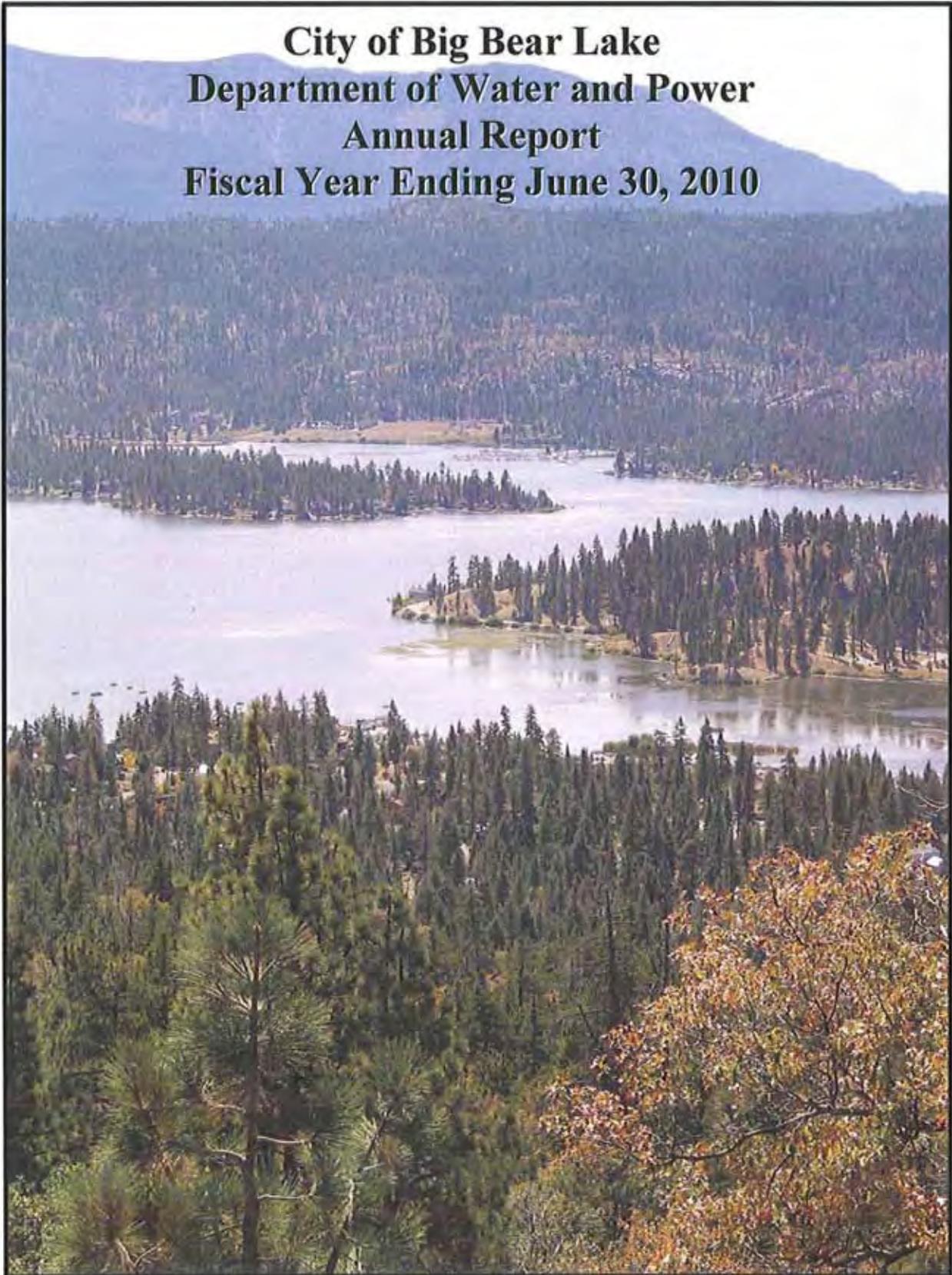


**City of Big Bear Lake
Department of Water and Power
Annual Report
Fiscal Year Ending June 30, 2010**



Department of Water and Power, City of Big Bear Lake
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Department of Water



Message to the Customers of the City of Big Bear Lake, Department of Water and Power and the General Public from the Chairman of the Board and General Manager

RE: Fiscal Year 2009/2010 Accomplishments of the Department of Water and Power

Annual Report

The 2009/2010 fiscal year represents the Department of Water and Power's 20-year anniversary. For the first time in those 20 years, the DWP is presenting an Annual Report. This Annual Report will be posted on DWP's website and is intended to provide for its customers, the general public, and any other interested party, a description of the accomplishments of the Department for the fiscal year ended June 30, 2010.

It is the intent of the Board of Commissioners and management to continue to present an annual report in future years. This report will form the basis for a measuring stick that will allow the DWP's customers and the public to see the organization's progress from year to year as many goals and strategic objectives, set forth by management and the Board, are accomplished. In that regard, the DWP will set out in this message from the Chairman and General Manager, important accomplishments in the 2009/2010 budget year.

USDA Funding

In the 2009/2010 fiscal year, the DWP presented a funding application to the United States Department of Agriculture for \$5.2 million. This application included a \$3.6 million dollar low interest loan and a \$1.6 million grant. Although the actual funding of the loan would not take

**Message to the Customers of the City of Big Bear Lake
Department of Water and Power – Fiscal Year 2009/10**

place until the 2010/11 fiscal year, 2009/10 was the year in which the bulk of the work to secure the funding was completed. Projects included in this loan application include:

1. The Drilling of a new water production well on Magnolia Lane in Sugarloaf.
2. The Drilling of a new water production well on Seminole Drive in Fawnskin to replace the 70-year old North Shore Well No. 1.
3. The Equipping of the Lakeplant Well No. 6 near the corner of Fox Farm Road and Big Bear Blvd.
4. The Equipping of a new water production well on Cherokee Street in Fawnskin.
5. Replacement of approximately 6,600 feet of old and undersized pipeline in various areas including Metcalf Bay, Erwin Lake, and Chipmunk Lane.

Strategic Planning

In January of 2010, the DWP staff and Board of Commissioners held a Strategic Planning Workshop. The Workshop included an analysis of the Department's strengths, weaknesses, opportunities and threats. The Workshop resulted in the DWP identifying several strategic objectives that will be implemented in the coming years, which will strengthen the DWP in the areas of water resource planning, operations, administration, organization and infrastructure planning.

Improved Organizational Structure

One of the more immediate major accomplishments resulting from the strategic planning process was a new, more efficient organizational structure. The new organization will enable DWP to more effectively utilize existing personnel to carry out the day to day operations of providing clean potable water which meets or exceeds all state and federal water quality standards to its nearly 16,000 residential and commercial customers.

General Rate Increase

In the summer and fall of 2010, in accordance Proposition 218 guidelines, the DWP adopted a general rate increase for both residential and commercial customers. The rate structure was also modified to more appropriately account for low water usage customers. The rate modification was designed to generate an overall 9% increase in expected water service revenues to be effective on January 1, 2010, and a second 9% increase to be effective on July 1, 2011. The purpose of this rate increase was to eliminate an \$800,000 budget deficit, so DWP could operate and maintain the water system in a manner that met all state and federal government water quality standards. In addition, it allowed the Department to have the financial resources to

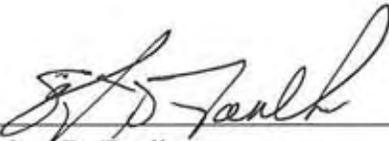
**Message to the Customers of the City of Big Bear Lake
Department of Water and Power – Fiscal Year 2009/10**

obtain the USDA loan/grant funding referenced above so that much needed new wells and pipeline replacements could increase the reliability and fire protection capabilities of the system.

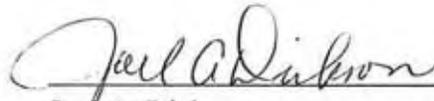
New Rate Structure

On January 1, 2010, the DWP implemented the new rate structure. This rate structure was an improvement over the old structure in that it more fairly assigned costs incurred by DWP to those customers who caused DWP to incur such costs. While DWP is proud of this improvement in the design of its rates, it will continue to evaluate and explore new rate design concepts that may provide even greater fairness in the future in terms of cost responsibility to its various customer classes.

Sincerely,



Stephen D. Foulkes
Chairman of the Board of Commissioners
Department of Water and Power



Joel A. Dickson
General Manager
Department of Water and Power

**City of Big Bear Lake
Department of Water and Power
Annual Report
Fiscal Year Ending June 30, 2010**

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**City of Big Bear Lake
Department of Water and Power
Annual Report
Fiscal Year Ending June 30, 2010**

Mission:

The mission of the DWP is to cost effectively deliver quality water to meet the needs of our current and future customers.

Vision:

Provide excellent service to our customers,
Continue water conservation,
Plan for and secure additional and diverse water supplies,
Increase operating efficiency,
Challenge and motivate employees and improve morale,
Continue infrastructure improvements,
Encourage City and interagency communication and cooperation and,
Assure that revenues are adequate to meet needs.

History and Overview

Acquisition and Funding of the Water Systems

The City of Big Bear Lake took over the Big Bear Water Systems of Southern California Water Company ("SCWC") on June 2, 1989 subsequent to the outcome of a condemnation proceeding and Court Order dated August 25, 1988. SCWC's Big Bear service area included five licensed water systems, Lake William, Erwin Lake-Sugarloaf, Big Bear Lake-Moonridge, Fawnskin, and Rimforest.

Stetson Engineers, Inc. included a brief history of SCWC in Big Bear Valley in their report, "Report on Appraisal of Fair Market Value of the Big Bear Water System of SCWC, Revised July 29, 1988." It was used in the court proceedings associated with the condemnation process and is duplicated below.

"The Bear Valley Utility Company started electric utility service in Bear Valley in 1921 and later acquired and operated a public utility telephone system in the area. It started operating a water system in 1925. The telephone system was sold to Interstate Telephone Company in 1934. The electric and water utility systems were acquired by American States Water Services Company of California in 1935. This company changed its name to Southern California Water Company in 1936.

"Rimforest water system initiated operations prior to 1950 as the Rim of the World Mutual Water Company. In 1950 it was acquired by Desert Water Company and became a public utility under the jurisdiction of the PUC [Public Utilities Commission] in 1951. Another water system was started adjacent to the Rimforest system in 1952 by the Arrowhead View Water Corporation. It was acquired by Desert Water Company in the same year. Subsequently these two systems were interconnected into one system and Desert Water Company was merged into Pacific Water Company. In 1962 Southern California Water Company acquired the Rimforest system from Pacific Water Company."

"The Sugarloaf water system was also acquired by Southern California Water Company from Pacific Water Company in 1962. The Sugarloaf system served an area east of Bear Valley and was known as Big Bear Pines Water Company. It was granted a Certificate of Public Convenience and Necessity on September 23, 1947. The system expanded, acquiring several mutual water systems in its area. In August 1953 it acquired Big Bear Woodlands and Lakewood Water Company serving an area east of Big Bear Pines and interconnected those two systems. In 1958 Pacific Water Company acquired the Big Bear Pines Water Company."

"In 1963 Southern California Water Company acquired a water system from the Des-Mo Land Company, serving a small area on the westerly side of the Sugarloaf system and on the easterly side of the service area, both contiguous to the Sugarloaf service area."

The City of Big Bear Lake filed an Eminent Domain Complaint with the San Bernardino County Court on May 19, 1986. When the City was considering condemnation proceedings for the SCWC water systems, they included the electrical utility operations in the City Charter amendment as well. That is why the portion of the City Charter that discusses the water utility also includes power thus, the Department of Water and Power. Ultimately the electrical utility was not condemned, however because the charter was already written, and is difficult to change, it remained as originally adopted.

During preparation for trial, both the City and SCWC hired consultants to evaluate and appraise the value of the water system. Two consultants were hired by the City to value the water systems. Edward J. Neumar, Ph. D. (September 1987), a San Diego based economist and financial consultant valued the system at \$10.4M. Bartle Wells Associates (August 19, 1987) valued the water systems at \$10.3M. The consultant for Southern California Water Company (Thomas Stetson, Stetson Engineers Inc.) placed the systems' value at \$26.8 million. At the trial, the jury determined the systems' valuation to be \$22 million, plus additions and betterments made to the system after the May 19, 1986 valuation date. This added approximately \$6 million. The City unsuccessfully appealed the valuation judgment to both the appellate court and State Supreme Court.

Prior to the City taking over the SCWC system, the California Department of Health Services (the "DHS") imposed a water connection moratorium, in February 1989, for the Big Bear-Moonridge water system. This was after the system experienced water outages over the Christmas and New Year's holidays in 1988-89.

The City Council voted to move forward with the purchase and issuance of bonds amounting to \$35.2 million on June 1, 1989 (the "1989 Bonds") pursuant to City of Big Bear Lake Resolution 88-10 adopted on March 8, 1989. This bond amount included costs for consultants, bond financing, bond counsel and some added money to make immediate improvements to the system.

The City advanced DWP \$2 million for developing new sources of supply that, when online, would have sufficient capacity to meet the heavy weekend water demands. This program was successful, and in January 1991, the DHS lifted the connection moratorium. Repayment of the advanced money was accomplished with a water rate increase in 1991 or 1992, at which time, a promise was made that rates would not be increased again for at least 10 years.

When the DWP took over operations, the water system in Sugarloaf was experiencing 50 percent unaccounted for water. More than 100 bleeders were used in Sugarloaf to prevent the small diameter, shallow, steel pipes from freezing. Bleeders maintain the flow of water to prevent freezing in winter months, by discharging water at the end of a main line. Within the first year of ownership more than 80 bleeders were eliminated with the installation of small water circulation pumps. In 1992, service area wide unaccounted for water had been reduced to 28.3 percent. It was also at this time that a \$4.9 million State of California low interest loan was secured from the California Department of Water Resources ("DWR"). Proceeds from the loan were used to replace 108,000 feet of leaky pipe. When the project was completed in 1996, unaccounted for water in DWP's service area had been further reduced to 12 percent.

In Fawnskin, when the DWP took over, there were more than 380 flat rate services (services without meters). These were eventually replaced with metered services.

At a special meeting on March 2, 1992, the DWP Board adopted Resolution No. DWP 92-02, requesting that the City retire the 1989 Bonds through the issuance of refunding bonds. Refunding Bonds (the "1992 Bonds") in the amount of \$45.22 million were issued. Proceeds from the 1992 Bonds were used to meet the terms of the 1989 Bonds, pay for the cost of needed improvements to the DWP's water systems (\$1.2 million), to fund a Bond repayment reserve fund, to fund a renewal and replacement fund (\$300,000) and to pay other related costs.

To take advantage of lower interest rates, the 1992 Refunding Bonds maturing on or after April 1, 2005, were refunded on August 1, 1996 in the principal aggregate amount of \$37.585 million with a final maturity date of 2022. Annual payments on these bonds are \$3.4 million. Annual payments on the DWR loan are approximately \$325,000. The DWR Loan matures in 2016.

Infrastructure Replacement

In 2006, the DWP engaged Camp, Dresser and McKee ("CDM") to complete a master plan (the "Master Plan") to ensure the water systems have sufficient supply and water pressure to meet the needs of the communities served. The Master Plan revealed a need for \$110 million in improvements to the systems.

Between 2008 and 2010, the DWP was awarded a series of grants under the Environmental Protection Agency's (the "EPA") State Tribal Assistance Grant program (the "STAG Grants"). The STAG Grants total approximately \$2.1 million and require the DWP to provide matching funds of 45% of the total project costs. The STAG Grants may be used only to replace substandard pipelines.

In 2010, the DWP successfully applied for loans and grants with the United States Department of Agriculture – Department of Rural Development (the "USDA") for a low-interest loan of approximately \$3.6 million and a grant of approximately \$1.6 million. The bond documents were signed on September 8, 2010. The USDA and the EPA have agreed that the USDA funds may be used to fund the STAG Grants' matching requirement. A second application is pending with the USDA for additional low-interest loans and grants which allows the DWP to draw on the STAG Grants of \$2.1 million. The Second application is expected to be completed in 2011.

The 2010 USDA funding will be used to drill two new wells: the Seminole Well, which replaces the 70-year old North Shore Well #1, serving Fawnskin; and the Magnolia Well, in Sugarloaf. This funding will also be used to equip the Lakeplant Well No. 6 in Big Bear Lake and the Cherokee Well in Fawnskin, which were both drilled previously. Finally, this funding will pay for the replacement of approximately 6,000 linear feet of aging and undersized pipeline throughout the DWP's service area.

The annual payment on the 2010 USDA Bond will be approximately \$144,500. The bond matures in 40 years with an annual interest rate of 2.375%.

Primary Revenue Sources

The DWP's primary source of revenue is from water user fees charged to residential and commercial customers throughout the water systems. The water user fees consist of a periodic service charge and a water usage charge. Additionally, the DWP receives revenues in the form of Capacity Charges when new services are connected to the system or when plumbing fixtures

are added to existing services. The DWP is currently operating under a Stage I Water Shortage Emergency pursuant to California Water Code Section 350¹, and as a result the DWP currently restricts the number of new connections to the system to 160 equivalent dwelling units (“EDUs”)² annually. If fewer than 160 EDUs are purchased in a given year, the unused connection allowance is added to the next year’s allowance. When sufficient water supply sources have been developed to meet the community’s needs at build out, the DWP intends to eliminate the Stage I Water Shortage Emergency, which will, in return, remove limitations on new connections.

Conservation

The DWP has an award-winning conservation program that has gained national attention. The program consists of indoor and outdoor water use audits, a turf removal program, a retrofit on change of service program, and irrigation efficiency assistance. Additionally, the DWP works closely with the Sierra Club, local nurseries, landscape companies and other sponsors on the annual Xeriscape Garden Tour.

Indoor and Outdoor Water Audits

Upon request, the DWP’s Conservation Department will evaluate the customer’s indoor fixture and outdoor irrigation system to recommend how a customer can use water more efficiently.

Turf Removal Program

The Turf Removal Program is a buy-back program whereby the DWP pays qualified customers up to 50 cents per square foot to remove existing turf.

Retrofit on Change of Service

New DWP customers have 90 days after acquiring or renting a property to replace old plumbing fixtures with low-flow/low flush devices, which typically reduce the volume of water consumed.

Outdoor Watering Schedules

Watering Days

Currently, the DWP has authorized its customers to water every other day, based on the customer’s address and the calendar date. If the address is an odd number, the customer can water on odd dates, and vice versa if the address is an even number. In addition, watering is limited to before 9:00 a.m. and after 6:00 p.m.

Outdoor Watering Guidelines

Additional outdoor watering restrictions, include, but are not limited to:

- No washing of sidewalks, walkways, driveways, parking areas, patios, porches or verandas, buildings and structures using water from a hose except when needed to protect public health and safety.

¹ <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=wat&group=00001-01000&file=350-359>

² One EDU is one single-family residence. Per the American Water Works Association Standards, this is based on consumption of 300 gallons per capita per day, with 3.8 residents per house for 1,140 gallons per day.

- No water shall be used to clean, fill, operate, or maintain levels in decorative fountains unless such water is part of a recycling system.
- All water leaks must be repaired in a timely manner.
- Irrigation systems must be shut down from November 1st to April 1st.
- Noncommercial washing of private vehicles, trailers, buses or boats must be conducted through the use of a bucket and a hose equipped with a shut-off nozzle.
- There shall be no use of water from a fire hydrant, except for fire protection purposes.
- No flooding or run-off in driveways or streets.

Additional outdoor watering restrictions may apply on holiday weekends.

Xeriscape Tour

The DWP is a co-sponsor of the Big Bear Xeriscape Garden Tour. The tour showcases the finest examples of low-water use gardening in the Big Bear Valley. The tour typically includes five to seven homes and two local nurseries. One property is typically selected as the “fire-wise” property which demonstrates how to provide defensible space and appropriately groom native plants to promote fire safety. At the 8th Annual Big Bear Xeriscape Garden Tour, in July 2010, over 500 people attended.

Water System Assets

Water Production and Storage

Wells and Water Production

DWP currently operates 27 groundwater wells and 21 slant wells that supply the various water systems in the service area. The average capacity of these wells is 135 gpm which is reflective of the relatively low-producing aquifers, and fractured bedrock conditions of the local geology. Table 1 presents some of the production capacities, physical characteristics, and plant efficiencies of the existing production wells as measured in 2010.

Several groundwater wells have been removed from service due to water quality considerations. Division Well No. 4 was removed from service because of high manganese levels. Manganese is a secondary standard that poses no health risks. The Division Well No. 1 was removed from service and destroyed, in accordance with the California Health and Safety Code, due to deterioration in the casing and water quality issues. The Knickerbocker Well was converted to a monitoring well because of high levels of arsenic. Lakeplant Wells Nos. 1, 2 and 3 were removed from service, due to deterioration in their casings and water quality issues. The Onyx Well, in the Lake William system, contains high levels of fluoride and can only be used if blended with the Monte Vista Well to lower Fluoride levels. In August 2010, Division Well No. 2 was removed from service because of high manganese levels. Division Well No. 2 provides 335 gpm to the Big Bear Lake/Moonridge Systems, therefore the DWP is evaluating options for blending from this well to reduce the levels of manganese and put it back in service.

In addition to groundwater production wells, DWP operates 21 slant or horizontal wells. Most of the slant wells are located in the vicinity of the Lassen Reservoir in the Big Bear Lake/Moonridge system and typically provide approximately 20 percent of the DWP total annual production.

The 2010 USDA funding provides the DWP with the capital required to equip the Lakeplant Well No. 6 in Big Bear Lake and equip the Cherokee Well in Fawnskin. The Lakeplant Well No. 6 is expected to provide 200 gpm; the Cherokee Well is expected to provide 60 gpm. The 2010 USDA funding also provides the capital needed to drill the Magnolia Well in Sugarloaf and the Seminole Well in Fawnskin. Drilling for these new wells was completed in fall 2010.

When equipped the Magnolia Well is expected to produce 200 gpm and is expected to be placed in service in 2011. The Seminole Well, which may require a treatment plant, is expected to be placed in service in 2012, and when equipped is expected to produce 170 gpm.

See Table 1 for more information regarding Water Production Resources.

Storage

DWP currently has 16 reservoirs in its service area that provide operational, emergency, and fire protection storage. With the exception of the Clinemiller Reservoir in the Fawnskin system, which is concrete with a wooden roof, all other reservoirs are either welded or bolted steel. The combined storage capacity of all reservoirs is estimated at just over 9.3 million gallons.

See Table 2 for more information regarding Storage Facilities

Pumping Facilities and Pressure Reducing Valves

DWP currently has 12 booster stations to pump water between pressure zones or pressurize the water systems. Most booster stations have a firm capacity of 500 gpm, or less, and in most cases do not have adequate fire flow capacity to transfer water from one zone to another during a fire event. Firm capacity is defined as the summation of individual pumping units, assuming the largest unit is not operational at a time of need. Individual pumping units range from a 35 gpm to over 1,000 gpm in the case of the Pontell Booster 3 and Knickerbocker Booster 3, which are considered fire pumps. Pump test information indicates a plant efficiency ranging from 35 to 75 percent with most units in the 40 to 50 percent range.

Currently DWP maintains 41 pressure reducing valves (PRVs) in the system to allow the transfer of water from higher to lower pressure zones. Most PRVs are set to reduce operating pressures to 50 or 60 psi; however many of them are normally closed as they are only activated during emergency connections. Most of the active PRVs are located in the Moonridge area where water from the Shuff and Wolf Reservoirs is conveyed to small subzones and ultimately into the Lower Moonridge and Town pressure zones.

Transmission and Distribution

The system database, created as part of this Master Plan study, contains details on approximately 940,000 ft. (178 miles) of pipelines. The inventory in the 2006 Master Plan includes all of the pipelines in DWP's water systems. Table 3 provides a summary of the existing pipelines categorized by diameter for each of the DWP's water systems. Similarly, Table 4 presents the pipelines segregated by material and age.

The 2006 Master Plan identified the following:

- The predominant pipeline sizes are 6 and 8 inches in diameter; they represent approximately 650,000 ft or 69 percent of total.

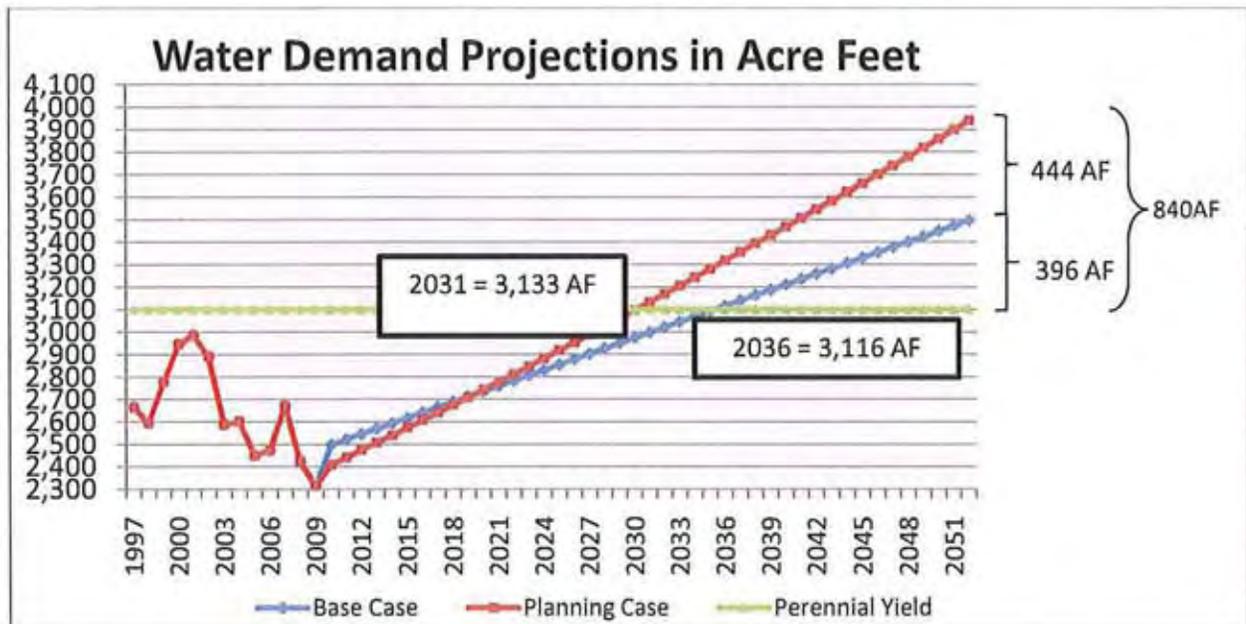
- Approximately 49 percent of all pipelines are in the Big Bear Lake system (Town Zone); 20 percent of them are less than 6 inches.
- Approximately 40 percent of all pipelines in the Erwin Lake system and 25 percent in the Fawnskin system are less than 6 inches.
- Approximately 510,000 ft of pipelines or 54.2 percent of total are 6 inches in diameter or less. Of this amount, approximately 187,000 ft are less than 6 inches in diameter.
- Approximately 52 percent of all pipelines are made of asbestos cement material.
- Approximately 41 percent of all pipelines are older than 30 years or their age is unknown.
- There are approximately 87,000 ft of steel pipelines, which, based on their age, may not have corrosion protection.
- Approximately 11 percent of the system pipelines are over 40 years old, of which 90 percent are in the Town pressure zone; the remaining 10 percent are located in the Sugarloaf and Erwin Lake systems.

The DWP has completed several pipeline improvement projects since the 2006 Master Plan was completed yet the estimated cost to replace these undersized and aging water distribution pipelines remains at approximately \$100,000,000.

In 2010, the DWP engaged the services of ALDA Engineering to complete a comprehensive analysis of the DWP's pipelines and create a database with Geographic Information System (GIS) protocols. This analysis is expected to be completed in early 2011.

Water Demand Projections

In 2009, the DWP completed an analysis of expected future water demand. The analysis demonstrated that demand is likely to equal the perennial yield of the local aquifers between the years 2031 and 2036. The perennial yield is the maximum amount of water that can be sustainably drawn from the aquifers annually. The chart below depicts the expected demand.



Fiscal Year 2009/10 Progress Report

New Rate Request

In 2008, the DWP engaged HDR Engineering to prepare a comprehensive water rate study and a study of capacity charges. The studies were completed in August 2009. The comprehensive rate study (the "Rate Study") identified the need to more equitably allocate costs among the DWP's customers and demonstrated the need for a water rate increase to ensure the DWP is able to adequately maintain and improve the water systems.

The DWP completed the process required by Proposition 218 for municipal water authorities. The required public notice was mailed to homeowners and rate-paying tenants on August 17, 2009. The DWP Board of Commissioners and the City Council of the City of Big Bear Lake conducted a joint public hearing on October 6, 2010, where HDR Engineering presented the results of the Rate Study. Fewer than 50 protests were received. Upon close of the public hearing the DWP Board of Commissioners adopted DWP resolution No. 2009-09, authorizing the rate increase. On October 26, 2010, the City Council adopted Ordinance No. 2009-396 ratifying the rate increase. Due to the hardship being experienced by the DWP's customers because of the severe downturn in the economy, implementation of the needed rate increase was delayed and divided into two phases.

The first phase of the rate increase took effect on January 1, 2010, and included modifying the rate structure to more equitably allocate the fixed costs of operating the DWP's systems. The new rate structure increased the bi-monthly residential service charge from \$60.64 to \$74.50 and now includes up to the first 8 units of water used during the billing period. The commercial service charge increased from \$30.32 to \$44.15 monthly and now includes up to the first 4 units of water used per billing cycle. The new rate structure resulted in some customers' bills being reduced while others increased. The overall average increase in water rates effective January 1, 2010 was 9%.

The second phase of the rate increase is approved and is expected to take effect on July 1, 2011. The second phase of the rate increase is also 9%.

The increase in revenues will make it possible for the DWP to move forward with water system rehabilitation projects that have been deferred since 2008.

Capacity Charges

In August 2009, HDR issued the results of its study of the DWP's Capacity Charges. Capacity Charges are fees collected when new services are connected to the water system or if an existing service adds additional plumbing fixtures. The HDR study combined three capacity charges: the Capital Facilities Charge, the Water Demand Offset Charge and the Supplemental Source of Water Charge, into a single Capacity Charge. Overall the new Capacity Charge was reduced by \$800 per equivalent dwelling unit, to \$7,648, effective January 1, 2010.

Accounting and Finance Changes

Capitalization of Labor

In Fiscal Year 2009, the DWP adopted a policy of capitalizing direct labor, indirect labor and overhead costs associated with capital projects. Historically the efforts expended with internal resources had not been capitalized resulting in an understatement of the asset value of capital projects. With concurrence of the City's auditors, Lance Soll and Lunghard, LLP ("LSL"), the DWP applied labor and overhead retrospectively for the preceding five years, to projects that were completed in those years. The auditors deferred incorporating the capital costs in its audit report for the year ended June 30, 2009, however, LSL has included the restatement of assets with the audit for Fiscal Year 2009/10. (See Financial Statements).

Financial Reserve Policy

In July 2009, the Board of Commissioners approved a financial reserve policy which is intended to ensure that the DWP has sufficient funds available in the event of unforeseen problems or emergencies.

Revenue Accounting

Concurrent with the new rates effective January 1, 2010, the DWP began conforming revenue accounting to the requirements of the 1996 Revenue Refunding Bonds Trust Indenture Agreement (the "TIA"). The TIA prescribes the order in which revenues are to be allocated to expenditures. The first priority is to ensure that costs to operate and maintain the existing water systems are funded. The second priority is to ensure that all debt reserve accounts and debt service accounts are funded as required. Any residual revenues are to be allocated to betterments of the water systems' infrastructure.

USDA Applications

In July 2009, the DWP began work on an application for funding from the United States Department of Agriculture – Department of Rural Development (the "USDA"). The DWP engaged the services of Water Systems Consulting, Inc. to evaluate the prospects for obtaining funding from the USDA. An initial application was filed and subsequently divided into two applications. After many hours of research and refinement, the USDA issued a letter of conditions on May 12, 2010, for debt financing of \$3.6 million and grant financing of \$1.6 million. On May 20, 2010, the USDA obligated funds for the DWP's first application. The 2010 Bond documents were executed on September 8, 2010.

The 2010 USDA funding will be used to drill two new wells: the Seminole Well, which replaces the 70-year old North Shore Well No. 1, serving Fawnskin; and the Magnolia Well, in Sugarloaf. This application will also equip Lakeplant Well No. 6 in Big Bear Lake and the Cherokee Well in Fawnskin, which were both drilled previously. Finally, this funding will pay for the replacement of approximately 6,000 linear feet of aging and undersized pipeline throughout the DWP's service area.

The annual debt service requirement for the 2010 USDA Bonds will be approximately \$144,600. The bonds mature in 40 years and bear interest at a rate of 2.375% annually.

The second USDA application is expected to total \$8.2 million and will include use of grants awarded by the Environmental Protection Agency (the "EPA") under the State Tribal Assistance

Grant Program ("STAG Grants"). The DWP has been awarded approximately \$2.1 million in STAG Grants which may be used strictly for pipeline replacement. The STAG Grants require the DWP to match the EPA funding by contributing 45% of the total project costs. The USDA and the EPA have agreed that the USDA loan financing will qualify for the EPA matching requirement. This opportunity allows the DWP to use leverage instead of current rates to fund pipeline replacements. The DWP plans to move forward with the second USDA application in late 2010.

Strategic Plan Review

In October 2009, DWP staff began a review of the 2008 Strategic Plan Objectives. Concurrently with this review, staff prepared a preliminary analysis of strengths, weaknesses, opportunities and threats ("SWOT Analysis"), which is a step typically completed in a comprehensive strategic planning process. The Board of Commissioners and DWP staff conducted a series of workshops between January and April 2010, to review each of the objectives that had been established and complete the SWOT Analysis. Included in the strategic plan review was a review of the DWP's staffing needs. The outcome of the staffing review was a reorganization of the Customer Accounts Department (Customer Service and Billing) and the addition of a Purchaser/Inspector I position to facilitate increased inspections required under the USDA applications and accommodate succession for the incumbent Purchaser/Inspector who was planning to retire.

Technical Review Team

The Technical Review Team (the "TRT") is charged with reviewing groundwater data semi-annually to determine the best strategies for ensuring short-term and long-term water resources are available to meet the needs of the communities served.

The TRT met twice during Fiscal Year 2009/10. The strategies for maximizing water resources included stressing subunits, and drilling test holes in Camp Oakes and several areas in the eastern portion of the valley. The potential well site at Camp Oakes would provide new water supply to the Lake William area, which is currently in a Stage II Water Shortage Emergency. The potential well sites in the eastern portion of the valley would increase the water supply to the Sugarloaf/Erwin Lake system which also transfers water to the Big Bear Lake/Moonridge system.

The TRT continues to recommend maintaining the Stage I Water Shortage Emergency for the DWP's waters systems, except Lake William, which remains in a Stage II Water Shortage Emergency, prohibiting new connections. The TRT also recommended maintaining the connection limitation of 160 new connections each year. Due to the recent decline in construction and economic growth, the committee recommended allowing any unused connection allowance available for use in future periods.

Water Production Summary

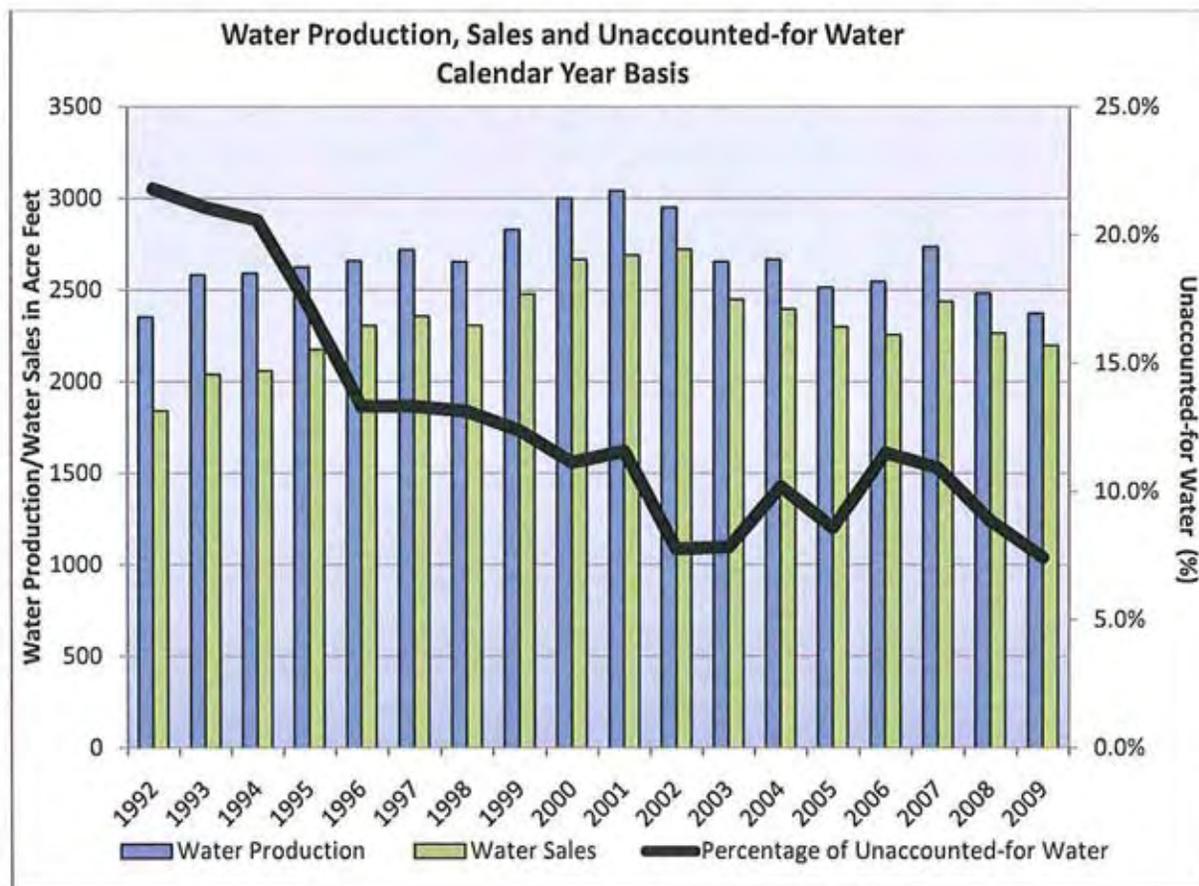
Total water production (excluding Rimforest purchased water) for Fiscal Year 2009/10 was 734.29 million gallons (2,254 acre-feet). This is a decrease of 29.83 million gallons (91.5 acre-feet) (3.9%) compared to the prior year. Approximately 65 million gallons (199.5 acre-feet) were transferred to the Big Bear Lake/Moonridge system from the Sugarloaf/Erwin Lake system.

Slant well production decreased 8.9% in the Big Bear/Lake Moonridge system in Fiscal Year 2009/10, compared with the prior year. The Big Bear Lake/Moonridge system

received approximately 29% of its water from gravity fed sources in Fiscal Year 2009/10, compared with 30% in the prior year. Slant wells in Fawnskin increased production by 1.1% compared with the prior year. The Fawnskin system received approximately 52% of its water from gravity fed sources in Fiscal Year 2009/10 compared with 50% in the prior year. (See Table 5 for Fiscal Year 2009/10 Water Production. See Table 6 for historical water production by well, by calendar year).

Unaccounted for Water

Unaccounted for water is the difference between the water that is produced by the DWP’s wells and the water that is sold to customers. The difference results primarily from leaks in main lines, leak adjustments given to customers consistent with the DWP’s leak adjustment policy, and use of water for Fire Department needs. For the Fiscal Year ended June 30, 2010, the DWP’s unaccounted for water was 7.8%. This represents an improvement of 0.2% compared with two preceding fiscal years in which unaccounted for water was 8.0% for each year.



Transmission & Distribution Summary

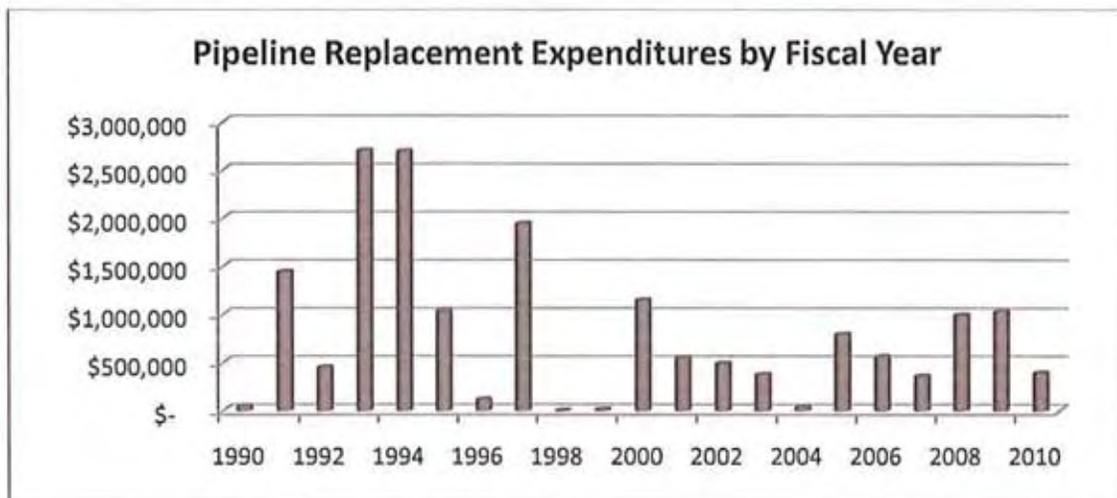
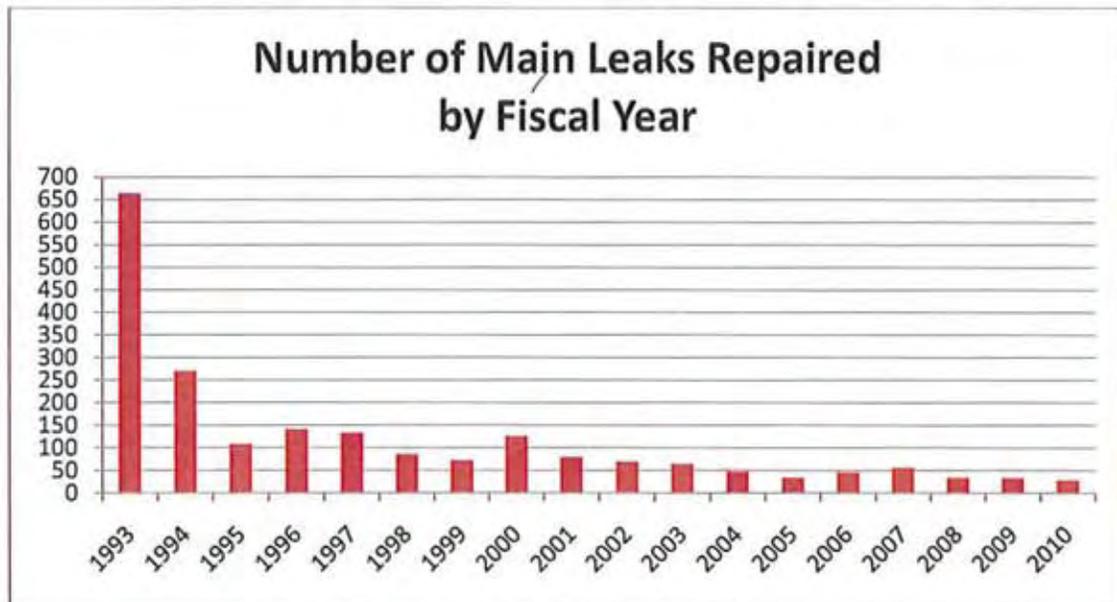
The Transmission and Distribution Department (“T&D”) repaired 28 main leaks in Fiscal Year 2009/10 compared with 34 in Fiscal Year 2008/09.

Much of the efforts of the T&D Department were focused on repairing and replacing meter boxes and fire hydrants that sustained damage in the heavy winter storms.

Main Leaks

Since acquiring the water systems in 1989, the DWP has invested substantial resources to reducing the number of water main leaks:

Number of Water Main Leaks Repaired by Area				
Fiscal Year Ending June 30	1993	2000	2005	2010
Big Bear Lake	436	41	13	13
Moonridge	0	49	16	10
Fawnskin	24	28	5	1
Sugarloaf	154	4	0	2
Erwin Lake	0	4	0	1
Lake William	2	0	0	1
Rimforest	48	0	0	0
Total System Main Leaks	664	126	34	28



Customer Field Service Summary

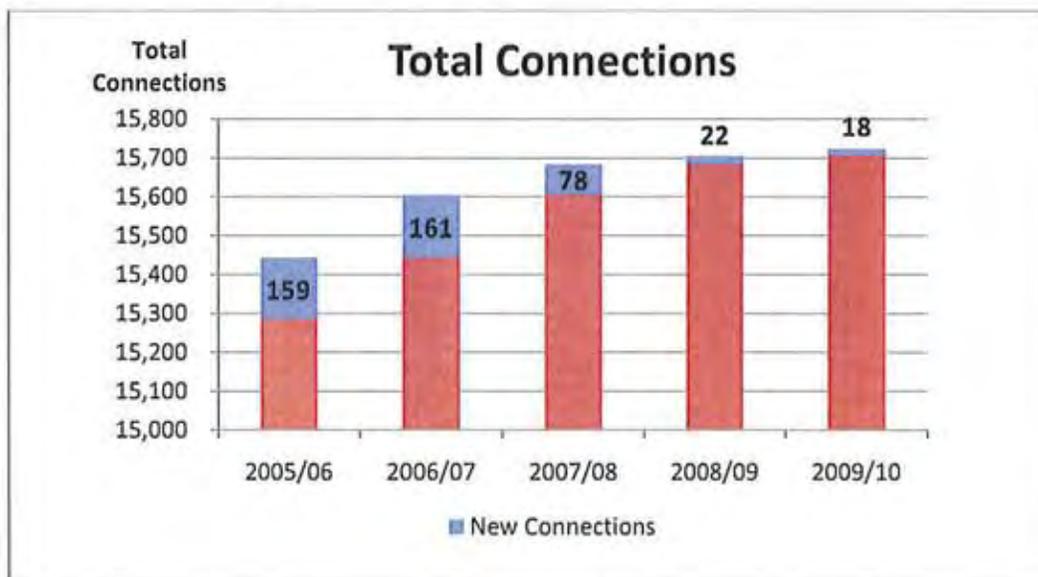
Heavy snows in the early part of 2010, resulted in an increase of 47% in estimated meter reads compared to Fiscal Year 2009/10. Meanwhile, Customer Field Service staff joined other field staff digging out fire hydrants, well houses and other facilities that were buried under four or more feet of snow.

Customer Field Service staff continued with its meter replacement program; 97 stuck meters were replaced and 190 other meters were replaced for other reasons in Fiscal Year 2009/10.

Customer Accounts Summary

In April 2010, the Customer Accounts Department was reorganized into two separate sections, Customer Service and Billing. Each section is now staffed with a supervisor who oversees the daily operations of the section. The new organization is more effective by allowing staff better access to information and direction than in the previous organization.

In Fiscal Year 2009/10, a total of 2,112 new accounts were established through change of service and new connections. New connections for the fiscal year totaled 18. At the end of Fiscal Year 2009/10 the DWP was serving water to 15,723 connections.



Collections

As of June 30, 2010, 640 accounts were past due compared with 687 as of June 30, 2009. The number of accounts past due decreased 6.8% over the 12-month period. Past due balances at June 30, 2010, totaled \$180,726 compared with \$184,589 as of June 30, 2009. The DWP places liens on properties when past due balances exceed \$200. As of June 30, 2010, 172 properties were subject to DWP liens, with a total balance due of \$127,870. Balances subject to liens are collected by the DWP upon close of escrow when the property is sold, or earlier if the customer pays the balance.

Conservation

The DWP's service area remains under a Stage I Water Shortage Emergency, except the Lake William area which remains at Stage II. Under the Stage I Water Shortage Emergency outdoor watering restrictions apply, new turf installation is limited, and new connections may be limited.

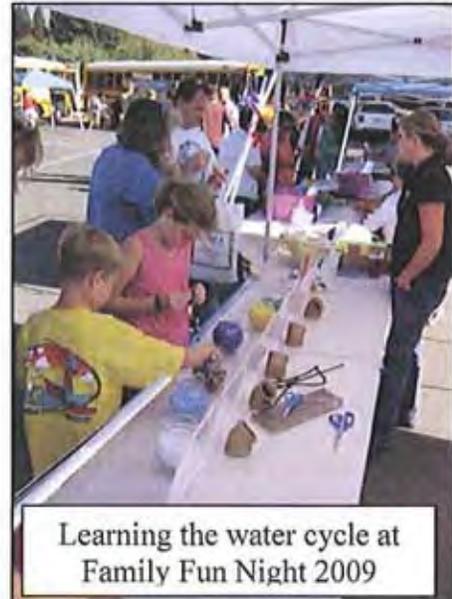


2009 Fire-wise Demonstration Garden

The DWP's Conservation Department encourages water efficiency through an extensive public outreach program. The outreach program uses

radio and print media to convey conservation messages. Other outreach efforts include participation in the annual Xeriscape Garden Tour and booths at Family Fun Night.

The DWP's turf buy-back program continues to reduce outdoor water demand. In Fiscal Year 2009/10, 29,298 square feet of turf were removed under this program. Since Fiscal Year 2005/06 a total of 279,090 square feet of turf have been removed.



Learning the water cycle at Family Fun Night 2009

Turf Buy-Back Program Results		
Fiscal Year	Turf Removed (SF)	Buy-back Amount
2005/06	81,373	\$ 37,872
2006/07	58,533	29,803
2007/08	66,593	33,297
2008/09	43,292	21,646
2009/10	29,298	14,399
Total to date	279,089	\$ 137,017

Construction Projects

The focus for Fiscal Year 2009/10 was securing new funding from the USDA. The potential to obtain low-cost funding to replace infrastructure resulted in the delay of construction projects that had been slated for Fiscal Year 2009/10. The projects originally budgeted for Fiscal Year 2009/10 were included in the 2010 USDA application. Ground breaking for these projects occurred in September 2010.

Staffing

The DWP's staffing fluctuates throughout the year as seasonal employees are hired each summer when weather conditions are favorable. Average headcount for Fiscal Year 2009/10 was 29.75

full-time equivalent employees. In Fiscal Year 2007/08 and 2008/09 positions that became vacant in the Customer Accounts and the Customer Field Service Departments were not filled pending a thorough evaluation of the DWP's staffing needs. The staffing analysis was completed in Fiscal Year 2009/10 that demonstrated the need to recruit replacements for these positions.

The DWP continues to demonstrate efficient staffing relative to the number of customer accounts serviced.

Year	2005	2006	2007	2008	2009	2010
Customers per Employee	413	435	445	461	524	529

Management Discussion and Analysis

Fiscal Year 2009/10 Objectives

The DWP had two primary objectives at the beginning of Fiscal Year 2009/10. The first was to successfully complete water rate structure modifications that would more equitably allocate costs among the DWP's customers and provide additional revenues for operations and infrastructure improvements. The second focus was embarking on an infrastructure improvement plan utilizing grants previously awarded by the EPA and use of DWP capital replacement reserves as matching funds.

In October 2010, the DWP conducted a public hearing regarding the proposed increase in water rates, as required by California's Proposition 218. Having received fewer than 50 protests, the rate increase was adopted by the Board of Commissioners and ratified by the City Council. The new rate structure became effective on January 1, 2010.

Early in Fiscal Year 2009/10, the DWP began pursuing additional grants and low-interest loans from the USDA's Rural Development Department. The USDA and the EPA agreed that funds received from the USDA could be used to match the EPA grants. Leveraging the EPA grants with the USDA funds will minimize the upward pressure on water rates that would have occurred to complete these infrastructure improvements.

In May 2010, the USDA issued a letter of conditions on May 12, 2010, for debt financing of \$3.6 million and grant financing of \$1.6 million. On May 20, 2010, the USDA obligated funds for the DWP's first application. The 2010 Bond documents were executed on September 8, 2010. Construction commenced on the \$5.2 million infrastructure improvement projects in the summer of 2010.

Revenues

Total revenue for the fiscal year ended June 30, 2010, were \$9,480,370, compared with \$9,403,335 for the prior year. The increase in water rates effective January 1, 2010, helped to boost revenues by \$239,030, however the downturn in the economy decreased interest income resulting in a net increase in total revenues of 0.8% compared to the prior year.

Revenue Source	FY 2009/10	FY 2008/09	Increase (Decrease)	% Change
Revenue From Rates	\$ 8,867,687	\$ 8,628,657	\$ 239,030	2.8%
Revenue from New Connections	306,788	296,806	9,982	3.3%
Revenue from Property Tax Assessments	182,995	173,576	9,419	5.4%
Interest Income	30,611	211,788	(181,177)	-85.5%
Other Income	92,289	92,508	(219)	-0.2%
Totals	\$ 9,480,370	\$ 9,403,335	\$ (77,035)	0.8%

Revenue from Rates

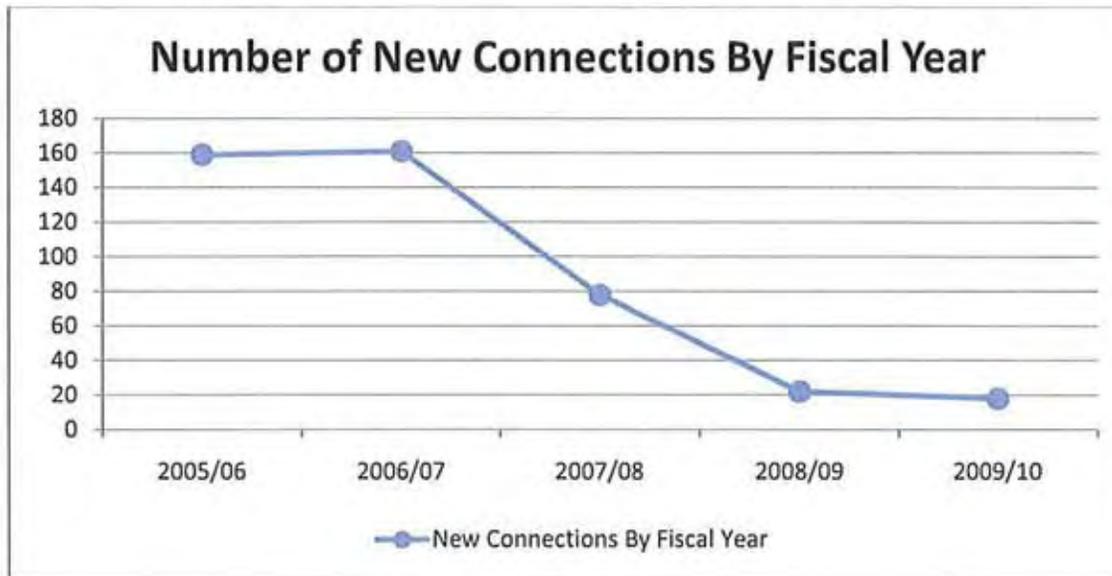
Revenue from rates includes periodic service charges and water usage fees for water consumed, and administrative fees related to servicing customer accounts. Revenue from rates totaled \$8,867,687 in Fiscal Year 2009/10, compared with \$8,628,657 in the prior year. The changes in the rate structure, that took effect on

January 1, 2010 whereby 4 CCF of monthly usage were incorporated into the minimum monthly service charge, make a clear analysis of the change in revenue difficult. Revenue from rates increased 2.8% over the prior year; the expected increase was 4.5%. The expected increase from rates was not fully realized due to a reduction in water consumption of 4% compared with the prior year.

Customer Class	Percentage
Residential	81.6%
Commercial	15.8%
Rimforest	2.6%
Total	100.0%

Revenue from New Connections

Revenue from Capacity Charges in Fiscal Year 2009/10 totaled \$306,788 compared with \$296,806 in the prior year. Economic conditions continue to hinder new development.



Expenses

Total operating expenses for Fiscal Year 2009/10 were \$6,334,144, compared with \$6,614,535 in the prior year. The decrease of \$280,391 (4.2%) resulted primarily from capitalization of labor costs.

Operating Expenses	FY 2009/10	FY 2008/09	Increase (Decrease)	% Change
Operations and Maintenance Expenses	\$ 4,720,169	\$ 5,066,836	\$ (346,667)	-6.8%
Depreciation Expense	1,613,975	1,547,699	66,276	4.3%
Totals	\$ 6,334,144	\$ 6,614,535	\$ (280,391)	-4.2%

Net non-operating expenses for Fiscal Year 2009/10 were \$1,874,690, compared with \$2,255,936 in the prior year. In Fiscal Year 2008/09 amortization of intangibles associated with the purchase of the water systems totaled \$559,497. Intangibles were fully amortized in the prior year. Interest expense decreased \$99,528 as a result of regular payments of principal. Interest income decreased \$181,181 as a result of the collapse of Lehman Brothers, with whom the DWP had invested funds under a contractual guaranty of returns.

Net Assets

Net income for Fiscal Year 2009/10 before restatements was \$1,240,926 compared with \$238,985 for the prior year. Capitalization of labor for Fiscal Years 2004/05 – 2008/09 was recorded as a restatement of net assets in Fiscal Year 2009/10. The restatement increased net assets by \$1,464,843. Net assets as of June 30, 2010, were \$5,600,992.

Capital Expenditures

Capital expenditures for Fiscal Year 2009/10 were \$1,060,549, compared with \$1,314,174 in the prior year. Capital spending in Fiscal Year 2009/10 primarily reflects construction in progress and capitalization of labor associated with USDA-funded projects. Capital spending in Fiscal Year 2008/09 included drilling of the Lakeplant Well No. 6 and the Division Well No. 8, as well as design and engineering of these wells and Metcalf and Erwin Lake pipeline projects. A portion of the 2008/09 design and engineering costs are eligible for reimbursement from the USDA.

Debt

As of June 30, 2010, the DWP had two long-term obligations outstanding: The 1996 Revenue Refunding Bonds (the "1996 Bonds") and a loan from the California Department of Water Resources (the DWR Loan). The principal balance of the 1996 Bonds as of June 30, 2010 was \$28,550,000. The 1996 Bond obligation will be paid in full by 2022. The principal balance of the DWR loan as of June 30, 2010 was \$1,640,254. The DWR loan will be repaid in full by 2016.

Debt Service	2009/10	2008/09
1996 Revenue Refunding Bonds – Principal	\$1,600,000	\$1,505,000
1996 Revenue Refunding Bonds – Interest Paid	\$1,809,000	1,899,300
<i>1996 Revenue Refunding Bond Payments</i>	<i>\$3,409,000</i>	<i>\$3,404,300</i>
California Department of Water Resources Loan – Principal	270,837	263,008
California Department of Water Resources Loan	54,913	60,968
<i>California Department of Water Resources Loan Payments</i>	<i>325,750</i>	<i>323,976</i>
Total Debt Service Payments	\$3,734,750	\$3,728,276

In September 2010, the DWP issued a bond to the USDA for \$3,628,000, (the "2010 Bond") for infrastructure improvement projects. The 2010 Bond bears interest at 2.375% and matures in 2050. The maximum annual debt service for the 2010 Bond is \$144,500. Proceeds from the 2010 Bond will be paid to the DWP in installments based upon progress payment requests. As of October 31, 2010, approximately \$474,100 has been disbursed to the DWP for reimbursement of construction costs.

Budget Comparison

Total revenues for Fiscal Year 2009/10 were under budget by \$881,664 (-9%). The Fiscal Year 2009/10 budget planned for the use of grant revenues of \$639,207 from the EPA/STAG. Use of the EPA/STAG grants has been deferred until 2011 when the expected proceeds from the second USDA application will be used as matching funds. Revenue from rates was under budget by \$251,951 primarily due lower than expected water sales.

Total expenditures for Fiscal Year 2009/10 were under budget by \$2.7 million (22%). Spending for capital projects was deferred until the USDA obligated funds to the DWP in May 2010. The DWP expects to complete most of the capital improvements budgeted for Fiscal Year 2009/10 in Fiscal Year 2010/11 using USDA funding.

Financial Statements

THE FOLLOWING SECTION INCLUDES AUDITED FINANCIAL STATEMENTS FOR THE DWP ENTERPRISE FUND. THESE STATEMENTS SHOULD BE EVALUATED IN THE CONTEXT OF THE ENTIRE COMPREHENSIVE ANNUAL FINANCIAL REPORTS FOR THE CITY OF BIG BEAR LAKE, FOR THE FISCAL YEARS ENDED JUNE 30, 2009, AND JUNE 30, 2010, INCLUDING FOOTNOTES. THE COMPREHENSIVE ANNUAL FINANCIAL REPORT IS AVAILABLE ON THE CITY'S WEBSITE (WWW.CITYBIGBEARLAKE.COM), OR UPON REQUEST FROM THE CITY.

CITY OF BIG BEAR LAKE
 PROPRIETARY FUNDS
 JUNE 30, 2010
 STATEMENT OF NET ASSETS

	Business-Type Activities Enterprise Fund Water Utility	
	June 30, 2010	June 30, 2009
Assets:		
Current:		
Cash and investments	\$ 2,500	\$ 500
Receivables:		
Accounts	1,468,163	1,263,054
Accrued interest	5,554	15,952
Due from other governments	6,923	95,235
Due from other funds	3,826,696	4,143,552
Inventories	271,226	251,777
Restricted		
Cash with fiscal agent	4,667,699	4,667,986
Total Current Assets	10,248,761	10,438,056
Noncurrent:		
Deferred charges	37,867	41,023
Capital assets – net of accumulated depreciation	25,578,019	24,666,602
Total Noncurrent Assets	25,615,886	24,707,625
Total Assets	\$ 35,864,647	\$ 35,145,681
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ 142,694	\$ 274,087
Accrued interest	441,324	467,754
Deposits payable	44,200	42,000
Current portion of long-term debt	1,973,892	1,870,830
Total Current Liabilities	2,602,110	2,654,671
Noncurrent:		
Compensated absences	221,081	246,086
Bonds, notes, and capital leases	27,440,464	29,349,701
Total noncurrent Liabilities	27,661,545	29,595,787
Total Liabilities	30,263,655	32,250,458
Net Assets:		
Invested in capital assets, net of related debt	(3,836,337)	(6,553,929)
Restricted for debt service	4,667,699	4,667,686
Unrestricted	4,769,630	4,781,166
Total Net Assets	5,600,992	2,895,223
Total Liabilities and Net Assets	\$ 35,864,647	\$ 35,145,681

CITY OF BIG BEAR LAKE
 PROPRIETARY FUNDS
 JUNE 30, 2010

STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS

	Business-Type Activities Enterprise Fund Water Utility Fiscal Year Ended	
	June 30, 2010	June 30, 2009
Operating Revenues:		
Sales and service charges	\$ 9,357,471	\$ 9,102,558
Miscellaneous	92,289	6,898
Total Operating Revenues	9,449,760	9,109,456
Operating Expenses:		
Administration and general	2,706,205	2,716,864
Source of supply	1,056,741	1,394,152
Transmission and distribution	957,223	955,820
Depreciation expense	1,613,975	1,547,699
Total Operating Expenses	6,334,144	6,614,535
Operating Income (Loss)	3,115,616	2,494,921
Non-operating Revenues (Expenses):		
Intergovernmental		85,610
Interest revenue	30,611	211,792
Interest expense	(1,905,301)	(2,004,829)
Amortization of intangible assets	-	(559,497)
Gain (loss) on disposal of capital assets		10,988
Total Non-operating Revenues (Expenses)	(1,874,690)	(2,255,936)
Income (Loss) Before Transfers	1,240,926	238,985
Change in Net Assets	1,240,926	238,985
Net Assets:		
Beginning of Fiscal Year, as previously reported	2,895,223	2,660,798
Restatements ⁽¹⁾	1,464,843	(4,560)
Beginning of Fiscal Year, as restated	4,360,066	2,656,238
End of Fiscal Year	\$ 5,600,992	\$ 2,895,223

⁽¹⁾ Restatements in Fiscal Year 2009/10 reflect capitalization of labor costs for the Fiscal Years ended June 30, 2005 through June 30, 2009, net of accumulated depreciation. Restatements in Fiscal Year 2008/09 are to correct assets that had been previously capitalized in error.

CITY OF BIG BEAR LAKE
 PROPRIETARY FUNDS
 JUNE 30, 2010

STATEMENT OF CASH FLOWS

	Business-Type Activities Enterprise Fund Water Utility Fiscal Year Ended	
	June 30, 2010	June 30, 2009
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 9,244,651	\$ 9,142,513
Cash paid to suppliers for goods and services	(2,162,606)	(2,346,130)
Cash paid to employees for services	(2,731,210)	(2,701,976)
Net Cash Provided by/(Used) for Operating Activities	4,350,835	4,094,407
Cash Flows from Non-Capital Financing Activities:		
Intergovernmental	88,312	(1,984)
Cash received from other funds	316,856	591,884
Net Cash Provided by/(Used) for Operating Expenses	405,168	589,860
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,060,549)	(1,314,174)
Principal paid on capital debt	(1,806,175)	(1,703,469)
Interest paid on capital debt	(1,928,575)	(2,024,807)
Net Cash Provided by/(Used) for Capital and Related Financing Activities	(4,795,299)	(5,042,450)
Cash Flows from Investing Activities:		
Interest received	41,009	242,842
Net Cash Provided by/(Used) for Investing Activities	41,099	242,842
Net Increase (Decrease) in Cash and Cash Equivalents	1,713	(115,341)
Cash and Cash Equivalents at Beginning of Year	4,668,486	4,783,827
Cash and Cash Equivalents at End of Year	\$ 4,670,199	\$ 4,668,486

CITY OF BIG BEAR LAKE
 PROPRIETARY FUNDS
 JUNE 30, 2010

STATEMENT OF CASH FLOWS

	Business-Type Activities Enterprise Fund Water Utility Fiscal Year Ended	
	June 30, 2010	June 30, 2009
Reconciliation of Operating Income to Net Cash Provided by/(Used) for Operating Activities		
Operating income (loss)	\$ 3,115,616	\$ 2,494,921
Adjustments to reconcile operating income (loss) Net cash provided by/(used) for operating activities:		
Depreciation	1,613,975	1,547,669
(Increase) decrease in accounts receivable	(205,109)	33,057
(Increase) decrease in inventories	(19,449)	60,290
Increase (decrease) in accounts payable	(131,393)	(62,248)
Increase (decrease) in deposits payable	2,200	5,800
Increase (decrease) in compensated absences	(25,005)	14,888
Total adjustments	1,235,219	1,599,486
Net Cash Provided by (Used) for Operating Activities	\$ 4,350,835	\$ 4,094,407
Non-cash Investing, Capital, and Financing Activities:		
Amortization of deferred charges	\$ 6,311	\$ 3,155
Amortization of intangible assets		559,497
Gain/(loss) on disposition of capital assets		10,988

Tables

Table 1 – Water Production Sources					
Well Information			Pump Test Information ⁽²⁾		
Well Name	Year of Construction	Capacity (gpm) ⁽¹⁾	Rated Hp	Discharge PSI	Plant Efficiency %
<i>Big Bear Lake System</i>					
Division-2	1964	305	50	131	58%
Division-4	1975	Inactive	25		37%
Division-5	1976	102	20	131	47%
Division-6	1976	324	50	134	57%
Division-7	1986	257	25	125	64%
Knickerbocker	1989	Inactive	20	127	48%
Lakeplant-1	1924	Inactive	20		26%
Lakeplant-2	1924	Inactive	15		32%
Lakeplant-3	1938	Inactive	8		14%
Lakeplant-5	1996	97	15	118	55%
Middle School	1991	137	25	89	59%
Oak	1991	111	20		52%
Pennsylvania	1989	86	25	149	50%
McAlister	2005	116	25		51%
<i>Moonridge System</i>					
Bow Canyon	1990	225	50	127	55%
La Crescenta	1990-1991	160	60	101	54%
Lassen-4	1991	191	8	14	24%
Sand Canyon	1972	105	25	108	34%
Sheephorn	2002	134	30	163	56%
Slant Wells (1-20)	1955-98	150-500			
<i>Sugarloaf System</i>					
Maple Well	1989	492	75	26	58%
<i>Erwin Lake System</i>					
Lakewood-3	1972	109	20	99	47%
Lakewood-5	1976	108	15	98	42%
Lakewood-6	1982	79	20	100	46%
Lakewood-7	1987	139	15	94	49%
Lakewood-27	1970	100	20		
<i>Fawnskin System</i>					
Northshore 1	1940	170	15	89	53%
Northshore 3	1970	30	5	94	37%
Raccoon Slant Well	1966	30			
Cedar Dell Slant Wells	1959-98	10-40			
<i>Lake William System</i>					
Monte Vista Well	1979	54	10	102	31%
Onyx Well	1968	59	10	99	39%
Sky View Well	1968		2		37%
<i>RV Park</i>					
RV Park 1	1966	44	8	25	34%
RV Park 2	1991	22	3	13	23%

Table 2 – Summary of Existing Storage Tanks					
Tank	Year of Construction	Dimesions (Ft)	Height (ft)	High Water Elevation (ft)	Capacity (MG)
<i>Big Bear Lake System</i>					
Bear Valley No. 1	1963	54	30	7,038	0.50
Bear Valley No. 2	1997	77	30	7,038	1.00
Cedar	1982	74	32	7,038	1.00
Pontell	2000	77	32	7,038	1.00
<i>Moonridge System</i>					
Lassen-1	1971	40	32	7,284	0.50
Lassen-2	1977	52	32	7,284	0.30
Shuff Tank	1992	75	32	7,437	1.00
Wolf Tank	1963	24	24	7,440	0.10
Yosemite	1988	-	24	7,552	1.20
<i>Erwin Lake and Sugarloaf Systems</i>					
Barton	1995	60	24	7,014	0.50
<i>Fawnskin System</i>					
Cedar Dell	2000	107	16	6,940	1.00
Clinemiller	-	42-L x 36-W	12	6,940	0.11
Racoon	1998	62	12	7,113	0.25
<i>Lake William System</i>					
Lake William	1994	42	16	7,430	0.16
<i>Rim Forest</i>					
Rim Reservoir	1998	66	24	5,983	0.56
<i>RV Park</i>					
RV Park	1990	26	24		0.12
TOTAL CAPACITY:					9.30

Table 3 – Summary of Pipelines by Water System and Diameter

Diameter (in)	Water System							Total Length (ft)	Percent (%)
	Big Bear Lake	Moonridge	Sugarloaf	Erwin Lake	Fawnskin	Lake William	Rimforest		
0.75					456			456	0.0%
0.80					557			557	0.1%
1.00	230	2,696			716			3,642	0.4%
1.50		306			2,612			2,917	0.3%
2.00	20,676	9,703	4,489	7,974	2,097			44,938	4.8%
2.25				2,623				2,623	0.3%
2.30				999				999	0.1%
2.50		3,932						3,932	0.4%
2.75				377				377	0.0%
2.80				193				193	0.0%
3.00	147	477						624	0.1%
3.50		774						774	0.1%
4.00	71,360	27,750	5,971	6,294	7,114	731	363	119,583	12.7%
5.00		4,242						4,242	0.5%
5.50		1,967						1,967	0.2%
6.00	149,564	47,210	71,430	16,374	23,304	9,505	5,742	323,129	34.3%
8.00	142,950	99,318	47,584	11,104	11,524	1,822	11,752	326,054	34.6%
10.00	18,678	8,810			1,837		331	29,656	3.1%
12.00	53,909	11,099	67	221	5,434	600	1,165	72,493	7.7%
Unknown	1,745	808	246	319				3,118	0.3%
Total	459,260	219,091	129,787	46,477	55,650	12,658	19,352	942,275	
%	48.7%	23.3%	13.8%	4.9%	5.9%	1.3%	2.1%		

Table 4 – Summary of Pipelines by Age and Material

Age (yrs)	AC	PVC	STL	Others	Total Length (ft)	Percent (%)
61-70	-	-	5,232	43	5,275	0.6%
51-60	10,039	-	12,465	1,944	24,449	2.6%
41-50	65,032	759	1,780	2,094	69,666	7.4%
31-40	140,638	465	-	3,699	144,802	15.4%
21-30	221,890	10,040	1,623	6,498	240,050	25.5%
11-20	36,493	201,412	1,846	3,336	243,087	25.8%
0-10	2,172	62,545	4,217	2,509	71,443	7.6%
Unknown	11,840	25,009	59,976	46,679	143,503	15.2%
Total	488,103	300,230	87,140	66,802	942,275	
Percent	51.8%	31.9%	9.2%	7.1%		

Table 5 – Total Water Production June 2010

Y-T-D = Year to Date MG = Million Gallons	June 2010 MG	2010 Fiscal Y-T-D	June 2009 MG	2009 Fiscal Y-T-D	09-10 Monthly % Difference	09-10 Y-T-D % Difference
*Big Bear Lake / Moonridge	50.49	508.84	50.56	540.23	-0.14%	-5.81%
*Sugarloaf / Erwin Lake	15.51	184.28	15.40	180.92	0.71%	1.86%
Fawnskin	2.76	28.53	2.78	29.39	-0.72%	-2.93%
Lake Williams	0.70	6.47	0.64	6.80	9.38%	-4.85%
RV Park	1.24	6.17	0.94	6.78	31.91%	-9.00%
SUB - TOTAL	70.70	734.29	70.32	764.12	0.54%	-3.90%
Rimforest	1.59	17.08	1.63	19.24	-2.45%	-11.23%
GRAND - TOTAL	72.29	751.37	71.95	783.36	0.47%	-4.08%

*NOTE: 5.24 Million Gallons were transferred from Sugarloaf / Erwin Lake to Big Bear Lake / Moonridge.

65.50 Fiscal Year to Date Transferred.

(This amount is included in the Sugarloaf / Erwin Lake Total but not in the BBL / Moonridge Total.)

SLANT WELL PRODUCTION: The totals below are included in the above totals.

	June 2010 MG	2010 Fiscal Y-T-D	June 2009 MG	2009 Fiscal Y-T-D	09-10 Monthly % Difference	09-10 Y-T-D % Difference
Big Bear Lake / Moonridge	14.80	146.42	12.32	160.72	20.13%	-8.90%
Fawnskin	1.97	14.73	0.97	14.57	103.09%	1.10%

Monthly Percentage of GRAVITY PRODUCTION vs. ELECTRICAL PRODUCTION

	June 2010	2010 Fiscal Y-T-D	June 2009	2009 Fiscal Y-T-D
BBL / Moonridge - GRAVITY	29%	29%	24%	30%
BBL / Moonridge - ELECTRICAL	71%	71%	76%	70%
	June 2010	2010 Fiscal Y-T-D	June 2009	2009 Fiscal Y-T-D
Fawnskin - GRAVITY	71%	52%	35%	50%

Table 6 - City of Big Bear Lake Dept. of Water and Power – Water Production by Well Calendar Years 2001-2010 (page 1 of 2)

Subunit	2001 CCF	2001 AF	2002 CCF	2002 AF	2003 CCF	2003 AF	2004 CCF	2004 AF	2005 CCF	2005 AF	2006 CCF	2006 AF	2007 CCF	2007 AF	2008 CCF	2008 AF	2009 CCF	2009 AF	2010 CCF	2010 AF
Village Subunit																				
Knickerbocker	54,527	125.17	54,655	125.46	54,149	124.31	53,667	123.20	48,494	111.33	-	-	-	-	-	-	-	-	-	-
Pennsylvania	-	-	-	-	486	1.12	24,268	55.70	20,041	46.01	29,683	68.14	21,178	48.62	16,343	37.52	19,511	44.79	19,786	45.42
Middle School	35,087	80.54	49,438	113.49	38,439	88.24	36,794	84.40	28,937	66.43	17,174	39.43	28,583	65.62	21,341	48.99	25,362	58.22	22,755	52.24
Oak	34,602	79.43	50,154	115.13	17,033	.10	4,487	10.30	19,524	44.82	34,758	79.79	23,072	52.97	20,985	48.17	21,318	48.94	19,547	44.87
subtotal	124,216	285.14	154,247	354.08	110,107	252.77	119,216	273.60	116,996	268.59	81,615	187.36	72,833	167.20	58,669	34.69	66,191	151.95	62,088	142.53
Rathbone Subunit																				
Lakeplant Wells (#1, #2, #3)	115,157	264.35	85,417	196.08	62,503	143.49	39,548	90.80	36,510	83.82	18,787	43.13	-	-	-	-	-	-	-	-
Lakeplant Well #5	52,446	120.39	46,664	107.12	50,584	116.12	38,175	87.60	52,278	120.01	49,399	113.40	50,523	115.98	64,097	147.15	52,617	120.79	38,386	88.12
Sand Canyon	34,399	78.96	34,879	80.07	11,985	27.51	6,535	15.00	13,306	30.55	18,567	42.62	16,853	38.69	21,901	50.28	16,448	37.76	9,056	20.79
Sheephorn (online in 2002)	-	-	40,156	92.18	50,627	116.22	43,178	99.10	31,370	72.02	31,919	73.28	40,128	92.12	34,720	79.71	29,632	68.03	23,614	54.21
Lassen Well #4	33,028	75.82	26,233	60.22	30,697	70.47	30,355	69.70	26,982	61.94	44,066	101.16	41,008	94.14	36,345	83.44	39,657	91.04	34,806	79.90
Bow Canyon	64,693	148.51	50,950	116.96	41,129	94.42	38,779	89.00	48,119	110.47	44,472	102.09	58,405	134.08	33,547	77.01	39,587	90.88	30,781	70.66
Dogwood Springs	4,032	9.26	90	0.21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,600	5.97
Goldmine Boosters A	6,185	14.20	4,963	11.39	5,503	12.63	3,847	8.80	11,227	25.77	7,920	18.18	3,996	9.17	2,508	5.76	4,402	10.11	-	-
Goldmine Boosters B	7,712	17.70	6,838	15.70	6,705	15.39	8,599	19.70	7,655	17.57	10,841	24.89	11,137	25.57	4,921	11.30	6,265	14.38	-	-
Slant Well #2, #3, #4	1,180	2.71	115	0.26	88	0.20	71	0.20	147	0.34	1,821	4.18	7,958	18.27	10,649	24.45	7,675	17.62	12,905	29.63
#6	641	1.47	319	0.73	367	0.84	363	0.80	761	1.75	631	1.45	400	0.92	411	0.94	354	0.81	493	1.13
#7	28,094	64.49	26,439	60.69	26,969	61.91	26,361	60.50	34,161	78.42	34,398	78.97	30,486	69.99	29,682	68.14	27,785	63.79	31,492	72.30
#8	40,792	93.64	31,187	71.59	32,906	75.54	31,627	72.60	27,755	63.72	25,970	59.62	24,165	55.48	23,455	53.85	21,938	50.36	22,529	51.72
#9	8,137	18.68	5,816	13.35	7,458	17.12	7,332	16.80	11,399	26.17	11,946	27.42	9,226	21.18	8,250	18.94	7,258	16.66	9,207	21.14
#10, #11	12,209	28.03	8,783	20.16	10,260	23.55	8,983	20.60	19,645	45.10	17,901	41.10	14,748	33.86	14,001	32.14	12,120	27.82	16,990	39.00
#15	13,672	31.38	9,225	21.18	7,740	17.77	17,918	41.30	15,432	35.43	8,310	19.08	10,693	24.55	17,098	39.25	24,458	56.15	19,646	45.10
#16	4,905	11.26	250	0.57	-	-	-	-	-	-	5,777	13.26	12,416	28.50	21,374	49.07	28,345	65.07	22,315	51.23
#17	7,819	17.95	5,653	12.98	6,580	15.11	5,343	12.30	8,695	19.96	10,555	24.23	8,021	18.41	6,529	14.99	5,082	11.67	6,491	14.90
#18	29,546	67.82	23,854	54.76	24,953	57.28	25,052	57.50	31,751	72.89	33,885	77.79	31,069	71.32	29,442	67.59	27,114	62.25	27,637	63.45
#19	25,853	59.35	20,056	46.04	20,993	48.19	20,529	47.10	29,416	67.53	30,781	70.66	27,787	63.79	26,446	60.71	19,283	44.27	24,240	55.65
#20	13,382	30.72	12,908	29.63	13,519	31.04	13,427	30.80	14,861	34.12	14,779	33.93	13,545	31.10	12,908	29.63	12,073	27.72	11,798	27.08
subtotal	503,882	1,156.68	440,795	1,011.86	411,566	944.83	366,022	840.20	421,470	967.56	422,725	970.44	412,564	947.12	398,284	914.33	382,093	877.16	344,986	791.98

Table 6 - City of Big Bear Lake Dept. of Water and Power – Water Production by Well Calendar Years 2001-2010 (page 2 of 2)

	2001 CCF	2001 AF	2002 CCF	2002 AF	2003 CCF	2003 AF	2004 CCF	2004 AF	2005 CCF	2005 AF	2006 CCF	2006 AF	2007 CCF	2007 AF	2008 CCF	2008 AF	2009 CCF	2009 AF	2010 CCF	2010 AF
Division / No.Shore F Subunit																				
La Crescenta	34,174	78.45	38,155	87.59	47,405	108.83	58,498	134.30	22,275	51.14	28,553	65.55	39,021	89.58	28,007	64.30	40,279	92.47	42,432	97.41
Division #1	42,234	96.95	54,783	125.76	12,337	28.32	15,344	35.20	8,526	19.57	-	-	-	-	-	-	-	-	-	-
Division #2	111,981	257.06	58,890	135.18	61,234	140.57	57,164	131.20	80,207	184.13	67,434	154.81	91,745	210.62	69,181	158.82	57,015	130.89	37,907	87.02
Division #4	1,572	3.61	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Division #5	26,430	60.67	23,717	54.44	23,233	53.34	24,532	56.30	38,060	87.37	29,376	67.44	29,097	66.80	30,911	70.96	33,740	77.46	36,081	82.83
Division #6	63,411	145.56	75,403	173.09	54,995	126.25	71,884	165.00	35,344	81.14	34,128	78.35	53,639	123.14	38,573	88.55	39,893	91.58	35,384	81.23
Division #7	94,498	216.92	74,423	170.84	74,167	170.26	57,141	131.20	54,292	124.64	74,029	169.95	60,455	138.79	52,868	121.37	52,438	120.38	40,826	93.72
McAllister											35,106	80.59	40,162	92.20	47,908	109.98	42,633	97.87	44,348	101.81
subtotal	374,300	859.22	325,371	746.90	273,371	627.57	284,563	653.20	238,704	547.99	268,626	616.68	314,119	721.12	267,448	613.98	265,998	610.65	236,978	544.03
Erwin Subunit																				
Maple	135,402	310.82	141,724	325.33	165,991	381.06	189,806	435.70	153,010	351.26	168,232	386.21	150,563	345.65	161,497	370.75	128,388	294.74	154,470	354.61
Lakewood #3	-	-	7,550	17.33	-	-	5,198	11.90	3,615	8.30	3,783	8.68	8,201	18.83	7,163	16.44	11,768	27.02	13,964	32.06
Lakewood #5	14,388	33.03	21,893	50.26	21,502	49.36	35,111	80.60	23,044	52.90	19,313	44.34	37,852	86.90	25,252	57.97	30,623	70.30	21,609	49.61
#6	14,796	33.96	11,219	25.75	11,448	26.28	18,052	41.40	10,075	23.13	5,956	13.67	19,443	44.63	14,903	34.21	16,708	38.36	10,517	24.14
#7	54,064	124.11	72,683	166.85	57,029	130.92	54,118	124.20	37,150	85.28	48,691	111.78	55,693	127.85	50,485	115.90	50,843	116.72	42,625	97.85
#27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Skyview #1	235	0.54	271	0.62	225	0.52	-	-	-	-	-	-	-	-	-	-	256	0.59	474	1.09
MonteVista #1	11,636	26.71	12,600	28.92	10,113	23.22	4,554	10.40	5,382	12.36	4,963	11.39	5,898	13.54	5,266	12.09	4,736	10.87	4,029	9.25
Onyx	221	0.51	-	-	1,429	3.28	5,155	11.80	4,185	9.61	3,805	8.74	4,833	11.10	4,412	10.13	3,955	9.08	3,613	8.29
subtotal	230,742	529.68	267,940	615.07	267,737	614.64	311,994	716.00	236,461	542.84	254,743	584.81	282,483	648.49	268,978	617.49	247,277	567.67	251,301	576.91
NorthShore Subunit																				
RV Park #1	5,222	11.99	4,773	10.96	5,014	11.51	3,481	8.00	4,413	10.13	5,576	12.80	6,119	14.05	6,179	14.19	6,035	13.85	5,411	12.42
RV Park #2	2,671	6.13	2,693	6.18	3,245	7.45	2,781	6.40	2,163	4.97	2,347	5.39	2,628	6.03	2,665	6.12	2,584	5.93	2,755	6.32
subtotal	7,893	18.12	7,466	17.14	8,259	18.96	6,262	14.40	6,576	15.10	7,923	18.19	8,747	20.08	8,844	20.30	8,619	19.79	8,166	18.75
Grout Creek Subunit																				
North Shore #1	29,665	68.10	34,988	80.32	29,124	66.86	24,766	56.80	7,438	17.08	10,851	24.91	22,459	51.56	15,817	36.31	19,458	44.67	9,715	22.30
North Shore #3	3,424	7.86	4,592	10.54	2,765	6.35	1,595	3.70	1,785	4.10	2,118	4.86	2,312	5.31	2,185	5.02	3,180	7.30	1,998	4.59
Racoon (tank)	6,482	14.88	4,624	10.61	4,197	9.63	3,887	8.90	18,028	41.39	12,916	29.65	7,745	17.78	8,671	19.91	7,386	16.96	7,348	16.87
Cedar Dell (tank)	15,306	35.14	10,160	23.32	14,826	34.04	15,117	34.70	20,008	45.93	15,890	36.48	13,856	31.81	13,896	31.90	8,698	19.97	17,601	40.41
subtotal	54,877	125.97	54,364	124.79	50,912	116.88	45,365	104.10	47,259	108.49	41,775	95.90	46,372	106.46	40,569	93.13	38,722	88.89	36,662	84.16
Mill Creek Subunit																				
Canvasback (on line 2007)													12,733	29.23	13,363	30.68	-	-	-	-
subtotal													12,733	29.23	13,363	30.68	-	-	-	-
Total Production	1,295,910	2,974.81	1,250,183	2,869.84	1,121,952	2,575.65	1,133,422	2,601.50	1,067,466	2,450.56	1,077,407	2,473.39	1,149,851	2,639.69	1,056,155	2,424.60	1,008,900	2,316.12	940,181	2,158.36