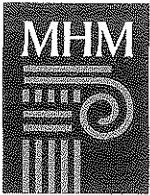


We have the following questions related to the Proposal for Audit Services,

- (a) Is the current audit firm allowed to submit a proposal? **Yes**
- (b) Does the Agency receive Federal Grant Funds and is a Single Audit of Federal Grants required?
No
- (c) The Fee paid for the FY 2011 audit and state controller's report? **\$19,570**
- (d) Does the Agency have a finance or audit committee with which the auditors meet? **No (this could change)**
- (e) Please provide a copy of any management letter issued and the Report issued under SAS 114
Attached
- (f) The number of audit adjustments (if any) for FY 2011? **None**
- (g) Does the Agency expect any significant changes in it's operations or finances for FY 2012 when compared to FY 2011? **No**
- (h) Is there any specific reason for issuing a proposal for audit services such as a disagreement with the current audit firm? **No**
- (i) Does the Agency expect any retirements over the next year from key employees? **No**
- (j) The number of years the current firm has been performing the audit? **19**
- (k) How many staff were on-site performing the fieldwork for the audit? **2**



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Board of Directors
Big Bear Area Regional Wastewater Agency

Recommendations for Consideration

In planning and performing our audit of the financial statements of the Big Bear Area Regional Wastewater Agency (BBARWA) as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.**

However, as a service to you, we identified during our audit certain matters that provide you an opportunity to enhance your existing internal controls. These matters are provided as recommendations for your consideration and are not considered to be significant deficiencies in internal control:

Policies Regarding Periodic Verification of Capital Assets

The Agency has appropriate policies and procedures with respect to its capital asset records. As an enhancement to those policies, we recommend that the Agency consider establishing in its capital asset policy a time frame over which its capital asset records will be subjected to a physical inspection. A common time frame for similarly sized agencies would be for all capital assets to be inspected over a three year time frame. The benefits of such a review are that capital asset records can be updated for additions, deletions, and replacements that may not have been previously communicated to the finance personnel of the Agency.

This review should include a detailed review by the Plant Superintendent of treatment plant components and improvements that are listed in the capital asset listing of the Agency to ensure that the listed components are up to date.

Management Comments Regarding Planned Implementation

Proper and timely verification of capital assets is a priority for the Agency. The provisions suggested above relating to the physical inspection and accounting of the Agency's assets over a three-year time frame including a detailed review by the Plant Superintendent will be recommended to the Board for inclusion into the Agency's existing policy.

The organization's written response to the matters communicated herein have not been subjected to the audit procedures applied in the audit of the financial statements.

This communication is intended solely for the information and use of the management, those charged with governance, others within the organization, and agencies that provided federal financial assistance to the organization and is not intended to be and should not be used by anyone other than these specified parties.

Maureen H. Johnson, M.B.A., P.C.

Irvine, California
September 21, 2011



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September 21, 2011

Board of Directors
Big Bear Area Regional Wastewater Agency

Summary of Audit Results

We have audited the financial statements of the Big Bear Area Wastewater Agency for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 28, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency's financial statements were:

- Judgments concerning which capital projects represent ordinary maintenance activities necessary to keep an asset operational for its originally intended useful life versus significant improvement, replacement, and life extending projects that should be capitalized as additions to capital assets.
- Estimates involving revenues and expenses to be accrued as of yearend.

Significant Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no matters noted that required such communication.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such matters arose during the course of our audit.

Management Representations

We have obtained certain representations from management that are included in the management representation letter dated September 21, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Comments or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Margaret Hoffman McCann P.C.