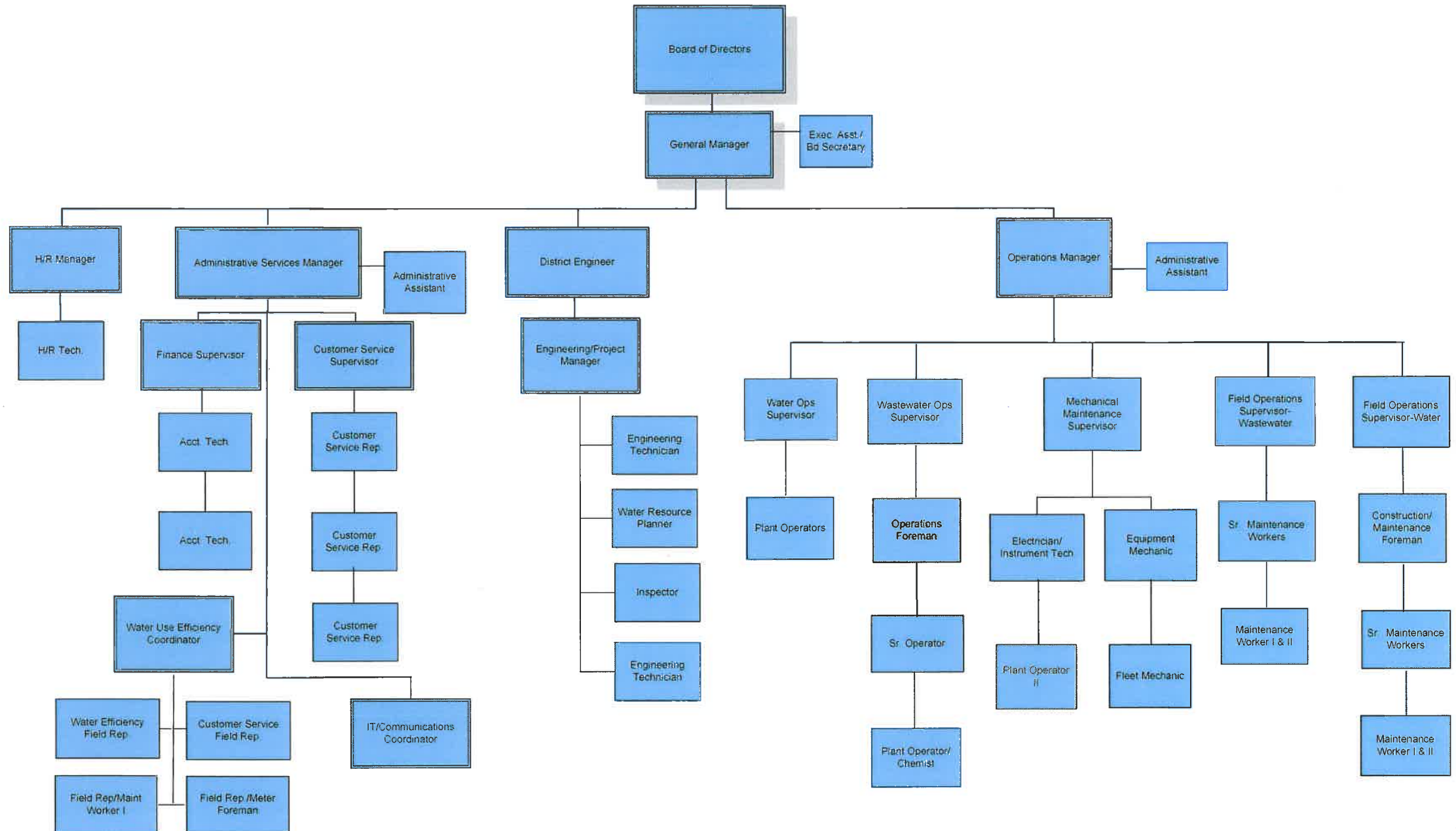
Wastewater Enterprise

Deer Lodge Park

**LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
AUTHORIZED POSITION LISTING
FISCAL YEAR 2010-2011 BUDGET**

Authorized Position Listing FY 2010/2011	Fiscal Year 2009/2010		Fiscal Year 2010/2011	
	Filled	Unfilled	Additions/-Deletions	Total
Administration/Board				
General Manager	1			1
Executive Assistant	1			1
Human Resources Manager	1			1
Human Resources Technician	1			1
Total Administration/Board	4	0	0	4
Administrative Services				
Administrative Services Manager	1			1
Administrative Assistant	1			1
Customer Service Supervisor	1			1
Customer Service Rep.	3			3
Finance Supervisor	1			1
Accounting Tech.	2			2
IT/Communication Coordinator	1			1
Water Use Efficiency Coordinator	1			1
Field Representative/Meter Reader Foreman			1	1
Customer Service Field Rep.	1			1
Field Rep. Maint. Worker	1			1
Water Efficiency Field Rep.	0.75			0.75
Total Administrative Services	13.75	0	1	14.75
Engineering				
District Engineering	1			1
Engineering Project Manager	1			1
Water Resources Planner	1			1
Inspector	1			1
Engineering Tech.	2			2
Total Engineering	6.00	0.00	0	6.00
Operations & Maintenance				
Operations Manager	1			1
Maintenance Manager	1		-1	0
Administrative Assistant			1	1
Water Operations Supervisor	1			1
Wastewater Operations Supervisor	1			1
Operations Foreman	1			1
Field Operations Supervisor - Wastewater	1			1
Field Operations Supervisor - Water	1			1
Construction/Maintenance Foreman	1			1
Sr Operator Red Crcl	1			1
Treatment Plant Operator II	3			3
Plant Operator II	2			2
Treatment Plant Operator	2			2
Lab Director	1			1
Labaroty Analyst	1			1
Electrical/Instrument Tech	2			2
Mechanical Maintenance Supervisor	1			1
Equipment Mechanic	2			2
Fleet Mechanic	1			1
Senior Maintenance Worker	5	1		6
Maintenance Worker I/II	16		-4	12
Total Operations & Maintenance	45	1	-4	42
TOTAL DISTRICT	68.75	1	-3	66.75
SUMMARY BY DIVISION				
Administration/Board	4.00	0.00	0.00	4.00
Administrative Services	13.75	0.00	1.00	14.75
Engineering	6.00	0.00	0.00	6.00
Operations & Maintenance	45.00	1.00	-4.00	42.00
DISTRICT TOTAL	68.75	1.00	-3.00	66.75

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
ORGANIZATIONAL CHART



Glossary

General Budget Terminology

Assets: resources owned or controlled by the District; includes the District's cash and its utility infrastructure.

Bonds: a form of debt issued by governments that is repaid, usually with interest, over periods stretching from a few years to a few decades; they are typically issued to finance the acquisition, construction, and rehabilitation of capital assets.

Capital Assets: assets used in operations that have initial useful lives of more than one year, such as land, buildings, improvements to buildings, vehicles, equipment, and infrastructure.

Capital Contributions: amounts received that are restricted for building or purchasing capital assets, or the receipt of an actual capital asset.

Capital Projects: projects related to the construction, acquisition, and renovation of capital assets.

Change in Fund Balance: the increase or decrease from year to year in cash; it is the sum total of the revenues and expenditures reported in the fund.

Charges for Services: fees and other charges to the users or recipients of goods and services the District provides, such as water and sewer service.

Debt Service: the payment of interest and principal on amounts borrowed.

Enterprise Fund: a type of fund that accounts for goods and services provided by the District, generally on a user-charge basis. The District has a Water Enterprise, a Wastewater Enterprise, and the Deer Lodge Park Enterprise.

Expenditures: the outflow of cash, a promise to pay, or other financial resources in return for goods and services that have been received.

Fiscal Year: the typical period covered by a government's budget and financial statements. The District operates on the 12-month fiscal year beginning July 1st and ending June 30th of every year.

Fund: a fiscal and accounting entity created by a government for the purpose of tracking the finances of a particular activity or group of activities, such as water or sewer service.

Fund Balance: cash remaining after expenditures are subtracted from receipts.

Infrastructure: especially long-lasting capital assets that are stationary, can be preserved for significantly greater periods than most capital assets, and typically are part of a large system of assets, such as water mains and sewers.

Interest Expense: the cost of using borrowed money; it is typically a percentage of principal.

Net Change in Reserves: the remainder after receipts are subtracted from expenditures; a positive number indicates an increase in cash, while a negative number indicates a decrease in cash.

Operating Expenses (or Expenditures): the costs of producing and providing goods and services.

Operating Revenues (or Receipts): fees and charges generated by the production and provision of goods and services to customers of the District.

Principal: the original amount borrowed via bonds, loans, or other debt instrument.

Reserve Balance: portions of fund balances that are set aside for future purposes and therefore cannot or should not be appropriated for general uses.

Useful Life: period during which a capital asset is expected to be usable for government operations.

Reserve Funds

New Facilities Fund: Projects in the New Facilities Fund are paid with fees collected from new connections to the system. Capital projects of the District for infrastructure upgrade and expansion are paid from this fund first, then the Major Facilities Replacement Fund. There is no desired minimum balance for the New Facilities Fund.

Major Facilities Replacement Fund: The Major Facilities and Replacement Fund is not restricted as to use and is funded with fees collected from existing customers on their monthly bill. This fund pays for repairs to existing infrastructure and unanticipated capital projects that may occur with a catastrophic event. The minimum desired balances in these funds are based on the Cash Reserve Policy.

Supplemental Water Supply Fee: On August 7, 2004 the District Board of Directors adopted the Supplemental Water Supply Fee (“Fee”). This fee is collected on the County of San Bernardino tax roll on behalf of the District. Monies in this fund are restricted for use of obtaining supplemental water supplies, whether by purchasing water or through capital projects required to access supplemental water supplies.

Rate Stabilization Fund: Used in cases of unusual increase or one time expenditures in order to smooth those effects on rates. There is a target minimum balance of 20% of budgeted revenue.

Operating Reserve Fund: The minimum amount to set aside in cases of emergencies to fund 3 months of operating expenses or to absorb costs not anticipated in the budget.

**LAKE ARROWHEAD COMMUNITY
SERVICES DISTRICT**
Lake Arrowhead, California

Comprehensive Annual Financial Report

Year ended June 30, 2009

Prepared by:

Debbie Aubin, Finance Manager

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LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Comprehensive Annual Financial Report

Year ended June 30, 2009

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LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Comprehensive Annual Financial Report

Year ended June 30, 2009

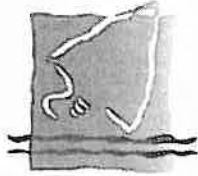
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INTRODUCTORY SECTION

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Lake Arrowhead



Community Services District

October 30, 2009

Members of the Board of Directors
Lake Arrowhead Community Services District

Directors:

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) for the Lake Arrowhead Community Services District (District) for the fiscal year ended June 30, 2009. The intended purpose of the financial report is to provide the Board of Directors, the customers of the District, and other interested parties with reliable information on the finances of the District. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Mayer Hoffman McCann, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2009 are fairly presented in conformity with Generally Accepted Accounting Principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The District's MD&A can be found immediately following the report of the independent auditors in the financial section of this report.

In addition to the required components of the Financial Report, the District has elected to prepare this Comprehensive Annual Financial Report which includes supplementary information in this Letter of Transmittal and the Statistical Section. The Letter of Transmittal is intended to discuss the District's future direction and

accomplishments. It is designed to complement the MD&A and should be read in conjunction with it. The Statistical Section includes various financial trends and demographic information.

DISTRICT OVERVIEW

Community Services Districts have the power to provide a wide variety of services, including water and wastewater services, fire and police protection, public library services, public airports, and communication facilities. Only water services (the "Water System") and wastewater services (the "Wastewater System") have been authorized to be provided by this District.

The District was formed March 16, 1978 under the Community Services District Law (California Government Code 61000) for the purpose of purchasing a privately owned water system serving properties in the community of Arrowhead Woods, which surrounds Lake Arrowhead.

On June 7, 1983, the voters approved the annexation of the Lake Arrowhead Sanitation District, which was governed by the Board of Supervisors of San Bernardino County (the "County") and operated under the County's special districts department, to the District to provide sewer services. On July 1, 1983, the District assumed control and operation of the Lake Arrowhead Sanitation District. This resulted in the expansion of the District to its current boundaries.

On April 1, 1985, the District assumed ownership and control of the Deer Lake Water Corporation, which provided water to the residents of Deer Lodge Park ("DLP"). DLP is outside of the District boundaries for water service using Lake Arrowhead as source (known as Arrowhead Woods Certified Water Service Area); therefore, all water sold in the DLP area is either produced from existing wells within the area or purchased from the Crestline-Lake Arrowhead Water Agency (a State Water Project contractor) for sale in DLP.

The District encompasses about 15 square miles and serves approximately 8,300 water customers (including Deer Lodge Park) and 10,600 wastewater customers. The District is located in the San Bernardino Mountains, 23 miles north of the City of San Bernardino and approximately 75 miles east of Los Angeles.

Day-to-day management of the Water and Sewer Systems is delegated to the General Manager of the District who reports directly to the Board of Directors. Reporting to the General Manager are the five department heads: District Engineer, Finance Manager, Human Resources Manager, Maintenance Manager, and Operations Manager.

The District's certificated water service area covers approximately 4,900 acres and is coterminous with the geographic area known as Arrowhead Woods. The topography of the water service area consists of mountainous terrain with about 40% of the land having slopes greater than 30%. The surface is underlain by dense, fractured and jointed granite.

The District owns and operates the Bernina Water Treatment Plant (WTP) with a 5 million gallon-per-day (mgd) permitted treatment capacity and the Cedar Glen WTP with a 2 mgd permitted treatment capacity. Water is pumped from two intakes in Lake Arrowhead:

One at North Bay and one at Emerald Bay. The intake facility located in North Bay conveys untreated water to the Bernina WTP for treatment and the intake facility at Emerald Bay conveys untreated water to the Cedar Glen WTP. The quality of the water produced at the WTPs exceeds the California Department of Public Health requirements. The total permitted treatment capacity of the existing water treatment system is 7 mgd. The current average annual daily demand on the water system is 2.3 mgd. However, because the residential makeup of the District is highly seasonal, daily demand increases during weekends and holidays. Summer holiday peak daily demand can reach 6 mgd and at full build out the peak daily demand is estimated to be 7.5 mgd, which will require an upgrade to one of the two water treatment plants. Build out of the District's water service area is not expected to occur until sometime after the year 2025 depending on the rate of growth and the number of buildable lots. The District currently maintains 18 water storage reservoirs, 9 pressure tanks, 22 water pumping stations, as well as approximately 250 miles of water mains.

The District also owns and operates 2 wastewater treatment plants, the Willow Creek and the Grass Valley Wastewater Treatment Plants (WWTP), with a total combined permitted treatment capacity for dry weather average daily flow of 3.75 mgd. Partially treated effluent is conveyed from the Willow Creek WWTP to the Grass Valley WWTP for final treatment. Treated wastewater is then conveyed through the District's 10-mile outfall pipeline to percolation ponds on a 350 acre facility owned by the District in Hesperia. The wastewater collection system collects wastewater from two drainage basins: the Lake Arrowhead Basin and the Grass Valley Basin. The District has approximately 200 miles of sewer pipelines and 21 lift stations that convey wastewater to one of the two wastewater treatment plants.

LOCAL ENVIRONMENT

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Lake Arrowhead Community Services District operates.

Lake Arrowhead is an unincorporated area governed by the County of San Bernardino. The District provides water and wastewater services only. San Bernardino County provides fire, police, and library services in the area. The Arrowhead Lake Association (ALA) oversees recreational use of the lake and the immediate lake shoreline.

The District enjoys a favorable, steady small growth environment with new water connections averaging less than 1% per year for the period 1995 through 2009. In order to help maintain this rate of new water connections, in June 2006, the District adopted Ordinance 65 to limit the number of new water connection permits to five per month. This was in response to State Water Resources Control Board (SWRCB) Order WR 2006-0001 (see section below on Water Management). During the time the Ordinance was being considered, the number of new connections increased, which caused the overall increase in new connections during the fiscal year to over 2%.

The population of the District is difficult to estimate, especially since the District is in an unincorporated area and a large fraction (70%) of the residential units are second homes. As a result, during seasonal and holiday periods the population in the area can significantly increase. This is particularly true during the summer, and especially summer

holiday weekends. It is estimated that the permanent population is about 14,000 residents with holiday weekend populations exceeding 30,000.

WATER MANAGEMENT

The major source of water for the Lake Arrowhead community is Lake Arrowhead. The lake contains approximately 47,000 acre feet of relatively high quality water and has a surface area of approximately 780 acres. Some water is provided by groundwater wells and imported water is also purchased from the State Water Project through an agreement with the San Bernardino Valley Municipal Water District (MUNI) and the Crestline-Lake Arrowhead Water Agency (CLAWA). The agreement was entered into on July 7, 2005 for a 10-year period with an optional five year extension. The agreement allows for the delivery of 7,600 acre feet of water. This imported water is treated by CLAWA to meet drinking water standards before delivery to the District. To accept delivery, the District constructed a pipeline, 1 MG reservoir and funded a turnout built by CLAWA. The cost of the water at the time of the agreement was \$2,627 per acre foot, but will increase over time as energy costs increase. Based on the rate at the time of the agreement, the costs of the water over the entire contract period, including escalating energy costs would be \$20—25 million.

In 2006, the State Water Resources Control Board issued Order No. WR 2006-0001 (Order) that absolutely limits the District's withdrawals from Lake Arrowhead to 1,566 acre feet per year (afy) beginning in 2008. In addition, the District entered into a Memorandum of Understanding with the Arrowhead Lake Association to establish a goal to maintain the elevation of Lake Arrowhead at or above 5,100 foot elevation. In compliance with the order restricting withdrawals from Lake Arrowhead, the community has developed some supplemental water sources.

WASTEWATER MANAGEMENT

The District must comply with local, State and Federal regulations governing the collection treatment and disposal of the Community's wastewater. The agencies regulating the District's wastewater activities include: The State Regional Water Quality Control Board (RWQCB), California Department of Public Health (CDPH), San Bernardino County Environmental Health and the United States Forest Service (USFS).

The District's Wastewater system is operated under a set of Waste Discharge Requirements (WDR) as part of Regional Board Order No. R6V-2009-0037 issued June 10, 2009 by the RWQCB.

The District developed and implemented a Sewer System Management Plan (SSMP) this past fiscal year to improve its spill prevention and (I/I) prevention programs as required by the WDR.. The primary goal of the program is to prevent all spills from the Collection System.

In an effort to bring the District in to compliance with the CDO, the District is in the process of upgrading and expanding its Grass Valley WWTP to meet CDPH Title 22 tertiary standards for wastewater treatment and obtaining an emergency discharge permit so that in extreme wet weather events the District may discharge flows that exceed the capacity of the treatment and disposal system to Grass Valley Creek.

FEES AND CHARGES

The District's fees and charges are collected through monthly bills, the County of San Bernardino Tax roll and capacity/connection fees for new or changed usage. The monthly charges for residential wastewater are fixed based on the average residential sewage generating capacity. Commercial wastewater and all monthly water charges consist of fixed components based on capacity available and variable components based on the actual volume of flow. Variable water charges also are structured as increasing block tiers to reflect the limited local low cost water available, to recover the dramatically higher costs associated with imported supplemental water from CLAWA and to fund fiscal incentives to foster permanent water conservation measures within the District.

To assist with the funding of supplemental water supplies, in 2004 the District adopted a Supplemental Water Fee collected annually on the County property tax roll. The fee consists of a fixed annual charge for all water connections and a variable water charge based on previous calendar year water usage. The fee was established for 15 years and the fiscal year ending 2009 was the fifth year of the fee.

The District also collects capacity/connection fees for new or enlarged services adding capacity or demand on the water and wastewater systems. These fees are established through the nexus of new facilities required to provide the additional supplies for the new demand.

GRANTS

The District has been successful in obtaining several grants over the last five years totaling more than 3.7 million dollars.

Grant funding administered by the Environmental Protection Agency (EPA) was obtained in both federal fiscal years' 2005 and 2006 appropriations in the amount of \$431,300, which is being used for the District's recycled water program. The District has received the total grant amount and applied it towards the engineering services during construction and other professional services related to the Recycled Water Phase I project.

Another grant, administered by the United States Bureau of Reclamation (USBR) federal fiscal year 2006 was awarded in the amount of \$250,000 for a portion of the IWRP related to groundwater management. The District has received the total grant amount and has applied it towards the IWRP project. The District has also secured approximately \$492,000 in the Fiscal Year 2008 Bureau of Reclamation portion of the House Energy and Water Appropriations Bill to develop the District's IWRP. The District and the Bureau worked together to complete the IWRP Final Report in 2007 and the next steps are to begin implementation including surface and groundwater management activities as well as a bathymetric survey and hydrodynamic investigation of Lake Arrowhead. The District is expecting to receive another appropriation totaling \$1,000,000 in the Federal Fiscal Year 2010 Bureau of Reclamation portion of the House Energy and Water Appropriations Bill.

The District's final grant agreement was executed on November 5, 2008 with the SWRCB Division of Financial Assistance for a Proposition 13 - Water Recycling Funding

Program Grant in the amount of \$2,407,601 to help fund construction of the District's phase 1 recycled water project. The District expects to receive 100% of this grant by the end of 2009.

The District was also successful in obtaining grants directly from the USBR in the amounts of \$208,000 toward an Automatic Meter Reading (AMR) conservation program.

ACCOUNTING SYSTEM

The Finance/Customer Service Department is responsible for providing the financial services for the District, including financial accounting and reporting, payroll, accounts payable, budgeting, billing and collection of water and wastewater charges, taxes, and other revenues, as well as special financial analysis. The District's books and records are maintained on an enterprise basis and follow the full accrual method of accounting. Revenues are recorded when earned and expenses when incurred.

INTERNAL CONTROLS

The District's management is responsible for establishing and maintaining a system of internal controls designed to safeguard the District's assets from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principals. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing controls, management must recognize that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost vs. benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards the District's assets and provides reasonable assurance that accounting transactions are properly recorded.

BUDGETARY CONTROLS

The Board adopts an annual budget as a management control tool. As a management control tool, comparison information is presented to the Board quarterly to monitor revenues and expenditures within the District with explanations of any major variances from budget. In addition, monthly reports are provided to all department managers in order to monitor and plan for expenditures that will help keep them within the budget adopted.

CASH MANAGEMENT

The District is legally empowered by statute and resolution to invest in certain investment vehicles. However, the District has not in recent years ventured into the utilization of an investment broker and the purchase of securities. For the fiscal year 2008/2009, the District chose to invest all monies, except for those held by a fiscal agent, in the Local Agency Investment Fund (LAIF).

RISK MANAGEMENT

The District participates in a joint venture with forty-three other participants in California Sanitation Risk Management Authority ("CSRMA") for workers' compensation and forty members pooled liability insurance. CSRMA has a self-insured retention of \$750,000 per occurrence for workers' compensation and pooled liability. Workers' compensation does not have a deductible and pooled liability has a \$50,000 deductible.

Additional coverage is provided to CSRMA for workers' compensation as a result of purchasing excess insurance provided by National Union Fire Insurance Company. The excess limits for the workers' compensation program are "statutory". Additional coverage is provided to CSRMA as a result of purchasing reinsurance for pooled liability through Munich reinsurance America, Inc. The reinsurance provides up to \$15,000,000 additional coverage once a claim exceeds \$750,000. The amount of settlements has not exceeded insurance coverages for each of the past three fiscal years. No material liability exists for the District at June 30, 2009 for risk management activities.

PENSION PLAN

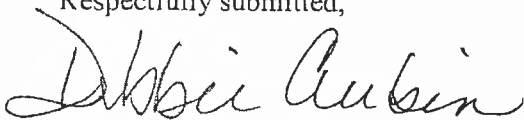
On March 1, 2009 the remaining 16 participants of the 401(a) pension plan rolled over their investment to CalPERS giving the District 100% participation in CalPERS. The District pays for the employer and by labor agreement, employee cost of CalPERS. The current employer rate is 15.743% and the employee rate is 8%. The employer rate is subject to change from year to year depending on the required balance in the District's account as determined by the actuaries.

The District also offers Section 457 deferred compensation to the employees of the District with a matching contribution not to exceed 2% to 3% of salary, depending upon the classification of the employee. All assets are held for the exclusive benefit of the participants and their beneficiaries. Therefore, the plan assets and corresponding liability to the participants are no longer recognized in the accompanying financial statements.

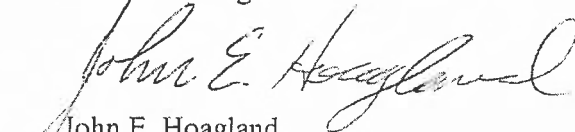
AWARD FOR EXCELLENCE IN REPORTING

The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate for an Award for Outstanding Financial Reporting to Lake Arrowhead Community Services District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the eighth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Respectfully submitted,



Debbie Aubin
Finance Manager



John E. Hoagland
General Manager

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*California Society of
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting for the Fiscal
Year ending June 30, 2008*

Presented to the

Lake Arrowhead Community Services District

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting systems from which the reports were prepared.*

February 20, 2009



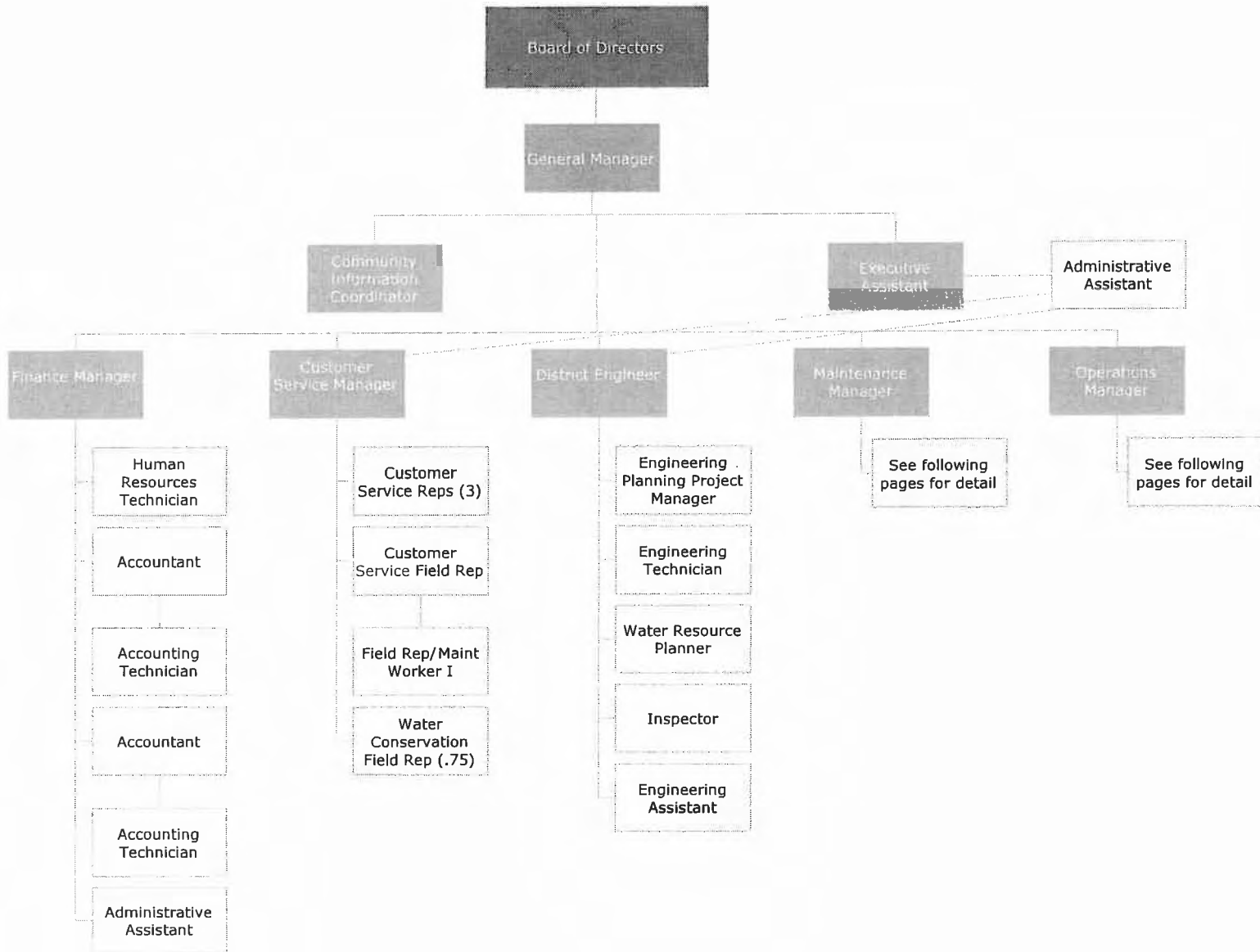
Thomas Fil, President



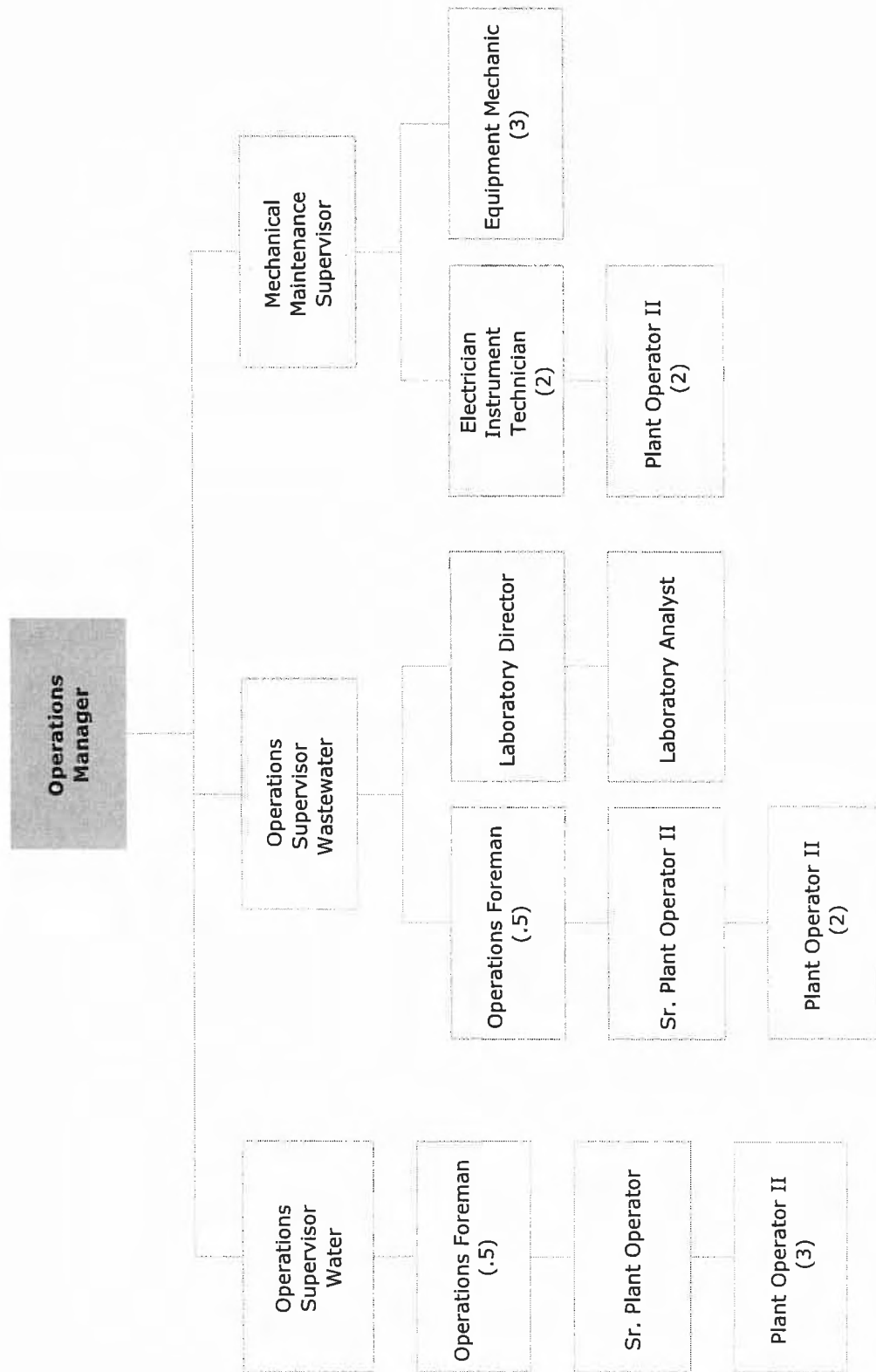
*Sandra Schmidt, Chair
Professional & Technical Standards Committee*

Dedicated Excellence in Municipal Financial Management

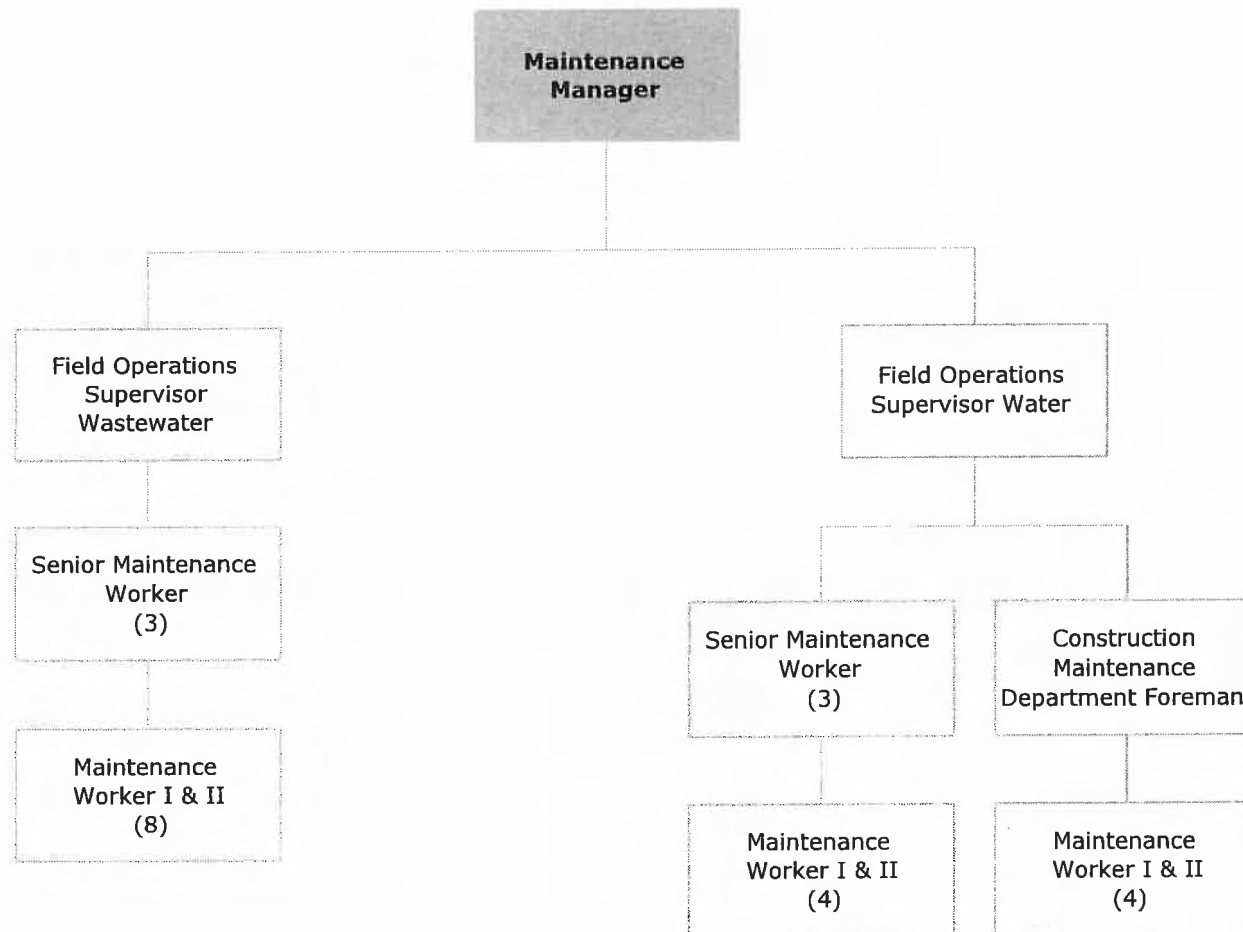
**LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
ORGANIZATIONAL CHART**



LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT ORGANIZATIONAL CHART



LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT ORGANIZATIONAL CHART



LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Board of Directors

Year ended June 30, 2009

<u>Board Member</u>	<u>Term Expiration</u>
Geoffrey K. Goss, <i>President</i>	November 30, 2009
David Ben-Hur, <i>Vice President</i>	November 30, 2011
Stan Sievers, <i>Director</i>	November 30, 2009
Leroy L. Carver, Jr., <i>Director</i>	November 30, 2009
Ralph Wagoner, <i>Director</i>	November 30, 2011

General Manager

John E. Hoagland

Management Team

Robert Ardis, Maintenance Manager
Debbie Aubin, Finance Manager
Kenneth Nelson, Operations Manager
Ryan Gross, District Engineer

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FINANCIAL SECTION

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Board of Directors
Lake Arrowhead Community Services District
Lake Arrowhead, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of each major fund of the Lake Arrowhead Community Services District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of the District for the year ended June 30, 2008 and in our report dated October 15, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund, and the aggregate remaining fund information of the District as of June 30, 2009 and the respective changes in financial position and cash flows, of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* 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 do not express an opinion on it.

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial

Board of Directors
Lake Arrowhead Community Services District
Page Two

statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Meyer Hoffmann McCann, P.C.

Irvine, California
October 30, 2009

Management Discussion and Analysis

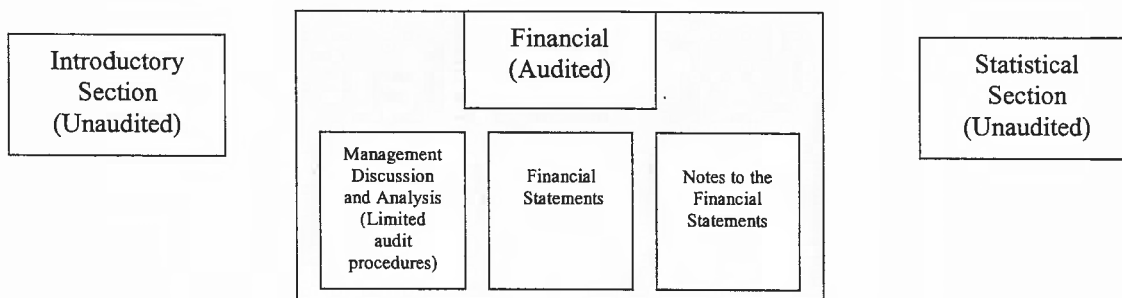
This section of Lake Arrowhead Community Services District's (LACSD or District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2009.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts:

- 1. Introductory:** This section is unaudited and includes a Transmittal Letter with background information on the District, a copy of the CSMFO Certificate of Award for Outstanding Financial Reporting, an organization chart, and a List of Principal Officers of the District.
- 2. Financial:** This section includes the audited financial report. The components of the financial report include the Independent Auditor's Report, the Management Discussion and Analysis (MD&A) of the financial statements, and the audited financial statements and notes to the financial statements. The MD&A has limited audit procedures performed on it in contrast to the financial statements and the notes to the financial statements, which are fully audited. Discussion of the audit procedures is included in the auditors' opinion letter.
- 3. Statistical:** This section is unaudited and includes selected financial and demographic information relevant to the Lake Arrowhead Community Services District and its service area.

Below is a diagram of the components of the annual report.



ABOUT THE DISTRICT

The District was first formed as a water agency in 1978 and then later acquired the wastewater system from the County of San Bernardino in 1983. The boundaries of the wastewater system extend beyond the boundaries of the water system; therefore some of the customers serviced by the wastewater system do not receive water from our District. In 1985, the District formed the Deer Lodge Park Water system assessment district for infrastructure upgrades needed for water

quality control purposes and on April 1, 1985 assumed ownership and control of the Deer Lake Water Corporation, a private water company.

The District is a single proprietary, meaning it operates like a business or enterprise in that it charges a fee for services. As such, the financial statements are presented on a full accrual basis of accounting. The District separates the operations, fees paid, and the corresponding expenses into three separate enterprises: Water, Wastewater, and Deer Lodge Park. These enterprises are accounted for separately in the financial statements due to the nature of how each of these operations were acquired and the arms length transactions that take place to ensure equity among all rate payers in the District. The distinction between these enterprises lies within the boundary of the Lake Arrowhead Community Services District.

FINANCIAL ANALYSIS OF THE DISTRICT

The statement of net assets shows the financial position of the District and is broken down into three major parts. They are the assets, liabilities, and net assets. The net assets are the difference between total assets and total liabilities.

The net assets are further broken down into three categories. Those categories and the definition of each are as follows:

Invested in capital assets: This is that portion of the fixed or capital assets net of the corresponding long-term debt. This does not include those long term debt items not associated with capital assets, such as compensated absences and, in the current situation, the interfund payable.

Restricted: This is the portion of assets that are restricted either by legal action or outside agencies. The restrictions are placed on the cash by bond covenant and Governmental Accounting Standards Board (GASB) for our capacity fees and can only be appropriated as allowed by the bond covenant, GASB and State Statute. In addition, the District Board of Directors has taken action to restrict the Supplemental Water Fee Funds (discussed later in this MD&A) by way of Ordinance 61.

Unrestricted: This is the portion that is not invested in capital assets or restricted and is the amount generally available for designation or appropriation by the District. This is the difference between current assets and current liabilities. It also includes certain long-term liabilities not associated with capital assets.

Net assets & change in net assets

The Net Assets of the District are described for each of the District's three enterprises: Water, Wastewater and Deer Lodge Park, along with the corresponding Statement of Revenues, Expenses and Changes in Net Assets which depicts the results of operations for the fiscal year. A major portion of the increase in net assets each year is designated and used for capital projects and purchases as well as principal payments on debt service.

General: Interest earnings dropped significantly this past year across all enterprises due to macro-economic conditions and impacts all three enterprises.

Water: The water net assets increased \$7,433,849 or 23% (See Table A-1). This increase was in net assets invested in capital as a result of the addition of the recycled water projects, Automatic Meter Reading Mosaic Upgrade, and water pipelines installed this year (refer to section on capital assets and debt administration).

In 2004, the District implemented a new Supplemental Water Supply Fee that is recorded in Restricted Net Assets. The objective of the funds generated by the fee is to diversify the District's water supply to eliminate reliance on the lake as the community's sole source of water supply.

Table A-1
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
Net Assets
Water Enterprise Fund

	2009	2008	Difference	Total Percentage Change 2008-2009
Assets				
Current assets	\$ 5,434,378	\$ 6,263,489	\$ (829,111)	(13%)
Restricted cash and investments	5,203,256	7,981,375	(2,778,119)	(35%)
Noncurrent assets	171,662	328,855	(157,193)	(48%)
Capital assets	36,729,340	27,542,233	9,187,107	33%
Total assets	<u>47,538,636</u>	<u>42,115,952</u>	<u>5,422,684</u>	13%
Liabilities				
Current liabilities	1,760,470	1,711,807	48,663	3%
Current liabilities payable from restricted assets	2,944,517	4,610,342	(1,665,825)	(36%)
Net long-term liabilities	2,903,481	3,297,484	(394,003)	(12%)
Total liabilities	<u>7,608,468</u>	<u>9,619,633</u>	<u>(2,011,165)</u>	(21%)
Net assets				
Invested in capital assets	33,925,022	24,338,762	9,586,260	39%
Restricted	2,258,739	3,371,033	(1,112,294)	(33%)
Unrestricted	3,746,407	4,786,524	(1,040,117)	(22%)
Net assets	<u><u>\$ 39,930,168</u></u>	<u><u>\$ 32,496,319</u></u>	<u><u>\$ 7,433,849</u></u>	23%

Table B-1
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Water Enterprise Fund

	2009	2008	Difference	Total Percentage Change 2008-2009
Operating Revenues				
Charge for services	\$ 3,632,980	\$ 3,861,155	\$ (228,175)	(6%)
Tiered rates	554,281	961,338	(407,057)	(42%)
Supplemental water supply fee	462,956	2,984,995	(2,522,039)	(84%)
Other income	157,345	180,149	(22,804)	(13%)
Total operating revenues	4,807,562	7,987,637	(3,180,075)	(40%)
Operating Expenses				
Operations	1,259,213	1,190,170	69,043	6%
Water purchase	14,653	-	14,653	
Supplemental water purchase	462,956	2,984,995	(2,522,039)	(84%)
Distribution maintenance	812,339	777,434	34,905	4%
Physical maintenance	348,601	322,038	26,563	8%
Administration	1,314,870	1,278,719	36,151	3%
Engineering	170,789	130,895	39,894	30%
Water conservation	261,029	255,895	5,134	2%
Depreciation expense	1,030,590	879,347	151,243	17%
Total operating expense	5,675,040	7,819,493	(2,144,453)	(27%)
Operating income (loss)	(867,478)	168,144	(1,035,622)	(616%)
Non-operating revenues (expenses)				
Interest income	228,475	612,338	(383,863)	(63%)
Grant income	1,169,568	814,648	354,920	44%
Interest expense	(151,701)	(188,556)	36,855	(20%)
Net Increase in fair value of Investm	17,040	4,930	12,110	246%
Refund of connection fees	(2,975,136)	-	(2,975,136)	
Other income (expense)	48,308	(1,704)	50,012	(2935%)
Total non-operating revenues (expenses)	(1,663,446)	1,241,656	(2,905,102)	(234%)
Income (loss) before capital contributions and transfers	(2,530,924)	1,409,800	(3,940,724)	(280%)
Capital contributions	9,964,773	2,379,857	7,584,916	319%
Change in net assets	7,433,849	3,789,657	3,644,192	96%
Beginning net assets	32,496,319	28,706,662	3,789,657	13%
Ending net assets	\$ 39,930,168	\$ 32,496,319	\$ 7,433,849	23%

Wastewater: The total net assets of the Wastewater fund increased \$1,704,4110 or 5% (See Table A-2). This increase was in net assets invested in capital as a result of significant pipeline rehabilitation and improvements made to Lift Stations 9 & 10 during the year (refer to section on capital assets and debt administration).

Table A-2
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
Net Assets
Wastewater Enterprise Fund

	2009	2008	Difference	Total Percentage Change 2008-2009
Assets				
Current assets	\$ 8,957,760	\$ 8,882,311	\$ 75,449	1%
Restricted cash and investments	8,115,494	7,768,254	347,240	4%
Capital assets	27,337,421	27,790,828	(453,407)	(2%)
Total assets	44,410,675	44,441,393	(30,718)	(0%)
Liabilities				
Current liabilities	1,128,324	1,128,495	(171)	(0%)
Current liabilities payable from restricted assets	6,987,549	1,380,760	5,606,789	40%
Net long-term liabilities	3,433,431	10,774,877	(7,341,446)	(68%)
Total liabilities	11,549,304	13,284,132	(1,734,828)	(13%)
Net assets				
Invested in capital assets	24,052,735	17,156,972	6,895,763	40%
Restricted	1,127,945	6,387,494	(5,259,549)	(82%)
Unrestricted	7,680,691	7,612,795	67,896	1%
Net assets	\$ 32,861,371	\$ 31,157,261	\$ 1,704,110	5%

Table B-2
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Wastewater Enterprise Fund

	2009	2008	Difference	Total Percentage Change 2008-2009
Operating Revenues				
Charge for services	\$ 5,004,798	\$ 4,827,649	\$ 177,149	4%
Other income	94,572	116,336	(21,764)	(19%)
Total operating revenues	5,099,370	4,943,985	155,385	3%
Operating Expenses				
Operations	1,987,424	1,888,279	99,145	5%
Collection maintenance	987,573	903,768	83,805	9%
Physical maintenance	327,906	318,758	9,148	3%
Administration	1,613,962	1,557,535	56,427	4%
Engineering	229,152	182,633	46,519	25%
Depreciation expense	1,277,471	1,360,826	(83,355)	(6%)
Total operating expense	6,423,488	6,211,799	211,689	3%
Operating income (loss)	(1,324,118)	(1,267,814)	(56,304)	4%
Non-operating revenues (expenses)				
Property taxes	2,947,314	2,897,943	49,371	2%
Interest income	330,308	667,637	(337,329)	(51%)
Grant Income	128,540	136,488	(7,948)	100%
Interest expense	(551,316)	(622,397)	71,081	11%
Net increase in fair value of investments	24,116	7,395	16,721	226%
Amortization of discount and issuance cost	(126,634)	(126,635)	1	0%
Refund of connection fees	(85,286)			
Other income (expense)	82,486	(5,273)	87,759	(1664%)
Total non-operating revenues (expenses)	2,749,528	2,955,158	(120,344)	(7%)
Income (loss) before capital contributions and transfers	1,425,410	1,687,344	(176,648)	(16%)
Capital contributions	278,700	230,152	48,548	21%
Change in net assets	1,704,110	1,917,496	(128,100)	(11%)
Beginning net assets	31,157,261	29,239,767	1,917,494	7%
Ending net assets	\$ 32,861,371	\$ 31,157,263	\$ 1,789,394	5%

Deer Lodge Park: The net assets of Deer Lodge Park decreased by 163,113 or 8% (See Table A-3). Included in the net assets is the receivable and payable for the DLP 94-1 assessment district. The last assessment was assessed and collected through the San Bernardino Tax Rolls this past year. The District wrote-off \$165,823 of the assessment receivable as uncollectable. However, the Arrowhead Woods Water Fund received all funds due from the transaction. Refer to the sections on Long-Term Debt and Economic Factors on pages 11 to 13 for more detailed information of the Deer Lodge Park assessment district.

Table A-3
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
Net Assets
Deer Lodge Park Water Enterprise Fund

	2009	2008	Difference	Total Percentage Change 2008-2009
Assets				
Current assets	\$ 383,992	\$ 536,043	\$ (152,051)	(28%)
Restricted cash and investments	730,062	875,232	(145,170)	(17%)
Capital assets	1,267,315	1,277,447	(10,132)	(1%)
Total assets	<u>2,381,369</u>	<u>2,688,722</u>	<u>(307,353)</u>	<u>(11%)</u>
Liabilities				
Current liabilities	216,760	19,257	197,503	1026%
Current liabilities payable from restricted assets	145,000	300,625	(155,625)	(52%)
Net long term debt	13,572	199,689	(186,117)	(93%)
Total liabilities	<u>375,332</u>	<u>519,571</u>	<u>(144,239)</u>	<u>(28%)</u>
Net assets				
Invested in capital assets	1,645,824	1,261,613	384,211	30%
Restricted	585,062	574,607	10,455	2%
Unrestricted	(224,848)	332,931	(557,779)	168%
Net assets	<u>\$ 2,006,038</u>	<u>\$ 2,169,151</u>	<u>\$ (163,113)</u>	<u>(8%)</u>

Table B-3
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Deer Lodge Park Enterprise Fund

	2009	2008	Difference	Total Percentage Change 2008-2009
Operating Revenues				
Charge for services	\$ 100,979	\$ 106,709	\$ (5,730)	(5%)
Other income	5,703	6,878	(1,175)	(17%)
Total operating revenues	106,682	113,587	(6,905)	(6%)
Operating Expenses				
Operations	7,207	5,545	1,662	30%
Water Purchase	25,243	24,124	1,119	5%
Distribution maintenance	382	8,120	(7,738)	(95%)
Administration	212,968	26,378	186,590	707%
Depreciation expense	32,146	33,151	(1,005)	(3%)
Total operating expense	277,946	97,318	180,628	186%
Operating income (loss)	(171,264)	16,269	(187,533)	(1153%)
Non-operating revenues (expenses)				
Interest income	27,747	53,985	(26,238)	(49%)
Interest expense	(19,596)	(28,903)	9,307	(32%)
Other income (expense)	-	-	-	0%
Total non-operating revenues (expenses)	8,151	25,082	(16,931)	(68%)
Income (loss) before capital contributions	(163,113)	41,351	(204,464)	(494%)
Capital contributions	-	12,734	(12,734)	(100%)
Change in net assets	(163,113)	54,085	(217,198)	(402%)
Beginning net assets	2,169,151	2,115,066	54,085	3%
Ending net assets	\$ 2,006,038	\$ 2,169,151	\$ (163,113)	(8%)

FINANCIAL ACTIVITY OF THE DISTRICT'S FUNDS

The District completed its year with \$74.8 million in net assets, an increase of \$9 million due largely in part to the District's aggressive capital improvement program. The financial status of the District remains strong with over \$11.3 million in unrestricted reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District is currently utilizing a pay as you go plan for paying for capital expenditures, which includes a planned draw down of reserves. However, based on recommendations in the Financial Master Plan adopted on September 9, 2008, the District is pursuing debt financing and has taken advantage of low costs loans and grants through the State Revolving Fund.

The major addition to capital assets this year was the completion of the Automatic Meter Reading project, water pipeline replacement and sewer pipeline rehabilitation along with lift station upgrades and equipment purchases. Construction in progress represents those capital expenditures for projects that are continuing and have not been completed as of June 30, 2009. The table below summarizes the net change in capital assets by category. Additional information on the District's capital assets can be found in Note 4 of the basic financial statements.

Table C-1
LACSD Capital Assets
(net of depreciation)

	Water	Wastewater	DLP	Total 2009	Total 2008	Total % Change
Land	52,337	1,726,831	49,699	1,828,867	1,828,867	0.0%
Structures and improvements	21,269,767	21,712,149	1,195,602	44,177,518	42,478,125	4.0%
Equipment	355,665	1,588,369	-	1,944,034	1,821,124	6.7%
Construction in progress	15,051,571	2,310,073	22,013	17,383,657	5,147,621	237.7%
Total	36,729,340	27,337,422	1,267,314	65,334,076	51,275,737	27.4%

Long-term Debt

At year end, the District had \$15.3 million in outstanding long-term debt, compared to \$14.6 million in fiscal year 2007-2008, a net increase of \$2.6 million in long-term debt. The outstanding debt at June 30, 2009 and 2008 is shown in the following table. Additional information on the District's long-term debt can be found in Note 5 of the basic financial statements.

Table D-1
LACSD Outstanding Long-Term Debt
(in millions of dollars)

	Water	Wastewater	Total 2009	Total 2008	Total % Change 2008- 2009
2002 Revenue Refunding Bonds	\$ -	\$ 6.1	\$ 6.1	\$ 7.5	(18.7%)
1993 Revenue Refunding Bonds	-	-	-	-	0.0%
1999 CSCDA Revenue Bonds	2.8	3.5	6.3	7.1	(11.3%)
State Revolving Fund	2.9	-	2.9	-	100.0%
Total	\$ 5.7	\$ 9.6	\$ 15.3	\$ 14.6	4.8%

The District must also satisfy bond covenants with the following provisions:

- The net revenues of the Water fund (excluding depreciation, capital, debt service expenses and connection fee revenues) must be at least 125% of the annual debt service on the 1993 Water Revenue Refunding Bonds (matured 7/2008), and
- A pledge of net revenues of the District was made in parity with the 1993 Water Revenue Bonds for the 1999 CSCDA Revenue Refunding Bonds. The net revenue (excluding depreciation, capital and debt service expenses) must be at least 110% of annual debt service, and
- A pledge of net revenues of the District was made in parity with the 1993 Water Revenue Bonds (matured 7/2008) and the 1999 CSCDA Revenue Refunding Bonds for the 2002 Revenue Refunding Bonds. The net revenue (excluding depreciation, capital and debt service expenses) must be at least 110% of annual debt service.

These covenants are tested each year and presented in the statistical section following the financial report.

In addition to the above listed debt, the Deer Lodge Park area of the District formed an assessment district with the District's water fund as the purchaser of the bonds in 1994. The final principal and interest payment will be made in September 2009.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During fiscal year 2008/2009, the District finalized a comprehensive Financial Master Plan (FMP) to ensure the continued robust financial stability of the District. The water and wastewater rates have been restructured based on the FMP and the District moved from bi-monthly billing to monthly billing. The rate structure adjusts fixed charges and volume charges so that the net effect more fairly allocates costs to those customers that are high volume users and enhance the positive economic signal to users that conserve. A 3% rate increase was approved with the adoption of the FY 09-10 Budget. The rate increase will be effective January 1, 2010.

Water Enterprise

After reviewing the District's water conservation programs this past year, the Board adopted Ordinance 69 on June 10th. This Ordinance will enable the District to restrict certain types of non-essential water uses and prioritize local water supplies for essential uses. The water presently available to the District is insufficient to meet all of the long term demands of the District's customers.

Wastewater Enterprise

The District must comply with local, State and Federal regulations governing the collection treatment and disposal of the Community's wastewater. The agencies regulating the District's wastewater activities include: The State Regional Water Quality Control Board (RWQCB),

California Department of Public Health (CDPH), San Bernardino County Environmental Health and the United States Forest Service (USFS).

The District's Wastewater system is operated under a set of Waste Discharge Requirements (WDR) as part of Regional Board Order No. R6V-2009-0037 issued June 10, 2009 by the RWQCB.

The District developed and implemented a Sewer System Management Plan (SSMP) this past fiscal year to improve its spill prevention and (I/I) prevention programs as required by the WDR. The primary goal of the program is to eliminate all spills from the Collection System.

In an effort to bring the District in to compliance with the CDO, the District is in the process of upgrading and expanding its Grass Valley Wastewater Treatment Plant (GVWWTP) to meet CDPH Title 22 tertiary standards for wastewater treatment and obtaining an emergency discharge permit so that in extreme wet weather events the District may discharge flows that exceed the capacity of the treatment and disposal system to Grass Valley Creek.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Manager at PO Box 700, Lake Arrowhead, CA 92352.

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BASIC FINANCIAL STATEMENTS

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009
(with prior year totals for comparison purposes only)

	Water	Wastewater	Deer Lodge Park	Totals	
				2009	2008
Assets					
Current assets:					
Pooled cash and investments (note 2)	\$ 2,855,376	8,063,297	479,775	11,398,448	12,595,735
Accounts receivable	202,420	669,739	4,539	876,698	1,407,978
Taxes receivable	-	70,687	-	70,687	121,456
Interest receivable	40,726	61,959	15,135	117,820	248,188
Standby receivable	89,186	47,126	60,367	196,679	234,134
Investments - DLP (note 2)	145,000	-	-	145,000	285,000
Other receivables	223,960	7,635	14,896	246,491	83,157
Prepaid expenses	24,779	37,317	-	62,096	44,944
Prepaid water (note 15)	1,840,738	-	-	1,840,738	794,637
Interfund receivable (note 3)	183,855	-	-	183,855	195,468
Total current assets	5,606,040	8,957,760	574,712	15,138,512	16,010,697
Restricted assets					
Cash and investments restricted for capital assets and water purchases (note 2)	4,759,687	8,115,494	539,343	13,414,524	15,400,933
Cash and investments with fiscal agents (note 2)	-	-	-	-	398,246
Accounts receivable	436,126	-	-	436,126	356,585
Assessments receivable	-	-	-	-	453,246
Interest receivable	7,443	-	-	7,443	5,852
Land held for resale	-	-	-	-	10,000
Total restricted assets	5,203,256	8,115,494	539,343	13,858,093	16,624,862
Capital assets (note 4):					
Land	52,337	1,726,831	49,699	1,828,867	1,828,867
Structures and improvements	29,663,708	40,768,522	1,588,372	72,020,602	70,771,694
Equipment	2,033,001	3,945,473	-	5,978,474	6,100,119
Accumulated depreciation	(10,071,276)	(21,413,478)	(392,770)	(31,877,524)	(30,768,376)
Construction in progress	15,051,570	2,310,073	22,014	17,383,657	8,678,204
Net capital assets	36,729,340	27,337,421	1,267,315	65,334,076	56,610,508
Total assets	\$ 47,538,636	44,410,675	2,381,370	94,330,681	89,246,067

See accompanying notes to basic financial statements.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS
(Continued)
(with prior year totals for comparison purpose only)

Liabilities	Deer Lodge			Totals	
	Water	Wastewater	Park	2009	2008
Current liabilities:					
Accounts payable-trade	\$ 880,278	230,711	14,000	1,124,989	1,086,899
Accrued payroll and benefits	3,235	3,544	7	6,786	19,370
Compensated absences - current (note 5)	214,242	322,229	-	536,471	472,737
Other liabilities	-	1,875	-	1,875	1,875
Deferred revenue	48,862	-	-	48,862	4,224,748
Customer deposits and advances	226,632	10,000	-	236,632	302,881
Interest payable	36,932	71,710	16,636	125,278	148,227
Notes payable - current (note 5)	2,406	-	2,262	4,668	7,935
Bonds payable - current (note 5)	396,745	1,873,255	145,000	2,415,000	997,221
Less bond discount and issuance costs (note 5)	-	(126,634)	-	(126,634)	-
Interfund payable (note 3)	-	-	183,855	183,855	195,468
Total current liabilities	<u>1,809,332</u>	<u>2,386,690</u>	<u>361,760</u>	<u>4,557,782</u>	<u>7,457,361</u>
Non-current Liabilities:					
Compensated absences (note 5)	99,163	148,745	-	247,908	235,034
Notes payable-long-term (note 5)	2,406	-	13,572	15,978	20,647
SRF loan payable (note 5)	2,895,655	-	-	2,895,655	-
Bonds payable (note 5)	2,801,912	9,553,088	-	12,355,000	16,502,781
Less bond discount and issuance costs (note 5)	-	(539,219)	-	(539,219)	(792,487)
Net non-current liabilities	<u>5,799,136</u>	<u>9,162,614</u>	<u>13,572</u>	<u>14,975,322</u>	<u>15,965,975</u>
Total liabilities	<u>7,608,468</u>	<u>11,549,304</u>	<u>375,332</u>	<u>19,533,104</u>	<u>23,423,336</u>
Net assets					
Invested in capital assets, net of related debt	33,549,165	24,026,572	1,645,824	59,221,561	54,086,466
Restricted	1,924,677	1,127,945	585,062	3,637,684	8,175,366
Unrestricted	4,456,326	7,706,854	(224,848)	11,938,332	3,560,899
Total net assets	<u>\$ 39,930,168</u>	<u>32,861,371</u>	<u>2,006,038</u>	<u>74,797,577</u>	<u>65,822,731</u>

See accompanying notes to basic financial statements.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
STATEMENT REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2009
(with prior year totals for comparison purposes only)

	Water	Wastewater	Deer Lodge Park	Totals	
				2009	2008
Operating revenues:					
Charges for services	\$ 3,632,980	5,004,798	100,979	8,738,757	8,795,513
Tiered rates water sales	554,281	-	-	554,281	961,338
Supplemental water supply fee	462,956	-	-	462,956	2,984,995
Other income	157,345	94,572	5,703	257,620	303,363
Total operating revenues	4,807,562	5,099,370	106,682	10,013,614	13,045,209
Operating expenses:					
Operations	1,259,213	1,987,424	7,207	3,253,844	3,083,994
Water purchases	477,609	-	25,243	502,852	3,009,119
Collection maintenance	-	987,573	-	987,573	903,768
Distribution maintenance	812,339	-	382	812,721	785,554
Physical maintenance	348,601	327,906	-	676,507	640,796
Administration	1,314,870	1,613,962	212,968	3,141,800	2,862,632
Engineering	170,789	229,152	-	399,941	313,528
Water conservation	261,029	-	-	261,029	255,895
Depreciation (note 4)	1,030,590	1,277,471	32,146	2,340,207	2,273,324
Total operating expenses	5,675,040	6,423,488	277,946	12,376,474	14,128,610
Operating Income (loss)	(867,478)	(1,324,118)	(171,264)	(2,362,860)	(1,083,401)
Non-operating revenue (expenses):					
Property taxes	-	2,947,314	-	2,947,314	2,897,943
Interest income	228,475	330,308	27,747	586,530	1,333,960
Interest expense	(151,701)	(551,316)	(19,596)	(722,613)	(839,856)
Grant income	1,169,568	128,540	-	1,298,108	951,136
Net increase in fair value of investments	17,040	24,116	-	41,156	12,325
Amortization of discount and issuance cost	-	(126,634)	-	(126,634)	(126,635)
Refund of connection fees	(2,975,136)	(85,286)	-	(3,060,422)	-
Other income (expense)	48,308	82,486	-	130,794	(6,977)
Total non-operating income	(1,663,446)	2,749,528	8,151	1,094,233	4,221,896
Income (loss) before capital contributions	(2,530,924)	1,425,410	(163,113)	(1,268,627)	3,138,495
Capital contributions-Conn./Capacity fees	40,254	278,700	-	318,954	347,542
Capital contributions-Water resource fees	19,170	-	-	19,170	150,510
Capital contributions-Meters	10,307	-	-	10,307	65,340
Capital contributions-Supplemental fees	9,895,042	-	-	9,895,042	2,059,351
Change in net assets	7,433,849	1,704,110	(163,113)	8,974,846	5,761,238
Beginning net assets	32,496,319	31,157,261	2,169,151	65,822,731	60,061,493
Ending net assets	\$ 39,930,168	32,861,371	2,006,038	74,797,577	65,822,731

See accompanying notes to basic financial statements.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
Year ended June 30, 2009
(with prior year totals for comparison purposes only)

	Water	Wastewater	Deer Lodge Park	Totals	
				2009	2008
Cash flows from operating activities:					
Cash received from customers	\$ 4,369,533	5,447,937	394,596	10,212,066	9,553,165
Cash received from supplemental water supply fee - water purchases	462,956	-	-	462,956	2,984,995
Cash payments to suppliers for goods and services	(3,106,271)	(1,980,051)	(53,263)	(5,139,585)	(6,967,894)
Cash payments to employees for services	(2,535,458)	(3,205,323)	(4,822)	(5,745,603)	(5,267,114)
Cash received (paid) for other operating activities	48,308	82,486	-	130,794	(6,977)
Net cash provided by (used for) operating activities:	(760,932)	345,049	336,511	(79,372)	296,175
Cash flows from non-capital financing activities:					
Cash received from other funds	11,613	-	-	11,613	11,060
Cash paid to other funds	-	-	(11,613)	(11,613)	(11,060)
Property taxes received	-	2,947,314	-	2,947,314	2,897,943
Net cash provided by (used for) non-capital financing activities	11,613	2,947,314	(11,613)	2,947,314	2,897,943
Cash flows from capital and related financing activities:					
Capital fees	59,424	278,700	-	338,124	498,052
Cash paid for acquisition of capital assets	(10,217,697)	(824,064)	(22,014)	(11,063,775)	(7,545,391)
Capital contributions - meters	10,307	-	-	10,307	-
Supplemental water supply fee - capital	5,719,156	-	-	5,719,156	2,059,351
Refund of connection fees	(2,975,136)	(85,286)	-	(3,060,422)	-
Capital grants received	1,169,568	128,540	-	1,298,108	951,136
Principal received from district bonds	140,000	-	-	140,000	130,000
Principal paid on district bonds	-	-	(140,000)	(140,000)	(130,000)
Proceeds from loan	2,895,655	-	-	2,895,655	-
Principal paid on debt	(765,188)	(1,827,221)	(5,529)	(2,597,938)	(2,492,824)
Interest paid on debt	(166,269)	(560,708)	(18,585)	(745,562)	(865,667)
Net cash provided by (used for) capital and related financing activities	(4,130,180)	(2,890,039)	(186,128)	(7,206,347)	(7,395,343)
Cash flows from investing activities:					
Investment income	298,548	429,608	28,307	756,463	1,519,270
Net cash provided by (used for) investing activities	298,548	429,608	28,307	756,463	1,519,270
Net increase (decrease) in cash and cash equivalents	(4,580,951)	831,932	167,077	(3,581,942)	(2,681,955)
Cash and equivalents at beginning of year	12,196,014	15,346,859	852,041	28,394,914	31,076,869
Cash and cash equivalents at end of year	<u>\$ 7,615,063</u>	<u>16,178,791</u>	<u>1,019,118</u>	<u>24,812,972</u>	<u>28,394,914</u>

See accompanying notes to basic financial statements.

(Continued)

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
Year ended June 30, 2009
(with prior year totals for comparison purposes only)

	<u>Water</u>	<u>Wastewater</u>	<u>Deer Lodge Park</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
Reported on the statement of net assets:					
Current assets:					
Pooled cash and investments	\$ 2,855,376	8,063,297	479,775	11,398,448	12,595,736
Restricted assets:					
Cash and investments restricted for capital assets	4,759,687	8,115,494	539,343	13,414,524	15,400,932
Cash and investments with fiscal agent	-	-	-	-	398,246
Cash and cash equivalents at end of year	<u>\$ 7,615,063</u>	<u>16,178,791</u>	<u>1,019,118</u>	<u>24,812,972</u>	<u>28,394,914</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income (loss)	<u>\$ (867,478)</u>	<u>(1,324,118)</u>	<u>(171,264)</u>	<u>(2,362,860)</u>	<u>(1,083,401)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,030,590	1,277,471	32,146	2,340,207	2,273,324
Nonoperating miscellaneous revenue	48,308	82,486	-	130,794	(6,977)
(Increase) decrease in accounts receivable	173,250	264,845	13,644	451,739	104,447
(Increase) decrease in taxes receivable	-	50,769	-	50,769	4,362
(Increase) decrease in standby receivable	6,255	30,211	989	37,455	135,625
(Increase) decrease in assessment receivable	-	-	463,246	463,246	178,089
(Increase) decrease in other receivables	(147,777)	(1,415)	(14,896)	(164,088)	(53,593)
(Increase) decrease in prepaid expenses	(6,801)	(10,351)	754	(16,398)	14,050
(Increase) decrease in prepaid water	(1,046,101)	-	-	(1,046,101)	705,391
Increase (decrease) in accounts payable	22,416	3,789	11,885	38,090	(535,060)
Increase (decrease) in accrued payroll and benefits benefits	24,917	39,100	7	64,024	(8,331)
Increase (decrease) in deferred revenues	-	-	-	-	(1,595,420)
Increase (decrease) in customer deposits and advances	1,489	(67,738)	-	(66,249)	163,669
Total adjustments	<u>106,546</u>	<u>1,669,167</u>	<u>507,775</u>	<u>2,283,488</u>	<u>1,379,576</u>
Net cash provided by (used for) operating activities	<u>\$ (760,932)</u>	<u>345,049</u>	<u>336,511</u>	<u>(79,372)</u>	<u>296,175</u>

Noncash transactions:

There were no significant noncash investing and financing activities for the year ended June 30, 2009.

See accompanying notes to basic financial statements.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

Year ended June 30, 2009

(1) Summary of Significant Accounting Policies

Lake Arrowhead Community Services District is a special governmental district providing water distribution and wastewater collection and treatment for consumers within its service area. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and applies all applicable FASB pronouncements issued through November 30, 1989 in accounting and reporting. A discussion of the significant accounting policies used by the District follows:

(a) Organization and History

Lake Arrowhead Community Services District (the "District") was formed March 16, 1978 under the Community Services District Law (California Government Code Section 61000) for the purpose of acquiring and operating the domestic water system owned by Arrowhead Utility Company. Proceeds from the sale of \$4,930,000 in revenue bonds were used to purchase the system on August 21, 1978.

On June 7, 1983, the voters approved the annexation of Lake Arrowhead Wastewater District to the District to provide sewer services, effective July 1, 1983.

On April 1, 1995, the District assumed ownership and control of the Deer Lake Water Corporation which provides water to the residents of Deer Lodge Park ("D.L.P.").

The District encompasses the Arrowhead Woods area and covers approximately 5,500 acres including a 780-acre lake and 134-acre country club. The District is located in the San Bernardino Mountains at an elevation of 5,000 to 6,000 feet.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Reporting Entity

Generally accepted accounting principles require that these financial statements present the accounts of the District and any of its component units. Component units are legally separate entities for which the District is considered to be financially accountable or otherwise has a relationship which is such that the exclusion of the entity would cause the financial statements to be misleading. Blended component units are considered, in substance, part of the District's operations, so the accounts of these entities are to be combined with the data of the District. However, the District has determined that it is not financially accountable for, nor has any other relationship with, any other organization which would require its inclusion in these financial statements.

(c) Fund Accounting and Basis of Accounting

The accounts of the District are organized on a proprietary fund basis with three enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis are to be recovered primarily through user charges. The District maintains enterprise funds for the Lake Arrowhead Water System ("Water"), Lake Arrowhead Sewer System ("Wastewater") and Deer Lodge Park Water System ("D.L.P.").

The District uses the accrual basis of accounting which recognizes revenue when earned and expenses when incurred.

The District applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(d) Fund Classifications

The funds designated as major funds are determined by a mathematical calculation consistent with GASB 34. In addition, funds determined to be particularly important to financial statement users are also reported as major funds. All funds of the District have been determined to be major funds. The District reports the following major enterprise funds:

Water Fund

This fund is used to account for the activities associated with the transmission, distribution, and treatment of water for the District's water customers.

Wastewater Fund

This fund is used to account for the activities associated with the treatment and disposal of wastewater for the District's wastewater customers.

Deer Lodge Park Fund

This fund is used for the activities associated with the purchase of water or pumping activities from wells in the area, and the transmission and distribution of the water to the customers in Deer Lodge Park.

(e) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. Cash in the local agency investment fund are considered to be cash equivalents.

(f) Investments

Investments are stated at fair value based on quoted market prices. Fair value in external investment pools is determined based on the District's pro rata share of the fair value of the pool's underlying portfolio.

(g) Property Taxes

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Bernardino, California, bills and collects the property taxes and remits them to the District in installments during the year.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(h) Issuance Costs and Discounts

Issuance costs and discounts for bonds payable are being amortized using the principal outstanding method which approximates the effective interest method over the term of the related bond.

(i) Restricted Assets

Various resources of the District are limited as to their use by law or by bond covenants and are classified on the statement of net assets as restricted assets. Proceeds of the bonds are restricted for the construction of water and sewer system improvements and for repayment of the bonds. Assessments collected from property owners are restricted for the payment of Assessment District bond principal and interest. Also, fees imposed on new real estate development are restricted by law for the construction of capital improvements which benefit the development projects.

Under Section 3.0 and 8.0 of the District's *reserve fund policy*, the District's policy is to use its restricted funds (bond proceeds and development related fees) for new facility projects or projects that expand current facilities. The projects must be large in scope and critical to the over-all long-term needs of the District. These projects typically are found in the master plan of the District. The District's long-range plan is to build up or maintain the balance of these restricted funds at a level sufficient to fund specific anticipated needed projects, while leaving a minimum balance to provide for other needed projects that may arise in the future. This reserve management policy minimizes the need to use unrestricted District resources for new facility projects.

Included in restricted assets is the unspent portion of cash accumulated for the legally restricted use set forth for the District's Supplemental Water Supply Fee. This fee can only be used to pay for the purchase of supplemental (non-lake) water purchased from the Crestline-Lake Arrowhead Water Agency to meet the water delivery needs of the District and to finance the construction of capital facilities associated with water supply.

(j) Accounts Receivable/Charges for Services

Based on the District's experience, uncollectible accounts are minimal and are charged to expense when determined to be uncollectible.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(k) Capital Assets

Capital assets are carried at cost. The District's policy is to capitalize additions, improvements, and expenditures for repairs and maintenance that significantly add to productive capacity or extend the useful life of an asset with costs greater than or equal to \$5,000 and to expense ordinary repairs and maintenance to operations as incurred. Costs and related allowances for depreciation of property, plant, and equipment sold or otherwise retired are eliminated from the accounts, and gains or losses on disposition are included in income. Construction costs include labor and materials. Contributed assets are stated at estimated fair market value at the time received by the District. Depreciation is provided on the straight-line method over the following estimated useful lives:

Structures and improvements	25-50 years
Utility plant	28-60 years
Equipment	1-30 years

(l) Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits up to a maximum amount. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or in which such events take place.

(m) Arbitrage Rebate

The District is subject to federal arbitrage restrictions. As of June 30, 2009, there are no known amounts of arbitrage earnings owed to the federal government.

(n) Connection Fees

Connection fees represent fees charged to join or extend the existing utility system. These fees are recorded as capital contributions.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(o) Classification of Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. The District also recognizes as operating revenue the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Capital contributions consist of contributed capital assets and special charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges.

(p) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

(q) Prior Year Amounts

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Pooled cash and investments	\$11,398,448
Restricted cash and investments	13,414,524
Investments Deer Lodge Park	<u>145,000</u>
Total cash and investments	<u>\$24,957,972</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 700
Deposits with financial institutions	337,290
Investments	<u>24,619,982</u>
Total cash and investments	<u>\$24,957,972</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

<u>Authorized by Investment Types Authorized by State Law</u>	<u>Investment Policy</u>	<u>Maximum Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Investment In One Issuer*</u>
Local Agency Bonds	Yes	5 years	10%	None
U.S. Treasury Obligations	Yes	5 years	None	None
State Registered Obligations	Yes	5 years	10%	None
Local California Agencies Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	30%	30%
Commercial Paper	Yes	270 days	10%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	10%	None
Mutual Funds	Yes	5 years	15%	10%
Money Market Mutual Funds	Yes	5 years	15%	10%
Collateralized Bank Deposits	Yes	5 years	None	None
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee (i.e. fiscal agent). The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	270 days	None	None
Investment Agreements (Approved by AMBAC Indemnity)	None	None	None

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

That changes in market interest rates might adversely affect the fair value of an investment is called interest rate risk. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>		<u>Remaining Maturing (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
State investment pool	\$24,474,982	24,474,982	-	-	-
DLP assessment bonds	<u>145,000</u>	<u>145,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$24,619,982</u>	<u>24,619,982</u>	<u>-</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

The risk that an issuer of an investment may not fulfill its obligation to the holder of the investment is called credit risk. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>		<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
State investment pool	\$24,474,982	-	-	-	24,474,982
DLP assessment bonds	<u>145,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,000</u>
Total	<u>\$24,619,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,619,982</u>

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2009, the District does not have investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. There is no rating currently available for LAIF.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(3) Interfund Receivables and Payables

The composition of interfund receivables and payables are as follows at June 30, 2009:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water	Deer Lodge Park	<u>\$ 183,855</u>

The interfund balance consists primarily of an advance to pay for legal fees of the Deer Lodge Park Fund. This amount is being paid off over a 20-year period with an interest rate of 5%.

(4) Capital Assets

Changes in capital assets were as follows during the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,828,867	-	-	1,828,867
Construction in progress	<u>8,678,204</u>	<u>10,843,422</u>	<u>(2,137,969)</u>	<u>17,383,657</u>
Total capital assets, not being depreciated	<u>10,507,071</u>	<u>10,843,422</u>	<u>(2,137,969)</u>	<u>19,212,524</u>
Capital assets, being depreciated:				
Structures and improvements	70,771,694	2,093,397	(844,489)	72,020,602
Equipment	<u>6,100,119</u>	<u>305,015</u>	<u>(426,660)</u>	<u>5,978,474</u>
Total capital assets, being depreciated	<u>76,871,813</u>	<u>2,398,412</u>	<u>(1,271,149)</u>	<u>77,999,076</u>
Less accumulated depreciation for:				
Structures and improvements	(26,571,921)	(2,255,308)	984,145	(27,843,084)
Equipment	<u>(4,196,455)</u>	<u>(84,899)</u>	<u>246,914</u>	<u>(4,034,440)</u>
Total accumulated depreciation	<u>(30,768,376)</u>	<u>(2,340,207)</u>	<u>1,231,059</u>	<u>(31,877,524)</u>
Total capital assets being depreciated, net	<u>46,103,437</u>	<u>58,205</u>	<u>(40,090)</u>	<u>46,121,552</u>
Net capital assets	<u>\$56,610,508</u>	<u>10,901,627</u>	<u>(2,178,059)</u>	<u>65,334,076</u>

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(4) Capital Assets (Continued)

Depreciation was allocated to the District's various functions as follows:

Water	\$1,030,590
Wastewater	1,277,471
Deer Lodge Park	<u>32,146</u>
Total depreciation expense	<u>\$2,340,207</u>

(5) Long-Term Liabilities

Long-term liabilities are presented as follows in the statement of net assets at June 30, 2009:

Current liabilities:

Compensated absences, current portion	\$ 536,471
Notes payable, current portion	4,668
Bonds payable, current portion	2,415,000
Bond discount and issuance costs	(126,634)

Long-term liabilities:

Compensated absences, long-term portion	247,908
Notes payable, long-term portion	15,978
SRF Loan Payable	2,895,655
Bonds payable	12,355,000
Bond discount and issuance costs	<u>(539,219)</u>

Total long-term liabilities \$17,804,827

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

Changes in long-term liabilities for the year ended June 30, 2009 were as follows:

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2009</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Beyond One Year</u>
2002 Refunding Revenue Bonds	\$ 8,840,000	-	(1,350,000)	7,490,000	1,385,000	6,105,000
Less: Unamortized refunding charge and other costs	(602,920)	-	100,469	(502,451)	(100,490)	(401,961)
1999A Water and Wastewater Revenue Bonds	8,000,000	-	(865,000)	7,135,000	885,000	6,250,000
Less: Unamortized bond discount and issue costs	(189,565)	-	26,163	(163,402)	(26,144)	(137,258)
1993 Water Revenue Bonds	375,000	-	(375,000)	-	-	-
Dear Lodge Park Assessment Bonds	285,000	-	(140,000)	145,000	145,000	-
Note Payable	3,267	-	(3,267)	-	-	-
Facility Expansion Agreement - Smith	7,219	-	(2,407)	4,812	2,406	2,406
Facility Expansion Agreement - Moxley-Shaw-Grubb	18,096	-	(2,262)	15,834	2,262	13,572
SRF Loan Payable	-	2,895,655	-	2,895,655	-	2,895,655
Compensated Absences	<u>707,771</u>	<u>557,689</u>	<u>(481,081)</u>	<u>784,379</u>	<u>536,471</u>	<u>247,908</u>
Total Long Term Liabilities	<u>\$ 17,443,868</u>	<u>3,453,344</u>	<u>(3,092,385)</u>	<u>17,804,827</u>	<u>2,829,505</u>	<u>14,975,322</u>

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

2002 Refunding Revenue Bonds

\$17,860,000 of refunding revenue bonds were issued on April 15, 2002 for the advance refunding of the remaining \$22,000,000 principal amount of the 1992 Refunding Certificates of Participation, and to pay issuance costs for the bonds. The 1992 Certificates refunded Certificates of Participation, Series C issued in 1987 and financed certain improvements to the Sewer System and the Water System. The 2002 bonds consist of serial bonds with varying interest rates from 3.0% to 4.4%. Interest is payable semiannually on June 1 and December 1. Serial bonds mature annually through June 1, 2014. The amount outstanding at June 30, 2009 is \$7,490,000. The amount of unamortized bond issuance costs and deferred refunding charges was \$502,451 at June 30, 2009.

Bonds maturing on or before June 1, 2010 are not subject to optional prepayment prior to maturity. The Bonds maturing on or after June 1, 2011 may be called prior to maturity and redeemed at the District's option on any date on or after June 1, 2010 on terms stated in the trust agreement, without premium.

A reserve is required to be maintained at an amount equal to the lesser of the maximum annual debt service on the bonds, 125% of average annual debt service on the bonds, 10% of the principal amount of the bonds, or through the provision of surety insurance. The District's net revenues must be a minimum of 110% of annual debt service.

Debt service to maturity is as follows:

Fiscal Year Ending	2002 Refunding Revenue Bonds		
	Principal	Interest	Total
2010	\$ 1,385,000	315,125	1,700,125
2011	1,440,000	259,725	1,699,725
2012	1,495,000	200,685	1,695,685
2013	1,555,000	137,147	1,692,147
2014	<u>1,615,000</u>	<u>71,060</u>	<u>1,686,060</u>
	<u>\$7,490,000</u>	<u>983,742</u>	<u>8,473,742</u>

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

1999A Water and Wastewater Revenue Bonds

\$18,550,000 of California Statewide Communities Development Authority Water and Wastewater revenue bonds (pooled financing program) were issued on May 19, 1999, to finance and refinance certain public capital improvements of the Program Participants (Lake Arrowhead Community Services District (LACSD), Indian Wells Valley Water District, and City of Ripon). \$10,300,000 of the bonds were used by LACSD to refund \$9,025,000 of 1992 COPs, originally delivered to provide funds for the acquisition, construction and improvement of various public capital improvements. The bonds consist of serial bonds with varying interest rates from 3.25% to 4.75% and term bonds with an interest rate of 5.00%. Interest is payable semiannually on April 1 and October 1. The final principal installment for LACSD is due October 1, 2015. The amount outstanding at June 30, 2009 is \$7,135,000. The amount of unamortized bond issuance costs and discounts was \$163,402 at June 30, 2009.

Series 1999A California Statewide Communities Development Authority Water and Wastewater Revenue Bonds Pooled Financing Program (CSCDA) maturing on or before October 1, 2008 are not subject to optional redemption prior to their stated maturities. Bonds maturing on or after October 1, 2009 are subject to optional redemption, in whole or in part, in inverse order of maturity and by lot within any maturity, at the option of the District prior to their stated maturities, on any interest payment date commencing on or after October 1, 2008 on terms stated in the trust agreement, including payment of a premium.

Net revenues of Lake Arrowhead Water and Wastewater System must be maintained in parity with the 1993 Water Revenue Bonds in excess of 110 percent of the maximum annual debt service of the bonds.

Debt service to maturity is as follows:

Fiscal Year Ending	1999A Water and Wastewater Bonds		
	Principal	Interest	Total
2010	\$ 885,000	310,499	1,195,499
2011	935,000	270,901	1,205,901
2012	975,000	228,394	1,203,394
2013	1,015,000	182,984	1,197,984
2014	1,060,000	135,000	1,195,000
2015-2016	<u>2,265,000</u>	<u>113,244</u>	<u>2,378,244</u>
	<u>\$7,135,000</u>	<u>1,241,022</u>	<u>8,376,022</u>

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

Deer Lodge Park Assessment Bonds

\$1,488,787 of limited obligation improvement bonds were issued by the Deer Lodge Park Fund on August 25, 1994 to be used for the costs of the acquisition and construction of improvements, appurtenances and appurtenant work and incidental costs and expenses in connection therewith and to form Assessment District No. 94-1 (Deer Lodge Park Project). All of the bonds were purchased as an investment by the District's Water Fund. Interest of 6.16% is payable semiannually on March 2 and September 2. The bonds mature annually through September 2, 2009. The amount outstanding at June 30, 2009 is \$145,000.

Debt service to maturity is as follows:

<u>Fiscal Year Ending</u>	<u>DLP Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	<u>\$145,000</u>	<u>13,552</u>	<u>158,552</u>

Facility Expansion Agreements

Robert & Cheryl Smith (Smith)

The District entered into an agreement for water line improvements, payable in annual installments of \$2,406 over a 10-year period. Total amount outstanding at June 30, 2009 is \$4,812.

Moxley-Shaw (Shaw/Grubb)

The District entered into an agreement for water line improvements, payable in annual installments of \$2,262 over a 10-year period. Total amount outstanding at June 30, 2009 is \$15,834.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(5) Long-Term Liabilities, (Continued)

Debt service to maturity is as follows:

<u>Fiscal Year Ending</u>	<u>Facility Expansion Agreements</u>	
	<u>Smith</u>	<u>Shaw/Grubb</u>
2010	\$ 2,406	2,262
2011	2,406	2,262
2012	-	2,262
2013	-	2,262
2014	-	2,262
2015	-	2,262
2016	<u>-</u>	<u>2,262</u>
 Total	 <u>\$ 4,812</u>	 <u>15,834</u>

State Revolving Fund Loan Payable

On September 4, 2007 the State Water Board adopted the state fiscal year 2007/2008 State Revolving Fund (SRF) Loan Program which included the District's Recycled Water Phase 1 Project. This project is a routine, non-controversial project that is consistent with the policies and regulations and agreements the State Water Board has adopted for implementation of the SRF Loan Program.

The total amount approved for the District's SRF loan is \$6,220,000 that will be disbursed to the District as reimbursement requests based from project expenditures are submitted to the State Water Board. The loan has a repayment period of twenty years, with the first repayment due one year after completion of construction, with an interest rate of 2.5%. As of June 30, 2009 the total amount drawn down of the SRF loan was \$2,895,655.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(6) Defined Benefit Pension Plan

Plan Description

Beginning March 1, 2003, the District contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investments and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statutes and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Contributions

Participants are required to contribute 8% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The contribution rate for the indicated period is 13,181% of payroll for the Retirement Program. The District's covered payroll for PERS was \$3,470,595 for the year ended June 30, 2009, while the District's total payroll for all employees was \$4,497,399 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, this contribution rate, as modified by any amendments for the year, would be multiplied by qualifying the payroll of covered employees that was actually paid during the period July 1, 2008 to June 30, 2009.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(6) Defined Benefit Pension Plan, (Continued)

Funding History

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	475,470	100%	\$-0-
6/30/08	518,123	100%	\$-0-
6/30/09	659,312	100%	\$-0-

(7) Postemployment Benefits Other Than Pensions

Other than what is provided in the form of pension benefits to its retirees, the District does not pay for additional postemployment benefits (for example, retiree medical insurance).

(8) Employee Benefit Plans

On March 19, 1992, the District adopted the Lake Arrowhead Community Services District Profit Sharing Plan, a defined contribution pension plan. The District used B&B Benefits as administrator and Nationwide Trust Company as trustee. The legal authority for establishing or amended plan provisions or contribution requirements are resolutions of the District's Board of Directors. The plan covered employees of the District hired on or before March 1, 2003, who chose to continue participating in the plan rather than switching over PERS. Employees were eligible to participate upon one year of employment with the District and attainment of 18 years of age. Under the profit sharing plan, all contributions vested one year from date of qualifying employment. The District discontinued this plan in March of 2009 and participants transferred their accounts to PERS.

(9) Contingencies

In the opinion of outside legal counsel, potential claims against the District which are not covered by insurance, resulting from such litigation, would not materially affect the operations or financial condition of the District. The District is not aware of any pending or threatened litigation matters or other material contingent liabilities which could adversely affect the financial condition of the District.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(10) Risk Management

The District participates in a joint venture with forty-seven other participants in California Sanitation Risk Management Authority ("CSRMA") for workers' compensation and general liability insurance. CSRMA has a self-insured retention of \$750,000 per occurrence for general liability with a \$100,000 deductible. Additional coverage is provided to CSRMA as a result of its membership in Insurance Company of the State of Pennsylvania, which provides up to \$10,000,000 additional coverage once a claim exceeds \$750,000 and Clarendon American Insurance Corporation, which provides up to \$5,000,000 additional coverage once a claim exceeds \$10,750,000. For workers' compensation insurance, CSRMA has a self-insured retention of \$750,000 per occurrence with no deductible. Additional coverage is provided to CSRMA as a result of its membership in Employers' Reinsurance Corporation, which provides up to \$25,000,000 additional coverage once a claim exceeds \$500,000. The amount of settlements have not exceeded insurance coverages for each of the past three fiscal years. No material liability exists for the District at June 30, 2009 for risk management activities.

(11) Deer Lodge Park Assessment District

Pursuant to Resolution No. 94021.1 of the Lake Arrowhead Community Services District dated August 18, 1994, the District has issued \$1,488,787 of Assessment District No. 94-1 Bonds for the Deer Lodge Park Improvements Project. These bonds were issued under the Municipal Improvement Act of 1913. All of the bonds so issued were bought as an investment by the Water Fund of the Lake Arrowhead Community Services District. The bonds have been reflected as a liability of the Deer Lodge Park Fund and as an investment of the Water Fund of the District in the accompanying financial statements. Principal is payable by the Deer Lodge Park Fund to the Water Fund in annual installments ranging from \$115,000 to \$145,000 through September 2, 2009. The bonds bear interest at an annual rate of 6.16% payable in semiannual installments.

(12) Operating Lease

On April 15, 2003, the District entered into a five-year lease agreement for its existing office location. During fiscal year 2009, the District amended that lease for a two year extension through September 30, 2010. The total lease payments amounted to \$125,143 for the year ended June 30, 2009. Future minimum lease payments, exclusive of common area maintenance fees, are as follows:

2010	\$115,488
2011	<u>35,856</u>
Total	<u>\$ 151,344</u>

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(13) State Water Resources Control Board

In 2006, the State Water Resources Control Board issued Order No. WR 2006-0001 (Order) that limits the community's withdrawal from Lake Arrowhead to 1,566 acre feet per year (afy) beginning in 2008. In addition, the District entered into a Memorandum of Understanding with the Arrowhead Lake Association which has a stated goal to maintain the elevation of Lake Arrowhead at or above 5,100 foot elevation (ALA Datum). In order to reduce withdrawal from Lake Arrowhead, the community must pay for supplemental water supply sources. In addition, any new connections to the District's water system must be water neutral.

(14) Supplemental Water Supply Fee

On August 7, 2004, the District Board of Directors adopted a Supplemental Water Supply Fee ("Fee"). The authorizing Board action that created this fee restricts the use of the Fee to two specific purposes. This fee can only be used to pay for the purchase of supplemental (non-lake) water to meet the water delivery needs of the District and to finance the construction of capital facilities associated with new water supply. Revenue is recognized as earned when costs are incurred for eligible capital facilities and for the purchase and delivery of supplemental water. Remaining amounts are deferred until earned by the incurrence of related eligible costs.

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(14) Supplemental Water Supply Fee (Continued)

Revenues:	Total as of 06/30/07	As of 06/30/08	As of 06/30/09	Total to Date
Revenue earned for Interest Income on SWF Monies Held in Reserves	\$ 4,105,256	5,044,346	7,693,792	16,843,394
	380,389	203,140	54,987	638,516
Total Revenues	4,485,645	5,247,486	7,748,779	17,481,910
 Uses of Funds:				
<u>Operating Expenses:</u>				
Water Purchase - CLAWA @ \$1,150/acre foot*	785,558	266,610	-	1,052,168
Less 62 AF – CLAWA overlap area	(213,900)	(71,300)	-	(285,200)
Water Purchase - CLAWA @ \$2,837/acre foot	91,392	2,718,385	462,956	3,272,733
Sub-Total Operating Expenses	663,050	2,913,695	462,956	4,039,701
<u>Capital Projects:</u>				
Burnt Mill Storage Tank - CLAWA	908,922	531,268	-	1,440,190
Burnt Mill Pipeline	1,196,288	-	-	1,196,288
Cottage Grove Pump Station	4,198	45,228	236,734	286,160
Recycled Water (Does Not Include Treatment Plant Costs)	481,686	1,249,038	8,000,196	9,730,920
Integrated Water Resources	-	233,817	19,654	253,471
Ground & Surface Water Monitoring	-	-	208,566	208,566
Groundwater Development – Phase II	-	-	2,115,525	2,115,525
Grass Valley Wells - Portion of Cost of 3 Wells (\$242,069 was received from USBR Grant)	575,511	-	-	575,511
Engineering & Legal Fees for Analysis of Long-Term Water-Supply Alternatives (to date this amount represents payments to CLAWA)	61,701	-	1,377	63,078
Less funding provided by state revolving fund grant and loan proceeds	-	-	(3,351,216)	(3,351,216)
Sub-Total Capital Projects	3,228,306	2,059,351	7,230,836	12,518,493
Total Uses of Funds:	\$3,891,356	4,973,046	7,693,792	16,558,194

LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

(Continued)

(15) Agreement with the Crestline-Lake Arrowhead Water Agency and San Bernardino Valley Municipal Water District

On July 7, 2005, the District entered into an agreement (Agreement) for a short-term (10-15 year) water purchase from the San Bernardino Valley Municipal Water District (SBVMWD), treated and transported through the Crestline-Lake Arrowhead Water Agency (CLAWA) to District customers which will supply up to 1,500 acre feet of water per year. The Agreement allows for the delivery of 7,600 acre feet of water to be delivered over a 10 – 15 year period. To accept delivery, the District is constructing a pipeline and a 1 million gallon reservoir at a turnout being built by CLAWA and funded by the District. The cost of the facilities needed for this project is estimated at \$2.6 million. The cost of the water at the time of the agreement was \$2,627 per acre foot, but will increase over time as energy costs increase. Based on the rate at the time of the agreement, the cost of the water would be approximately \$20 million, however it is anticipated that with energy cost increases the actual cost of the water over the 10 – 15 year period will more likely be \$25 million. The agreement calls for minimum purchases of 640 acre feet in each of the first two calendar years following completion of the Water Delivery Facilities described above and at least 560 acre feet of water in each subsequent year, up to an aggregate total of 7,600 acre feet. The amount of prepaid water purchased from CLAWA as of June 30, 2009 was \$1,840,738.

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STATISTICAL SECTION

Lake Arrowhead Community Services District
Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
Business-type activities:					
Invested in capital assets, net of related debt	28,277,098	30,227,499	34,945,404	42,757,347	59,231,500
Restricted	8,786,694	10,457,876	11,280,883	10,333,134	3,971,746
Unrestricted	<u>13,104,460</u>	<u>13,024,649</u>	<u>13,835,208</u>	<u>12,732,250</u>	<u>11,594,330</u>
Total business-type activities net assets	<u>50,168,252</u>	<u>53,710,024</u>	<u>60,061,495</u>	<u>65,822,731</u>	<u>74,797,576</u>

Table 2

Lake Arrowhead Community Services District
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses:					
Business-type activities (Operating):					
Water	4,746,117	5,610,122	5,059,015	7,819,493	5,675,040
Wastewater	5,772,575	6,151,205	6,090,114	6,211,799	6,423,488
Deer Lodge Park	72,465	72,694	74,672	97,318	277,947
Total operating activities expenses	<u>10,591,157</u>	<u>11,834,021</u>	<u>11,223,801</u>	<u>14,128,610</u>	<u>12,376,475</u>
Business-type activities (Non-Operating):					
Interest on Long-term debt	1,106,380	1,039,740	942,054	839,856	722,613
Amortization of discount and issuance costs	129,459	130,003	128,466	126,635	126,634
Other income (expense)	(52,295)	(438,487)	(83,743)	(956,484)	(1,470,058)
Total non-operating activities expenses	<u>1,183,544</u>	<u>731,256</u>	<u>986,777</u>	<u>10,007</u>	<u>(620,811)</u>
Total business activities expenses	<u>11,774,701</u>	<u>12,565,277</u>	<u>12,210,578</u>	<u>14,138,617</u>	<u>11,755,664</u>
Program revenues:					
Business-type activities (Operating):					
Charges for services:					
Water	5,093,081	5,197,136	5,851,294	7,987,637	4,807,562
Wastewater	5,112,337	5,035,293	5,191,709	4,943,985	5,099,370
Deer Lodge Park	149,303	139,705	136,036	113,587	106,682
Total Operating revenues	<u>10,354,721</u>	<u>10,372,134</u>	<u>11,179,039</u>	<u>13,045,209</u>	<u>10,013,614</u>
Net revenues (expenses):					
Total net revenues (expenses)	<u>(236,436)</u>	<u>(1,461,887)</u>	<u>(44,762)</u>	<u>(1,083,401)</u>	<u>(2,362,861)</u>
General revenues and other changes in net assets:					
Taxes:					
Property taxes	1,153,870	1,359,031	2,737,983	2,897,943	2,947,314
Capital Contributions	1,877,886	3,312,409	3,078,646	2,622,743	7,183,051
Investment income	565,691	1,063,475	1,566,381	1,333,960	586,530
Total governmental activities	<u>3,597,447</u>	<u>5,734,915</u>	<u>7,383,010</u>	<u>6,854,646</u>	<u>10,716,895</u>
Changes in net assets:					
Business-type activities	<u>2,177,467</u>	<u>3,541,772</u>	<u>6,351,471</u>	<u>5,761,238</u>	<u>8,974,845</u>
Total governmental activities	<u>2,177,467</u>	<u>3,541,772</u>	<u>6,351,471</u>	<u>5,761,238</u>	<u>8,974,845</u>

Table 3

**Lake Arrowhead Community Services District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Revenue Bonds	Special Assessment Bonds⁽¹⁾	Total	Percentage of Personal Income⁽²⁾	Per Capita⁽²⁾
2000	1,631,467	81,085	1,712,552	4.53%	78
2001	1,743,331	86,113	1,829,444	4.52%	80
2002	4,995,440	91,125	5,086,565	12.07%	218
2003	2,032,406	96,121	2,128,527	4.79%	91
2004	2,194,813	101,193	2,296,006	4.78%	92
2005	2,272,406	111,456	2,383,862	4.65%	91
2006	1,657,406	116,124	1,773,530	3.29%	65
2007	2,405,000	121,339	2,526,339	4.50%	90
2008	2,500,000	131,372	2,631,372		
2009	2,215,000	143,267	2,358,267		

Note: Includes principal payment only

(1) Special Assessment Bond is for Deer Lodge Park

(2) See Table 15--Schedule of Demographic and Economic Statistics for personal income and population data. Statistics are available through 2007.

Table 4**Lake Arrowhead Community Services District****Acquisition of Capital Assets
Last Ten Fiscal Years**

Fiscal Year Ended	Water	Wastewater	Deer Lodge Park	Total	% Change
2000	4,561,473	770,968	3,338	5,335,779	70%
2001	2,349,268	359,876	-	2,709,144	(49%)
2002	1,771,988	1,276,643	123,259	3,171,890	17%
2003	1,522,925	299,832	-	1,822,757	(43%)
2004	1,784,084	1,306,035	-	3,090,119	70%
2005	1,506,917	719,445	-	2,226,362	(28%)
2006	1,350,916	348,522	-	1,699,438	(24%)
2007	2,604,366	1,151,430	5,038	3,760,834	121%
2008	6,181,467	1,363,924	-	7,545,391	101%
2009	10,217,697	824,064	22,014	11,063,775	47%

Note: The amount shown above for additions for 2007 has been adjusted to reflect more refined data.

**Lake Arrowhead Community Services District
Property Tax Revenues ⁽¹⁾
Last Ten Fiscal Years**

Fiscal Year Ended	Wastewater
2000	1,721,973
2001	1,771,128
2002	1,853,584
2003	1,979,469
2004	2,173,988
2005	1,153,870
2006	1,359,031
2007	2,737,983
2008	2,897,943
2009	2,947,314

Source: District records

Note: Includes penalties and interest.

(1) In both 2005 & 2006 the property tax levy was reduced by \$1,168,637 as a result of a shift in funds identified in the State of California budget.

Table 6

**Lake Arrowhead Community Services District
General Tax Levy and Collection
Last Ten Fiscal Years**

Fiscal Year Ended	Tax Levy (1)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collection	Total Tax Collection	Ratio of Total Tax Collections to Total Tax Levy
2000	1,650,825	1,552,798	94.06%	73,325	1,626,123	98.50%
2001	1,736,226	1,642,751	94.62%	63,883	1,706,634	98.30%
2002	1,807,346	1,739,992	96.27%	64,701	1,804,693	99.85%
2003	1,899,020	1,835,412	96.65%	61,752	1,897,164	99.90%
2004	2,021,563	1,968,653	97.38%	111,883	2,080,536	102.92%
2005	1,095,604	1,021,646	93.25%	132,223	1,153,869	105.32%
2006	1,396,916	1,350,242	96.66%	93,204	1,443,446	103.33%
2007	3,146,346	2,747,387	87.32%	168,916	2,916,303	92.69%
2008	3,444,917	2,897,943	84.12%	101,206	2,999,149	87.06%
2009	3,144,575	2,981,696	94.82%	88,022	3,069,718	97.62%

Source: County of San Bernardino Auditor/Controller's Office

Note: The total property tax levy and collection on this Table 6 will not match actual property taxes received on Table 5 due to the penalties and interest included in the figures on Table 5 and not on Table 6.

(1) In both 2005 & 2006 the property tax levy was reduced by \$1,168,637 as a result of a shift in funds identified in the State of California budget.

Table 7

**Lake Arrowhead Community Services District
Assessed Value of Property
Last Ten Fiscal Years**

Fiscal Year Ended	Secured Property Assessed Value	Unsecured Property Assessed Value	Total Assessed Value
2000	2,194,341,581	10,229,776	2,204,571,357
2001	2,304,323,166	10,544,890	2,314,868,056
2002	2,537,210,036	11,491,192	2,548,701,228
2003	2,734,855,166	12,582,426	2,747,437,592
2004	2,879,196,427	9,753,311	2,888,949,738
2005	3,164,282,581	9,776,278	3,174,058,859
2006	3,515,627,711	10,427,826	3,526,055,537
2007	3,839,370,153	23,876,548	3,863,246,701
2008	3,963,341,401	14,309,662	3,977,651,063
2009	4,025,644,385	15,568,916	4,041,213,301

Source: County of San Bernardino Assessor's Office

Table 8

**Lake Arrowhead Community Services District
General Tax Rates
(Per \$100 of assessed valuation)
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year Ended	San Bernardino County General Rate	Lake Arrowhead Community Service District	Crestline-Lake Arrowhead Water Agency Debt Service	School District Debt Service	Total
	(1)	(2)	(4)	(3)	
1998	0.92	0.0759	0.0620	0.1825	1.2404
1999	0.92	0.0769	0.0634	0.1825	1.2428
2000	0.92	0.0781	0.0674	0.1825	1.2480
2001	0.92	0.0788	0.0679	0.1825	1.2492
2002	0.92	0.0781	0.0668	-	1.0649
2003	0.93	0.0745	0.0786	-	1.0831
2004	0.93	0.0736	0.0761	-	1.0797
2005	0.96	0.0379	0.0500	-	1.0479
2006	0.96	0.0440	0.0500	-	1.0540
2007	0.91	0.0892	0.0500	-	1.0492
2008	0.91	0.0892	0.0500	-	1.0492
2009	0.92	0.0791	0.5050	-	1.5041

Source:

- (1) County of San Bernardino Auditor/Controller's Office
- (2) Calculated based on Tax Levy in Table 6 and Assessed Values in Table 7
- (3) Last year the tax was collected. This debt was paid off.
- (4) Crestline-Lake Arrowhead Water Agency - Applies to approximately 350 customers of LACSD

**Lake Arrowhead Community Services District
Principal Water Users By Consumption
June 30, 2009**

Table 9

Ratepayer	Type of Business	Consumption in hundred cubic feet (CCF)	Consumption in Acre Feet
Lake Arrowhead Country Club	Golf Course/Country Club	91,612	210.31
Lake Arrowhead Resort	Hotel	15,609	35.83
Rim of the World Unified School District	Education	12,216	28.04
UCLA Conference Center	Conference Center	9,845	22.60
Lake Arrowhead Village	Shopping Center	7,213	16.56
Mountains Community Hospital	Hospital	3,481	7.99
Blue Jay Investor, LLC	Shopping Center	2,698	6.19
Lakeside Trailer Park	Residential	1,959	4.50
GVD Guffy Partners	Shopping Center	1,942	4.46
Calvary Chapel of Costa Mesa	Conference Center	1,706	3.92

Source: District Records

(1) Based on number of bills issued. This amount will be greater than the number of connections due to the transfer of services from homes being sold.

**Lake Arrowhead Community Services District
Principal Wastewater Users By Revenue
Fiscal Year Ended June 30, 2009**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Sewer</u>
Lake Arrowhead Resort	Hotel	\$ 54,203
Lake Arrowhead Village	Strip Shopping Center	50,450
Rim Unified School District	Education	47,735
Blue Jay Investors, LLC	Strip Shopping Center	34,167
Lakeside Trailer Park	Trailer Park	30,396
Calvary Chapel of Costa Mesa	Church	23,762
UCLA Conference Center	Conference Center	17,326
Lake Arrowhead Chalets	Time Share Residences	12,152
Housing Authority SB County	Retirement Center	10,004
Saddleback Inn	Hotel	7,172

Source: District Records

Table 11

**Lake Arrowhead Community Services District
Principal Taxpayers**

Taxpayer	Type of Business	2008 Assessed Valuation	Percentage of Total Assessed Valuation	Taxes Assessed
Lake Arrowhead Investors, LLC	Strip Shopping Center	49,465,195	1.24%	33,587
Blue Jay Investors LLC	Strip Shopping Center	32,410,300	0.81%	22,007
Fulton Village Green Investors LLC	Hotel	16,896,096	0.42%	11,472
Private	Residence	8,811,824	0.22%	5,983
CTF4-LAKESIDE, LLC	Trailer Park	7,467,991	0.19%	5,071
Private	Residence	7,235,000	0.18%	4,913
Private	Residence	6,458,219	0.16%	4,385
Private	Residence	6,000,000	0.15%	4,074
Private	Residence	5,970,126	0.15%	4,054
Private	Residence	5,749,367	0.14%	3,904
		<u>146,464,118</u>	<u>3.66%</u>	<u>99,450</u>

Source: San Bernardino County Assessor

The purpose of this table is to demonstrate the low concentration of risk from the loss of property tax revenue as a result of nonpayment of property taxes by one of the top ten taxpayers.

**Lake Arrowhead Community Services District
Special Assessment Billings and Collection - Deer Lodge Park
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>
2000	163,703	152,358
2001	163,988	139,729
2002	162,154	139,834
2003	162,437	137,986
2004	167,904	141,788
2005	163,906	155,641
2006	161,486	132,606
2007	161,964	128,290
2008	163,639	129,884
2009	160,321	129,943

Source: NBS Delinquency Summary Report

Note: The last assessment was assessed and collected through the San Bernardino Tax rolls this past year. The District wrote-off \$165,823 of the assessment receivable as uncollectable.

**Lake Arrowhead Community Services District
Computation of Legal Debt Margin
Fiscal Year Ended June 30, 2009**

Assessed Valuations:	
Assessed Value	\$ 4,041,213,301
Add back: exempt real property	-
Total assessed value	<u>\$ 4,041,213,301</u>
Legal debt margin:	
Debt limitation - 10% of total assessed value	\$ 404,121,330
Debt applicable to limitation:	-
Legal debt margin	<u>\$ 404,121,330</u>

The Legal Debt Margin applies to General Obligation Bonds which are required by law not to exceed 10% of the total assessed valuation. The District has revenue bonds and does not have any debt to which the Legal Debt Margin would apply.

Table 14

**Lake Arrowhead Community Services District
Pledged Revenue Coverage**

	2003/2004	2004/2005	2005/2006	2006/07	2007/08	2008/09
Gross Revenues						
Water Fund	\$4,963,174	\$5,298,060	\$5,987,949	\$6,685,928	\$9,419,553	\$6,272,481
Wastewater Fund	7,245,381	6,685,683	7,065,935	8,696,525	8,653,448	8,612,776
Combined Total	12,208,555	11,983,743	13,053,884	15,382,453	18,073,001	14,885,257
Operating Expenses						
Water Fund	4,694,905	4,746,117	5,610,122	5,059,015	7,819,493	5,675,040 ⁽⁵⁾
Less: Depreciation	(791,103)	(836,883)	(903,137)	(889,158)	(879,347)	(1,030,590)
Net Water Fund Operating Expenses	3,903,802	3,909,234	4,706,985	4,169,857	6,940,146	4,644,450
Wastewater Fund	5,489,940	5,772,577	6,151,203	6,090,114	6,211,799	6,423,488 ⁽⁵⁾
Less: Depreciation	(1,314,745)	(1,412,385)	(1,406,564)	(1,391,355)	(1,360,826)	(1,277,471)
Net Wastewater Fund Operating Expenses	4,175,195	4,360,192	4,744,639	4,698,759	4,850,973	5,146,017
Combined Total	8,078,997	8,269,426	9,451,624	8,868,616	11,791,119	9,790,467
Net Revenues						
Water Fund	1,059,372	1,388,826	1,280,964	2,516,071	2,479,407	1,628,031
Wastewater Fund	3,070,186	2,325,491	2,321,296	3,997,766	3,802,475	3,466,759
Combined Total	4,129,558	3,714,317	3,602,260	6,513,837	6,281,882	5,094,790
Senior and Parity Debt Service						
1993 Water Revenue Bonds ⁽¹⁾	399,445	407,325	385,000	386,408	386,528	385,340
1999 Refunding Bonds ⁽²⁾	555,681	551,398	551,916	1,213,991	1,216,692	1,212,259
2002 Bonds	2,392,575	2,394,175	1,724,125	1,714,475	1,710,725	1,719,125
Combined Total	3,347,701	3,352,898	2,661,041	3,314,874	3,313,945	3,316,724
Debt Service Coverage						
1993 Water Revenue Bonds ⁽³⁾	2.65	3.41	3.33	6.51	6.41	4.22
Combined Debt ⁽⁴⁾	1.23	1.11	1.35	1.97	1.90	1.54

(1) 1993 Water Revenue Bonds have a senior lien on revenues of the Water System.

(2) 1999 Refunding Bonds are on parity with the 2002 Bonds.

(3) Water Fund Net Revenues divided by 1993 Water Revenue Bonds. Must be at least 1.25.

(4) Combined Net Revenues divided by Combined Total Debt Service. Must be at least 1.10.

(5) Includes one time charge for the abandonment of a capital project in 2002/03 and water purchase in 2003/04

Table 15

**Lake Arrowhead Community Services District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Estimated Population (1)	San Bernardino County Population (in thousands) (2)	San Bernardino County Personal Income (in thousands) (5)	San Bernardino County Per Capita personal Income(5)	School Enrollment (3)	San Bernardino County Unemployment Rate (4)
2000	11,944	1,689	37,772	21,971	5,946	4.8%
2001	12,345	1,764	40,431	22,944	5,769	4.8%
2002	12,759	1,784	42,141	23,290	5,706	5.8%
2003	13,187	1,833	44,453	23,876	5,722	6.2%
2004	13,629	1,886	47,996	25,066	5,603	5.9%
2005	14,086	1,946	51,223	26,074	5,595	5.4%
2006	14,559	1,985	53,929	27,134	5,362	5.0%
2007	15,047	2,056	56,110	28,024	5,166	5.4%
2008	15,552	2,028			5,025	7.9%
2009	16,074	2,045			4,789	13.7%

(1) Estimated full time residents based on 1990 and 2000 census. Growth based on data in 1990 and 2000 census indicates a 3.4% growth per year. Peak holiday weekend population is estimated to be approximately 30,000.

(2) Source: California Department of Finance , E-1: State/County Population Estimates with Annual Percent Change, January 1, 2008.

(3) Source: Rim of the World Unified School District - Based on period 2 attendance report. Statistics are available through April, 2009.

(4) Source: www.labormarketinfo.edd.ca.gov - Employment Development Department, Labor Market Information Division. Rates are annual averages through 2003. 2009 is the rate at 6/30/09.

(5) Source: www.bea.gov/bea/regional/bearfacts/action.cfm - Bureau of Economic Analysis: Regional Economic Accounts for San Bernardino County. Bureau of Economic Analysis is an agency of the U.S. Department of Commerce. Statistics are available through 2007.

Table 16

**Lake Arrowhead Community Services District
Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Arrowhead Woods				Deer Lodge Park (DLP)			
	New Water Connections	Water Connections (1)		% Increase	New DLP Connections	DLP Connections		% Increase
2000	88	7,294		1.22%	1	164		0.61%
2001	81	7,375		1.11%	0	164		0.00%
2002	84	7,459		1.14%	2	166		1.22%
2003	67	7,526		0.90%	0	166		0.00%
2004	64	7,590		0.85%	1	167		0.60%
2005	65	7,655		0.86%	1	168		0.60%
2006	171	7,826		2.23%	7	175		4.17%
2007	34	7,860		0.43%	7	182		4.00%
2008	43	8,289	(2)	0.55%	2	209	(2)	1.10%
2009	24	8,187	(4)	-5.89%	0	209		-11.96%
Average	72				2			

Wastewater				
Fiscal Year	New Wastewater Connections	Wastewater Connections		% Increase
2000	90	10,088		0.90%
2001	103	10,191		1.02%
2002	84	10,275		0.82%
2003	68	10,343		0.66%
2004	64	10,407		0.62%
2005	67	10,474		0.64%
2006	105	10,579		1.00%
2007	106	10,695	(3)	1.10%
2008	46	10,741		0.43%
2009	39	10,592	(4)	-1.39%
Average	77			

(1) Some of these accounts serve more than one dwelling unit (ie: one meter for four condos). In addition, multiple meters may serve just one parcel (ie: Lake Arrowhead Country Club has six meters).

(2) The numbers shown for 2008 Arrowhead Woods and DLP water connections include fire protection meters.

(3) The number shown above for wastewater connections for 2007 has been adjusted based on refined data.

(4) The numbers shown for 2009 Arrowhead Woods water and wastewater connections reflect abandoned services due to 2007 fire.

Table 17

**Lake Arrowhead Community Services District
Operating and Capital Indicators
at June 30, 2009**

Date of Incorporation		March 16, 1978
Annexation of Sewer System		June 7, 1983
Deer Lodge Park Assessment District Formation		April 1, 1995
Form of Government		Board/Manager
Number of employees		69
Area in square miles		15
Altitude		5,000 - 6,000 feet elevation
Number of Connections by Classification:		
<u>Arrowhead Woods Water:</u>	Residential	7,575
	Residential Irrigation	72
	Commercial/Institutional	132
	Commercial/Institutional Irrigation	8
	Fire Protection Services	400
	Total	<u>8,187</u>
<u>Deer Lodge Park Water:</u>	Residential	184
	Fire Protection Services	25
	Total	<u>209</u>
<u>Wastewater:</u>	Residential	10,352
	Commercial/Institutional	240 *
	Total	<u>10,592</u>
Facilities and Services:		
<u>Water System:</u>	Wells	4
	Treatment plants	3
	Capacity	7.25 mgd
	Average daily demand	2.3 mgd
	Peak holiday weekend demand	6 mgd
	Miles of pipeline	125
	Source of supply	Lake Arrowhead, local groundwater and SWP water
<u>DLP Water:</u>	Wells	2
	Capacity	.072 mgd
	Average daily demand	.10 mgd
	Miles of pipeline	6
	Source of supply	Local groundwater and SWP water
<u>Sewer System:</u>	Treatment plants	2
	Capacity	3.7 mgd
	Average daily demand	1.08 mgd
	Peak holiday weekend demand	2.4 mgd
	Miles of pipeline	209 *

* Numbers have been adjusted to reflect more refined data.

**Lake Arrowhead Community Services District
Wastewater Treatment
Last Ten Fiscal Years**

Table 18

<u>Calendar Year ⁽¹⁾</u>	<u>Total gallons of wastewater treated (million gallons)</u>
1999	547.08
2000	666.48
2001	583.37
2002	457.39
2003	497.57
2004	465.68
2005	662.43
2006	535.90
2007	415.31
2008	476.00

(1) All reports submitted to Lahonton Regional Water Quality Control Board for treatment are based on the calendar year.

**Lake Arrowhead Community Services District
Water Production and Sales in Arrowhead Woods
By Calendar Year**

<u>Calendar Year</u>	<u>Total Water Delivered to the Distribution System (AF)</u>	<u>Total Water Sales (AF)</u>	<u>Unaccounted Water (AF)⁽²⁾</u>	<u>Unaccounted Water (%)⁽³⁾</u>	<u>Raw Water Transferred to GV Lake (AF)⁽¹⁾</u>
2000	2,370.04	2,082.20	(287.84)	12.1%	181.89
2001	2,582.87	2,137.01	(445.86)	17.3%	199.66
2002	2,565.48	2,237.47	(328.01)	12.8%	261.35
2003	2,249.91	1,914.60	(335.31)	14.9%	195.57
2004	2,164.03	1,866.84	(297.19)	13.7%	250.52
2005	2,135.88	1,729.97	(405.91)	19.0%	65.61
2006	2,145.36	1,809.48	(335.88)	15.7%	114.39
2007	2,297.04	1,863.08	(433.96)	18.9%	273.54
2008	1,762.79	1,519.67	(243.12)	13.8%	193.66

<u>Calendar Year</u>	<u>Average Acre Foot Use Per Customer (AFD)⁽⁴⁾</u>
2000	0.29
2001	0.29
2002	0.30
2003	0.25
2004	0.25
2005	0.23
2006	0.23
2007	0.24
2008	0.18

(1) Total of untreated Lake Arrowhead water and groundwater transferred to Grass Valley Lake.

(2) Unaccounted water does not include adjustment for production meter data error, meter read lag correction, customer meter error estimate, repaired distribution system leaks. IWRP includes detailed water loss audit for

(3) Strategic Plan Priority 4: Resources & Environmental Management: Goal 2: Achieve less than 9% unaccounted water by 2012.

(4) For simplicity, the average acre foot use is calculated by taking the sales above and dividing by the number of customers in the Arrowhead Woods as of June 30th in Table 16.

**Lake Arrowhead Community Services District
Full-time and Part-time District Employees by Function**

Full-time and Part-time Employees as of June 30.						
<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Administration ⁽¹⁾	16	19	19	15	18	20
Engineering	3	5	5	5	5	6
Maintenance ⁽²⁾	30	25	22	25	26	24
Operations	17	19	19	20	20	19
Total Filled Positions	66	68	65	65	69	69
Total Board Approved Positions (Budgeted)	68	70	69	70	70	70

(1) Administration consists of Finance, Human Resources, Customer Service, Water Conservation, Meter Reading, Public Information & Board Administration

(2) In 2005, two maintenance worker positions transferred from Maintenance to Administration for meter reading.

Source: District Records

Table 21

**Lake Arrowhead Community Services District
Principal Employers**

Employer	2009	
	Number of Employees	Percent of Total Employment
Rim of the World School District	500	38%
Lake Arrowhead Resort	160	12%
Mountains Community Hospital	155	12%
Stater Brothers Markets	95	7%
Jensen's Markets	90	7%
Lake Arrowhead Fire District	70	5%
Lake Arrowhead Community Services District	69	5%
UCLA Conference Center	65	5%
Southern California Edison	35	3%
US Forest Service	30	2%
Southern California Gas	24	2%

"Total Employment" as used above represents the 600 full time and 700 part time jobs for local residents listed at www.lakearrowhead.net/economy.html

Source: Lake Arrowhead Chamber of Commerce