

BIG BEAR AREA REGIONAL WASTEWATER AGENCY

Regular Board Meeting Agenda

October 27, 2021 at 5:00 p.m.

Pursuant to AB 361, this meeting will be virtual because state and local officials are recommending measures to promote social distancing. Members of the public may listen and provide public comments telephonically during the Public Forum (Item 4).

The public may participate in this meeting by:

Joining the Zoom Meeting:

<https://us06web.zoom.us/j/85663826001?pwd=UFV2VEUvb21QMzhJMFgzemZxVXN4UT09>

Meeting ID: 856 6382 6001

Passcode: 230012

Dial by your location

- +1 253 215 8782 US (Tacoma)
- +1 346 248 7799 US (Houston)
- +1 720 707 2699 US (Denver)
- +1 301 715 8592 US (Washington DC)
- +1 312 626 6799 US (Chicago)
- +1 646 558 8656 US (New York)

Find your local number: [https://us06web.zoom.us/u/k7SqUFTur](https://us06web.zoom.us/j/85663826001?pwd=UFV2VEUvb21QMzhJMFgzemZxVXN4UT09)

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **APPROVAL OF AGENDA**
4. **PUBLIC FORUM**

Public testimony is permitted at this time only on consent calendar items and other matters not listed on the posted agenda that are within the subject matter jurisdiction of the Agency. State law prohibits the Agency from taking action on any items not listed on the posted agenda. Public comment on items listed on the posted agenda will be taken at the time each item is called for discussion.

Please note that the Governing Board is making efforts to follow the spirit and intent of the Brown Act and other applicable laws regulating the conduct of public meetings, in order to maximize transparency and public access. It would be appreciated, although not mandatory, if communications of public comments related to items on the agenda, or items not on the agenda, are emailed to bburton@bbarwa.org on or before Wednesday, October 27, 2021, at 4:00 p.m. Please include in the email's subject line "Public Comment Item # (insert the number relevant to your comment)" or "Public Comment Non-Agenda Item". If you wish to submit a public comment on more than one agenda item, please send a separate email for each item you are commenting on.

If it is not possible to submit an email by 4:00 p.m., and comments are submitted by email after that time or thru the Zoom chat feature during the meeting, every effort will be made to attempt to review emails and Zoom chats during the course of the meeting. The Chair will endeavor to take a brief pause before Governing Board action is taken on agenda items to allow the Board Secretary time to review the public's electronic communications. Every effort will be made during the meeting to read aloud all electronically submitted comments. Please note, all electronically submitted correspondence relating to this meeting will become part of the meeting record and will be cited within the meeting minutes. Please limit written comments to 300 words or less. In addition, prior to the close of public comment portions of the meeting, the Chair will provide the public an opportunity to verbally state their comment live via Zoom teleconference.

At meetings of the Governing Board, each individual speaker will be limited to five minutes or less of public testimony on each item on the agenda and three minutes or less on each item not on the agenda. In addition, public testimony on non-agenda items shall be limited to thirty minutes for all speakers. Further, the cumulative time which any individual may provide public testimony during a meeting is 15 minutes. The Chair of the Governing Board by majority vote may waive these time limitations. Whenever a group of persons wishes to address the Governing Board on the same item, the Chair or the Governing Board by majority vote may request a spokesperson be chosen for the group or limit the number of such persons addressing the Governing Board. The Chair or the Governing Board by majority vote may rule out of order testimony that is unduly repetitious or irrelevant.

5. **PRESENTATION AND INTRODUCTION**

5.A. Audit Report for the Fiscal Year Ended June 30, 2021

6. **INFORMATION/COMMITTEE REPORTS**

6.A. General Manager's Report

7. **CONSENT CALENDAR**

All matters listed on the Consent Calendar will be enacted by one motion at the appropriate time. There will be no separate discussion of these items. If a detailed discussion is necessary, any Governing Board Member may request that an item be removed from the Consent Calendar and considered separately.

7.A. Approval of the Meeting Minutes from the September 22, 2021 Regular Meeting

7.B. Monthly Disbursements Report for September - Informational

7.C. Investment Report Identifying Agency Investments and Reporting Interest Income for September – Informational

7.D. Asset Disposal – Ion Analyzer - Approve

8. **ITEMS REMOVED FROM CONSENT CALENDAR**

9. **OLD BUSINESS**

None

10. **NEW BUSINESS – DISCUSSION/ACTION ITEMS**

10.A. Annual Report, Twelve Months Ended June 30, 2021

10.B. Resolution No. R. 10-2021, A Resolution of the Governing Board of the Big Bear Area Regional Wastewater Agency Authorizing Virtual Governing Board and Committee Meetings Pursuant to AB 361

11. **CLOSED SESSION**

11.A. Public Employee Performance Evaluation
Pursuant to Government Code Section 54957(b)(1)
Title: General Manager

12. **COMMENTS AND ANNOUNCEMENTS**

12.A. General Manager Comments

12.B. Governing Board Member Comments

13. **ADJOURNMENT**

In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if you need special assistance to participate in an Agency meeting or other services offered by the Agency, please contact the Agency at (909) 584-4018. Notification at least 48 hours prior to the meeting or time when services are needed will assist Agency staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

Copies of staff reports or other written documentation relating to each item of business referred to on this agenda are on file in the office of the Big Bear Area Regional Wastewater Agency and are available for public inspection during normal business hours.

Visit www.bbarwa.org to view and/or print the Agenda Package.



Big Bear Area Regional
Wastewater Agency
Jim Miller – Chair
Rick Herrick – Vice-Chair
John Green – Director
Bynette Mote – Director
Karyn Oxandaboure – Director

AGENDA ITEM: 5.A.

MEETING DATE: October 27, 2021

TO: Governing Board of the Big Bear Area Regional Wastewater Agency

FROM: David Lawrence, P.E., General Manager

PREPARED BY: Jennifer McCullar, Finance Manager

SUBJECT: Audit Report for the Fiscal Year Ended June 30, 2021

BACKGROUND & DISCUSSION:

The Agency engaged the services of Rogers, Anderson, Malody & Scott, LLP (“RAMS”), Certified Public Accountants, to perform the annual audit for the fiscal year ended June 30, 2021.

Please find attached 1) a letter addressing the Board and summarizing the audit (communication required to those in charge of governance) and 2) the Annual Comprehensive Financial Report (a bound copy to follow). RAMS has issued an unmodified opinion, stating that the financial statements for the fiscal year ended June 30, 2021 present fairly, in all material respects, the financial position of the Agency and are free of material misstatement (please see the Independent Auditor’s Report in the Annual Comprehensive Financial Report).

FINANCIAL IMPACT:

There is no financial impact.

RECOMMENDATION:

Informational

ATTACHMENTS:

- Letter to the Board
- Annual Comprehensive Financial Report



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

Board of Directors
Big Bear Area Regional Wastewater Agency
121 Palomino Drive
Big Bear City, California 92314

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradford A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA
Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Thao Le, CPA, MBA
Julia Rodriguez Fuentes, CPA, MSA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants

We have audited the financial statements of Big Bear Area Regional Wastewater Agency (the Agency) as of and for the year ended June 30, 2021, and have issued our report thereon dated October 18, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 14, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

Management's ability to override internal controls over financial reporting, although no instance of this has been identified.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital asset depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability/net OPEB liability and related deferred inflows and deferred outflows is based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Big Bear Area Regional Wastewater Agency's financial statements relate to:

The disclosure of fair value of investments in Note 3 to the financial statements represents amounts susceptible to market fluctuations.

The disclosure of accumulated depreciation in Note 4 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosure of net pension liability and related deferred inflows and deferred outflows in Note 7 to the financial statements is based on actuarial assumptions. Actual future liabilities and deferrals may vary from disclosed estimates.

The disclosure of the net OPEB liability and related deferred inflows and deferred outflows in Note 8 to the financial statements is based on actuarial assumptions. Actual future liabilities/assets may vary from disclosed estimates.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected material misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Big Bear Area Regional Wastewater Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 18, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Rogers, Anderson, Malody & Scott, LLP.

October 18, 2021



**BIG BEAR AREA
REGIONAL WASTEWATER AGENCY**

P.O. Box 517, 122 Palomino Drive, Big Bear City, CA 92314-0517

(909) 584-4018

Fax: 909-585-4340

October 18, 2021

Rogers, Anderson, Malody & Scott, LLP

This representation letter is provided in connection with your audit of the financial statements of Big Bear Area Regional Wastewater Agency (the Agency) as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, of the Agency in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 15, 2021.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 14, 2021, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- If applicable, all component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All components of net position, net investment in capital assets, restricted, and unrestricted are properly classified and, if applicable, approved.
- All funds and activities are properly disclosed.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
- All revenues within the statement of Revenues, Expenses and Changes in Net Position have been properly classified as to operating or non-operating.
- All expenses have been properly classified.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to nonattest services provided, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- A written acknowledgement of all the documents that we expect to issue that will be included in the annual report and the planned timing and method of issuance of that annual report;
 - A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
- The financial statements and any other information included in the annual report are consistent with one another, and the other information does not contain any material misstatements.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Agency has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Big Bear Area Regional Wastewater Agency is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.

- Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- We agree with the findings of specialists in evaluating the pension and other postemployment benefit liabilities and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities, deferrals and costs for financial accounting purposes are appropriate in the circumstances.

Supplementary Information in Relation to the Financial Statements as a Whole

- With respect to the supplementary information accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the supplementary information in accordance with applicable criteria.
 - We believe the supplementary information, including its form and content, is fairly presented in accordance with any applicable criteria.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
 - We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
 - We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities, deferrals and costs for financial accounting purposes are appropriate in the circumstances.

Required Supplementary Information

- With respect to the various required supplementary information accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the required supplementary information in accordance with the applicable GASB statements.
 - We believe the required supplementary information, including its form and content is measured and fairly presented in accordance with the applicable GASB statements.
 - The methods of measurement or presentation have not changed from those used in the prior period.

Use of a Specialist

- We agree with the findings of specialists in evaluating the pension and other postemployment benefit liabilities and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.


Signature: _____



Name: David Lawrence, General Manager

Date: October 18, 2021

Signature: _____



Name: Jennifer McCullar, Finance Manager

Date: October 18, 2021

BIG BEAR AREA REGIONAL WASTEWATER AGENCY

2021



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended

JUNE 30, 2021



Big Bear Area Regional Wastewater Agency

Big Bear City, CA

Big Bear Area
Regional Wastewater Agency
Big Bear City, California

FY 2021
Annual Comprehensive
Financial Report
For the year ended June 30, 2021

*Protecting Big Bear's Future
through Responsible
Planning*



David Lawrence, General Manager

Prepared by
Jennifer McCullar, Finance Manager

This page left blank intentionally.

Big Bear Area Regional Wastewater Agency

**Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2021**

Table of Contents

INTRODUCTION

Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	v
Governing Board of Directors.....	vi
Organization Chart.....	vii

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Statement of Net Position.....	14
Statement of Revenues, Expenses and Changes in Net Position	15
Statement of Cash Flows	16
Notes to the Basic Financial Statements.....	18
Required Supplementary Information	
Schedule of the Agency's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date	43
Schedule of Pension Plan Contributions	44
Schedule of Changes in Net OPEB Liability and Related Ratios.....	45
Schedule of OPEB Plan Contributions	46
Supplementary Information	
Schedule of Revenues, Expenses and Changes in Net Position – Budget vs. Actual	47
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48

STATISTICAL SECTION

Overview	50
<i>Financial Trends</i>	
Net Position by Component - 10 Fiscal Years	50
Change in Net Position - 10 Fiscal Years	51
Operating Revenues and Expenses - 10 Fiscal Years.....	52
Operating Income, Income Before Capital Contributions, and Change in Net Position - 10 Fiscal Years	52
Operating Expense Detail - 10 Fiscal Years	53
Nonoperating Revenue and Expense, Capital Contributions (Connection Fee Revenue) - 10 Fiscal Years	53

Big Bear Area Regional Wastewater Agency

**Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2021**

Table of Contents (Continued)

Revenue Capacity

Operating Revenue by Category - 10 Fiscal Years 54
Operating Revenue by Component - 10 Fiscal Years 54
Annual Charges by Member Agency - 10 Fiscal Years 54
Annual Charges by Member Agency (graphical) - 10 Fiscal Years 55
Annual Charges by Member Agency % of Total 55
Equivalent Dwelling Units by Member Agency - 10 Fiscal Years 56
Influent Flow by Member Agency Served (Millions of Gallons) - 10 Fiscal Years 56
Annual Sewer User Fee Rate Charged per EDU - 10 Fiscal Years 57

Debt Capacity

Debt Ratios - 10 Fiscal Years 57
Debt Service Coverage - 10 Fiscal Years 57

Demographic and Economic Information

Population Estimates 58
Unemployment Estimates 58
Household Income 59
% of Employed Population by Industry 60
% of Employed Population by Occupation 60
Big Bear Area Comparison to State of California 61

Operating Information

Influent Flow (gallons) - 10 Fiscal Years 62
Equivalent Dwelling Units - 10 Fiscal Years 62
Agency Staffing by Department 63
Staffing Levels 63
Capital Assets (Net Book Value) 64
Key Assets 64
Capacity Utilization by Structure 65

INTRODUCTION

This page left blank intentionally.

Letter of Transmittal



**BIG BEAR AREA
REGIONAL WASTEWATER AGENCY**

P.O. Box 517, 122 Palomino Drive, Big Bear City, CA 92314-0517
(909) 584-4018

October 18, 2021

Chair Person, Members of the Governing Board of Directors, and the Public:

The Annual Comprehensive Financial Report (the Financial Report) of the Big Bear Area Regional Wastewater Agency (the Agency) for the fiscal year ended June 30, 2021 is submitted. California state law requires the Agency, as a joint powers agency and operating under special district law, to publish and file with the State Controller an audit report conforming to generally accepted auditing standards within 12 months of the end of the fiscal year or years under examination.

Management assumes full responsibility for the accuracy and reliability of the information contained in the report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable assurance, rather than absolute assurance, that the statements are free of any material misstatement. To the best of management's knowledge, the enclosed data is accurate in all material respects and presents fairly the results of operations and financial position of the Agency.

The Agency's financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Agency are free of material misstatement. The auditing firm has issued an unmodified opinion on the Agency's financial statements for the fiscal year ended June 30, 2021. The independent auditor's report is located at the beginning of the Financial Section of the Financial Report on page 1.

Management's discussion and analysis (MD&A) follows the independent auditor's report and provides an introduction, summary and analysis of the Agency's financial performance and basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Annual Comprehensive Financial Report

This report is presented in three sections:

Introduction, which includes this letter of transmittal, principal officials and organization chart.

Financial, which includes the independent auditor's report on the financial statements, Management's Discussion and Analysis, the basic financial statements, and the required supplementary information.

Statistical, which includes information related to financial trends, revenue capacity, debt capacity, demographic and economic conditions, and multi-year operational data.

Profile of the Big Bear Area Regional Wastewater Agency

Legal and Organizational Structure

The Agency is as an enterprise, wastewater treatment facility. The Agency was established in 1974 and organized as a joint powers agency, currently operating under special districts law. The Agency was created as a management agency, obligated to provide services to three agencies: the Big Bear City Community Services District, the City of Big Bear Lake, and the County of San Bernardino Service Area 53 B (the Member Agencies). The Agency's service area encompasses a rural mountain community of approximately 79,000 acres and 25,000 sewer connections.

Governing Body

The Agency is governed by a five-member governing board appointed annually by the governing bodies of its three Member Agencies.

Services

The Agency provides wastewater collection, treatment and disposal services to the Big Bear area, serving approximately 25,000 commercial and residential customers. On average, the Agency treats approximately 788 million gallons of wastewater annually at its treatment plant. The Member Agencies convey wastewater from their respective sewer systems into the Agency's interceptors and into the treatment plant. The Agency's facilities operate under permit from the California Regional Water Control Board, Santa Ana Region, Order No. R8-2005-0044. The Agency's 640-acre disposal site is located northeast of the Agency in the desert community of Lucerne Valley. The effluent from the treatment plant is pumped to Lucerne Valley for irrigation of fodder and fiber crops under permit from the California Regional Water Quality Control Board, Colorado River Basin, Order No. 01-156. The disposal site is leased to an independent contractor.

Mission

The Agency's mission is to efficiently collect, treat and beneficially reuse wastewater and bio-solids in an environmentally and fiscally responsible manner.

To carry out this mission, the Agency will meet the needs of the regulatory agencies and our community in an open and cooperative manner.

Budget Process

Pursuant to the operating agreement among the Agency and its Member Agencies, an annual budget must be adopted by May 1 of each year. By California State Law, the Agency is required to adopt its budget by July 1 of each year.

The budget process involves long-range planning, which is essential to financial management and maximizing ratepayer value. The Agency completes a five-year financial forecast each year. The first year of the forecast, is the Agency's annual budget. The budget provides a solid picture of the Agency's expectations for the next twelve months and is an accountability tool for management and reflects its commitment to performance. The forecast is the Agency's best estimate of performance beyond the next twelve months. It is based on historical trend analysis, economic conditions, inflationary expectations, and other relevant information that may impact future performance. Each year, the Agency reviews and updates its 20-year capital plan which includes 1) the scheduled maintenance and replacement of Agency assets and 2) any planned improvement or capacity expansion projects.

The long-range financial plan indicates the adequacy of the Agency's revenues to meet debt covenant tests, fund balance targets, and capital requirements and is a critical tool in maintaining stable and adequate rates.

Economic Condition

The Agency's economic condition is determined based on the financial outlook or expected, **future financial strength** of the Agency. The Agency has maintained stable operations by 1) managing operating expenses to inflationary growth over time, 2) long-term planning for asset maintenance and 3) modifying its rates as needed. Further, based on long-range planning, the outlook for the Agency is good, with adequate revenue to cover its costs, maintain and improve its facilities, meet its debt service requirements as they come due and fund the minimum balance requirements associated with its contingency, liquidity, capital improvement and debt service reserve funds. Factors affecting the Agency's economic condition include the local economy, long-range financial planning, financial policies and practices, and major initiatives.

Local Economy

The local area is a four-season, resort community located in the San Bernardino Mountains of Southern California. The economy is driven by tourists and a large, part-time population of second homeowners. The food service, accommodation, recreation and entertainment industries are the largest employers followed by educational, healthcare and social services. The Agency serves an area that experiences relatively low growth with new connections averaging less than 1%, or 132 a year over the long-term. Since the Great Recession, new connections to the system have been low, with annual connections of approximately 57 per year for the last five years. An overview of the general demographics of the area can be found in the Statistical Section.

Long-Term Financial Planning

Rates are set at levels to meet operating and maintenance costs, capital costs (both debt service and capital expenditures), and minimum reserve fund balance requirements. The Agency uses a combination of cash and debt to fund its capital investments and to maintain stable rates. Annual rate adjustments through FY 2026 are projected to be 3.6% on average and reflect the expected cost inflation during the projection period.

The Agency has focused on managing costs to inflationary levels which has resulted in relatively stable rates. Adequate depreciation funding, cost management, long-range planning and a history of effective financial management, have positioned the Agency to maintain stable and competitive rates and to adequately fund future capital projects.

The Agency's capital projects during the next five-year period through FY 2026 total approximately \$4.5 million (approximately \$890,000 annual average) and through FY 2040 total approximately \$21.1 million (approximately \$1.1 million annual average). Over the long term, approximately 80% of the Agency's capital investment is for maintenance with the remaining 20% for non-maintenance improvements. Over the next five years, the Agency's major capital projects (in approximate amounts) include \$1.8 million for treatment plant improvements (rehabilitation of the headworks grit system, rehabilitation of an oxidation ditch wall, the replacement of in-plant headers and check valves, and replacement of processing and pumping equipment); \$1.1 million of asphalt and paving including the Palomino Drive Repaving Project; \$450,000 for the replacement of transportation equipment; \$310,000 for the replacement of the heating, venting and air conditioning system in the Agency's administrative building; and \$260,000 for the replacement of mobile pumping, information technology, laboratory, electrical and office equipment.

Financial Policies and Practices

The Agency has adopted financial policies related to debt, investment, and designated reserve funds. These policies guide the Agency through its budgeting and planning processes and provide a framework for the financial management of the Agency. The Agency maintains multiple designated reserve funds, including contingency (for variances from the budget), liquidity (for working capital), debt (for debt service) and capital and replacement (for current and future capital investment requirements). Target fund balances are set annually and are based on the Agency's operational and capital requirements. The Agency has not adopted a formal policy on a balanced budget. The Agency's practice is to balance the budget through the planned use of or contribution to the Agency's capital and replacement fund. All references to Agency funds and designated fund balances are related to reserve funds maintained by the Agency for various operating and capital related purposes.

FY 2022 Major Initiatives

Headworks – The Agency will begin construction to rehabilitate its grit removal system (part of the headworks operations).

Power Generating Equipment – The Agency will replace the Lake Pump Station generator and fuel system.

Replenish Big Bear – The Agency will continue its efforts on the Replenish Big Bear Project, a water reclamation project. The Agency began the preliminary engineering and environmental work in FY 2019, which is continuing.

Awards and Acknowledgement

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the **Certificate of Achievement for Excellence in Financial Reporting** to the Big Bear Area Regional Wastewater Agency for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This is the 9th consecutive year BBARWA has received the award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

We wish to extend our appreciation to our independent auditors, Rogers, Anderson, Malody & Scott, LLP for their assistance in the report preparation and to the Agency's Governing Board of Directors, for its support in upholding the highest standards of professionalism and financial accountability in the management of the Big Bear Area Regional Wastewater Agency.



David Lawrence
General Manager



Jennifer McCullar
Finance Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Big Bear Area Regional Wastewater Agency
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

Governing Board of Directors

As of June 30, 2021



Jim Miller
Chair
County Service Area 53 B



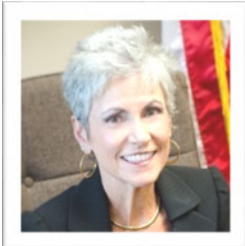
Rick Herrick
Vice Chair
City of Big Bear Lake



John Green
Director
Big Bear City CSD



Bynette Mote
Director
City of Big Bear Lake



Karyn Oxandaboure
Director
Big Bear City CSD

General Manager and Staff



David Lawrence
General Manager



Jennifer McCullar
Finance Manager



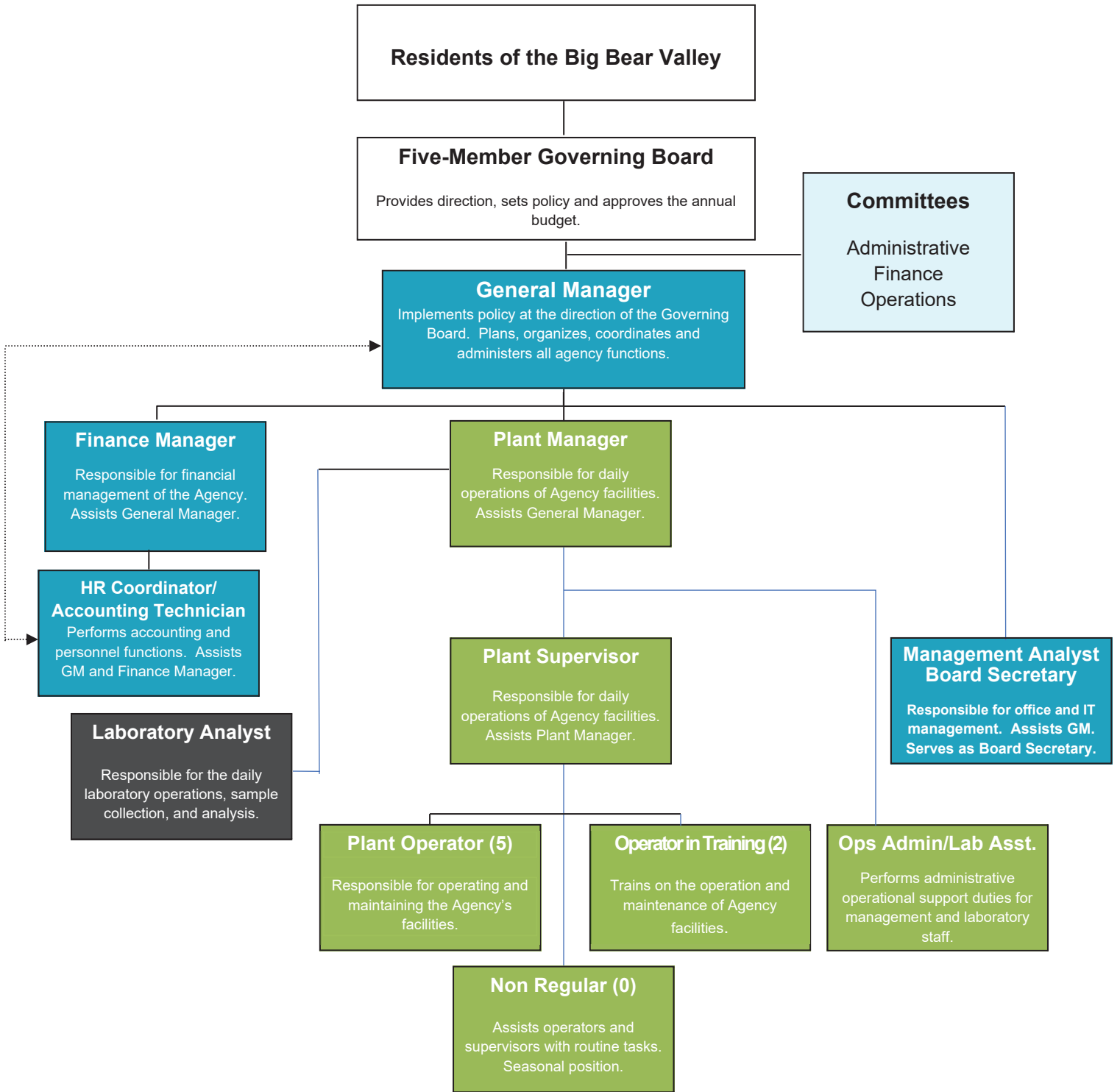
John Shimmin
Plant Manager

David Lawrence
Jennifer McCullar
John Shimmin

General Manager
Finance Manager
Plant Manager

909-584-4018
909-584-4522
909-584-4520

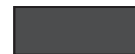
Organization Chart
(as of June 30, 2021)



Administration



Operations



Laboratory

FINANCIAL SECTION

This page left blank intentionally.



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Independent Auditor's Report

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

To the Board of Directors
Big Bear Area Regional Wastewater Agency
Big Bear City, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Big Bear Area Regional Wastewater Agency (the Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Agency, as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Comparative Information

We have previously audited the Agency's 2020 financial statements, and we expressed an unmodified opinion in our report dated October 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

The Agency's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA
Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Thao Le, CPA, MBA
Julia Rodriguez Fuentes, CPA, MSA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



Proud Member of
AlliottGlobalAlliance™

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Agency. The schedule of revenues, expenses, and changes in net position – budget vs. actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the letter of transmittal and the statistical section but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 18, 2021

This page left blank intentionally.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2021

Management's Discussion and Analysis

This section of the financial statements for the Big Bear Area Regional Wastewater Agency provides a discussion of the Agency's financial performance for the fiscal year ended June 30, 2021 (FY 2021). These comments should be read in conjunction with and are a supplement to the financial statements identified in the accompanying table of contents.

Financial Overview

The Agency's financial performance declined compared to the prior year due to the growth in operating expenses outpacing that of operating revenues. Operating revenues increased approximately 3% compared to operating expenses which grew approximately 4%, resulting in a decrease in operating income during the period of approximately 18%. Lower operating income combined with lower interest income for the period and higher losses on asset disposals, resulted in a significant decrease in change in net position compared to the prior period and a negative change in net position for the current period.

The Agency's operating revenues increased \$170,311 or 3% compared to the prior period. The increase was primarily due to a 2.9% increase in sewer user fees and an increase in connections to the system. Operating expenses increased \$230,143 or 4% over the prior period driven by higher insurance, utilities, and sludge removal expense. As a result, operating income decreased \$59,832 or 18% compared to the prior period.

The Agency's nonoperating revenues decreased \$209,761 or 90% over the prior period largely due lower interest income resulting from lower interest rates and fewer grant proceeds during the period. Nonoperating expenses increased \$265,615 or 82% due to higher losses on asset disposals, offset somewhat by lower expenses associated with the Replenish Big Bear Project. Asset disposals were related to the write-off of prior generator rebuilds and nonworking equipment associated with the covered drying bed. Overall, net nonoperating revenues (expenses) had a negative variance over the prior period of \$475,376.

Capital contributions (connection fee revenues) increased \$96,140 or 51% during the period due to an increase in connections. Current period connections were 68, an increase of 23 and the highest annual increase since FY 2015. Higher connections during the period were likely driven by housing demand and compounded by COVID-19 migration. The connection fee (the rate charged per connection) remained unchanged during the period at \$4,180 per connection.

Change in net position decreased \$439,068 over the year-ago period due to the items noted above.

The Agency had negative cash flow during the period of \$74,353. The Agency generated approximately \$1.6 million in cash from operations, connection fee revenue, grant proceeds, and asset sale proceeds. These sources of cash were offset by capital expenditures of approximately \$1.1 million, debt service payments of \$509,431, and interagency expense of \$98,866.

There are no restrictions, commitments, or other limitations that significantly affect the availability of resources for future use.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2021

Statement of Net Position

The statement of net position presents information on the Agency's assets (including deferred outflows of resources) and liabilities (including deferred inflows of resources), with the difference reported as net position. The increases or decreases in net position, over time, may indicate whether the Agency's financial position is improving or deteriorating.

CONDENSED STATEMENT OF NET POSITION

	As of June 30,		2021 vs 2020	
	2021	2020	Increase (Decrease)	% Change
Assets:				
Current and other assets	\$ 6,803,096	\$ 6,950,991	\$ (147,895)	-2%
Capital assets, net	15,978,133	16,177,097	(198,964)	-1%
Total assets	22,781,229	23,128,088	(346,859)	-1%
Deferred Outflows of Resources	1,107,257	1,243,786	(136,529)	-11%
Liabilities:				
Current liabilities	793,421	885,963	(92,542)	-10%
Noncurrent liabilities	6,334,158	6,626,161	(292,003)	-4%
Total liabilities	7,127,579	7,512,124	(384,545)	-5%
Deferred Inflows of Resources	259,992	343,478	(83,486)	-24%
Net Position:				
Net investment in capital assets	12,722,328	12,541,345	180,983	1%
Unrestricted	3,778,587	3,974,927	(196,340)	-5%
Total net position	\$ 16,500,915	\$ 16,516,272	\$ (15,357)	0%

Summary

The Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$16.5 million at fiscal yearend. This was relatively flat compared to the prior year, with decreases in assets and deferred outflows of resources of \$483,388 nearly offset by decreases in liabilities and deferred inflows of resources of \$468,031.

Assets and Deferred Outflows of Resources

Total assets decreased \$346,859 or 1% over the prior period and was the result of a decrease in current assets of \$147,895 and a decrease in noncurrent assets of \$198,964. The decrease in current assets was driven by lower receivables (accounts receivable and interest income receivable) and lower cash and investments. Lower receivables were driven by less amounts due under cost-sharing agreements related to the Replenish Big Bear Project and lower grants receivable compared to the year ago period. The decrease in cash and investments was due to negative cash flow during the period of \$74,353. The decrease in noncurrent assets was driven by lower capital assets resulting primarily from asset disposals and write-offs during the period.

Deferred outflows of resources decreased \$136,529 or 11% and primarily reflects a \$131,501 decrease from OPEB-related adjustments driven by lower OPEB contributions in the current period compared to the year ago period. The Agency made a \$200,000 discretionary OPEB contribution in the prior period to reduce the unfunded portion of its OPEB accrued liability.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2021

Liabilities and Deferred Inflows of Resources

Total liabilities decreased \$384,545 or 5% from the prior period. The decrease was driven by a decrease in noncurrent liabilities of \$292,003 which primarily reflects a decrease in debt during the period.

Deferred inflows of resources decreased \$83,486 or 24% driven mostly by OPEB-related adjustments associated with changes in investment experience, plan experience and assumption changes.

Net Position

There are two components of the Agency's net position. The largest portion, net investment in capital assets, represents the Agency's investment in capital assets net of any related debt (debt used to finance the purchase of capital assets) and reflects the Agency's investment in property, plant and equipment. The remaining unrestricted net position is available to meet the Agency's ongoing obligations. The Agency's overall net position is simply a function of its assets and deferred outflows of resources minus its liabilities and deferred inflows of resources. During the period, the Agency's net position stayed relatively flat, decreasing \$15,357 primarily due to decreases in assets slightly exceeding the decreases in liabilities for the period, which have been previously noted.

Statement of Revenues, Expenses and Changes in Net Position

This statement primarily reflects the Agency's revenues and expenses, with the difference between the two reported as change in net position. The order of presentation reflects the Agency's primary operations, with operating revenues and operating expenses presented first, nonoperating revenues and expenses presented second and capital contributions presented last. The change in net position shows the residual revenue (on an accrual basis) that is available to contribute toward current and future capital (both investment and debt service) and reserve funding and is an indication of the adequacy of the Agency's rates.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	As of June 30,		2021 vs 2020	
	2021	2020	Increase (Decrease)	% Change ¹
	Operating revenues	\$ 5,759,657	\$ 5,589,346	\$ 170,311
Operating expenses	5,494,015	5,263,872	230,143	4%
Operating Income	265,642	325,474	(59,832)	-18%
Nonoperating revenues	22,488	232,249	(209,761)	-90%
Nonoperating expenses	587,727	322,112	265,615	82%
Income before capital contributions	(299,597)	235,611	(535,208)	-
Capital contributions	284,240	188,100	96,140	51%
Change in net position	(15,357)	423,711	(439,068)	-
Net position at beginning of year, as restated	16,516,272	16,092,561	423,711	0%
Net position at end of year	\$ 16,500,915	\$ 16,516,272	\$ (15,357)	0%

¹ Percent change is not provided if either the latest period or the year-ago period contains a loss or negative number. If actual performance is improved, a "+" is given. If worse, then a "-" is given.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2021

Summary

The Agency's operating revenues increased \$170,311 or 3% and operating expenses increased \$230,143 or 4%, resulting in a decrease in operating income of \$59,832 or 18%. This decrease combined with a \$209,761 decrease in nonoperating revenues and a \$265,615 increase in nonoperating expenses drove a decrease in the change in net position of \$439,068 compared to the year-ago period.

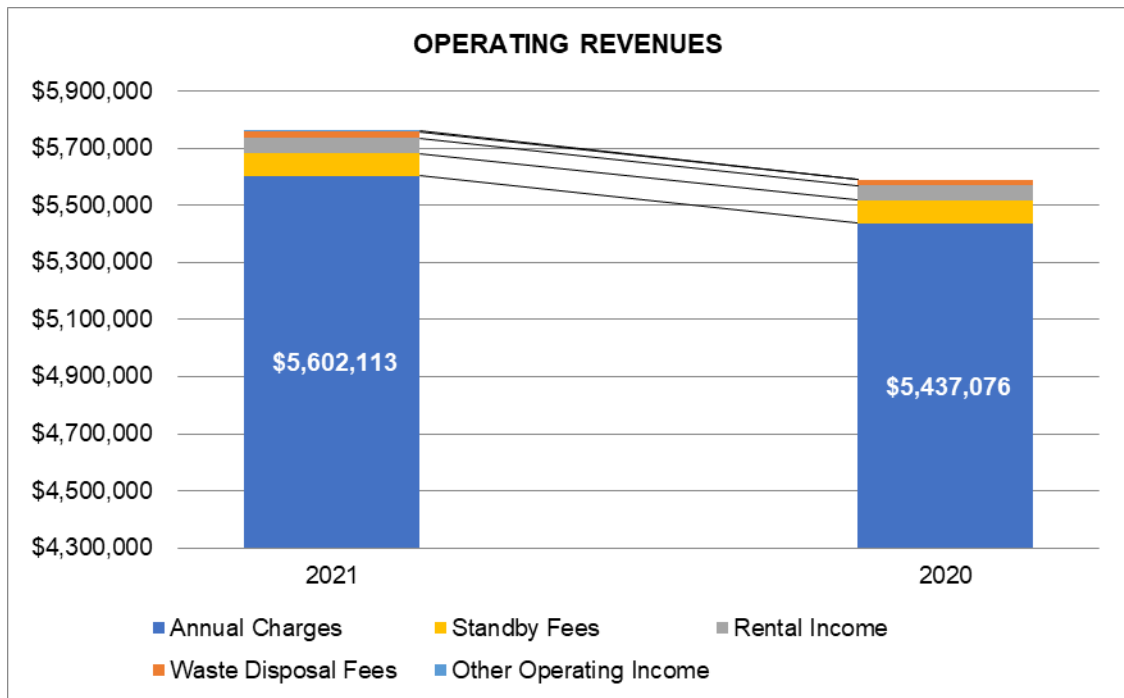
Operating Revenues

Changes in operating revenues are largely driven by changes in annual charges which make up 97% of total operating revenues. Annual charges are based on the established sewer user fee set by the Governing Board and the number of equivalent dwelling units connected to the system. Sewer user fees increased 2.9%, which when combined with slightly higher connections drove a 3% increase in annual charges, and the 3% overall increase in operating revenues.

OPERATING REVENUES

	As of June 30,		2021 vs 2020	
	2021	2020	Increase (Decrease)	% Change ¹
Operating revenues:				
Annual charges	\$ 5,602,113	\$ 5,437,076	\$ 165,037	3%
Standby fees	80,300	81,660	(1,360)	-2%
Rental income	52,592	51,855	737	1%
Waste disposal fees	23,859	18,755	5,104	27%
Other revenue	793	-	793	nm
Total operating revenues	\$ 5,759,657	\$ 5,589,346	\$ 170,311	3%

¹ An "nm" denotes "not meaningful" and is used when either the current period or prior period is zero.



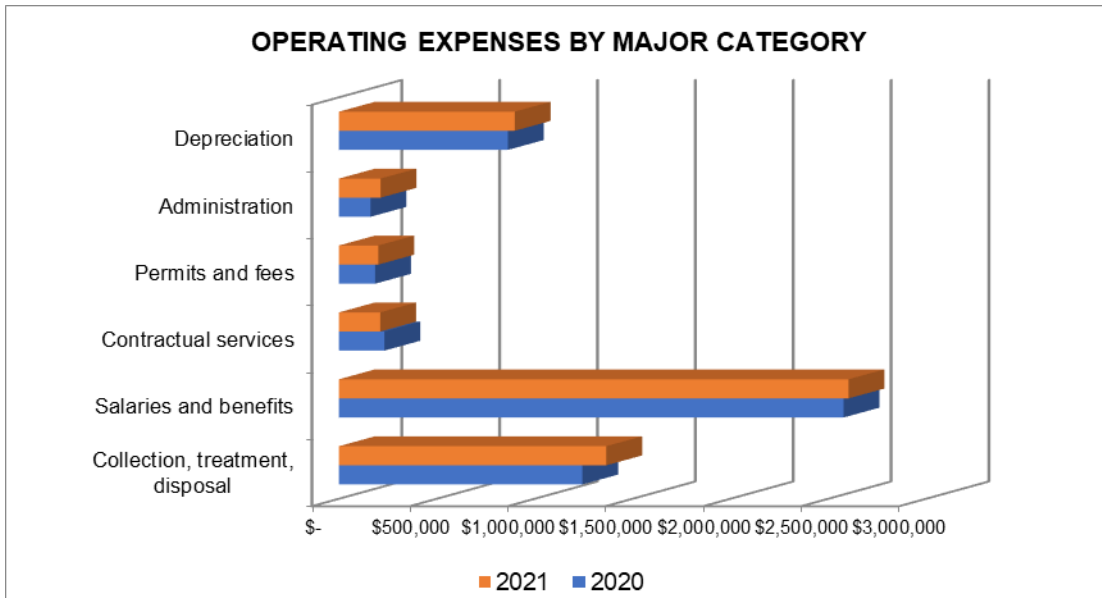
BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2021

Operating Expenses

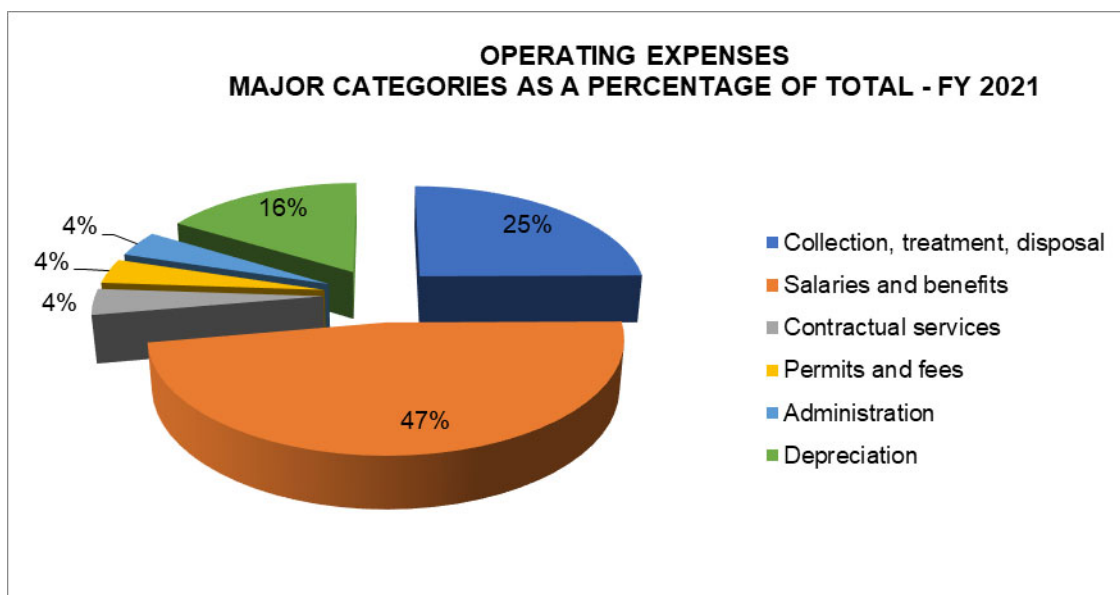
Operating expenses increased \$230,143 or 4% compared to the year-ago period. Increases in collection, treatment and disposal expense and administration expense accounted for most of the increase.

OPERATING EXPENSES

	As of June 30,		2021 vs 2020	
	2021	2020	Increase (Decrease)	% Change
Operating expenses:				
Collection, treatment, disposal	\$ 1,366,184	\$ 1,243,609	\$ 122,575	10%
Salaries and benefits	2,603,634	2,578,433	25,201	1%
Contractual services	211,263	232,349	(21,086)	-9%
Permits and fees	201,452	185,051	16,401	9%
Administration	213,060	161,197	51,863	32%
Depreciation	898,422	863,233	35,189	4%
Total operating expenses	\$ 5,494,015	\$ 5,263,872	\$ 230,143	4%



BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2021



Collection, Treatment and Disposal Expense

Collection, treatment and disposal expense increased \$122,575 or 10% over the prior period. This increase was driven by increases in chemicals, utilities and sludge removal expense.

- **Chemicals expense** increased \$48,523 or 102% due to a carbon tower replacement during the period (\$29,995) and higher polymer use associated with the new belt press (up \$17,185).
- **Utilities expense** increased \$47,816 or 337% when compared to the prior year. The increase was driven by higher solid waste disposal which was up \$46,887 and driven by the removal and disposal of solid waste from Pond 5 at the treatment plant. The solid waste was removed to prepare for the fill and grading of Pond 5 associated with the installation of a solar panel system (part of a power purchase agreement executed during the prior year).
- **Sludge removal expense** increased \$43,368, or 16% due to higher sludge removal. Sludge tons increased 14% or 614 tons over the prior period due to in part to 1) higher influent biochemical oxygen demand (BOD) and slightly higher flows, and 2) timing (sludge tons from the prior period were removed in July 2020). Higher BOD levels result in higher sludge production. BOD has been trending higher from the long-term historical average of 250. Current projections have utilized a BOD level of 270 based on more recent 5-year trends; however, for the last two years, average annual BOD has been 306 and 312, for FY 2020 and FY 2021, respectively. We believe this is due to in part to long-term drought patterns during the last 10 years and more recently, higher occupancy rates associated with the COVID-19 migration. It is uncertain if higher BOD levels will continue.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2021

Salaries and Benefits Expense

Salaries and benefits expense was up \$25,201 or 1% over the prior period. Excluding accounting adjustments (related to GASB 68, GASB 75, and capitalized labor) and a one-time OPEB lump sum contribution in the prior period, salaries and benefits expense increased \$94,292 or 4%. The OPEB lump sum contribution in the prior period is part of a multi-year plan to reduce the Agency's OPEB liability and improve the Agency's funded position.

Salaries and Benefits Expense Excluding Accounting Adjustments and OPEB Lump Sum Contribution

	As of June 30,		2021 vs 2020	
	2021	2020	Increase (Decrease)	% Change ¹
	Salaries and benefits	\$ 2,603,634	\$2,578,433	\$ 25,201
Accounting Adjustments	(155,928)	(25,019)	(130,909)	-
OPEB Lump Sum Contribution	-	(200,000)	200,000	nm
Salaries and benefits adjusted	<u>\$ 2,447,706</u>	<u>\$2,353,414</u>	<u>\$ 94,292</u>	<u>4%</u>

¹An "nm" denotes "not meaningful" and is used when either the current period or prior period is zero. Percent change is not provided if either the latest period or the year-ago period contains a loss or negative number. If actual performance is improved, a "+" is given. If worse, a "-" is given.

The increase in salaries and benefits expense (excluding accounting adjustments and the OPEB lump-sum contribution), primarily reflects an \$11,400 or 1% increase in salaries and wages and an \$81,568 or 10% increase in employee benefits expense. Salaries and wages were relatively flat compared to the prior period due mostly to staffing changes combined with a 5% cap on wage adjustments during the period. The cap on wage adjustments was put in place to manage a lower rate (sewer user fee) adjustment during the period. The increase in benefits expense was driven largely by higher pension contribution expense and medical premium expense.

Contractual Services

Contractual services expense decreased \$21,086 or 9% over the prior period. The decrease was driven by lower professional services expense, primarily general engineering and legal, which were down approximately \$45,000. This decrease was offset in part by higher testing, HVAC servicing expense, and other professional services expense associated with an Arc Flash Study.

Permits and Fees

Permits and fees expense increased \$16,401 or 9% largely due to increases in the Agency's State Water Resources Control Board annual discharge permit fees. These fees increased \$13,252 or 9% over the prior period.

Administration Expense

Administration expense was up \$51,863 or 32% from the prior period reflecting an increase in insurance expense of \$59,619 related to increases in general and property liability insurance stemming from higher reinsurance rates (insurance obtained by insurance companies to reduce their risks and mostly obtained from global companies). Billions in wildfire claims from the 2017 and 2018 California wildfires resulted in scaling back of coverage by reinsurance companies. Wildfires in California are considered a sharply rising long-term trend resulting in more difficult to find and more expensive reinsurance rates.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2021

Depreciation

Depreciation expense increased \$35,189 or 4% from the prior period and was due to a higher level of depreciable assets during the period. Average depreciable assets in the current year were approximately \$15.7 million compared to \$14.8 million in the prior period.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) had a negative variance of \$475,376 compared to the prior period primarily due to lower investment income and other miscellaneous revenue and higher net loss on capital asset disposals. Lower investment income was primarily due to lower interest rates on Local Agency Investment Fund (LAIF) investments, with average LAIF rates for the period of .5% compared to 1.9% in the prior period. Lower other miscellaneous revenue was due to lower grant reimbursement proceeds related to the Replenish Big Bear Project. Higher net loss on capital asset disposals was primarily related to the write-off of prior generator rebuilds and the disposal of non-working equipment related to the covered drying bed operations.

NONOPERATING REVENUES (EXPENSES)

	As of June 30,		2021 vs. 2020	
	2021	2020	Increase (Decrease)	% Change ¹
Nonoperating revenues:				
Investment income	\$ (1,670)	\$ 130,952	\$ (132,622)	-
Other miscellaneous revenue	24,158	101,297	(77,139)	-76%
Total nonoperating revenues	22,488	232,249	(209,761)	-90%
Nonoperating expenses:				
Net loss on capital asset disposals	360,999	9,178	351,821	3833%
Interest	127,852	140,337	(12,485)	-9%
Other	98,876	172,597	(73,721)	-43%
Total nonoperating expenses	587,727	322,112	265,615	82%
Total nonoperating revenues (expenses)	\$ (565,239)	\$ (89,863)	\$ (475,376)	-

¹ Percent change is not provided if either the latest period or the year-ago period contains a loss or negative number. If the actual performance is improved when compared to the prior period, a "+" is given. If actual performance is worse when compared to the prior period, a "-" is given.

Capital Contributions (Connection Fee Revenue)

Connection fee revenue increased \$96,140 or 51% over the prior year as the number of connections increased to 68 compared to 45 in the prior period, a change of 23 connections. The Agency's connection fee remained unchanged at \$4,180 per connection.

CAPITAL CONTRIBUTIONS (CONNECTION FEE REVENUE)

	As of June 30,		2021 vs 2020	
	2021	2020	Increase (Decrease)	% Change
Capital Contributions	\$ 284,240	\$ 188,100	\$ 96,140	51%
Number of Connections	68	45	23	51%

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2021

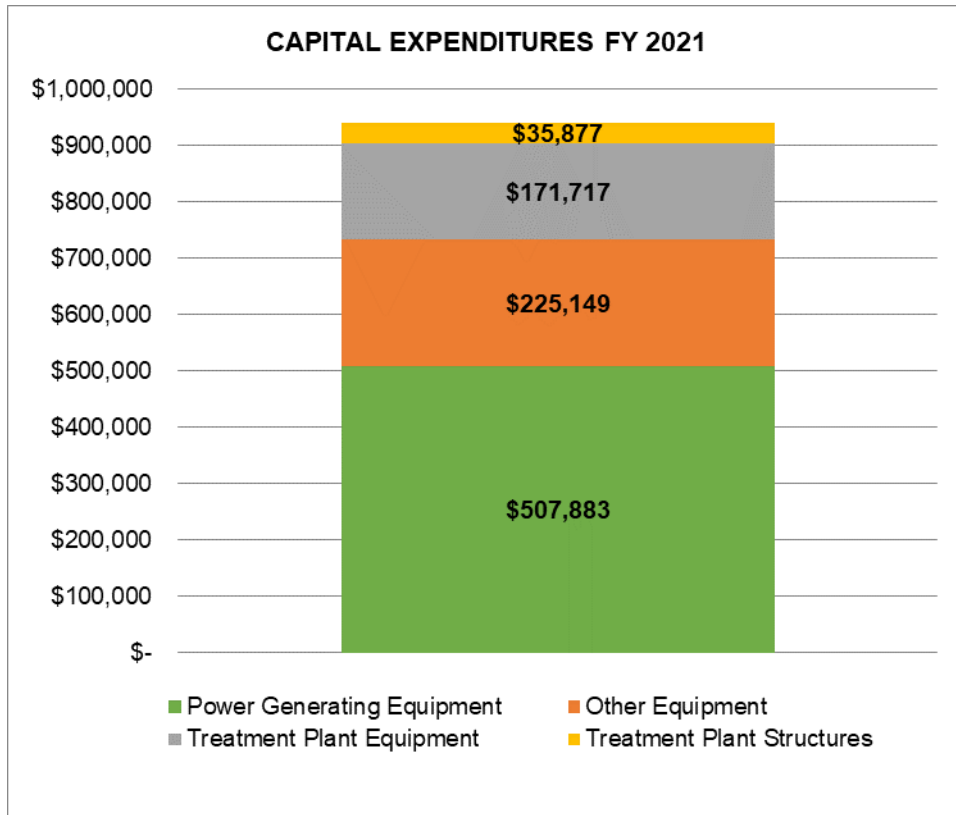
Capital Asset Activity

The Agency's net capital assets decreased by \$198,962 or 1% during the period. The net decrease in capital assets was due to capital expenditures falling below annual depreciation expense and asset disposals for the period. The Agency's capital expenditures during the period totaled \$1,084,005, compared to annual depreciation expense of \$898,424 and net asset disposals of \$384,546.

CAPITAL ASSETS, NET

	As of June 30,		2021 vs 2020	
	2021	2020	Increase (Decrease)	% Change
	Capital assets, net	\$15,978,133	\$16,177,095	\$ (198,962)

Fiscal year 2021 was a relatively normal capital investment period with \$1,084,005 in capital expenditures during the period. Of this amount, approximately \$159,983 remained in progress at year end, the majority of which is related to the Agency's Grit System Rehabilitation Project. The remaining approximately \$924,000 in capital investment for the period was primarily related to the replacement of treatment plant equipment and the splitter box building, improvements to the interceptor system including the replacement of Lake Pump Station pumps and a sewer system overflow prevention project, improvements to power generating equipment, land improvements related to the solar panel system installed under a purchase power agreement executed in the prior period, the replacement of a station generator, and the replacement of other equipment (communications, electrical, laboratory and transportation).



BIG BEAR AREA REGIONAL WASTEWATER AGENCY
 Management's Discussion and Analysis
 Year ended June 30, 2021

For additional information related to the Agency's capital assets, see note 4 in the accompanying financial statements.

Long-Term Debt, Net Pension and Net OPEB Liability Activity

The Agency decreased its long-term debt during the period by \$384,975 or 10% which reflects regularly scheduled debt amortization. The Agency's net OPEB liability decreased by \$142,527 or 12% and the Agency's pension liability increased by \$250,441 or 12%. The net change in OPEB and pension liabilities reflects the net change during the period in the respective plan assets and plan liabilities.

OUTSTANDING LIABILITIES, NET

	As of June 30,		2021 vs 2020	
	2021	2020	Increase (Decrease)	%
Outstanding Debt, Net	\$ 3,283,230	\$ 3,668,205	\$ (384,975)	-10%
Net OPEB Liability	\$ 1,019,932	\$ 1,162,459	\$ (142,527)	-12%
Net Pension Liability	\$ 2,372,448	\$ 2,122,006	\$ 250,442	12%

For additional information, see note 5, 7 and 8 in the accompanying financial statements.

Contacting the Agency

The financial report is designed to provide our citizens, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have any questions regarding this report or need additional information, contact the Agency office at 121 Palomino Drive, Big Bear City, California 92314.

Basic Financial Statements

This page left blank intentionally.

Big Bear Area Regional Wastewater Agency

Statement of Net Position

June 30, 2021

(With comparative data for prior year)

Assets	2021	2020
Current assets:		
Cash and investments (note 3)	\$ 6,694,851	\$ 6,769,204
Accounts receivable	34,908	121,324
Due from member agencies	54,340	25,080
Interest receivable	4,768	20,412
Prepaid expenses	14,229	14,971
Total current assets	<u>6,803,096</u>	<u>6,950,991</u>
Noncurrent assets:		
Capital assets, not being depreciated (note 4)	1,237,454	1,307,119
Capital assets, net of depreciation (note 4)	<u>14,740,679</u>	<u>14,869,978</u>
Total noncurrent assets	<u>15,978,133</u>	<u>16,177,097</u>
Total assets	<u>22,781,229</u>	<u>23,128,088</u>
Deferred Outflows of Resources		
Deferred charges on refunding	27,425	32,453
Pension related (note 7)	672,101	675,353
OPEB related (note 8)	<u>407,731</u>	<u>535,980</u>
Total deferred outflows of resources	<u>1,107,257</u>	<u>1,243,786</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	179,855	324,024
Accrued salaries and benefits	34,899	29,934
Accrued interest	14,289	15,923
Deposits	-	100
Long-term liabilities, due within one year	<u>564,377</u>	<u>515,982</u>
Total current liabilities	<u>793,420</u>	<u>885,963</u>
Noncurrent liabilities (note 5):		
Net OPEB liability	1,019,932	1,162,459
Net pension liability	2,372,448	2,122,006
Long-term liabilities, due beyond one year	<u>2,941,779</u>	<u>3,341,696</u>
Total noncurrent liabilities	<u>6,334,159</u>	<u>6,626,161</u>
Total liabilities	<u>7,127,579</u>	<u>7,512,124</u>
Deferred Inflows of Resources		
Pension related (note 7)	212,548	272,954
OPEB related (note 8)	<u>47,444</u>	<u>70,524</u>
Total deferred inflows of resources	<u>259,992</u>	<u>343,478</u>
Net position:		
Net investment in capital assets	12,722,328	12,541,345
Unrestricted	<u>3,778,587</u>	<u>3,974,927</u>
Total net position	<u>\$ 16,500,915</u>	<u>\$ 16,516,272</u>

The accompanying notes are an integral part of these financial statements.

Big Bear Area Regional Wastewater Agency

Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2021
(With comparative data for prior year)

	<u>2021</u>	<u>2020</u>
Operating revenues		
Member agency fees	\$ 5,602,113	\$ 5,437,076
Standby charges	80,300	81,660
Rental income	52,592	51,855
Waste disposal fees	23,859	18,755
Other revenues	793	-
	<u>5,759,657</u>	<u>5,589,346</u>
Operating expenses		
Salaries and benefits	2,603,634	2,578,433
Power	459,483	453,306
Sludge removal	319,660	276,292
Chemicals	96,119	47,596
Materials and supplies	120,308	159,052
Repairs and replacements	262,795	253,789
Equipment rental	835	351
Utilities	61,996	14,180
Communications	44,988	39,043
Contractual services - other	90,873	78,879
Contractual services - professional	120,390	153,470
Permits and fees	201,452	185,051
Property tax	3,963	3,917
Insurance	171,881	112,262
Other operating	37,216	45,018
Depreciation	898,422	863,233
	<u>5,494,015</u>	<u>5,263,872</u>
Operating income	<u>265,642</u>	<u>325,474</u>
Nonoperating revenues		
Investment income	(1,670)	130,952
Other miscellaneous revenue	24,158	101,297
	<u>22,488</u>	<u>232,249</u>
Nonoperating expenses		
Other	98,876	172,597
Interest	127,852	140,337
Net loss on capital asset disposals	360,999	9,178
	<u>587,727</u>	<u>322,112</u>
Income before contributions	(299,597)	235,611
Capital contributions - connection charges	284,240	188,100
Change in net position	(15,357)	423,711
Net position, beginning of year	<u>16,516,272</u>	<u>16,092,561</u>
Net position, end of year	<u>\$ 16,500,915</u>	<u>\$ 16,516,272</u>

The accompanying notes are an integral part of these financial statements.

Big Bear Area Regional Wastewater Agency

Statement of Cash Flows

For the year ended June 30, 2021

(With comparative data for prior year)

	2021	2020
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 5,845,973	\$ 5,662,744
Cash payments to suppliers for goods and services	(2,153,792)	(1,860,549)
Cash payments for employees and benefits	(2,409,286)	(2,536,317)
Other non-operating revenues	24,158	101,297
Other non-operating expenses	(98,876)	(172,597)
	<u>1,208,177</u>	<u>1,194,578</u>
Net cash provided by operating activities		
	<u>1,208,177</u>	<u>1,194,578</u>
Cash flows from capital and related financing activities:		
Purchases and construction of capital assets	(1,065,599)	(2,098,708)
Proceeds from sale of capital assets	23,548	-
Proceeds from capital contributions	254,980	188,100
Principal payments on long-term debt	(384,975)	(372,228)
Interest paid on long-term debt	(124,458)	(136,888)
	<u>(1,296,504)</u>	<u>(2,419,724)</u>
Net cash (used for) capital and related financing activities		
	<u>(1,296,504)</u>	<u>(2,419,724)</u>
Cash flows from investing activities:		
Investment income received	13,974	153,844
	<u>13,974</u>	<u>153,844</u>
Net cash provided by investing activities		
	<u>13,974</u>	<u>153,844</u>
Net change in cash and investments	(74,353)	(1,071,302)
Cash and investments, beginning of year	6,769,204	7,840,506
	<u>6,769,204</u>	<u>7,840,506</u>
Cash and investments, end of year	<u>\$ 6,694,851</u>	<u>\$ 6,769,204</u>

The accompanying notes are an integral part of these financial statements.

Big Bear Area Regional Wastewater Agency

Statement of Cash Flows (continued)

For the year ended June 30, 2021

(With comparative data for prior year)

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 265,642	\$ 325,474
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	898,422	863,233
Other revenues	24,158	101,297
Other expense	(98,876)	(172,597)
Construction in process in accounts payable	(18,406)	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	86,416	73,398
Prepaid expenses	742	(30)
Deferred outflows of resources - OPEB related	128,249	(163,202)
Deferred outflows of resources - pension related	3,252	(20,411)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	(144,169)	(38,313)
Accrued salaries and benefits	4,965	9,331
Deposits	(100)	-
Compensated absences	33,453	1,400
Deferred inflows of resources - OPEB related	(23,080)	(37,235)
Deferred inflows of resources - pension related	(60,406)	31,791
Net OPEB liability	(142,527)	(19,993)
Net pension liability	250,442	240,435
Net cash provided by operating activities	<u>\$ 1,208,177</u>	<u>\$ 1,194,578</u>
Schedule of non-cash operating, noncapital and capital related financing and investing activities		
Disposed capital assets, net book value	\$ (384,549)	\$ (9,178)
Construction in progress in accounts payable	18,406	-

The accompanying notes are an integral part of these financial statements.

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2021

NOTE 1: Reporting entity and significant accounting policies

(a) *Description of the reporting entity*

The Big Bear Area Regional Wastewater Agency (the "Agency") is a joint powers agency comprised of three members: the Big Bear City Community Services District, the City of Big Bear Lake, and the County of San Bernardino on behalf of the County Service Area 53, Zone B. The Agency was formed in 1974 to construct and operate regional sewage treatment and disposal facilities for the entire Big Bear Valley. The service area for the Agency includes most of the Big Bear Valley in the San Bernardino Mountains in Western San Bernardino County.

The Agency was formed under a joint exercise of powers agreement among the member entities for the purposes of planning and constructing sewer improvements to serve the member entities' service areas, obtaining State and Federal Clean Water grants, financing the local share of project costs, and operating the regional facilities. A regional treatment plant and disposal area were constructed and began operation in 1978.

(b) *Basis of accounting*

The Agency operates and reports as an enterprise utilizing the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use unrestricted resources first, then restricted resources as they are needed.

(c) *Applicable accounting standards*

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for financial statements of state and local governments. The Agency has elected to follow all pronouncements of the GASB.

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 Agency's enterprise funds are charges to customers for sales and services. 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.

(d) *Investments*

Investments are reported in the accompanying statement of net position at fair value, except for certificates of deposit and investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 1: Reporting entity and significant accounting policies, (continued)

(d) Investments, (continued)

In accordance with the Agency's investment policy, the Agency may invest in the following:

Certificates of Deposit
U.S. Treasury Bills, Notes and Bonds
Local Agency Investment Fund
Money Market Mutual Funds

(e) Statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents are defined to be cash on hand, demand deposits, restricted cash and investments, and highly liquid investments with a maturity of three months or less from the date of purchase. For financial statement presentation purposes, cash and cash equivalents are shown as cash and investments and restricted cash and investments, if applicable.

(f) Restricted cash and investments

Restricted cash and investments represent amounts held in trust at the bank and are set aside for construction costs as required by the loan agreement. Currently, the Agency has no restricted cash and investments.

(g) Capital assets

Assets purchased are recorded and capitalized at cost. Developer contributed capital assets are recorded at acquisition value at the time received. Donated capital assets are recorded at their acquisition value at the date of acquisition. The Agency's capitalization threshold for capital assets is \$5,000.

Land and construction in progress are not depreciated. All other assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life Range (in years)</u>
Administration Building	10 - 40
Treatment Plant	15 - 99
Interceptor System	15 - 99
Effluent Disposal Assets	30 - 50
Power Generation Equipment	25 - 40
Flow Measuring Devices	10 - 15
Other Equipment	5 - 50
Transportation Equipment	15 - 20
Other Tangible Plant	30 - 30
Studies and Maps	5 - 40

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 1: Reporting entity and significant accounting policies, (continued)

(h) Employee leave benefits

Regular employees of the Agency earn from 15 to 26 vacation days per year, depending on their length of employment, and 12 sick days per year. Temporary and seasonal employees of the Agency are not eligible for vacation leave benefits.

In accordance with generally accepted accounting principles (GAAP), a liability is recorded for unused vacation and similar compensatory leave balance since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GAAP, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the Agency. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the Agency and the employee.

Upon termination or retirement, employees are entitled to receive compensation at their current base salary for all unused vacation and annual leave. Upon retirement or other honorable termination, an employee with a minimum of 5 continuous years of service is entitled to receive 50% of the value of his or her unused sick leave based on the number of hours accumulated.

The Agency has recorded a liability for the full 50% that is payable under the assumption that most employees will remain long enough to become eligible for the benefit.

(i) Use of estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) 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 Agency's prior year financial statements, from which this selected financial data was derived.

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2021

NOTE 1: Reporting entity and significant accounting policies, (continued)

(k) *Pension plan*

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website at www.calpers.ca.gov.

Generally accepted accounting principles requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

(l) *Inventory*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies.

(m) *Contributed capital*

Capital contributions typically consist of connection fees associated with the member agencies. The *Due from member agencies* account balance consists of connection fees still owed by the member agencies as of the fiscal year end.

(n) *Other postemployment benefit plan (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined by an actuary. Investments are reported at fair value.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	June 30, 2019, to June 30, 2020

(o) *Jointly governed organization*

In 2017, the Agency joined the Ground Water Sustainability Agency for the Bear Valley Basin (BVBGSA). The BVBGSA will enable the Agency to exercise the powers common and to work cooperatively and efficiently to implement the Sustainable Groundwater Management Act's requirements and provides a better opportunity for implementation of a recycled wastewater project.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 2: Budgetary data

During March, the General Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing July 1. The budget includes proposed expenses and estimated revenues. Prior to May 1, the budget is enacted legally through passage of an appropriation resolution. The Board of Directors must approve revisions that alter total appropriations. All appropriations lapse at fiscal year-end unless the Board of Directors takes formal action to continue the appropriation into the following fiscal year.

NOTE 3: Cash and investments

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	<u>\$ 6,694,851</u>
Total cash and investments	<u><u>\$ 6,694,851</u></u>

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 600
Deposits with financial institutions	359,119
Investments	<u>6,335,132</u>
Total cash and investments	<u><u>\$ 6,694,851</u></u>

Investments authorized by debt agreements

Investments of debt proceeds held by the loan trustee are governed by provisions of the loan agreement rather than the general provisions of the California Government Code or the Agency's investment policy. The following table identifies the investment types that are authorized for investments held by loan trustee. 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>
Money Market Mutual Funds investing in securities directly or indirectly guaranteed by the United States of America or an agency thereof	N/A	None	None

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 3: Cash and investments, (continued)

Fair value measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Agency does not have any recurring fair value measurements as of June 30, 2021. The Local Agency Investment Fund (Fund) of \$6,335,132 is not subject to the fair value hierarchy.

Investments authorized by the California Government Code and the Agency's investment policy

The following table identifies the investment types that are authorized for the Agency by the California Government Code and the Agency's investment policy. The table also identifies certain provisions of the California Government Code (or the Agency'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 Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Investment types authorized by State law	Authorized by investment policy	Maximum maturity*	Maximum percentage of portfolio*	Maximum investment in one issuer*
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	2 years	None	None
U.S. Agency Securities	No	5 years	None	None
Banker's Acceptances	No	180 days	40%	30%
Commercial Paper	No	270 days	25%	10%
Negotiable Certificates of Deposit	No	2 years	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	\$ 75 Million
Certificate of Deposits	Yes	2 years	30%	None
JPA Pools (other investment pools)	No	N/A	None	None

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

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 3: Cash and investments, (continued)

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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 Agency 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 earning 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 Agency's investments (including investments held by bond trustee, if any) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment type	Total	Remaining maturing (in months)			
		12 or less	13 to 24	25 to 60	More than 60
State investment pool	\$ 6,335,132	\$ 6,335,132	\$ -	\$ -	\$ -

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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 Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment type	Total	Minimum legal rating	Exempt from disclosure	Rating as of year end		
				AAA	Aa	Not rated
State investment pool	\$ 6,335,132	N/A	\$ -	\$ -	\$ -	\$ 6,335,132

Concentration of credit risk

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

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2021

NOTE 3: Cash and investments, (continued)

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 Agency'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 Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021, the Agency's deposits with financial institutions are interest bearing, and have a limited insurance coverage with the federal deposit insurance corporation up to \$250,000. As of June 30, 2021, the Agency deposits with financial institutions exceeded the federal depository insurance limits by \$120,926 and were fully collateralized.

Investment in State investment pool

The Agency 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 market value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the market 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.

LAIF is a special fund of the California State Treasury through which local governments may pool investments. The Agency may invest up to \$75,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California. The average annual yield of LAIF during the years ended June 30, 2021 and 2020 was 0.500% and 1.934%, respectively. The carrying value and estimated market value of the LAIF Pool at June 30, 2021 and 2020 was \$193,317,608,617 and \$193,333,648,179 and \$100,978,752,029 and \$101,474,839,937, respectively. The Agency's share of the Pool at June 30, 2021 and 2020 was approximately 0.00328% and 0.00596%, respectively. Included in LAIF's investment portfolio at June 30, 2021 and 2020 are structured notes and asset-backed securities totaling \$1,700,000,000 and \$2,772,671,000, and \$1,725,000,000 and \$1,675,408,000, respectively currently available. The LAIF has oversight by the Local Investment Advisory Board. The LAIF Board consists of five members as designated by statute.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 4: Capital assets

A summary of changes in capital assets of the Agency for the year ending June 30, 2021 is as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated				
Land	\$ 814,728	\$ 222,898	\$ -	\$ 1,037,626
Construction in Progress	492,391	159,982	(452,545)	199,828
Total capital assets, not being depreciated	<u>1,307,119</u>	<u>382,880</u>	<u>(452,545)</u>	<u>1,237,454</u>
Capital assets, being depreciated:				
Administration Building	2,029,161	-	-	2,029,161
Treatment Plant	16,739,339	154,119	(164,345)	16,729,113
Interceptor System	3,621,365	96,000	(63,011)	3,654,354
Effluent Disposal Assets	4,728,589	-	-	4,728,589
Power Generation Equipment	2,460,257	280,036	(476,690)	2,263,603
Flow Measuring Devices	140,957	-	-	140,957
Other Equipment	1,689,446	583,620	(151,793)	2,121,273
Transportation Equipment	627,750	39,897	(112,767)	554,880
Other Tangible Plant	907,922	-	-	907,922
Studies and Maps	106,425	-	-	106,425
Total capital assets, being depreciated	<u>33,051,211</u>	<u>1,153,672</u>	<u>(968,606)</u>	<u>33,236,277</u>
Less accumulated depreciation for:				
Administration Building	(881,753)	(60,581)	-	(942,334)
Treatment Plant	(7,759,477)	(446,354)	63,360	(8,142,471)
Interceptor System	(2,249,915)	(54,120)	35,356	(2,268,679)
Effluent Disposal Assets	(4,062,583)	(65,793)	-	(4,128,376)
Power Generation Equipment	(1,183,178)	(137,398)	283,372	(1,037,204)
Flow Measuring Devices	(71,527)	(8,607)	-	(80,134)
Other Equipment	(1,170,057)	(57,901)	123,256	(1,104,702)
Transportation Equipment	(356,876)	(29,622)	78,713	(307,785)
Other Tangible Plant	(356,244)	(36,996)	-	(393,240)
Studies and Maps	(89,623)	(1,050)	-	(90,673)
Total accumulated depreciation	<u>(18,181,233)</u>	<u>(898,422)</u>	<u>584,057</u>	<u>(18,495,598)</u>
Total capital assets being depreciated, net	<u>14,869,978</u>	<u>255,250</u>	<u>(384,549)</u>	<u>14,740,679</u>
Total capital assets, net	<u>\$ 16,177,097</u>	<u>\$ 638,130</u>	<u>\$ (837,094)</u>	<u>\$ 15,978,133</u>

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2021

NOTE 5: Long-term liabilities

A summary of long-term liabilities of the Agency at June 30, 2021 is as follows:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year	Due beyond one year
<i>Long-term debt - direct borrowings:</i>						
2011 refunding agreement	\$ 2,085,452	\$ -	\$ (292,683)	\$ 1,792,769	\$ 302,421	\$ 1,490,348
2018 installment purchase agreement	1,582,753	-	(92,292)	1,490,461	95,739	1,394,722
Total direct borrowings	3,668,205	-	(384,975)	3,283,230	398,160	2,885,070
<i>Other long-term liability:</i>						
Compensated absences	189,473	174,728	(141,275)	222,926	166,217	56,709
Total	\$ 3,857,678	\$ 174,728	\$ (526,250)	\$ 3,506,156	\$ 564,377	\$ 2,941,779

2011 Refunding installment sale agreement financing with Compass Bank (2011 Refunding Agreement) – Direct Borrowing

On November 15, 2011, the Agency refunded its outstanding obligations under 1) the 1998 Association of Bay Area Governments Water and Wastewater Revenue Bonds (a pooled financing program) Series B (the ABAG Bonds) and 2) the December 1, 2006 Loan Agreement between the Agency and Municipal Finance Corporation (the 2006 Agreement). The purpose of the original borrowings was to finance certain improvements to the Agency's wastewater system. The purpose of the 2011 refunding was to take advantage of the low interest-rate environment, and refinance the Agency's existing debt at a lower rate, while maintaining the same period to maturity. All Agency net revenues are irrevocably pledged for the loan repayments in accordance with the terms of the 2011 refunding agreement. In the event of default, the lender may declare the unpaid principal and accrued interests due and payable immediately.

Total proceeds under the 2011 Refunding Agreement were \$5,568,142, borrowed at an interest rate of 3.3%, compared to 5.0% and 4.45%, under the ABAG Bonds and 2006 Agreement, respectively. Total proceeds included a prepayment premium under the 2006 Agreement of \$42,432 and issuance costs associated with the 2011 Refunding Agreement of \$47,500. Amounts borrowed under the 2011 Refunding Agreement are payable in 30 semi-annual installments, over a 15-year period through November 15, 2026 with the first payment due May 15, 2012. The installment payments range from \$576,084 to \$179,554. The Agency may prepay the unpaid principal on the 2011 Refunding Agreement beginning November 15, 2016. Such prepayments beginning on such date and through November 14, 2021 are subject to a make-whole provision contained in the 2011 Refunding Agreement. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$125,867. This difference is reported in the accompanying financial statements as a deduction to the 2011 Refunding Agreement payable and is being amortized through November 15, 2026 using the straight-line method of amortization. As a result of the current refunding, the Agency reduced its debt service cash flow by \$450,419 through November 15, 2026, resulting in an economic gain of \$333,963 (calculated as the difference between the debt service payments under the old and new debt discounted to present value using the effective interest rate).

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 5: Long-term liabilities (continued)

2018 Installment purchase agreement – Direct Borrowing

On September 1, 2018, the Agency entered into an Installment Purchase Agreement (the 2018 Installment Purchase Agreement), for \$1,760,000 with BBVA Compass, an Alabama banking corporation (Bank), for the purpose of financing the acquisition and construction of certain improvements of the Agency's wastewater system. The 2018 Installment Purchase Agreement carries an interest rate of 3.70% on the unpaid principal with an ending term on the earlier of November 15, 2033 or the date upon which the installment payments shall be paid in full. All Agency net revenues are irrevocably pledged for the loan repayments in accordance with the terms of the 2018 Installment Purchase Agreement. In the event of default, the lender may declare the unpaid principal and accrued interests due and payable immediately and require officials of the Agency to charge and collect rates for services provided by the Agency and the System sufficient to meet all requirements of the Installment Purchase Agreement.

The Agency previously entered into a certain Loan Agreement dated as of November 1, 2011 (the 2011 Refunding agreement) by and between the Agency and the Bank under which the Agency pledged Net Revenues for the purpose of financing and refinancing certain improvements to the Agency's wastewater system.

2011 Refunding Agreement and 2018 Installment Purchase Agreement debt covenants

The Agency has covenanted to set rates, fees and charges for each fiscal year so as to yield net revenues equal to at least 120% of the annual debt service for such year. For the year ended June 30, 2021 the Agency's net revenues were 283% of the annual debt service, which exceeded the minimum requirement. The Agency also complied with all other covenants set forth in the 2011 Refunding Agreement and 2018 Installment Purchase Agreement.

Debt service requirements to maturity

Fiscal year	2011 Refunding Loan Agreement			2018 Installment Purchase Agreement		
	Principal	Interest	Total	Principal	Interest	Total
2021-2022	\$ 302,421	\$ 56,687	\$ 359,108	\$ 95,739	\$ 54,270	\$ 150,009
2022-2023	312,483	46,625	359,108	99,314	50,694	150,008
2023-2024	322,880	36,228	359,108	103,023	46,986	150,009
2024-2025	333,623	25,485	359,108	106,870	43,139	150,009
2025-2026	344,723	14,384	359,107	110,860	34,148	145,008
2026-2027	176,639	2,915	179,554	115,000	35,008	150,008
2027-2028	-	-	-	119,295	30,714	150,009
2028-2029	-	-	-	123,750	26,259	150,009
2029-2030	-	-	-	128,371	21,638	150,009
2030-2031	-	-	-	133,164	16,844	150,008
2031-2032	-	-	-	138,138	11,872	150,010
2032-2033	-	-	-	143,295	6,713	150,008
2033-2034	-	-	-	73,642	1,362	75,004
Total	<u>\$ 1,792,769</u>	<u>\$ 182,324</u>	<u>\$ 1,975,093</u>	<u>\$ 1,490,461</u>	<u>\$ 379,647</u>	<u>\$ 1,870,108</u>

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 6: Related-party transactions

The Board of Directors of the Agency is composed of board members of the three government agencies that are the primary customers of the Agency. Two of the directors of the Big Bear Area Regional Wastewater Agency are directors of the Big Bear City Community Services District. Two directors are from the City of Big Bear Lake and one director is from the County of San Bernardino. The District, City and County serve as collecting agents for certain revenues of the Agency including annual charges, standby charges, and connection fee charges.

The remainder of this page left intentionally blank.

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2021

NOTE 7: Pension plan

A. General information about the Pension plan

Plan description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Agency participates in two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensations	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates (reporting period)	7.96%	7.25%
Required employer contribution rates (reporting period)	15.037%	7.874%

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2021

NOTE 7: Pension plan, (continued)

A. General information about the Pension plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2021 were \$310,799. The actual employer payments of \$272,345 made to CalPERS by the Agency during the measurement period ended June 30, 2020 differed from the Agency's proportionate share of the employer's contribution of \$409,838 by \$137,493, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost Sharing Multiple Employer Plan.

B. Net pension liability

The Agency's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method:	Market Value of Assets
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study from the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of mortality improvements using the 90% of scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 7: Pension plan, (continued)

B. Net pension liability, continued

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class¹	Current Target Allocation	Real Return Years 1 - 10²	Real Return Year 11+³
Global Equity	50.0%	4.80%	5.98%
Global Fixed income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	<u>100.0%</u>		

¹ In the System's ACFR, fixed income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.0% used for this period

³ An expected inflation of 2.92% used for this period

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 7: Pension plan, (continued)

B. Net pension liability, continued

Change of assumptions

The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Discount rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 7: Pension plan, (continued)

C. Proportionate share of net pension liability

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2019 (VD)	\$ 10,961,363	\$ 8,839,357	\$ 2,122,006
Balance at: 6/30/2020 (MD)	11,545,251	9,172,803	2,372,448
Net changes during 2019-20	<u>\$ 583,888</u>	<u>\$ 333,446</u>	<u>\$ 250,442</u>

Valuation Date (VD), Measurement Date (MD).

The Agency's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The Agency's proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2019 and 2020 measurement dates was as follows:

Proportion share of NPL - June 30, 2019	0.05299%
Proportion share of NPL - June 30, 2020	0.05624%
Change - Increase (Decrease)	0.00325%

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the Agency's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan's Net Pension Liability	\$ 3,908,839	\$ 2,372,448	\$ 1,102,976

Subsequent events

There were no subsequent events that would materially affect the results presented in this disclosure.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 7: Pension plan, (continued)

C. Proportionate share of net pension liability, continued

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments 5-year straight-line amortization

All other amounts Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2020 is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension expense and deferred outflows and deferred inflows of resources related to pensions

As of the start of the measurement period (July 1, 2019), the Agency's net pension liability was \$2,122,006. For the measurement period ending in June 30, 2020 (the measurement date), the Agency incurred a pension expense of \$504,085.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 7: Pension plan, (continued)

D. Pension expense and deferred outflows and deferred inflows of resources related to pensions, continued

As of June 30, 2021, the Agency has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 16,922
Differences between Expected and Actual Experience	122,259	-
Differences between Projected and Actual Investment Earnings	70,477	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	195,626
Change in Employer's Proportion	168,566	-
Pension Contributions Made Subsequent to Measurement Date	310,799	-
	<u>\$ 672,101</u>	<u>\$ 212,548</u>

The amounts above are net of outflows and inflows recognized in the 2019-2020 measurement period expense. Contributions subsequent to the measurement date of \$310,799 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2022	\$ 16,852
2023	50,874
2024	47,226
2025	33,802
2026	-
Thereafter	-
	<u>\$ 148,754</u>

E. Payable to the pension plan

At June 30, 2021, the Agency reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for year then ended.

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements

June 30, 2021

NOTE 8: Other postemployment benefits plan

Plan description

The Agency has established a Retiree Healthcare Plan (OPEB Plan), and participates in an agent multiple-employer defined benefit retiree healthcare plan. Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care ACT (PEMCHA). This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees Retirement System (PERS), which is either (a) attainment of age 50 or older (age 52 for PEPRA members) with at least five years of State or public agency service or (b) an approved disability retirement. A separate financial report is not prepared for the OPEB Plan.

Benefits provided

The Agency pays 100% of the medical insurance costs for eligible retirees and their eligible dependents not to exceed the pre-Medicare (basic) family premium rate for the highest cost HMO plan in the region.

Employees retired prior to January 1, 2011 are also covered by the Agency's "Health Premium Reimbursement Plan" which, when combined with benefits provided by PEMCHA provides a benefit equal to 100% of the medical plan premiums (no maximum) for pre-2011 retirees and their dependents. Employees hired after January 1, 2019 who retire from the Agency with at least 5 years of Agency service receive a percentage of the premium for employee and their dependents (up to 90% of the highest cost Region 3 HMO plan pre-Medicare family premium rate). The percentage received is based on years of service.

Employees covered

As of the June 30, 2019 actuarial valuation date the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	15
Inactive employees or beneficiaries currently receiving benefits	13
Total	<u>28</u>

Contributions

The Agency makes health premium contributions for eligible retirees that enroll in a CalPERS health plan during retirement. The current monthly amount paid by the Agency ranges from \$360 – \$1,815. These amounts change annually based on the retiree's health plan election and rates published by CalPERS. The Agency provided amounts are detailed in the Summary of Principal Plan Provisions. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the Agency's cash contributions were \$177,713, made for health reimbursement premiums to retirees, and the estimated implied subsidy was \$72,635 resulting in total payments of \$250,348. The Agency has established an Irrevocable Trust with CalPERS' California Employer's Retiree Benefit Trust (CERBT). The Irrevocable Trust was required to fully implement the Agency's direction of prefunding the Agency's OPEB liability.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 8: Other postemployment benefits plan, (continued)

Net OPEB liability

The Agency's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Discount Rate	7.05%
Inflation	2.50% per year
Salary Increases	3.00% per year, used only to allocate the cost of benefits between service years
Investment Rate of Return	7.05%
Mortality Rate	MacLeod Watts Scale 2020
Pre-Retirement Turnover Healthcare Trend Rate	Medical plan premiums and claims are assumed to increase once each year

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
Treasury inflation-protected securities	5%	1.46%
Fixed income	25%	2.62%
Global Equity	59%	5.98%
REIT's	8%	5.00%
Commodities	3%	2.87%
Total	<u>100%</u>	

* based on 2014 Capital Market Assumptions

Change of Assumptions

Assumed mortality, termination and retirement rates were updated to those provided in the 2017 CalPERS experience study and mortality improvement scales were updated to the MacLeod Watts Scale 2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.05% percent as of June 30, 2020, net of Plan investment expenses and including inflation. The projection of cash flows used to determine the discount rate assumed that Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 8: Other postemployment benefits plan, (continued)

Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 3,198,593	\$ 2,036,134	\$ 1,162,459
Changes recognized for the measurement period:			
Service Cost	114,627	-	114,627
Interest on the total OPEB liability	226,464	-	226,464
Changes of assumptions	-	-	-
Plan experience differences	-	-	-
Contributions - employer	-	410,141	(410,141)
Net investment income	-	74,474	(74,474)
Benefit payments	(201,920)	(201,920)	-
Administrative expenses	-	(997)	997
Net Changes	139,171	281,698	(142,527)
Balance at June 30, 2021 (Measurement Date June 30, 2020)	\$ 3,337,764	\$ 2,317,832	\$ 1,019,932

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Agency if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease 6.05%	Current Discount Rate 7.05%	1% Increase 8.05%
Net OPEB Liability	\$ 1,477,142	\$ 1,019,932	\$ 649,033

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 622,340	\$ 1,019,932	\$ 1,520,648

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 8: Other postemployment benefits plan, (continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual trust earnings 5 years

All other amounts Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the Agency recognized OPEB expense of \$212,990. A complete breakdown of OPEB expense is as follows:

Description	Amount
Service cost	\$ 114,627
Interest cost	226,464
Expected earnings on assets	(150,852)
Administrative expenses	997
Recognized assumption changes	30,267
Recognized differences in plan experience	(21,708)
Recognized differences in projected and actual investments earnings	13,195
Total OPEB expense	\$ 212,990

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2021**

NOTE 8: Other postemployment benefits plan, (continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB, continued

As of fiscal year, ended June 30, 2021, the Agency reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 250,348	\$ -
Changes of assumptions	85,038	-
Differences between expected and actual experience	7,120	47,444
Net difference between projected and actual earnings on OPEB plan investments	65,225	-
Total	<u>\$ 407,731</u>	<u>\$ 47,444</u>

The \$250,348 reported as deferred outflows of resources related to contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, net
2022	\$ 21,753
2023	27,216
2024	37,403
2025	19,604
2026	3,331
Thereafter	632
	<u>\$ 109,939</u>

NOTE 9: Deferred compensation

The Agency has made available to its employees two deferred compensation plans (defined contribution plans), created in accordance with Internal Revenue Code Section 457, whereby employees authorize the Agency to defer a portion of their salary to be deposited in individual investment accounts. Funds may be withdrawn by participants upon termination of employment or retirement. If an employee elects to contribute a minimum of 6% of the employee's annual salary, the Agency will contribute 3% of the employee's annual salary. As of June 30, 2021, the deferred compensation assets were held in a trust account for the sole benefit of the employees and their beneficiaries, and accordingly have been excluded from the Agency's reported assets. The Agency's contribution to the plan for the current fiscal year is \$42,282.

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2021

NOTE 10: Net position

The Agency's net position is comprised of the following components:

	2021	2020
Net investment in capital assets:		
Capital assets, not being depreciated	\$ 1,237,454	\$ 1,307,119
Capital assets, net of depreciation	14,740,679	14,869,978
Debt related to capital assets		
2011 Refunding agreement	(1,792,769)	(2,085,452)
2018 Installment purchase agreement	(1,490,461)	(1,582,753)
Less: Deferred charges on refunding	27,425	32,453
Net investment in capital assets	<u>12,722,328</u>	<u>12,541,345</u>
Unrestricted	<u>3,778,587</u>	<u>3,974,927</u>
Total net position	<u>\$ 16,500,915</u>	<u>\$ 16,516,272</u>

NOTE 11: Risk management

The Agency is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions and natural disasters. The Agency has acquired insurance coverage through Special District Risk Management Authority to finance various risks such as workers' compensation, general liability and property damage.

Insurance policies are purchased for the following exposures with the deductible or the amount of risk retention:

General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employment Practices Liability: coverage of \$5,000,000, with \$500 deductible per occurrence for general liability, \$1,000 deductible per occurrence for auto liability, and 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000 for employment-related claims.

Employee Dishonesty: purchased from National Union Fire Insurance Company – coverage of \$1,000,000 per loss and includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction.

Property Loss: purchased from Lexington Insurance Company – coverage of \$1,000,000,000 per occurrence with \$1,000 deductible per occurrence.

Boiler and Machinery: purchased from Lexington Insurance Company – coverage of \$100,000,000 per occurrence with \$1,000 deductible.

Public Officials Personal Liability: coverage of \$500,000 per occurrence, with an annual aggregate of \$500,000 per each elected/appointed official, with deductible of \$1,000 per claim;

Worker's compensation: statutory limits per occurrence and \$5,000,000 for employer's liability coverage.

The amounts of settlements did not exceed insurance coverage for each of the past three fiscal years.

This page left blank intentionally.

Required Supplementary Information

Big Bear Area Regional Wastewater Agency

Schedule of the Agency's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date Last 10 Years*

<u>Measurement date</u>	<u>Employer's proportion of the collective net pension liability¹</u>	<u>Employer's proportionate share of the collective net pension liability</u>	<u>Employer's covered payroll</u>	<u>Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll</u>	<u>Pension plan's fiduciary net position as a percentage of the total pension liability</u>
6/30/2014	0.02306%	\$ 1,435,154	\$ 958,945	149.66%	83.03%
6/30/2015	0.03971%	1,089,410	1,082,228	100.66%	87.32%
6/30/2016	0.04580%	1,590,864	1,100,884	144.51%	81.05%
6/30/2017	0.01942%	1,925,676	1,097,657	175.44%	79.48%
6/30/2018	0.01953%	1,881,571	1,099,489	171.13%	81.37%
6/30/2019	0.02071%	2,122,006	1,159,628	182.99%	80.46%
6/30/2020	0.02180%	2,372,448	1,279,546	185.41%	79.45%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Big Bear Area Regional Wastewater Agency

**Schedule of Pension Plan Contributions
Last 10 Years***

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 179,263	\$ (179,263)	\$ -	\$ 1,082,228	16.56%
June 30, 2016	157,379	(157,379)	-	1,100,884	14.30%
June 30, 2017	171,414	(171,414)	-	1,097,657	15.62%
June 30, 2018	186,220	(186,220)	-	1,099,489	16.94%
June 30, 2019	223,484	(223,484)	-	1,159,628	19.27%
June 30, 2020	272,345	(272,345)	-	1,279,546	21.28%
June 30, 2021	310,799	(310,799)	-	1,300,655	23.90%

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Big Bear Area Regional Wastewater Agency

**Schedule of Changes in the Net OPEB Liability and Related Ratios
Last 10 years***

Measurement Date	2017	2018	2019	2020
Total OPEB Liability				
Service Cost	\$ 70,271	\$ 92,607	\$ 101,392	\$ 114,627
Interest on the Total OPEB Liability	197,835	204,015	213,507	226,464
Actual and expected experience difference	(139,764)	-	9,864	-
Changes in assumptions	70,862	100,635	14,085	-
Benefit payments	(134,557)	(138,739)	(177,938)	(201,920)
Net change in Total OPEB Liability	<u>64,647</u>	<u>258,518</u>	<u>160,910</u>	<u>139,171</u>
Total OPEB Liability - beginning	<u>2,714,518</u>	<u>2,779,165</u>	<u>3,037,683</u>	<u>3,198,593</u>
Total OPEB Liability - ending (a)	<u>2,779,165</u>	<u>3,037,683</u>	<u>3,198,593</u>	<u>3,337,764</u>
Plan Fiduciary Net Position				
Investment experience differences	\$ -	\$ -	\$ -	\$ -
Contribution - employer	419,453	425,765	241,291	410,141
Net investment income	114,707	113,645	117,953	74,474
Benefit payments	(134,557)	(138,739)	(177,938)	(201,920)
Administrative expense	(581)	(2,726)	(403)	(997)
Net change in Plan Fiduciary Net Position	<u>399,022</u>	<u>397,945</u>	<u>180,903</u>	<u>281,698</u>
Plan Fiduciary Net Position - beginning	<u>1,058,264</u>	<u>1,457,286</u>	<u>1,855,231</u>	<u>2,036,134</u>
Plan Fiduciary Net Position - ending (b)	<u>1,457,286</u>	<u>1,855,231</u>	<u>2,036,134</u>	<u>2,317,832</u>
Net OPEB Liability - ending (a) - (b)	<u>\$ 1,321,879</u>	<u>\$ 1,182,452</u>	<u>\$ 1,162,459</u>	<u>\$ 1,019,932</u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.44%	61.07%	63.66%	69.44%
Covered-employee payroll	\$ 1,097,657	\$ 1,099,489	\$ 1,135,222	\$ 1,317,806
Net OPEB liability as a percentage of covered-employee payroll	120.43%	107.55%	102.40%	77.40%

Notes to schedule:

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

The following assumptions were changed from the prior valuation:

Discount rate: In 2019, the discount rate decreased from 7.28% to 7.05%. In 2018, the discount rate remained at 7.28%

Change in assumptions: In 2019, demographic assumptions were updated based on a new CalPERS experience study; updated medical trend model and elimination of excise tax liability following December 2019 repeal.

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Big Bear Area Regional Wastewater Agency

**Schedule of OPEB Plan Contributions
Last 10 years***

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in relation to the ADC	Contribution deficiency/ (excess)	Covered- employee payroll	Contribution as a percentage of covered employee payroll
2018	\$ 198,107	\$ (425,765)	\$ (227,658)	\$ 1,099,489	38.72%
2019	203,772	(241,291)	(37,519)	1,135,222	21.25%
2020	210,141	(410,141)	(200,000)	1,317,806	31.12%
2021	205,464	(250,348)	(44,884)	1,346,813	18.59%

Notes to schedule:

Contributions are fixed and not made based on a measure of pay, therefore covered employee payroll is used in the schedule.

Actuarial methods and assumptions used to set actuarially determined contributions for fiscal year 2021 were from the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Methodology	Level % of Pay, 18 years closed
Asset Valuation Method	Market value of assets
Inflation	2.50% per annum
Payroll Growth	3.00% per year; since benefits are not related to pay, this is used only to allocate the cost of benefits between service years
Investment Rate of Return	7.05%
Healthcare Trend	5.40%, decreasing to 4.0% by 2076
Retirement Age	From 50 to 75
Mortality	CalPERS 2017 Experience Study, Projected with MW Scale 2020

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

This page left blank intentionally.

Supplementary Information

This page left blank intentionally.

Big Bear Area Regional Wastewater Agency

**Schedule of Revenues, Expenses and Changes in Net Position – Budget vs. Actual
For the year ended June 30, 2021**

	2021 Actual	2021 Final budget (unaudited)	Variance with budget	2020 Actual
Operating revenues				
Member agency fees	\$ 5,602,113	\$ 5,602,113	\$ -	\$ 5,437,076
Standby charges	80,300	80,300	-	81,660
Rental income	52,592	52,592	-	51,855
Waste disposal fees	23,859	21,690	2,169	18,755
Other revenues	793	-	793	-
Total operating revenues	<u>5,759,657</u>	<u>5,756,695</u>	<u>2,962</u>	<u>5,589,346</u>
Operating expenses				
Salaries and benefits	2,603,634	2,564,019	39,615	2,578,433
Power	459,483	487,021	(27,538)	453,306
Sludge removal	319,660	314,028	5,632	276,292
Chemicals	96,119	111,112	(14,993)	47,596
Materials and supplies	120,308	141,083	(20,775)	159,052
Repairs and replacements	262,795	345,680	(82,885)	253,789
Equipment rental	835	836	(1)	351
Utilities	61,996	42,511	19,485	14,180
Communications	44,988	52,776	(7,788)	39,043
Contractual services - other	90,873	113,434	(22,561)	78,879
Contractual services - professional	120,390	219,773	(99,383)	153,470
Permits and fees	201,452	190,071	11,381	185,051
Property tax	3,963	4,147	(184)	3,917
Insurance	171,881	171,498	383	112,262
Other operating	37,216	59,853	(22,637)	45,018
Depreciation	898,422	939,015	(40,593)	863,233
Total operating expenses	<u>5,494,015</u>	<u>5,756,857</u>	<u>(262,842)</u>	<u>5,263,872</u>
Operating income	<u>265,642</u>	<u>(162)</u>	<u>265,804</u>	<u>325,474</u>
Nonoperating revenues				
Investment income	(1,670)	96,004	(97,674)	130,952
Other miscellaneous revenue	24,158	-	24,158	101,297
Total nonoperating revenues	<u>22,488</u>	<u>96,004</u>	<u>(73,516)</u>	<u>232,249</u>
Nonoperating expenses				
Other	98,876	434,375	(335,499)	172,597
Interest	127,852	135,801	(7,949)	140,337
Net loss on capital asset disposals	360,999	-	360,999	9,178
Total nonoperating expenses	<u>587,727</u>	<u>570,176</u>	<u>17,551</u>	<u>322,112</u>
Income before contributions	(299,597)	(474,334)	174,737	235,611
Capital contributions - connection charges	<u>284,240</u>	<u>188,100</u>	<u>96,140</u>	<u>188,100</u>
Change in net position	(15,357)	(286,234)	270,877	423,711
Net position, beginning of year	<u>16,516,272</u>	<u>16,516,272</u>	<u>-</u>	<u>16,092,561</u>
Net position, end of year	<u>\$ 16,500,915</u>	<u>\$ 16,230,038</u>	<u>\$ 270,877</u>	<u>\$ 16,516,272</u>



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST

Independent Auditor's Report

To the Board of Directors
Big Bear Area Regional Wastewater Agency
Big Bear City, California

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA
Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Thao Le, CPA, MBA
Julia Rodriguez Fuentes, CPA, MSA

We have audited, 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, the financial statements of the Big Bear Area Regional Wastewater Agency (the Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated October 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 18, 2021

This page left blank intentionally.

STATISTICAL SECTION

This page left blank intentionally.

STATISTICAL SECTION

Overview

The objective of the statistical section is to provide users with historical perspective and detail so that they may better understand and assess the Agency's economic condition. Please note that all information presented has been sourced from Agency financial and operating information unless otherwise noted.

Financial Trends

This section contains 10-year historical information related to the Agency's financial performance and is intended to assist users in understanding and assessing the Agency's financial position and how it has changed over time.

Revenue Capacity

This section contains information related to the Agency's primary operating revenues and is intended to assist users in understanding and assessing the Agency's capacity to generate revenues and its ability to collect revenues.

Debt Capacity

This section contains information related to the Agency's ability to service its current debt outstanding and provides an indication of the Agency's ability to issue additional debt.

Demographic and Economic Information

This section contains information related to the socioeconomic environment in which the Agency operates. This information facilitates comparisons of financial statement information over time and among similar government agencies.

Financial Trends

All years presented are for the fiscal year ending June 30.

NET POSITION BY COMPONENT - 10 FISCAL YEARS

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
NET POSITION ¹ :										
Net investment										
in capital assets	\$11,630,775	\$11,190,103	\$12,962,116	\$12,812,871	\$12,947,480	\$12,864,383	\$12,092,923	\$10,947,850	\$12,541,345	\$12,722,328
Unrestricted										
net position	<u>5,239,278</u>	<u>6,089,805</u>	<u>5,041,351</u>	<u>4,589,703</u>	<u>5,342,359</u>	<u>5,800,317</u>	<u>3,814,051</u>	<u>5,144,711</u>	<u>3,974,927</u>	<u>3,778,587</u>
Total	<u>\$16,870,053</u>	<u>\$17,279,908</u>	<u>\$18,003,467</u>	<u>\$17,402,574</u>	<u>\$18,289,839</u>	<u>\$18,664,700</u>	<u>\$15,906,974</u>	<u>\$16,092,561</u>	<u>\$16,516,272</u>	<u>\$16,500,915</u>

¹ The above data was extracted from the Agency's financial statements. Net position was restated in fiscal years 2007, 2011, 2013, 2015 and 2017 to reflect a reduction in assets, the Agency's PERS side fund liability, the implementation of GASB 65, the implementation of GASB 68, and the implementation of GASB 75 respectively.

CHANGE IN NET POSITION - 10 FISCAL YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OPERATING REVENUES:										
Annual Charges	\$4,506,876	\$4,688,312	\$4,778,215	\$4,979,690	\$4,991,166	\$5,007,070	\$5,091,576	\$5,251,542	\$5,437,076	\$5,602,113
Standby Fees	93,890	92,430	91,400	90,860	89,250	86,930	85,180	83,200	81,660	80,300
Rent, Waste Disposal Fees	64,940	68,351	70,178	68,120	72,101	71,951	73,562	71,679	70,610	76,451
Other	56	50	2,007	24,575	5,104	488	1,916	765	0	793
Total	4,665,762	4,849,143	4,941,800	5,163,245	5,157,621	5,166,439	5,252,234	5,407,186	5,589,346	5,759,657
OPERATING EXPENSES:										
Salaries and Benefits	1,714,734	1,812,835	1,797,691	1,745,042	1,843,685	2,155,804	2,144,299	2,199,428	2,578,433	2,603,634
Power	470,256	424,266	399,239	486,461	520,431	522,181	386,367	520,234	453,306	459,483
Sludge Removal ¹	185,005	242,838	221,541	162,627	225,990	281,096	397,813	298,241	276,292	319,660
Materials and Supplies	222,324	225,624	190,830	192,900	184,933	209,323	176,687	215,782	206,648	216,427
Repairs and Replacements	170,603	159,819	186,806	161,825	150,764	128,645	155,447	445,040	253,789	262,795
Equipment rental ²	148	0	0	3,659	165	2,242	37,215	1,363	351	835
Utilities expense ³	25,727	22,509	19,757	16,062	11,773	13,023	26,737	22,207	14,180	61,996
Communications expense ⁴	51,911	34,293	45,613	33,490	38,610	44,062	37,064	32,160	39,043	44,988
Contractual services - other	82,994	75,706	95,678	81,626	102,120	94,181	74,947	97,296	78,879	90,873
Contractual services, prof ⁵	141,200	136,259	224,045	99,798	151,407	191,457	399,514	214,413	153,470	120,390
Permits and fees	108,055	124,708	131,361	142,310	145,866	148,687	145,515	158,528	185,051	201,452
Property tax expense	3,130	3,488	3,265	3,426	3,476	3,523	3,599	3,665	3,917	3,963
Insurance expense ⁶	93,222	86,135	69,622	83,561	87,406	85,386	99,428	100,952	112,262	171,881
Other operating expense	58,197	65,638	58,032	57,963	59,474	56,328	50,469	48,142	45,018	37,216
Depreciation	794,529	806,274	799,443	840,229	875,328	896,429	842,154	893,196	863,233	898,422
Total	4,122,035	4,220,392	4,242,923	4,110,979	4,401,428	4,832,367	4,977,256	5,250,647	5,263,872	5,494,015
OPERATING INCOME	543,727	628,751	698,877	1,052,266	756,193	334,072	274,978	156,539	325,474	265,642
NONOPERATING REVENUES:										
Net gain on asset disposal	10,050	0	0	0	0	0	0	0	0	0
Interest income	18,732	16,167	11,305	12,430	22,889	29,101	73,866	164,531	130,952	-1,670
Other	40	0	0	0	0	0	0	180	101,297	24,158
Total non-operating revenue	28,822	16,167	11,305	12,430	22,889	29,101	73,866	164,711	232,249	22,488
NONOPERATING EXPENSES:										
Net Loss on asset disposal	0	122,718	28,326	21,553	2,678	91,973	1,709,527	0	9,178	360,999
Interest expense	223,125	165,092	111,747	145,012	130,669	115,849	100,536	134,569	135,308	122,823
Amortization debt costs	12,369	11,700	11,700	11,700	11,700	11,700	11,700	7,665	5,029	5,029
Other	0	0	0	0	0	0	19,777	181,529	172,597	98,876
Total non-operating expense	235,494	299,510	151,773	178,265	145,047	219,522	1,841,540	323,763	322,112	587,727
INCOME BEFORE CAPITAL CONTRIBUTIONS	337,055	345,408	558,409	886,431	634,035	143,651	-1,492,696	-2,513	235,611	-299,597
Capital contributions	80,740	110,100	165,150	308,280	253,230	231,210	249,560	188,100	188,100	284,240
CHANGE IN NET POSITION	417,795	455,508	723,559	1,194,711	887,265	374,861	-1,243,136	185,587	423,711	-15,357
NET POSITION										
Beginning of year	16,452,258	16,824,400	17,279,908	16,207,863	17,402,574	18,289,839	17,150,110	15,906,974	16,092,561	16,516,272
End of year	16,870,053	17,279,908	18,003,467	17,402,574	18,289,839	18,664,700	15,906,975	16,092,561	16,516,272	16,500,915

¹ Amounts in fiscal year 2009 and 2010 include one-time warranty payments netted against sludge removal expense of \$100,820 in each year.

² Included in materials and supplies expense prior to fiscal year 2009.

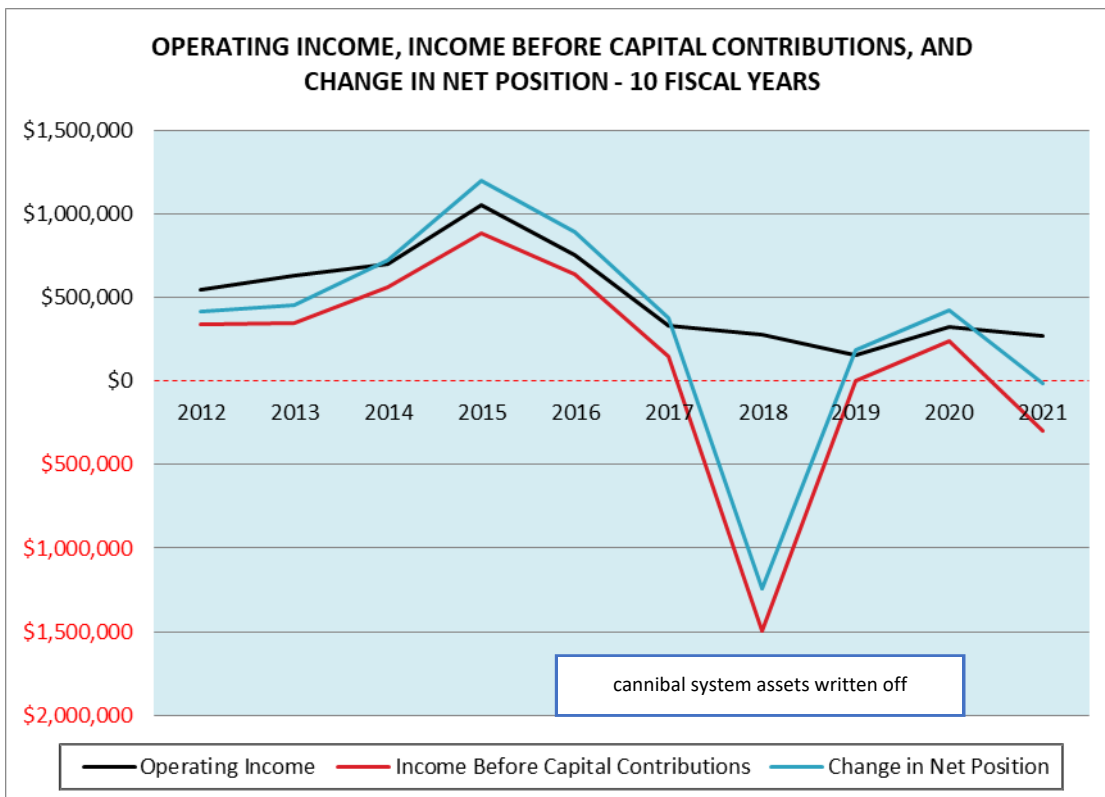
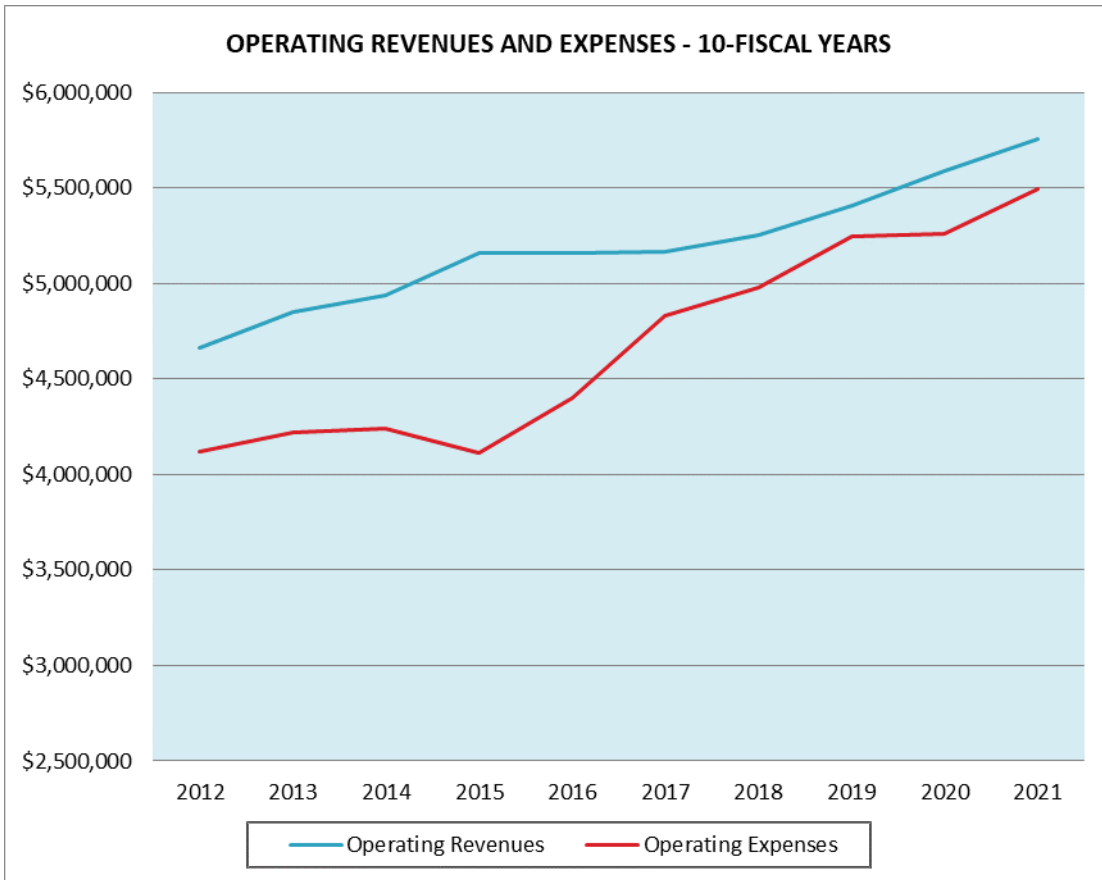
³ Included in power expense prior to fiscal year 2009.

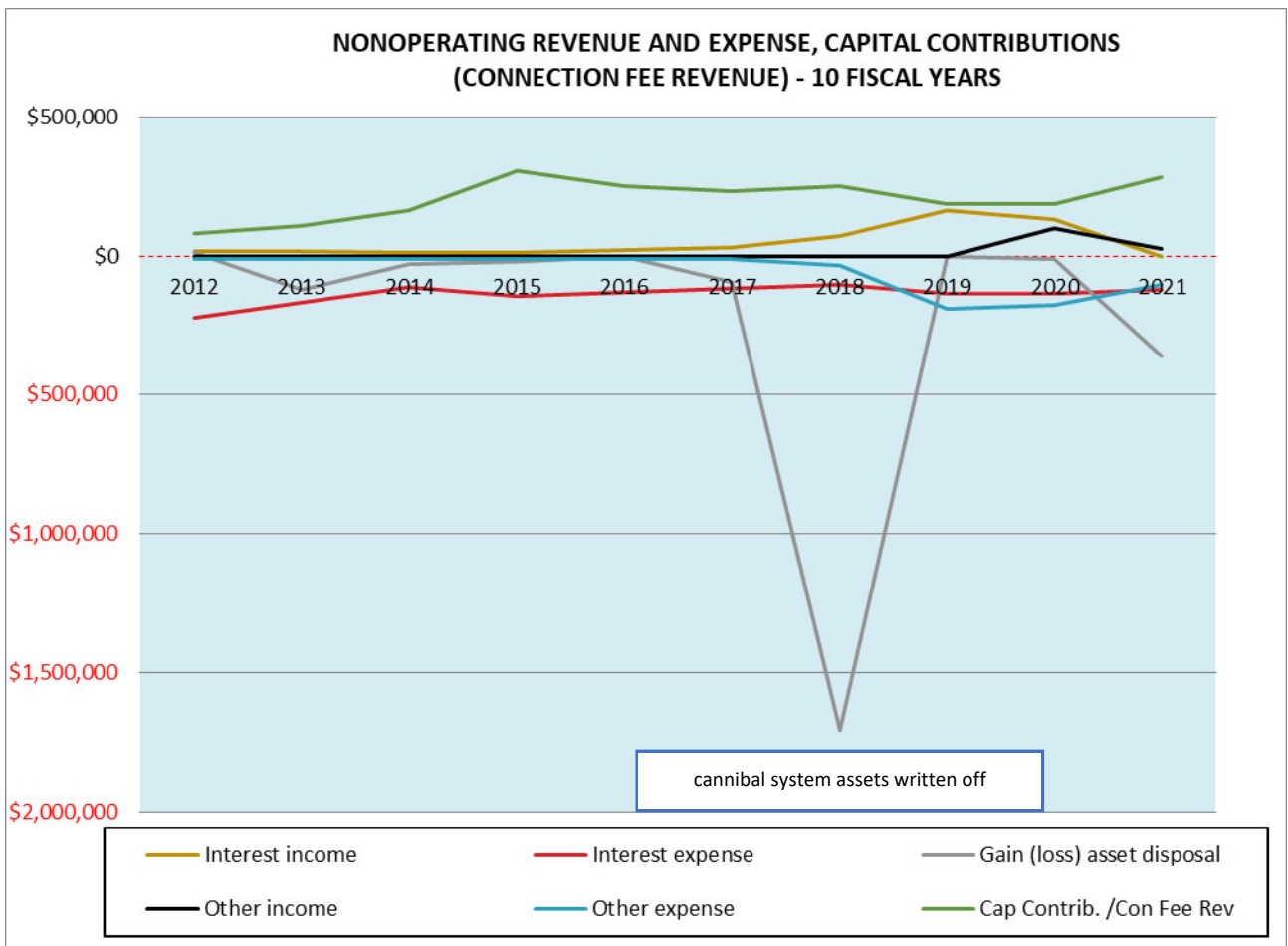
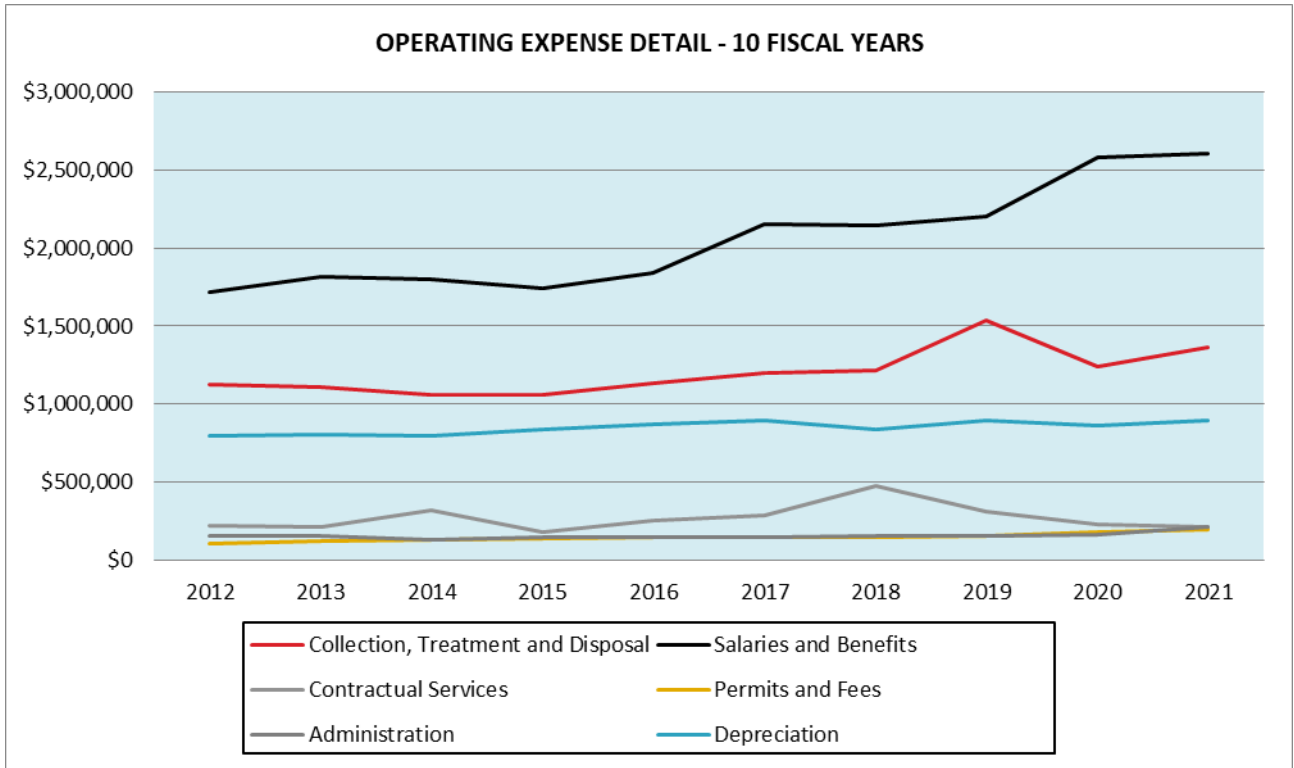
⁴ Included in materials and supplies expense prior to fiscal year 2009.

⁵ Amount in fiscal year 2009 includes a one-time, noncash adjustment of \$149,938.

⁶ Includes workers' compensation insurance beginning in fiscal year 2009. In prior years, this expense was included in salaries and benefits expense.

⁷ The above data was extracted from the Agency's financial statements. Net position was restated in fiscal years 2007, 2011, 2013, 2015 and 2018 to reflect a reduction in assets, the Agency's PERS side fund liability, the implementation of GASB 65, the implementation of GASB 68, and the implementation of GASB 75, respectively.

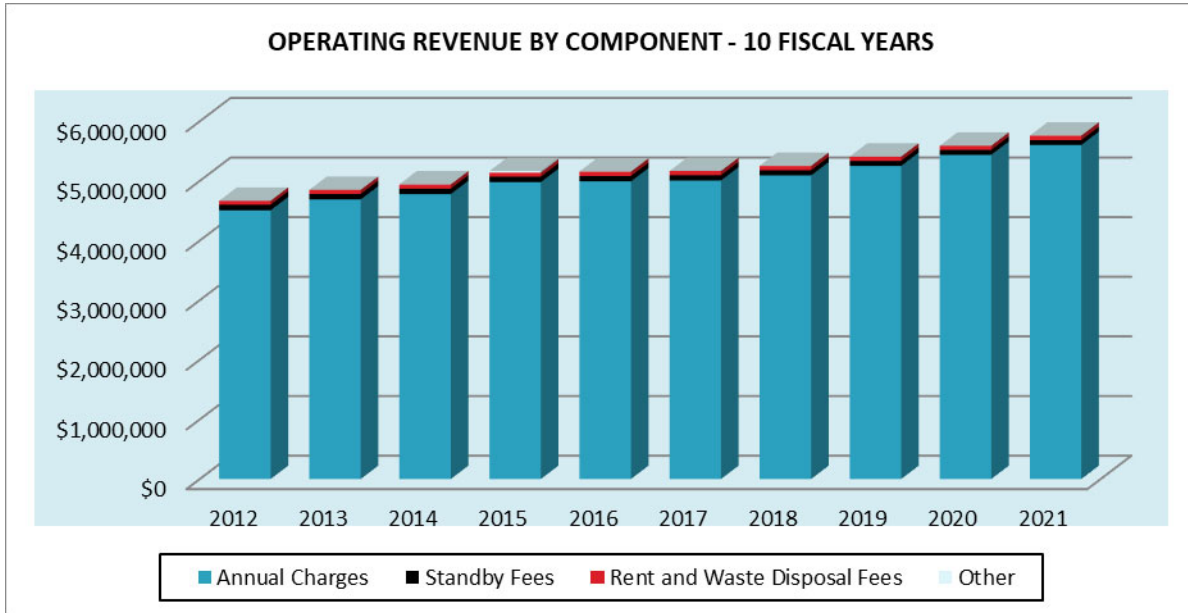




Revenue Capacity

OPERATING REVENUE BY CATEGORY - 10 FISCAL YEARS

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
OPERATING REVENUES:										
Annual charges	\$4,506,876	\$4,688,312	\$4,778,215	\$4,979,690	\$4,991,166	\$5,007,070	\$5,091,576	\$5,251,542	\$5,437,076	\$5,602,113
Standby fees	93,890	92,430	91,400	90,860	89,250	86,930	85,180	83,200	81,660	80,300
Rent, waste disposal fees	64,940	68,351	70,178	68,120	72,101	71,951	73,562	71,679	70,610	76,451
Other	<u>56</u>	<u>50</u>	<u>2,007</u>	<u>24,575</u>	<u>5,104</u>	<u>488</u>	<u>1,916</u>	<u>765</u>	<u>0</u>	<u>793</u>
Total operating revenues	<u>\$4,665,762</u>	<u>\$4,849,143</u>	<u>\$4,941,800</u>	<u>\$5,163,245</u>	<u>\$5,157,621</u>	<u>\$5,166,439</u>	<u>\$5,252,234</u>	<u>\$5,407,186</u>	<u>\$5,589,346</u>	<u>\$5,759,657</u>

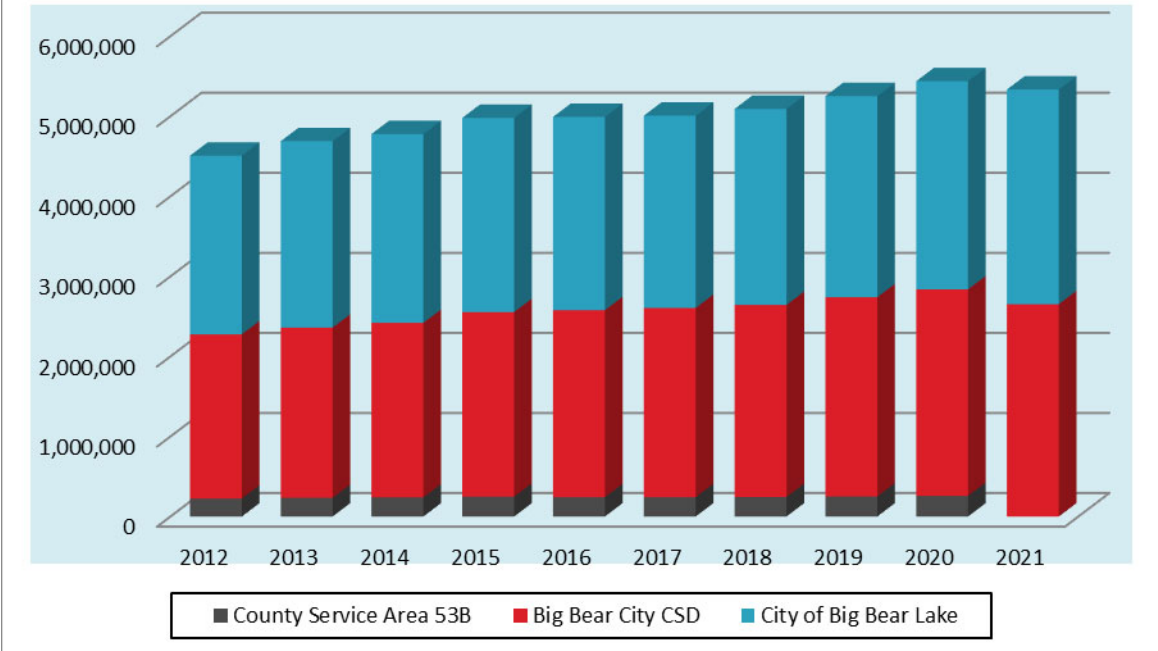


Annual charges are the Agency’s largest component of Operating Revenues and represent the Agency’s charges for the collection, treatment and disposal of wastewater flow. Annual charges are charged to the Member Agencies (the Big Bear City Community Services District, the City of Big Bear Lake, and the County of San Bernardino CSA 53B), and are based on the sewer user fee (rate) established by the Governing Board of Directors, the number of equivalent dwelling units and the volume of wastewater collected, treated and disposed of.

ANNUAL CHARGES BY MEMBER AGENCY - 10 FISCAL YEARS

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
CSA 53B	\$224,361	\$233,120	\$239,091	\$247,473	\$241,822	\$242,135	\$244,697	\$250,523	\$258,429	\$268,256
Big Bear City CSD	2,051,609	2,127,109	2,179,871	2,306,127	2,335,900	2,363,616	2,398,457	2,488,269	2,579,204	2,652,478
City of Big Bear Lake	<u>2,230,906</u>	<u>2,328,083</u>	<u>2,359,253</u>	<u>2,426,090</u>	<u>2,413,444</u>	<u>2,401,319</u>	<u>2,448,422</u>	<u>2,512,750</u>	<u>2,599,443</u>	<u>2,681,379</u>
Total Annual Charges	<u>\$4,506,876</u>	<u>\$4,688,312</u>	<u>\$4,778,215</u>	<u>\$4,979,690</u>	<u>\$4,991,166</u>	<u>\$5,007,070</u>	<u>\$5,091,576</u>	<u>\$5,251,542</u>	<u>\$5,437,076</u>	<u>\$5,602,113</u>

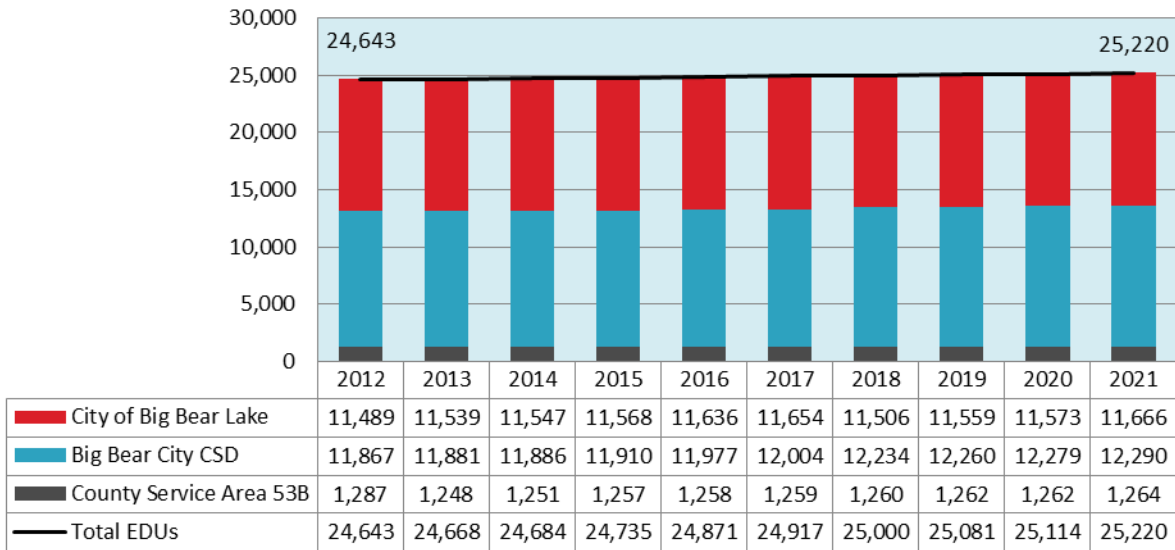
**ANNUAL CHARGES BY MEMBER AGENCY
10 FISCAL YEARS**



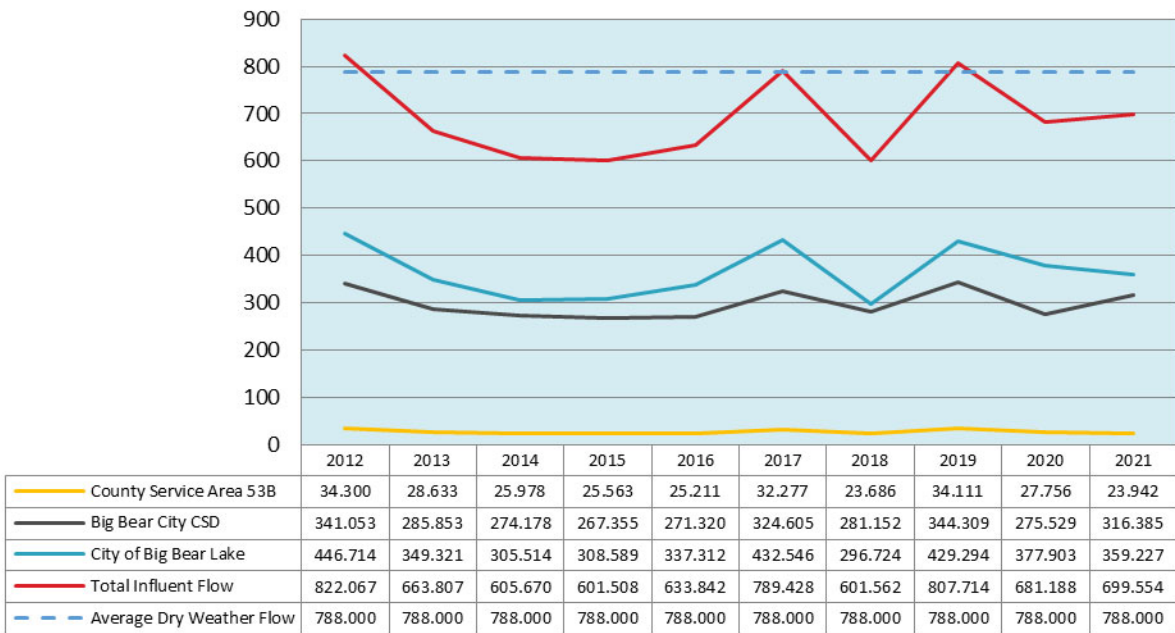
**ANNUAL CHARGES BY MEMBER AGENCY
% OF TOTAL**

	<u>2012</u>	<u>2021</u>
County Service Area 53B	5%	5%
Big Bear City CSD	45%	47%
City of Big Bear Lake	<u>50%</u>	<u>48%</u>
	100%	100%

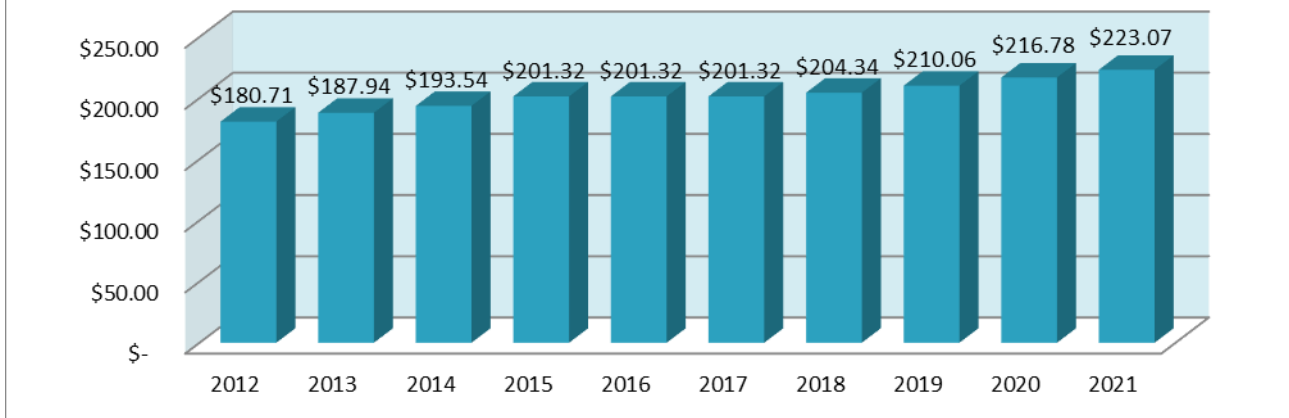
EQUIVALENT DWELLING UNITS BY MEMBER AGENCY - 10 FISCAL YEARS



INFLUENT FLOW BY MEMBER AGENCY SERVED (MILLIONS OF GALLONS) 10 FISCAL YEARS



**ANNUAL SEWER USER FEE
RATE CHARGED PER EDU - 10 FISCAL YEARS**



Debt Capacity

DEBT RATIOS - 10 FISCAL YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Principal Outstanding (1)	\$5,371,975	\$4,969,876	\$4,554,398	\$4,125,097	\$3,681,512	\$3,223,168	\$2,749,574	\$4,040,433	\$3,668,205	\$3,283,230
EDUs	24,643	24,668	24,684	24,735	24,871	24,917	25,000	25,081	25,114	25,220
Debt per EDU	\$218	\$201	\$185	\$167	\$148	\$129	\$110	\$161	\$146	\$130
Debt per Residential EDU	\$262	\$242	\$221	\$200	\$178	\$155	\$132	\$193	\$175	\$156
Debt as % of Household Income	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.3%	0.3%
Rate of Debt to Gross Revenue	1.13	1.00	0.89	0.75	0.68	0.59	0.49	0.70	0.62	0.54

¹ Amounts exclude debt issuance or discount costs being amortized over the life of the debt issue, and amounts related to Net Pension and OPEB Liabilities.

² Household income is derived from an average of the household incomes estimated for the City of Big Bear Lake and the Big Bear City Community Services District by the 2010 U.S. Census Bureau. The 2010 estimated household income is used for all periods shown.

DEBT SERVICE COVERAGE - 10 FISCAL YEARS

Fiscal Year	OUTSTANDING DEBT ¹			Total Outstanding Debt	Gross Revenues	Net Revenues ²	Debt Service ³	Debt Service Coverage
	Refunding Revenue Bonds	Water Revenue Bonds	Loan					
2012	-	-	\$ 5,371,975	\$ 5,371,975	\$ 4,795,235	\$ 1,312,754	\$ 589,321	2.23
2013	-	-	4,969,876	4,969,876	4,975,410	1,561,293	579,284	2.70
2014	-	-	4,554,398	4,554,398	5,118,255	1,674,775	579,284	2.89
2015	-	-	4,125,097	4,125,097	5,483,955	2,213,205	579,284	3.82
2016	-	-	3,681,512	3,681,512	5,433,739	1,907,640	579,284	3.29
2017	-	-	3,223,168	3,223,168	5,426,749	1,490,810	579,284	2.57
2018	-	-	2,368,710	2,368,710	5,575,660	1,440,559	579,284	2.49
2019	-	-	4,040,433	4,040,433	5,759,997	1,402,366	593,013	2.36
2020	-	-	3,668,205	3,668,205	5,908,852	1,508,210	511,944	2.95
2021	-	-	3,283,230	3,283,230	6,042,227	1,446,634	511,944	2.83

¹ Outstanding debt balances reflect principal balances and exclude discounts, premiums and deferred amounts. All debt outstanding is secured by all the revenues of the Agency.

² Net Revenues are defined as operating revenue plus interest income plus proceeds from the sale of assets plus other income plus connection fee revenue less operating and maintenance expense. Calculation excludes noncash depreciation expense. Net Revenues include one-time, non-operating income of \$788,361 in fiscal year 2011.

³ Debt service is calculated on an accrual basis for both principal and interest and may not agree with the basic financial statements.

Demographic and Economic Information

The following is general information related to the economic and demographic condition of the Agency’s service area. The Agency serves a rural, tourist-based area comprised of three separate service areas: the Big Bear City Community Services District (CSD), the City of Big Bear Lake, and the County of San Bernardino County Service Area 53B (CSA 53B). It should be noted that the Agency serves a large population of second homeowners due to the resort nature of the area. The Agency estimates that approximately 38% of the residential sewer connections represent full-time Big Bear residents.

The statistics presented on the following pages have been obtained from information estimated by the U.S. Census Bureau in the 2018 American Community Survey. **It is important to note that the information presented covers the zip code areas of 92315, which is represented in the following demographic information as the City of Big Bear Lake and 92314, which is represented in the following demographic information as Big Bear City.**

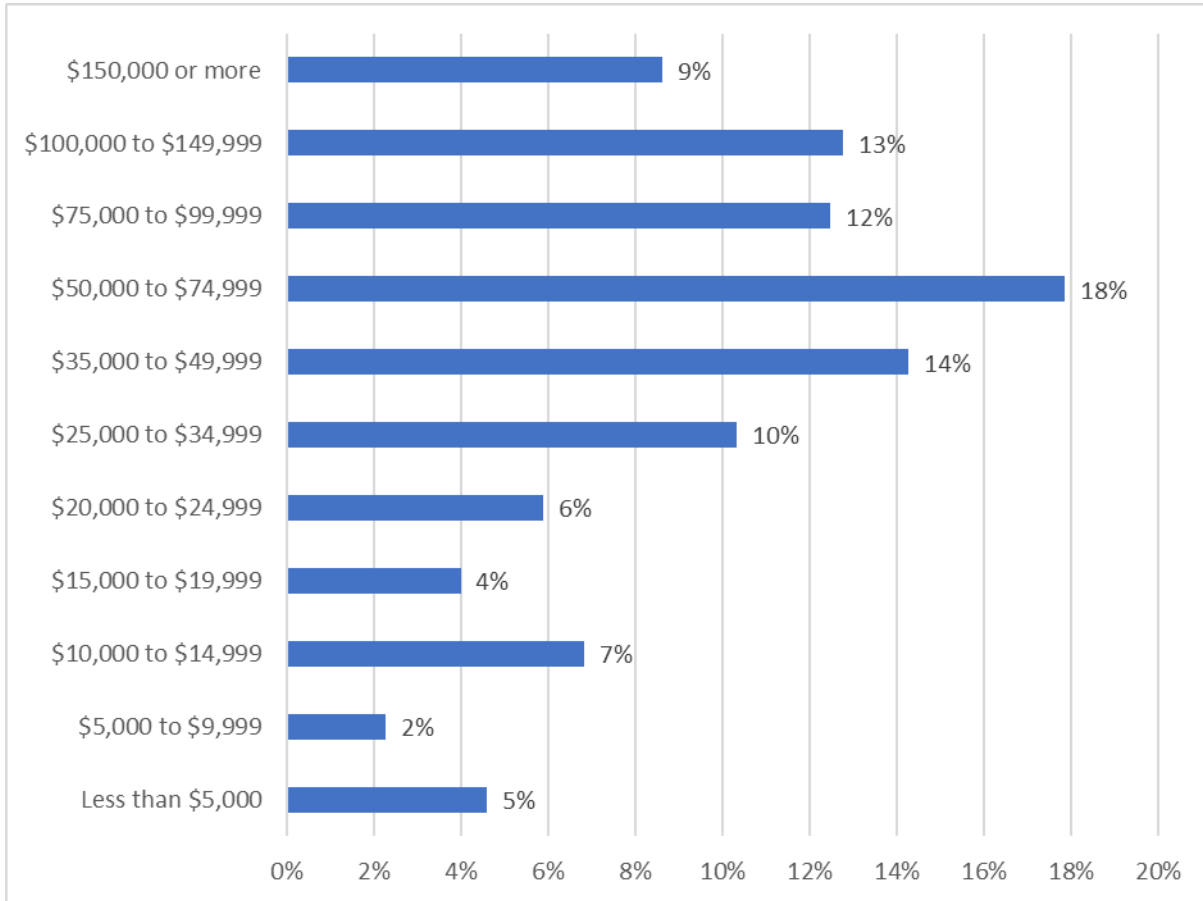
POPULATION ESTIMATES

Year	City of Big Bear Lake	Big Bear City	Total
2018	5,438	11,361	16,595

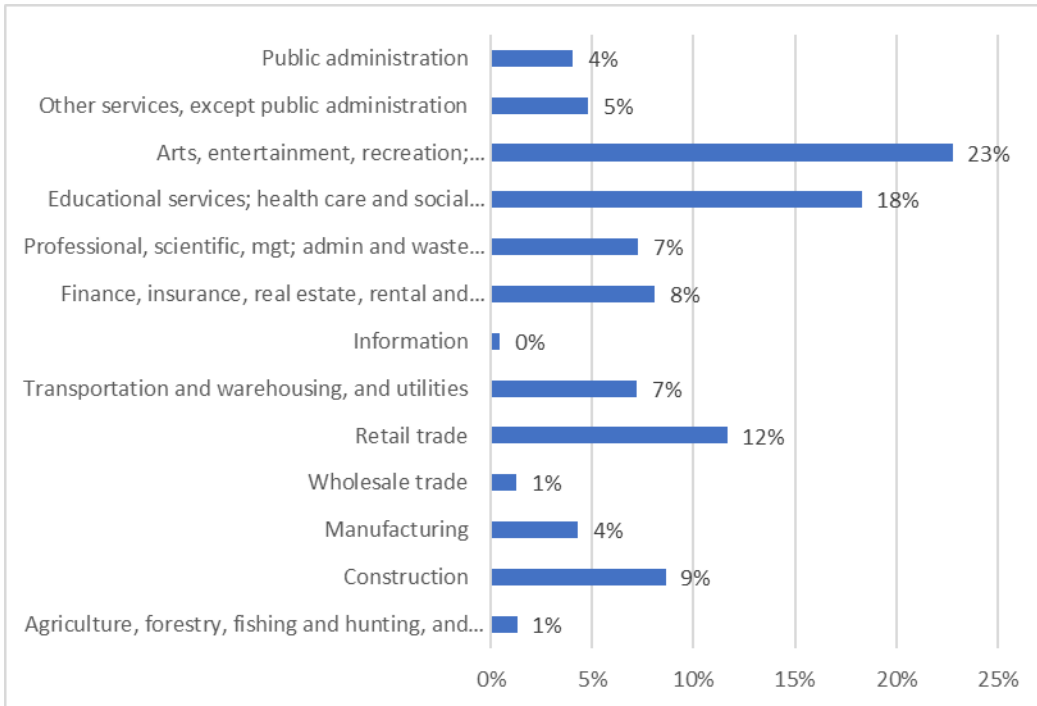
UNEMPLOYMENT ESTIMATES

Year	City of Big Bear Lake	Big Bear City
2018	3.4%	5.9%

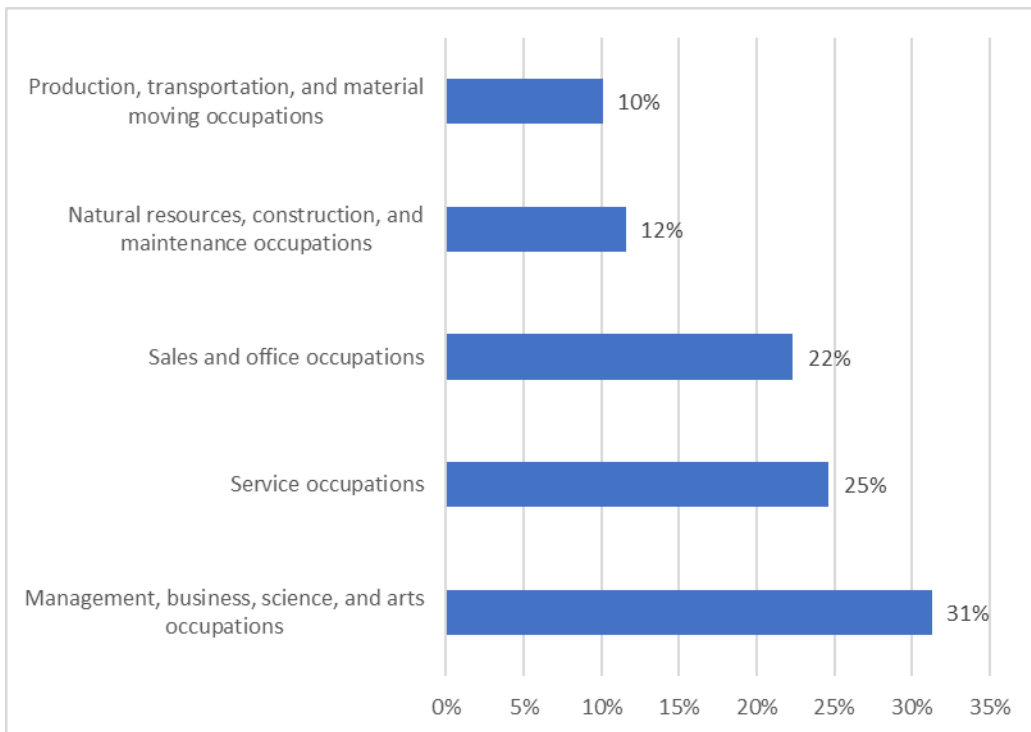
HOUSEHOLD INCOME
(combined zip codes of 92314 and 92315)



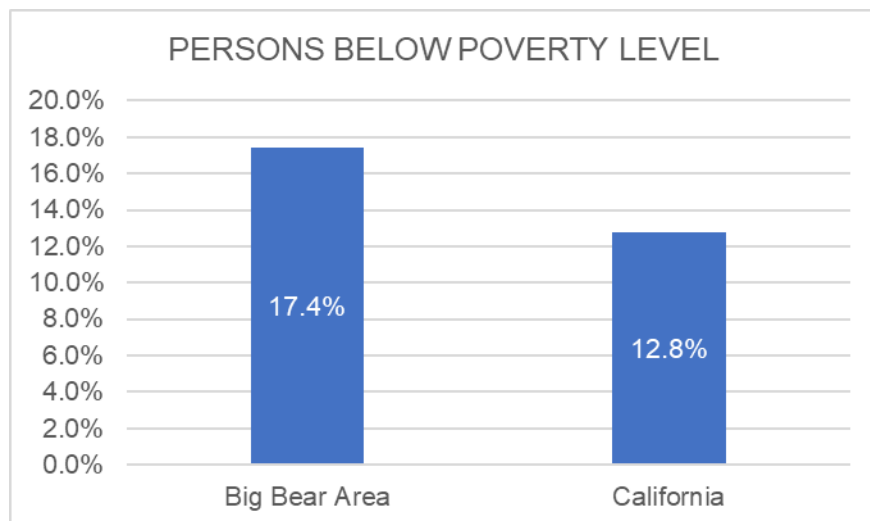
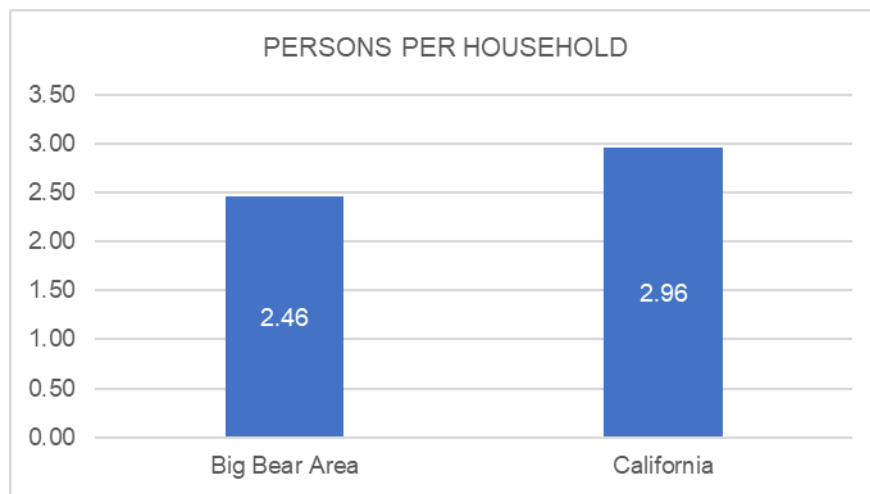
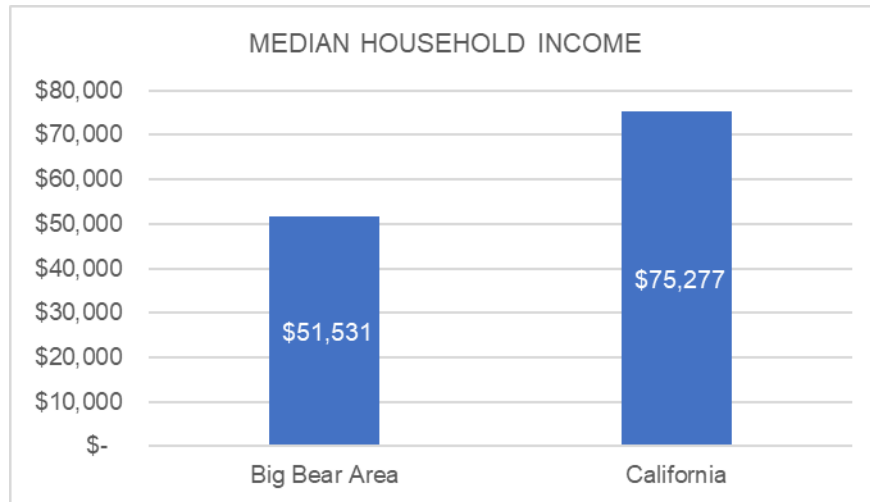
**% OF EMPLOYED POPULATION BY INDUSTRY
(combined zip codes of 92314 and 92315)**



**% OF EMPLOYED POPULATION BY OCCUPATION
(combined zip codes of 92314 and 92315)**



BIG BEAR AREA¹ COMPARISON TO STATE OF CALIFORNIA

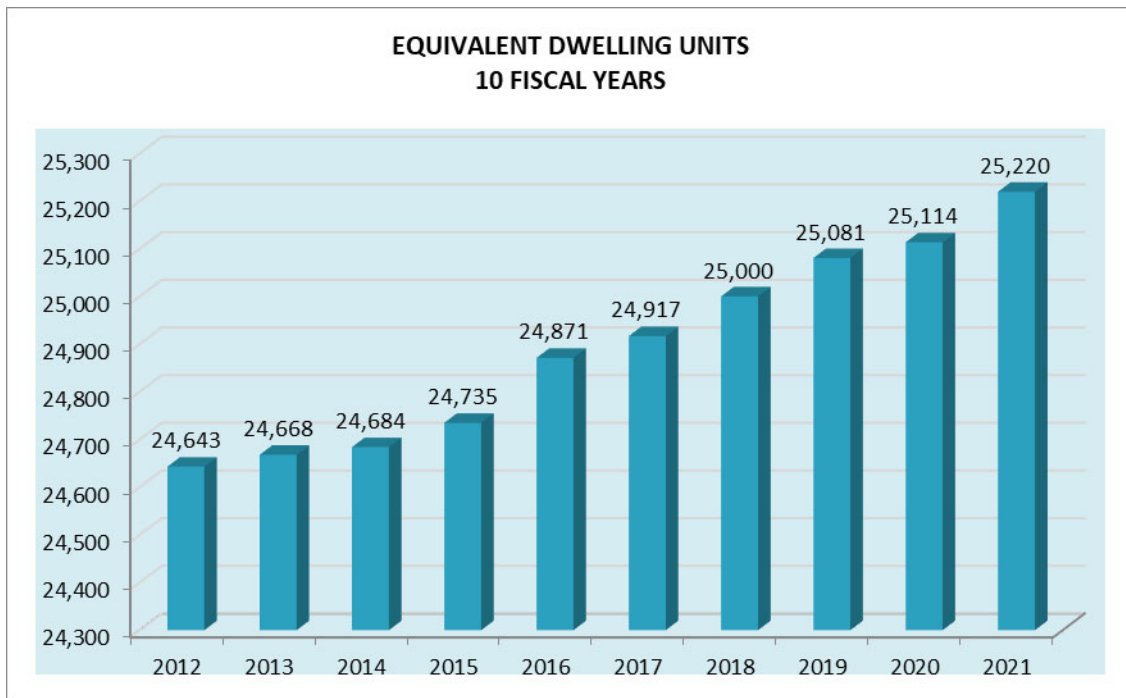
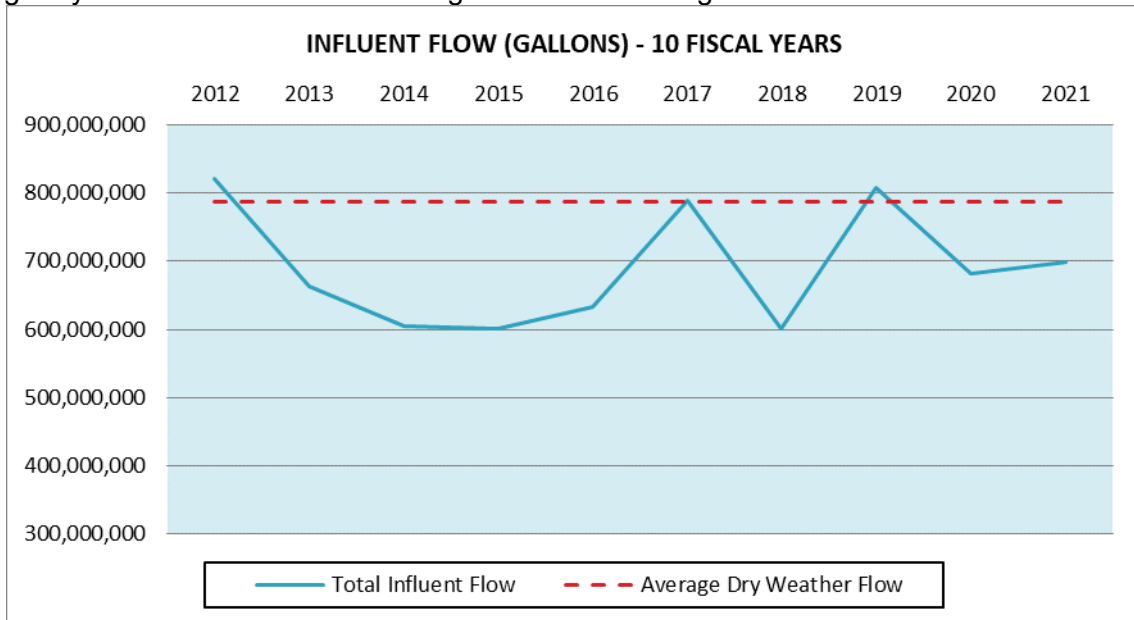


¹ Includes the zip code areas of 92314 and 92315.

Operating Information

System Demand (annual influent flow)

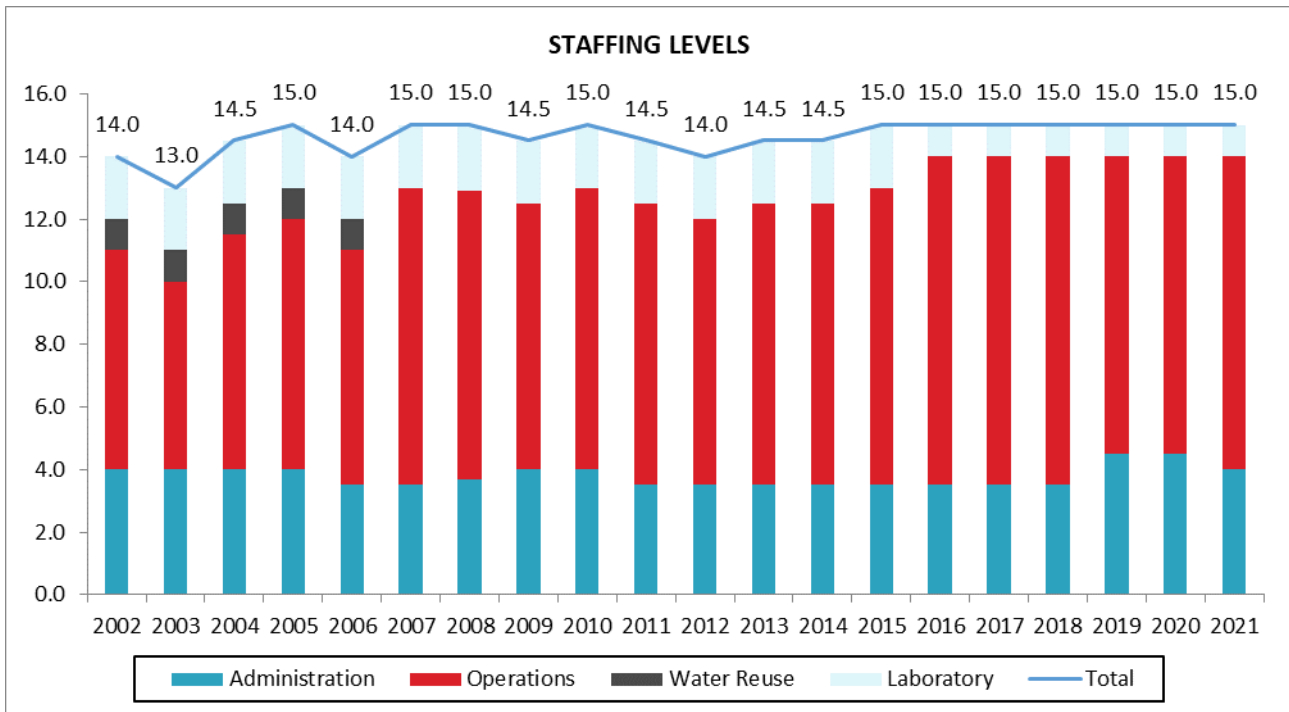
The Agency's wastewater flows are primarily impacted by 1) wet weather which creates infiltration and inflow into the system, and 2) peak tourist periods. Otherwise, the Agency's wastewater flows are fairly predictable due to the mature and stable commercial and residential housing markets in the area. The long-term average annual growth in equivalent dwelling units is below 1.0%. It is important to note that seven periods in the last ten years have been below the Agency's long-term average dry weather flow of 788 million gallons due to drought conditions.



AGENCY STAFFING BY DEPARTMENT¹

Year	Administration	Operations	Water Reuse	Laboratory	Total
2002	4.0	7.0	1.0	2.0	14.0
2003	4.0	6.0	1.0	2.0	13.0
2004	4.0	7.5	1.0	2.0	14.5
2005	4.0	8.0	1.0	2.0	15.0
2006	3.5	7.5	1.0	2.0	14.0
2007	3.5	9.5	0.0	2.0	15.0
2008	3.7	9.2	0.0	2.1	15.0
2009	4.0	8.5	0.0	2.0	14.5
2010	4.0	9.0	0.0	2.0	15.0
2011	3.5	9.0	0.0	2.0	14.5
2012	3.5	8.5	0.0	2.0	14.0
2013	3.5	9.0	0.0	2.0	14.5
2014	3.5	9.0	0.0	2.0	14.5
2015	3.5	9.5	0.0	2.0	15.0
2016	3.5	10.5	0.0	1.0	15.0
2017	3.5	10.5	0.0	1.0	15.0
2018	3.5	10.5	0.0	1.0	15.0
2019	4.5	9.5	0.0	1.0	15.0
2020	4.5	9.5	0.0	1.0	15.0
2021	4.0	10.0	0.0	1.0	15.0

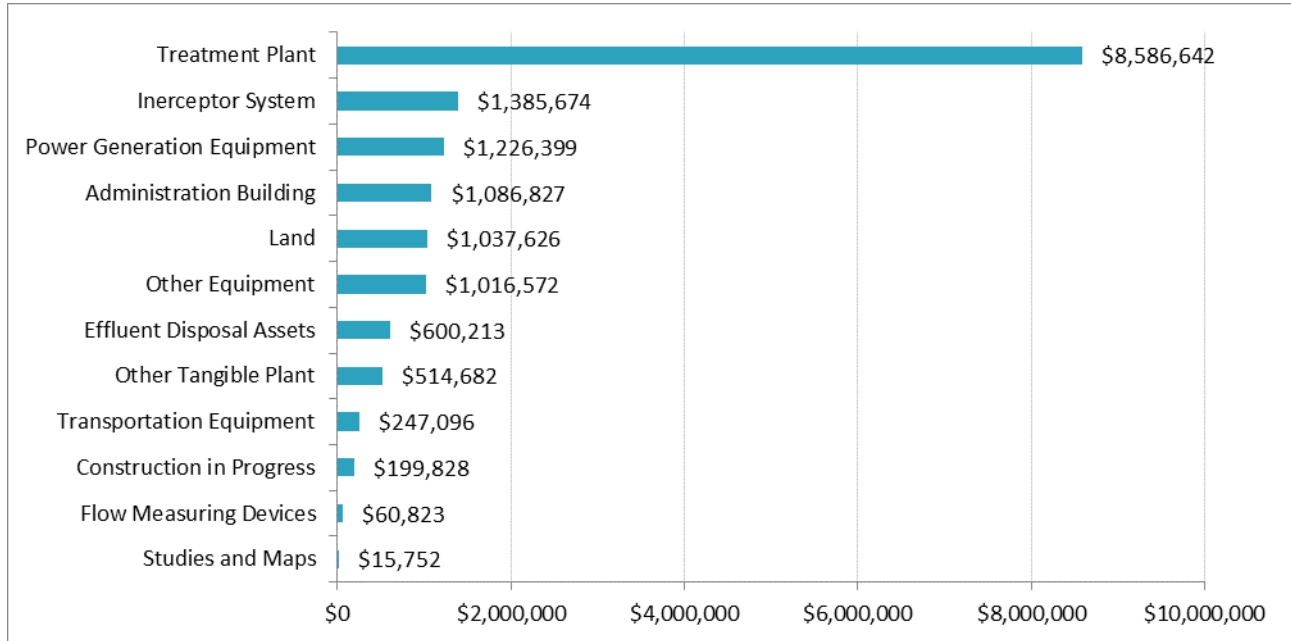
¹Full-time regular employees are assigned a 1.0. Part-time (regular, not full-time) and Non-regular (seasonal, temporary) are assigned a 0.5, although hours worked and compensation are not equivalent, i.e. part-time employees may receive full benefits and non-regular employees may not receive benefits. Staffing levels are as of June 30 of the respective fiscal year.



Nature of Capital Assets and Capacity Utilization

The concentration of the Agency's assets directly reflects its operations with the largest investments in the wastewater treatment plant (54%) and the interceptor system (9%).

CAPITAL ASSETS (NET BOOK VALUE)



KEY ASSETS

Treatment Plant		Interceptor System	
Clarifiers	3	Miles of Pipeline	15.07
Covered Drying Bed	1	Manholes	93
Oxidation Ditches	3	Air Release Vents	12
Storage Ponds	5	Lift Stations	4

The Agency's facilities and processes have excess capacity due to the demographics of the area served. While there are approximately 21,000 residential sewer connections, the Agency estimates that only 38% or 7,980 connections reside in the Big Bear area full-time. The Agency's facilities were built to meet some of the demand associated with an increase in full-time occupancy. Historical data is not available.

CAPACITY UTILIZATION BY STRUCTURE

	Capacity <u>MGD</u>	Utilization <u>MGD</u>	Utilization <u>Rate</u>
Capacity Utilization by Structure			
Effluent Pumping	5.6	2.4	43%
Interceptor System	2.0	0.5	25%
Lake Pump Station	8.0	4.6	58%
Load Equalization Basin	2.4	0.8	33%
Main Line	7.2	3.2	44%
North Shore Pump Station	0.9	0.3	33%
Oxidation Ditches	4.9	2.4	49%
RAS Pumping	3.8	2.4	63%
Sludge Building	6.4	2.4	38%

This page left blank intentionally.



Big Bear Area Regional
Wastewater Agency
Jim Miller – Chair
Rick Herrick – Vice-Chair
John Green – Director
Bynette Mote – Director
Karyn Oxandaboure – Director

AGENDA ITEM: 6.A.

MEETING DATE: October 27, 2021

TO: Governing Board of the Big Bear Area Regional Wastewater Agency

FROM: David Lawrence, P.E., General Manager

REVIEWED BY: Jennifer McCullar, Finance Manager; and John Shimmin, Plant Manager

SUBJECT: General Manager's Report

DISCUSSION:

Administration

SB 278 (Leyva) - Public Employees' Retirement System: Disallowed Compensation: Benefit Adjustments

This was signed by the Governor on September 27, 2021 and will be effective January 1, 2022.

Operations

BBARWA Solar Project

Due to ongoing material procurement delays, the system is expected to be operational in November.

Headworks Grit System Rehabilitation Project

Formal bids are due on Friday, November 19, 2021.

Lift Station 3 Generator Replacement

This project was completed on September 30, 2021 by R.I.C. Construction Co. Inc. The project came in on time, within budget and Agency specifications as outlined in the scope of work.

2021 Treatment Plant Data

There were no reportable violations during September 2021. The influent flow (MG) chart is attached to this report.

Flow Percentages			
Member Agency	July	August	September
City of Big Bear Lake	50.18%	49.31%	45.69%
Big Bear City	46.02%	46.98%	50.68%
County of San Bernardino	3.81%	3.71%	3.63%

Connections

MONTH	FYE 6/30/2022										
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	CITY-BBL	CSD	CSA-53B	
July	8	3	4	3	7	3	11	2	9	0	
August	5	12	6	10	2	12	5	3	2	0	
September	6	4	6	3	7	3	7	5	2	0	
October	10	9	8	3	5	10	0	0	0	0	
November	6	5	11	5	2	2	0	0	0	0	
December	8	4	2	3	1	2	0	0	0	0	
January	1	0	0	1	1	2	0	0	0	0	
February	0	1	0	0	1	0	0	0	0	0	
March	3	2	0	3	1	3	0	0	0	0	
April	10	3	0	3	7	12	0	0	0	0	
May	10	4	0	5	5	6	0	0	0	0	
June	2	16	0	6	6	13	0	0	0	0	
TOTAL	69	63	37	45	45	68	23	10	13	0	

Other

Replenish Big Bear

The Project Benefit Memorandum of Understanding has been executed by BBARWA, BBCCSD, and BBLDWP. MWD sent the MOU to committee for review. On October 18, 2021, project information was presented to the City of Big Bear Lake City Council. Discussion ensued regarding possible funding opportunities and consideration of the Project Benefit MOU. Per City Manager Frank Rush, the MOU will be placed on a future agenda for council consideration.

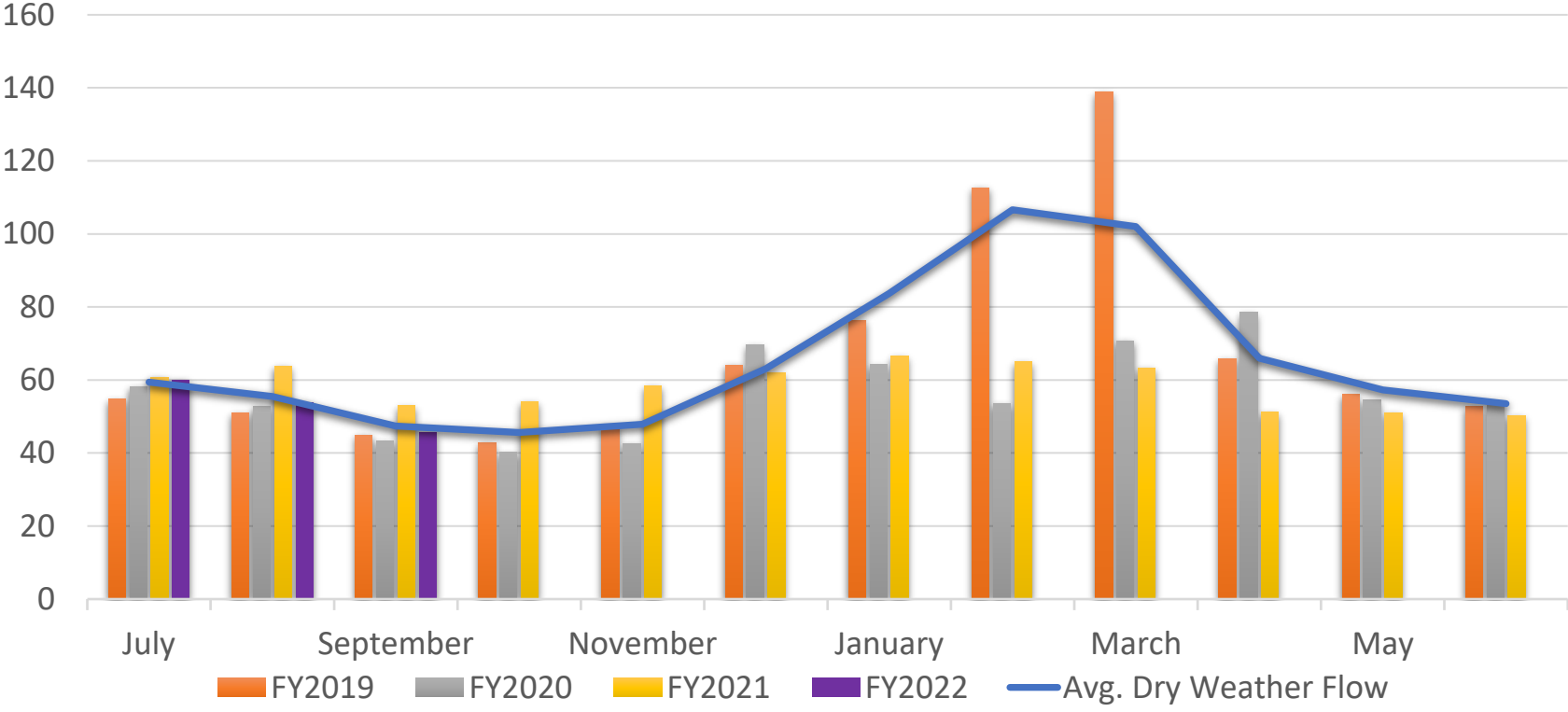
The new cost-sharing memorandum of understanding among the partner agencies to cost share project expenses up to the new SAWPA grant amount of \$4,563,338 (the SAWPA MOU) has been distributed to the partner agencies for their consideration.

Various media outlets have contacted BBARWA for interviews regarding the project including NBC4, Spectrum News, and an LA radio station. Articles and interviews have been shared through project social media channels.

Groundwater Sustainability Agency

Workshop #3 was held on Thursday, October 21, 2021. In this virtual workshop, stakeholders discussed sustainable management goals, planned implementation steps and reviewed the schedule to completion. The project team recapped guiding principles stakeholders helped develop from Workshop #1; the Basin Sustainability Goals, representative wells, sustainable management criteria, minimum thresholds and measurable objectives drafted following workshop #2; and the criteria for projects and management actions that were captured in Workshop #2. The workshop recording and a public-facing summary of stakeholder input will be published to the GSA website.

Influent Flow (MG)



BIG BEAR AREA REGIONAL WASTEWATER AGENCY

REGULAR BOARD MEETING MINUTES

September 22, 2021

1. CALL TO ORDER

A Regular Meeting of the Governing Board of the Big Bear Area Regional Wastewater Agency was called to order by Chair Miller at 5:01 p.m. on September 22, 2021, via Zoom and was conducted pursuant to California Government Code Section 54953 and Governor Newsome's Executive Order N-25-20 and N-29-20.

BOARD MEMBERS PRESENT

Jim Miller, Chair
Rick Herrick, Vice-Chair
John Green, Director
Bynette Mote, Director
Karyn Oxandaboure, Director

BOARD MEMBERS ABSENT

None

STAFF MEMBERS PRESENT

David Lawrence, General Manager
Jennifer McCullar, Finance Manager
John Shimmin, Plant Manager
Sonja Kawa, Human Resources Coordinator/Accounting Technician
Bridgette Burton, Management Analyst/Board Secretary

2. PLEDGE OF ALLEGIANCE

Dispensed

3. APPROVAL OF THE AGENDA

Upon motion by Vice-Chair Herrick, seconded by Director Mote and carried, the Governing Board approved the agenda as presented.

Ayes: Herrick, Green, Mote, Oxandaboure, Miller
Noes: None
Absent: None
Abstain: None

4. PUBLIC FORUM

No comments

5. PRESENTATIONS AND INTRODUCTIONS

None

6. INFORMATION/COMMITTEE REPORTS

6.A. General Manager's Report

The General Manager discussed the timeline for the re-bid of the Headworks Grit System Rehabilitation Project with the modified scope of work and the progress of the BBARWA Solar Project. Discussion ensued between the Governing Board and staff.

7. CONSENT CALENDAR

- 7.A.** Approval of the Meeting Minutes from the August 25, 2021 Regular Meeting
- 7.B.** Monthly Disbursements Report for August
- 7.C.** Investment Report Identifying Agency Investments and Reporting Interest Income for August
- 7.D.** Carryover Appropriations

Upon motion by Director Oxandaboure, seconded by Vice-Chair Herrick and carried, the Governing Board approved the Consent Calendar as presented.

Ayes: Herrick, Green, Mote, Oxandaboure, Miller
Noes: None
Absent: None
Abstain: None

8. ITEMS REMOVED FROM THE CONSENT CALENDAR

None

9. OLD BUSINESS

None

10. NEW BUSINESS

10.A. Appointment of Governing Board Member to the Administrative Committee

The Board Secretary outlined the two options for Governing Board consideration:
1) appoint Director Mote to fill the vacancy on the Administrative Committee, or
2) re-appoint all Governing Board members to each of the three committees (Administrative, Finance, and Operations). Director Green nominated Director Mote to be appointed to the Administrative Committee. Director Mote appreciated the Governing Boards' confidence.

Upon motion by Director Green, seconded by Chair Miller and carried, the Governing Board appointed Director Mote to the Administrative Committee.

Ayes: Herrick, Green, Mote, Oxandaboure, Miller
Noes: None
Absent: None
Abstain: None

10.B. Adjourn the November 24th and December 22nd 2021 Regular Board Meetings and Schedule a Special Meeting

The Board Secretary discussed the need to adjourn the November and December Regular meetings. Discussion ensued between Governing Board and staff.

Upon motion by Vice-Chair Herrick, seconded by Director Mote and carried, the Governing Board adjourned the November 24th and December 22nd 2021 Regular Board meetings and scheduled a special meeting on December 15, 2021, at 5:00 p.m.

Ayes: Herrick, Green, Mote, Oxandaboure, Miller
Noes: None
Absent: None
Abstain: None

10.C. Administrative Policy Public Records Requests

The Board Secretary explained the revisions to the Administrative Policy Public Records Requests which clarified the process and included the addition of a definitions section, a list of common records exempt from disclosure, and an updated fee schedule. The Governing Board requested notification for any Replenish Big Bear public records requests. Discussion ensued between Governing Board and staff.

Upon motion by Director Mote, seconded by Director Oxandaboure and carried, the Governing Board approved the Administrative Policy Public Records Requests.

Ayes: Herrick, Green, Mote, Oxandaboure, Miller
Noes: None
Absent: None
Abstain: None

10.D. Appropriate \$26,000 from the Capital and Replacement Fund for the Expansion of the SCADA Production Server and the Integration of the Cummins Generators with SCADA

The General Manager presented the recommendation to appropriate \$26,000 for the SCADA production server and the Cummins generator integration. Discussion ensued between the Governing Board and staff.

Upon motion by Director Green, seconded by Vice-Chair Herrick and carried, the Governing Board appropriated \$26,000 from the Capital and Replacement Fund for the expansion of the SCADA production server and the integration of the Cummins Generators with SCADA.

Ayes: Herrick, Green, Mote, Oxandaboure, Miller
Noes: None
Absent: None
Abstain: None

11. COMMENTS AND ANNOUNCEMENTS

11.A. General Manager Comments
None

11.B. Governing Board Member Comments
None

12. ADJOURNMENT

With no further business to come before the Governing Board, Chair Miller adjourned the meeting at 5:16 p.m.

ATTEST: _____
Bridgette Burton, Secretary to the Governing Board
Big Bear Area Regional Wastewater Agency



Big Bear Area Regional
Wastewater Agency
Jim Miller – Chair
Rick Herrick – Vice-Chair
John Green – Director
Bynette Mote – Director
Karyn Oxandaboure – Director

AGENDA ITEM: 7.B.

MEETING DATE: October 27, 2021

TO: Governing Board of the Big Bear Area Regional Wastewater Agency

FROM: David Lawrence, P.E., General Manager

PREPARED BY: Jennifer McCullar, Finance Manager

SUBJECT: Monthly Disbursements Report

BACKGROUND:

Attached is the Agency's September check register which reflects accounts paid during the period.

FINANCIAL IMPACT:

There is no financial impact. The funds have previously been appropriated.

RECOMMENDATION:

Informational

Big Bear Area Regional Wastewater Agency
Check Register
For the Period From Sep 1, 2021 to Sep 30, 2021

Filter Criteria includes: 1) Accounts Payable only. Report order is by Date.

Check #	Date	Payee	Cash Account	Amount
CASH 23226	9/2/21	PAYA	1000-20	19.99
CASH 23227	9/2/21	CALPERS RETIREMENT	1000-20	700.00
CASH 23228	9/2/21	PRINCIPAL FINANCIAL GROUP	1000-20	3,584.20
CASH 23229	9/2/21	CALPERS HEALTH	1000-20	32,615.10
CASH 23230	9/3/21	VISION SERVICE PLAN	1000-20	328.35
CASH 23231	9/7/21	CALIFORNIA STATE DISBURSEMENT UNIT	1000-20	126.00
CASH 23232	9/7/21	AMERICAN FIDELITY ASSURANCE CO	1000-20	469.98
CASH 23233	9/7/21	CALPERS RETIREMENT	1000-20	3,020.00
CASH 23234	9/7/21	THE LINCOLN NAT'L LIFE INS CO	1000-20	3,973.99
CASH 23235	9/7/21	CA PERS 457 PROGRAM	1000-20	4,184.24
CASH 23236	9/7/21	INTERNAL REVENUE SERVICE	1000-20	6,924.88
CASH 23237	9/7/21	CALPERS RETIREMENT	1000-20	8,172.61
21590	9/8/21	ACCENT COMPUTER SOLUTIONS, INC.	1000-20	2,504.21
21591	9/8/21	AG TECH LLC	1000-20	27,776.05
21592	9/8/21	AMAZON CAPITAL SERVICES	1000-20	584.39
21593	9/8/21	ARAMARK UNIFORM SERVICES	1000-20	1,801.23
21594	9/8/21	BEST BEST & KRIEGER LLP	1000-20	12,244.70
21595	9/8/21	BIG BEAR CITY COMMUNITY SERVICES DIS	1000-20	434.47
21596	9/8/21	BUTCHER'S BLOCK & BUILDING	1000-20	83.36
21597	9/8/21	BEAR VALLEY ELECTRIC	1000-20	5,308.48
21598	9/8/21	CAR QUEST OF BIG BEAR	1000-20	1,518.98
21599	9/8/21	CWEA TCP/MEMBERSHIP	1000-20	475.00
21600	9/8/21	DIY HOME CENTER-BIG BEAR	1000-20	31.73
21601	9/8/21	DEPARTMENT OF MOTOR VEHICLES	1000-20	10.00
21602	9/8/21	DIRECT TV	1000-20	39.99
21603	9/8/21	DEPARTMENT OF WATER & POWER	1000-20	47.80
21604	9/8/21	FEDEX	1000-20	9.57
21605	9/8/21	FLYERS ENERGY	1000-20	986.60
21606	9/8/21	FRONTIER COMMUNICATIONS	1000-20	878.31
21607	9/8/21	GOLDEN BELL PRODUCTS INC	1000-20	998.73
21608	9/8/21	GRAINGER	1000-20	20.43
21609	9/8/21	BIG BEAR GRIZZLY	1000-20	60.00
21610	9/8/21	HACH COMPANY	1000-20	375.86

Big Bear Area Regional Wastewater Agency
Check Register
For the Period From Sep 1, 2021 to Sep 30, 2021

Filter Criteria includes: 1) Accounts Payable only. Report order is by Date.

Check #	Date	Payee	Cash Account	Amount
21611	9/8/21	HUGHESNET	1000-20	102.33
21612	9/8/21	J.G. TUCKER & SON, INC.	1000-20	64.17
21613	9/8/21	NATIVESCAPES INC	1000-20	420.00
21614	9/8/21	CONSTANCE M. ALVARADO	1000-20	55.00
21615	9/8/21	PHIL'S AUTOMOTIVE	1000-20	124.74
21616	9/8/21	POLYDYNE INC	1000-20	6,874.17
21617	9/8/21	QUILL	1000-20	263.53
21618	9/8/21	ROI ENGINEERING LLC	1000-20	1,650.00
21619	9/8/21	SCHRODER & SON, INC.	1000-20	775.00
21620	9/8/21	RYAN R. ABELN	1000-20	1,350.00
21621	9/8/21	SPECTRUM BUSINESS	1000-20	1,023.93
21622	9/8/21	NANCY R. BOHL, INC.	1000-20	150.00
21623	9/8/21	UNDERGROUND SERVICE ALERT	1000-20	149.46
21624	9/8/21	VALERO	1000-20	69.77
21625	9/8/21	WATER ENVIRONMENT FEDERATION	1000-20	332.00
21626	9/8/21	WATER SYSTEMS CONSULTING, INC.	1000-20	12,281.25
21627	9/8/21	WALL STREET JOURNAL	1000-20	581.72
21628	9/8/21	BRIDGETTE BURTON	1000-20	50.00
21629	9/8/21	RICHARD T. HERRICK	1000-20	150.00
21630	9/8/21	SONJA KAWA	1000-20	50.00
21631	9/8/21	DAVID LAWRENCE	1000-20	50.00
21632	9/8/21	JENNIFER MCCULLAR	1000-20	50.00
21633	9/8/21	JAMES J. MILLER	1000-20	150.00
21634	9/8/21	JOHN SHIMMIN	1000-20	50.00
CASH 23238	9/8/21	EMPLOYMENT DEVELOPMENT DEPARTME	1000-20	2,311.05
CASH 23239	9/10/21	JOHN GREEN	1000-20	150.00
CASH 23240	9/10/21	BYNETTE L. MOTE	1000-20	150.00
CASH 23241	9/10/21	KARYN K. OXANDABOURE	1000-20	150.00
CASH 23242	9/20/21	CALIFORNIA STATE DISBURSEMENT UNIT	1000-20	126.00
CASH 23243	9/20/21	AMERICAN FIDELITY ASSURANCE CO	1000-20	469.98
CASH 23244	9/20/21	CALPERS RETIREMENT	1000-20	3,020.00
CASH 23245	9/20/21	CA PERS 457 PROGRAM	1000-20	4,184.24
CASH 23246	9/20/21	THE LINCOLN NAT'L LIFE INS CO	1000-20	4,250.41

Big Bear Area Regional Wastewater Agency
Check Register
For the Period From Sep 1, 2021 to Sep 30, 2021

Filter Criteria includes: 1) Accounts Payable only. Report order is by Date.

Check #	Date	Payee	Cash Account	Amount
CASH 23247	9/20/21	CALPERS RETIREMENT	1000-20	8,175.76
CASH 23248	9/20/21	EMPLOYMENT DEVELOPMENT DEPARTME	1000-20	2,245.08
CASH 23249	9/20/21	INTERNAL REVENUE SERVICE	1000-20	6,876.61
21635	9/22/21	AMAZON CAPITAL SERVICES	1000-20	185.24
21636	9/22/21	ARROWHEAD	1000-20	278.42
21637	9/22/21	BUSINESS CARD	1000-20	4,048.77
21638	9/22/21	ROBIN A. BRADLEY	1000-20	240.00
21639	9/22/21	CANON SOLUTIONS AMERICA, INC.	1000-20	1,171.46
21640	9/22/21	CLINICAL LAB OF SAN BERNARDINO	1000-20	640.00
21641	9/22/21	DAVIS BACON MATERIAL HANDLING	1000-20	3,613.15
21642	9/22/21	GRAINGER	1000-20	127.93
21643	9/22/21	HOUSTON & HARRIS PCS, INC	1000-20	5,635.00
21644	9/22/21	JUST ENERGY SOLUTIONS INC.	1000-20	15,645.62
21645	9/22/21	MACLEOD WATTS, INC.	1000-20	1,500.00
21646	9/22/21	MITEL	1000-20	355.72
21647	9/22/21	RANDY J. SPITZ	1000-20	99.04
21648	9/22/21	MOUNTAIN TROPHY & AWARDS	1000-20	17.24
21649	9/22/21	PITNEY BOWES GLOBAL FINANCIAL SERVI	1000-20	128.22
21650	9/22/21	ROGERS, ANDERSON, MALODY & SCOTT, L	1000-20	6,850.00
21651	9/22/21	R.I.C. CONSTRUCTION CO., INC.	1000-20	66,849.51
21652	9/22/21	SOUTHERN CALIFORNIA EDISON	1000-20	47.32
21653	9/22/21	SOUTHWEST GAS CORP	1000-20	11,371.16
21654	9/22/21	SOUTHWEST GAS	1000-20	217.72
21655	9/22/21	ENVIRONMENTAL LABORATORY ACCREDIT	1000-20	2,800.00
21656	9/22/21	VERIZON WIRELESS	1000-20	241.53
21657	9/22/21	VIKING MAINTENANCE SERVICES, LLC	1000-20	1,190.00
21658	9/22/21	WATER SYSTEMS CONSULTING, INC.	1000-20	23,729.08
21659	9/22/21	BIG BEAR CITY CSD	1000-20	3,719.58
21660	9/22/21	DEPARTMENT OF WATER & POWER	1000-20	3,719.58
21661	9/22/21	BIG BEAR MUNICIPAL WATER DISTRICT	1000-20	3,719.58
CASH 23250	9/28/21	LEGALSHIELD	1000-20	67.80
CASH 23251	9/28/21	TEXAS LIFE INSURANCE COMPANY	1000-20	213.00
CASH 23252	9/28/21	AMERICAN FIDELITY ASSURANCE CO	1000-20	625.48

Big Bear Area Regional Wastewater Agency
Check Register
For the Period From Sep 1, 2021 to Sep 30, 2021

Filter Criteria includes: 1) Accounts Payable only. Report order is by Date.

Check #	Date	Payee	Cash Account	Amount
CASH 23253	9/29/21	PAYA	1000-20	12,593.94
CASH 23254	9/30/21	PAYA	1000-20	42.84
Total				<u>350,919.36</u>



Big Bear Area Regional
Wastewater Agency
Jim Miller – Chair
Rick Herrick – Vice-Chair
John Green – Director
Bynette Mote – Director
Karyn Oxandaboure – Director

AGENDA ITEM: 7.C.

MEETING DATE: October 27, 2021

TO: Governing Board of the Big Bear Area Regional Wastewater Agency

FROM: David Lawrence, P.E., General Manager

PREPARED BY: Jennifer McCullar, Finance Manager

SUBJECT: Investment Report Identifying Agency Investments and Reporting Interest
Income

BACKGROUND:

Attached is the September Monthly Investment Report pursuant to the Agency's Investment Policy.

FINANCIAL IMPACT:

There is no financial impact.

RECOMMENDATION:

Informational

BBARWA
 Monthly Investment Report
 September 2021

<u>INVESTMENT TYPE</u>	<u>COST</u>	<u>FAIR MARKET VALUE (1)</u>	<u>YEAR TO DATE INTEREST(2)</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>
LOCAL AGENCY INVESTMENT FUND	\$ 4,839,375	\$ 4,839,776	\$ 4,768	0.206%	DAILY
TOTAL	\$ 4,839,375	\$ 4,839,776	\$ 4,768		

The Investment Portfolio of the Big Bear Area Regional Wastewater Agency is in compliance with the investment policy approved in Sept 2021. The Agency will be able to meet its expenditure requirements for the next six months.

(1) LOCAL AGENCY INVESTMENT FUND (LAIF) IS A STATE-RUN INVESTMENT POOL PROVIDED FOR PUBLIC AGENCIES. THE LAIF MARKET VALUE SHOWN ON THIS TREASURER'S REPORT REPRESENTS BBARWA'S SHARE OF THE **LIQUID VALUE** OF LAIF'S PORTFOLIO IF IT WAS LIQUIDATED AS OF THE END OF THE REPORTED MONTH. THIS NUMBER SERVES AS AN INDICATOR OF WHETHER OR NOT THE **MARKET VALUE** OF LAIF'S INVESTMENTS IS ABOVE OR BELOW THE **COST** OF THOSE INVESTMENTS.

(2) Interest paid quarterly on LAIF investment. Amount reflects interest income received at the reporting date during FY 2022 and excludes accrued interest.

Attachment (s): Monthly LAIF Statement

California State Treasurer *Fiona Ma, CPA*



Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

October 12, 2021

[LAIF Home](#)
[PMIA Average Monthly Yields](#)

BIG BEAR AREA REGIONAL WASTEWATER AGENCY

FINANCE MANAGER
P.O. BOX 517
BIG BEAR CITY, CA 92314

[Tran Type Definitions](#)

Account Number:

September 2021 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
9/10/2021	9/9/2021	RW	1684525	N/A	JENNIFER MCCULLAR	-500,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	5,339,374.87
Total Withdrawal:	-500,000.00	Ending Balance:	4,839,374.87



Big Bear Area Regional

Wastewater Agency

Jim Miller – Chair

Rick Herrick – Vice-Chair

John Green – Director

Bynette Mote – Director

Karyn Oxandaboure – Director

AGENDA ITEM: 7.D.

MEETING DATE: October 27, 2021

TO: Governing Board of the Big Bear Area Regional Wastewater Agency

FROM: David Lawrence, P.E., General Manager

PREPARED BY: Jennifer McCullar, Finance Manager

SUBJECT: Asset Disposal – Ion Analyzer

BACKGROUND:

The Agency replaced an ion analyzer during the prior fiscal year and is currently in the process of listing it for auction. The current market value based on similar listings is approximately \$6,500. According to financial policy, asset disposals in which the market value exceeds \$5,000 must be approved by the Governing Board.

FINANCIAL IMPACT:

The Agency will experience a positive financial impact from the ion analyzer sale proceeds.

RECOMMENDATION:

Approve the disposal of the 2009 Dionex ICS 2100 Ion Analyzer.



Big Bear Area Regional
Wastewater Agency
Jim Miller – Chair
Rick Herrick – Vice-Chair
John Green – Director
Bynette Mote – Director
Karyn Oxandaboure – Director

AGENDA ITEM: 10.A.

MEETING DATE: October 27, 2021

TO: Governing Board of the Big Bear Area Regional Wastewater Agency

FROM: David Lawrence, P.E., General Manager

PREPARED BY: Jennifer McCullar, Finance Manager

REVIEWED BY: John Shimmin, Plant Manager

SUBJECT: Annual Report, Twelve Months Ended June 30, 2021

BACKGROUND & DISCUSSION:

The Agency ended FY 2021 below the budget with lower operating and capital expenditures, resulting in a higher cash position. The Agency's operating expenses were below the budget by \$262,842 or 5%. Excluding GASB adjustments related to pension and OPEB expense, operating expenses were below the budget by \$418,769 or 7%. Lower operating expenses were due in part to timing, but mostly due to lower expenses across multiple line items, with the largest variances occurring in salaries and benefits, repairs and replacements and contractual services expenses. Capital expenditures were under the budget by approximately \$1 million. This variance was largely due to timing with approximately \$740,000 in carryover capital expenditures and multiple projects coming in under the budget (below the budget by approximately \$220,000 on a combined basis).

As of June 30, 2021, the Agency is financially strong with current debt service coverage of 2.83 times, excess debt capacity and adequate funding to meet its reserve balance targets. Historically, over the long term, the Agency has experienced relatively flat operating expenses driven by moderate increases in salaries and benefits expense and flat collection, treatment and disposal costs due to multiple factors including staffing changes, low flows and relatively low inflation. Recent trends indicate rising costs driven by higher inflation and higher salaries and benefits expense.

FINANCIAL IMPACT:

There is no financial impact.

RECOMMENDATION:

Informational

ATTACHMENT:

Annual Report

Big Bear Area Regional Wastewater Agency

Annual Report

Twelve Months ended June 30, 2021



INCOME STATEMENT (Schedule of Revenues, Expenses and Changes in Net Position)

The statement below includes GASB accounting adjustments made in FY 2021 and reflects GAAP. (Amounts may differ from information provided in the Agency's ACFR due to rounding.)

	<u>Actual FY 2021</u>	<u>Final Budget FY 2020</u>	<u>Actual vs Budget \$</u>	<u>Actual vs Budget %</u>
Operating revenues:				
Annual charges	\$ 5,602,113	\$ 5,602,113	\$ -	0%
Waste disposal fees	23,859	21,690	2,169	10%
Rental income	52,592	52,592	(0)	0%
Standby fees	80,300	80,300	-	0%
Other operating revenue	<u>793</u>	<u>-</u>	<u>793</u>	<u>nm</u> (a)
Total operating revenues	5,759,657	5,756,695	2,962	0%
Operating expenses:				
Salaries and benefits	2,603,634	2,564,019	39,615	2%
Power	459,483	487,021	(27,538)	-6%
Sludge removal	319,660	314,028	5,632	2%
Chemicals	96,119	111,112	(14,993)	-13%
Materials and supplies	120,308	141,083	(20,775)	-15%
Repairs and replacements	262,795	345,680	(82,885)	-24%
Equipment rental	835	836	(1)	0%
Utilities expense	61,996	42,511	19,485	46%
Communications expense	44,988	52,776	(7,788)	-15%
Contractual services - other	90,873	113,434	(22,561)	-20%
Contractual services - prof	120,390	219,773	(99,383)	-45%
Permits and fees	201,452	190,071	11,381	6%
Property tax expense	3,963	4,147	(184)	-4%
Insurance expense	171,881	171,498	383	0%
Other operating expense	37,216	59,853	(22,637)	-38%
Depreciation expense	<u>898,422</u>	<u>939,015</u>	<u>(40,593)</u>	<u>-4%</u>
Total operating expenses	5,494,015	5,756,857	(262,842)	-5%
Operating Income	265,642	(162)	265,804	+ (b)
Nonoperating income (expense):				
Nonoperating income	22,488	96,004	(73,516)	- (b)
Nonoperating expense	<u>(587,727)</u>	<u>(570,176)</u>	<u>(17,551)</u>	- (b)
Total nonoperating income (exp)	(565,239)	(474,172)	(91,067)	- (b)
Income before capital contributions	(299,597)	(474,334)	174,737	+ (b)
Capital contrib - conn fees	<u>284,240</u>	<u>188,100</u>	<u>96,140</u>	<u>51%</u>
Change in Net Position	\$ (15,357)	\$ (286,234)	\$ 270,877	+ (b)

(a) nm = not meaningful and is the result when dividing by 0.

(b) Percent change is not provided if either of the comparison periods contains a loss or negative number. If the actual performance is improved when compared to the budget a "+" is given. If the actual performance is worse when compared to the budget, a "-" is given.



STATEMENT OF CASH FLOW

The following information may not be presented in accordance with GAAP.

	<u>Actual FY 2021</u>	<u>Final Budget FY 2021</u>	<u>Actual vs Budget</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 265,642	\$ (162)	\$ 265,804
Depreciation expense	898,422	939,015	(40,593)
Change in working capital	(18,693)	44,112	(62,805)
GASB noncash adjustments/Payment of Pension Related Debt	<u>155,928</u>	<u>(200,000)</u>	<u>355,928</u>
Net cash provided by operating activities	1,301,299	782,965	518,335
Cash flows from capital and related financing activities			
Interagency and GSA Expense	(98,866)	(434,375)	335,510
Purchases of property, plant and equip	(1,084,007)	(2,097,772)	1,013,765
Sale, Disposal of PP&E and Other	23,547	10,000	13,547
Capital contributions	254,980	188,100	66,880
Proceeds from debt issuance	-	-	-
Proceeds from grant reimbursement	24,158	70,000	(45,842)
Prepayment premiums and issuance costs	-	-	-
Principal payments on long-term debt	(384,975)	(384,976)	1
Interest paid on long-term debt	<u>(124,457)</u>	<u>(124,101)</u>	<u>(356)</u>
Net cash used for capital and related financing activities	(1,389,618)	(2,773,124)	1,383,506
Cash flows from investing activities:			
Investment income received	<u>13,967</u>	<u>96,004</u>	<u>(82,037)</u>
Net cash provided by investing activities	13,967	96,004	(82,037)
Net change in cash equivalents	<u>(74,353)</u>	<u>(1,894,155)</u>	<u>1,819,803</u>
Cash equivalents, beginning of period	6,769,204	6,769,204	-
Cash equivalents, end of period	<u>6,694,851</u>	<u>4,875,048</u>	<u>1,819,803</u>
Change in Cash during the period	<u>\$ (74,353)</u>	<u>\$ (1,894,155)</u>	<u>\$ 1,819,803</u>



Discussion and Analysis

FY 2021 Budget Revisions

During the year, the Agency modified its budget to include carryover appropriations from the prior year and new appropriations during the current year. Carryover appropriations are those expenditures that were budgeted but not spent by fiscal year end and are carried over to the next year or budget cycle. The budget referenced in all subsequent tables and charts reflects the final budget taking into account the appropriations.

FY 2021 Appropriations

	Appropriations		
	<u>Carryover</u>	<u>New</u>	<u>Total</u>
Operating Expenses			
Carbon Tower Replacement	\$ 29,995	\$ -	\$ 29,995
Solid Waste Disposal	13,074	-	13,074
Insurance Expense	-	44,651	44,651
Sludge Removal	-	110,453	110,453
Total Operating Expenses	43,069	155,104	198,173
Nonoperating Expenses			
WSC Preliminary Engineering Replenish Big Bear	150,057	-	150,057
Tom Dodson Cost-Share Environmental Work RBB	29,337	-	29,337
GSA Admin Costs	4,982	-	4,982
Total Nonoperating Expenses	184,376	-	184,376
Capital Expenditures			
Cactus Flats Repair	85,000	-	85,000
Headworks Grit System Reha	561,239	-	561,239
Main Pump Building Metal Siding	4,732	-	4,732
Ox Ditch 1 Rotor 3 Shaft	61,437	-	61,437
SCADA Replacement Project	158,142	-	158,142
Splitter Box Building	29,529	-	29,529
Utility Transfer Switch	25,000	-	25,000
Solar Environmental	-	28,500	28,500
Ground Fault Monitor	-	24,000	24,000
Total Capital Expenditures	925,079	52,500	977,579
Total Appropriations	\$ 1,152,524	\$ 207,604	\$ 1,360,128



Operating Revenues

Operating revenues were on budget for the period.

	Actual	Budget	Actual vs Budget \$	Actual vs Budget %
Operating revenues:				
Annual charges	\$ 5,602,113	\$ 5,602,113	\$ -	0%
Waste disposal fees	23,859	21,690	1,028	7%
Rental income	52,592	52,592	(20)	0%
Standby fees	80,300	80,300	-	0%
Other operating revenue	<u>793</u>	<u>-</u>	<u>555</u>	<u>nm (a)</u>
Total operating revenues	\$ 5,759,657	\$ 5,756,695	\$ 1,563	0%

(a) nm = not meaningful and is the result when dividing by 0.

Operating Expenses

Operating expenses were below the budget by \$262,842 or 5% with large variances (compared to the budget) across multiple line items. Variances greater than 5% and \$10,000 are highlighted below and discussed on the next page.

	Actual	Budget	Actual vs Budget \$	Actual vs Budget %
Operating expenses:				
Salaries and benefits*	\$ 2,603,634	\$ 2,564,019	\$ 39,615	2%
Power	459,483	487,021	(27,538)	-6%
Sludge Removal	319,660	314,028	5,632	2%
Chemicals	96,119	111,112	(14,993)	-13%
Materials and supplies	120,308	141,083	(20,775)	-15%
Repairs and Replacements	262,795	345,680	(82,885)	-24%
Equipment rental	835	836	(1)	0%
Utilities expense	61,996	42,511	19,485	46%
Communications expense	44,988	52,776	(7,788)	-15%
Contractual services - other	90,873	113,434	(22,561)	-20%
Contractual services - prof	120,390	219,773	(99,383)	-45%
Permits and fees	201,452	190,071	11,381	6%
Property tax expense	3,963	4,147	(184)	-4%
Insurance expense	171,881	171,498	383	0%
Other operating expense	37,216	59,853	(22,637)	-38%
Depreciation expense	<u>898,422</u>	<u>939,015</u>	<u>(40,593)</u>	<u>-4%</u>
Total operating expenses	\$ 5,494,015	\$ 5,756,857	\$ (262,842)	-5%



**It should be noted that Salaries and Benefits expense excluding GASB adjustments of \$155,928, were \$2,447,652 and under the budget by \$116,365 or 5% due mostly to staffing changes and a 5% cap on wage increases during the period.*

Power expense was below the budget by \$27,538 or 6% and was due mostly to lower electrical usage at the pumping stations. This was largely driven by flows during the period which were lower compared to the budget by approximately 90 million gallons or 11%. The Agency budgets approximately 788 million gallons compared to actual flows of approximately 700 million gallons during the period.

Chemicals expense was below the budget by \$14,993 or 13% primarily due to lower odor control chemicals expense. The Agency had inventory on hand combined with lower odor control needs during the period resulting in no purchases during the period.

Materials and Supplies expense was under the budget by \$20,775 or 15% and was driven by lower oil services on the Agency's generators and lower overall purchases of laboratory supplies, ground maintenance, hardware, cleaning and painting supplies, and vehicle fuel. The Agency's Cummins' generators were offline during engine rebuilds during the year. This reduced the number of oil services on these generators as well as the Waukesha generator, as it could not be taken out of service during the period that the Cummins' generators were out of service to perform oil changes.

Repairs and Replacements expense was under the budget by \$82,885 or 24% due to lower pumps, motors and bearings; mainline; and equipment and machinery expense along with timing associated with generator catalyst replacement. Pump repairs and replacements that were budgeted during the year went unneeded. A modified work schedule during covid-19 made it difficult to complete scheduled mainline work including manhole sealing and wet well cleaning. Lastly, heavy equipment repairs anticipated during the period were not needed. Generator catalyst replacement scheduled during the period (approximately \$24,000) will be carried over and replaced in FY 2022.

Utilities expense was over the budget by \$19,485 or 46% and was due to higher solids waste disposal associated with the clean out of Pond 5 in preparation for the solar project grading work.

Contractual Services – Other expense was under the budget by \$22,561 or 20% and was primarily due to lower labor, janitorial, landscaping, testing, and medical and EAP expenses. The Agency budgeted approximately \$8,200 for labor expense that largely went unused for the period. Lower janitorial expense was due to a break in the original contract and a time lapse before vendor replacement. Landscaping was lower than budgeted due to fewer required services than originally anticipated. Testing came in under the budget due to lower costs associated with annual flow meter testing and calibration.

Contractual Services - Professional expense was under the budget by \$99,384 or 45%. The lower expense was driven by lower legal expense and timing related to an Arc Flash Study. Approximately \$30,000 will be carried over to FY 2022 for completion of the Arc Flash Study.

Permits and Fees expense was over the budget by \$11,381 or 6% due to higher SWRCB fees which were up \$9,200.

Other operating expense was below the budget by \$22,637 or 38% and was driven by lower education and training expense due to the cancellation of off-site training events due to the COVID-19 pandemic.



Non-Operating Income (Expense)

Non-operating income (expense) had a negative variance of \$91,067 compared to the budget and was driven by a decrease in non-operating income of \$73,516 associated with lower interest income from LAIF investments (due to lower interest rates compared to the budget) and an increase in non-operating expense of \$17,551 driven by losses on asset disposals offset in part by lower Replenish Big Bear expenses compared to the budget.

	Actual	Budget	Actual vs. Budget \$	Actual vs. Budget %
Nonoperating income (expense):				
Nonoperating income	\$ 22,488	\$ 96,004	\$ (73,516)	-77% (a)
Nonoperating expense	<u>(587,727)</u>	<u>(570,176)</u>	<u>(17,551)</u>	- (a)
Total nonoperating income (exp)	\$ (565,239)	\$ (474,172)	\$ (91,067)	- (a)

(a) Percent change is not provided if either of the comparison periods contains a loss or negative number. If the actual performance is improved when compared to the budget a "+" is given. If the actual performance is worse when compared to the budget, a "-" is given.

Capital Contributions (Connection Fees) and Net Income (Change in Net Assets)

Income before capital contributions was ahead of the budget by \$174,739 for the period primarily due to lower operating expenses than budgeted of \$262,842 offset by a negative variance in net nonoperating income (expense) of \$91,067. Connection fees were higher than the budget by \$96,140 or 51% due to higher connections. Actual connections were 68 compared to 45 budgeted, higher by 23 for the year.

	YTD Actual	YTD Budget	YTD Actual vs Budget \$	YTD Actual vs Budget %
Income before capital contributions	\$ (299,594)	\$ (474,333)	\$ 174,739	+ (a)
Capital contrib - conn fees	<u>284,240</u>	<u>188,100</u>	<u>96,140</u>	<u>51%</u>
Net Income, Change in net assets	\$ (15,354)	\$ (286,233)	\$ 545,458	+ (a)

(a) Percent change is not provided if either of the comparison periods contains a loss or negative number. If the actual performance is improved when compared to the budget a "+" is given. If the actual performance is worse when compared to the budget, a "-" is given.

Capital Expenditures

Capital expenditures for the period were \$1,084,007, below the budget by \$1,013,765. The variance is largely due to timing associated with various projects (\$743,859) and multiple projects coming in under the budget (\$221,653).



Cash and Fund Balances

The Agency had negative cash flow of \$74,353 compared to negative cash flow of approximately \$1.9 million budgeted for the period. Higher cash flow of approximately \$1.8 million was due to lower operating expenses, capital expenditures, Replenish Big Bear expenses and the deferral of an optional \$200,000 OPEB contribution (the Lump Sum Payment). The Agency chose to defer the Lump Sum Payment and reserve capital for the Headworks Grit System Rehabilitation Project until the costs associated with this project are more certain.

The negative cash flow of \$74,353 reflects approximately \$1.7 million in capital expenditures, debt service and Replenish Big Bear expenses offset by approximately \$1.6 million in cash from operations and connection fee revenue.

	Beginning Balance	Activity During Period	Ending Balance
Cash Balance	6,769,204		6,694,851
Designated Fund Balances:			
Capital and Replacement Fund			
Current Year	2,097,772	(1,084,007)	1,013,765
Future Year	<u>464,914</u>	<u>0</u>	<u>464,914</u>
Total C&R	2,562,686	(1,084,007)	1,478,679
Debt Service Fund	509,077	(509,431)	(354)
Liquidity Fund	2,394,468	1,264,105	3,658,573
Contingency Fund:			
Emergency	500,000	0	500,000
Operating	<u>802,974</u>	<u>0</u>	<u>802,974</u>
Total	1,302,974	(0)	1,302,974
Restricted Funds:			
Connection Fees	0	254,980	254,980
Total Designated & Restricted Funds	6,769,204	(74,353)	6,694,851



Big Bear Area Regional
Wastewater Agency
Jim Miller – Chair
Rick Herrick – Vice-Chair
John Green – Director
Bynette Mote – Director
Karyn Oxandaboure – Director

AGENDA ITEM: 10.B.

MEETING DATE: October 27, 2021

TO: Governing Board of the Big Bear Area Regional Wastewater Agency

FROM: David Lawrence, P.E., General Manager

PREPARED BY: Bridgette Burton, Management Analyst/Board Secretary

SUBJECT: Resolution No. R. 10-2021, A Resolution of the Governing Board of the Big Bear Area Regional Wastewater Agency Authorizing Virtual Board and Committee Meetings Pursuant to AB 361

BACKGROUND & DISCUSSION:

Effective immediately, AB 361 amends the Brown Act to allow local legislative bodies to continue using teleconferencing and virtual meeting technology as long as there is a “proclaimed state of emergency.” Further, AB 361 will allow for virtual meetings during other state-proclaimed emergencies, such as earthquakes or wildfires, where physical attendance may present a risk. To that end, AB 361 also requires specific procedural safeguards for the public.

To accommodate individuals during these teleconferences and virtual meetings, a public comment period will be offered where the public can address the legislative body directly in real time. Additionally, public comments will be allowed up until the public comment period is closed at the meetings. The agenda will include information on the manner in which the public may access the meeting and provide comments remotely. If technical problems arise that result in the public’s access being disrupted, the legislative body will not take any vote or other official action until the technical disruption is corrected and public access is restored.

Presently, a state of emergency has been proclaimed related to COVID-19. In light of AB 361 and in order to promote social distancing and avoid an imminent safety risk to attendees, teleconferencing and virtual meetings may continue to take place until further notice.

FINANCIAL IMPACT:

There is no financial impact.

RECOMMENDATION:

Approve

ATTACHMENT:

Resolution No. R. 10-2021

RESOLUTION NO. R. 10-2021

**A RESOLUTION OF THE GOVERNING BOARD OF THE BIG BEAR AREA
REGIONAL WASTEWATER AGENCY AUTHORIZING VIRTUAL GOVERNING
BOARD AND COMMITTEE MEETINGS PURSUANT TO AB 361**

WHEREAS, the Big Bear Area Regional Wastewater Agency (“Agency”) is committed to preserving and nurturing public access and participation in meetings of the Governing Board; and

WHEREAS, all meetings of the Agency’s legislative bodies are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate in the Agency’s meetings; and

WHEREAS, starting in March 2020, in response to the spread of COVID-19 in the State of California, the Governor issued a number of executive orders aimed at containing the COVID-19 virus; and

WHEREAS, among other things, these orders waived certain requirements of the Brown Act to allow legislative bodies to meet virtually; and

WHEREAS, pursuant to the Governor’s executive orders, the Agency has been holding virtual meetings during the pandemic in the interest of protecting the health and safety of the public, Agency staff and Governing Board; and

WHEREAS, the Governor’s executive order related to the suspension of certain provisions of the Brown Act expires on September 30, 2021; and

WHEREAS, on September 16, 2021 the Governor signed AB 361 (in effect as of October 1, 2021 – Government Code Section 54953(e)), which allows legislative bodies to meet virtually provided there is a state of emergency, and either (1) state or local officials have imposed or recommended measures to promote social distancing; or (2) the legislative body determines by majority vote that meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, such conditions now exist in the Agency, specifically, a state of emergency has been proclaimed related to COVID-19, state and local officials are recommending measures to promote social distancing, and because of the ongoing threat of COVID-19, meeting in person would present imminent risks to the health and safety of attendees.

NOW, THEREFORE, BE IT RESOLVED, the Governing Board of the Big Bear Area Regional Wastewater Agency does hereby resolve as follows:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Remote Teleconference Meetings: Consistent with the provisions of Government Code Section 54953(e), the Governing Board finds and determines that (1) a state of emergency related to COVID-19 is currently in effect; (2) state and local officials have recommended measures to promote social distancing in connection with COVID-19; and (3) due to the COVID-19 emergency, meeting in person would present imminent risks to the health and safety of attendees. Based on such facts, findings and determinations, the Governing Board authorizes staff to conduct remote teleconference meetings of the Governing Board, including Committee meetings, under the provisions of Government Code Section 54953(e).

Section 3. Effective Date of Resolution. This Resolution shall take effect upon adoption and shall be effective for 30 days unless earlier extended by a majority vote of the Governing Board in accordance with Section 4 of this Resolution.

Section 4. Extension by Motion. The Governing Board may extend the application of this Resolution by motion and majority vote by up to 30 days at a time, provided that it makes all necessary findings consistent with and pursuant to the requirements of Section 54953(e)(3).

PASSED, APPROVED AND ADOPTED this 27th day of October 2021.

Jim Miller, Chair of the Governing Board
Big Bear Area Regional Wastewater Agency

ATTEST:

I, Bridgette Burton, Secretary to the Governing Board of the Big Bear Area Regional Wastewater Agency, DO HEREBY CERTIFY that the foregoing Resolution of the Governing Board of the Big Bear Area Regional Wastewater Agency Authorizing Virtual Governing Board and Committee Meetings Pursuant to AB 361, being Resolution No. R. 10-2021, was adopted at a regular meeting on October 27, 2021, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Bridgette Burton, Secretary to the Governing Board
Big Bear Area Regional Wastewater Agency