

Big Bear Area Regional Wastewater Agency

Annual Comprehensive Financial Report

2022



For the Year Ended

JUNE 30, 2022

Big Bear Area Regional Wastewater Agency,
Big Bear City, CA

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**Big Bear Area
Regional Wastewater Agency
Big Bear City, California**

FY 2022
Annual Comprehensive
Financial Report
For the year ended June 30, 2022

*Protecting Big Bear's Future
through Responsible
Planning*



David Lawrence, *General Manager*

**Prepared by
Jennifer McCullar, *Finance Manager*
Member of the Government Finance Officers
Association of the United States and Canada and
the California Society of Municipal Finance
Officers**

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Big Bear Area Regional Wastewater Agency

**Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2022**

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Big Bear Area Regional Wastewater Agency

**Annual Comprehensive Financial Report
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INTRODUCTION

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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 13, 2022

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, 2022 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, 2022. 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% over the long-term or approximately 130 connections per year. Since the Great Recession, new connections to the system have been low, with annual connections of approximately 63 per year for the last five years, driven up in part by higher connections in the current year resulting from the covid 19 migration. 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 2027 are projected to be 3.7% on average (excluding rate collection for the Replenish Big Bear Project (see FY 2023 Major Initiatives below) and reflect the expected cost inflation during the projection period. These rate and inflation assumptions were developed in February 2022 and may need to be revised during the next budget development period as a result of unexpected, higher inflation.

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, excluding the Replenish Big Bear Project (see FY 2023 Major Initiatives below) during the next five-year period through FY 2027 total approximately \$3.9 million (approximately \$780,000 annual average) and through FY 2042 total approximately \$26.0 million (approximately \$1.3 million annual average). Over the long term, under the current capital improvement plan, approximately 70% of the Agency's capital investment is for maintenance with the remaining 30% for non-maintenance improvements. Over the next five years, the Agency's major capital projects (in approximate amounts) include \$2.0 million for treatment plant improvements (rehabilitation of an oxidation ditch wall, the replacement of in-plant headers and check valves, and the replacement of processing and pumping equipment); \$440,000 for the replacement of transportation equipment; \$430,000 of asphalt and paving including the Palomino Drive Repaving Project; \$380,000 for the replacement of mobile pumping, information technology, laboratory, and electrical equipment; and \$200,000 for pump station rehabilitation.

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 and structures its rates to cover its average recurring expenses. 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 2023 Major Initiatives

Replacement of In-Plant Headers and Check Valves – The Agency will replace in-plant piping, including the gate and check valves from the return activated sludge pumps and the effluent pumps.

North Shore Pump Station Well Rehabilitation with Bypass – This drywell will be upgraded with new piping, pumps, motors and check valves.

New Pipeline Maps - Pipeline maps identifying the original locations of Agency facilities will be updated to improve accuracy for pipeline location.

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 has continued. In FY 2023, the Agency plans to make a substantial investment in the project with pre-construction activity expected to total \$2.5 million during the period and will include engineering, environmental, pilot facility planning and implementation, and design work. The Governing Board approved a rate adjustment for FY 2023 to support costs associated with financing the FY 2023 investment.

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, 2021. This is the 10th 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

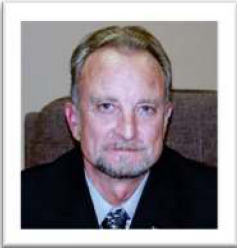
Executive Director/CEO

Governing Board of Directors

As of June 30, 2022



Rick Herrick
Chair
City of Big Bear Lake



John Green
Vice Chair
Big Bear City CSD



Jim Miller
Director
County Service Area 53 B



Bynette Mote
Director
City of Big Bear Lake



Larry Walsh
Director
Big Bear City CSD

General Manager and Staff



David Lawrence
General Manager



Jennifer McCullar
Finance Manager



John Shimmin
Plant Manager

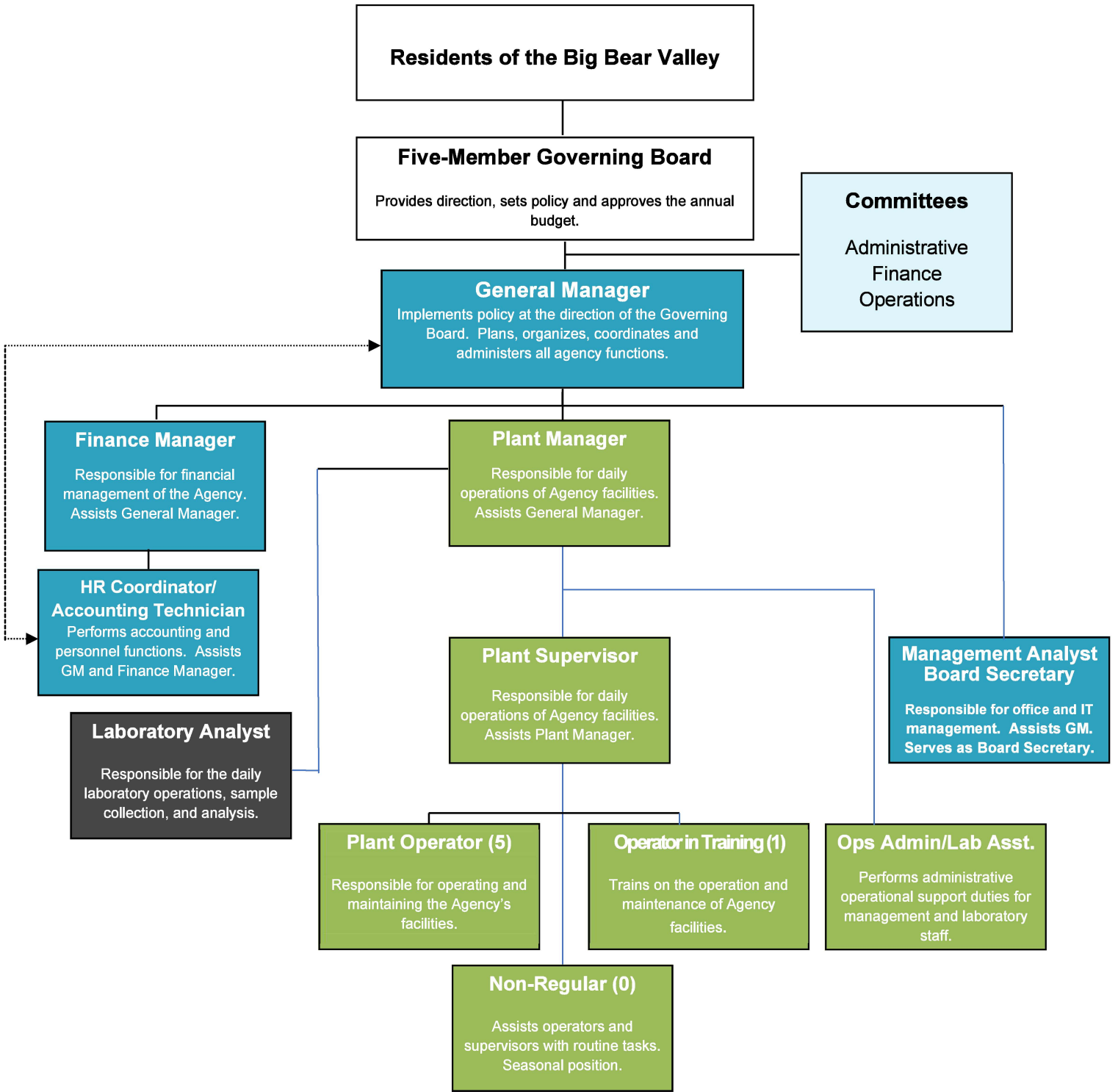
David Lawrence
Jennifer McCullar
John Shimmin

General Manager
Finance Manager
Plant Manager

909-584-4018
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Organization Chart
(as of June 30, 2022)



Administration



Operations



Laboratory

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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American Institute of
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*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants

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, 2022, 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 the Agency, as of June 30, 2022, 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 2021 financial statements, and we expressed an unmodified opinion in our report dated October 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

As discussed in Note 4 to the financial statements, in the year ended June 30, 2022, the Agency adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.



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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 13, 2022 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 13, 2022

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2022

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, 2022 (FY 2022). 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 improved compared to the prior year due to the growth in operating revenues outpacing that of operating expenses. Operating revenues increased 4% compared to operating expenses which declined 13%, resulting in an increase in operating income during the period of 445%. Higher operating income combined with improved nonoperating income (expense) and much higher connection fee revenue resulted in a significant increase in change in net position for the period.

The Agency's operating revenues increased \$247,097 or 4% compared to the prior period. The increase was primarily due to a 3.9% increase in sewer user fees and an increase in connections to the system. Operating expenses decreased \$701,321 or 13% over the prior period driven by a decrease of \$507,645 in salaries and benefits expense. Lower salaries and benefits expense resulted from accounting adjustments related to pension and OPEB expense of \$453,902 in the current period. Other operating expenses were lower by \$193,676 compared to the prior period and resulted from lower expenses across multiple line items.

The Agency's nonoperating revenues increased \$40,973 or 54% over the prior period largely due higher grant revenue (related to the Replenish Big Bear Project) offset by lower interest income. Nonoperating expenses decreased \$336,793 or 57% due to much lower losses on asset disposals compared to the prior period. Overall, net nonoperating revenues (expenses) had a positive variance \$377,586 for the period.

Capital contributions (connection fee revenue) increased \$79,420 or 28% during the period due to an increase in connections. Current period connections were 87, an increase of 19 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 increased \$1,405,424 over the year-ago period due to the items noted above.

The Agency had positive cash flow during the period of \$1,137,588. The Agency generated approximately \$2.1 million in cash from operations, connection fee revenue, and asset sale proceeds. These sources of cash were offset in part by capital expenditures and debt service of approximately \$900,000.

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, 2022

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,		2022 vs 2021	
	2022	2021	Increase (Decrease)	% Change
Assets:				
Current and other assets	\$ 8,051,980	\$ 6,856,457	\$ 1,195,523	17%
Capital assets, net	15,511,055	15,978,133	(467,078)	-3%
Other noncurrent assets	80,666	114,889	(34,223)	-30%
Total assets	23,643,701	22,949,479	694,222	3%
Deferred Outflows of Resources	966,288	1,107,257	(140,969)	-13%
Liabilities:				
Current liabilities	1,031,601	793,876	237,725	30%
Noncurrent liabilities	3,916,870	6,336,150	(2,419,280)	-38%
Total liabilities	4,948,471	7,130,026	(2,181,555)	-31%
Deferred Inflows of Resources	1,774,296	429,555	1,344,741	313%
Net Position:				
Net investment in capital assets	12,648,441	12,722,328	(73,887)	-1%
Unrestricted	5,238,781	3,774,827	1,463,954	39%
Total net position	\$ 17,887,222	\$ 16,497,155	\$ 1,390,067	8%

Summary

The Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$17.9 million at fiscal year-end. This was up \$1.4 million compared to the prior year driven by substantial decreases in noncurrent liabilities (pension and OPEB liabilities) and a large increase in current assets (cash and investments).

Assets

Total assets increased \$694,222 or 3% over the prior period and was the result of an increase in current assets of \$1,195,523 offset by a decrease in noncurrent assets of \$501,301. The increase in current assets was driven by higher cash and investments resulting from higher cash flow during the period. Higher cash flow was driven by lower operating expenses, lower capital investment, and higher connection fee revenue for the period. The decrease in noncurrent assets was driven by lower capital assets resulting primarily from a low level of capital investment during the period. Capitalized investment for the period was \$364,483 compared to \$883,556 in asset depreciation and amortization.

BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2022

Deferred Outflows of Resources

Deferred outflows of resources decreased \$140,969 or 13% and primarily reflects the net change from pension and OPEB-related adjustments associated with changes in investment experience and contributions related to these plans.

Liabilities

Total liabilities decreased \$2,181,555 or 31% from the prior period. The decrease was driven by a decrease in noncurrent liabilities of \$2,419,280 reflecting lower pension and OPEB liabilities as well as lower long-term debt. Pension and OPEB liabilities decreased by \$1,982,030 primarily due to high market returns for the twelve-months ended June 30, 2021 on invested assets related to these plans. The reduction in liabilities experienced in the current year is expected to reverse next year as a result of lower market returns in 2022. Long-term debt declined due to scheduled principal amortization.

Deferred Inflows of Resources

Deferred inflows of resources increased \$1,344,741 or 313% driven mostly by pension and OPEB-related adjustments associated with changes in investment experience.

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 increased by \$1,390,067 primarily due to increases in assets and 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.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2022

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Summary

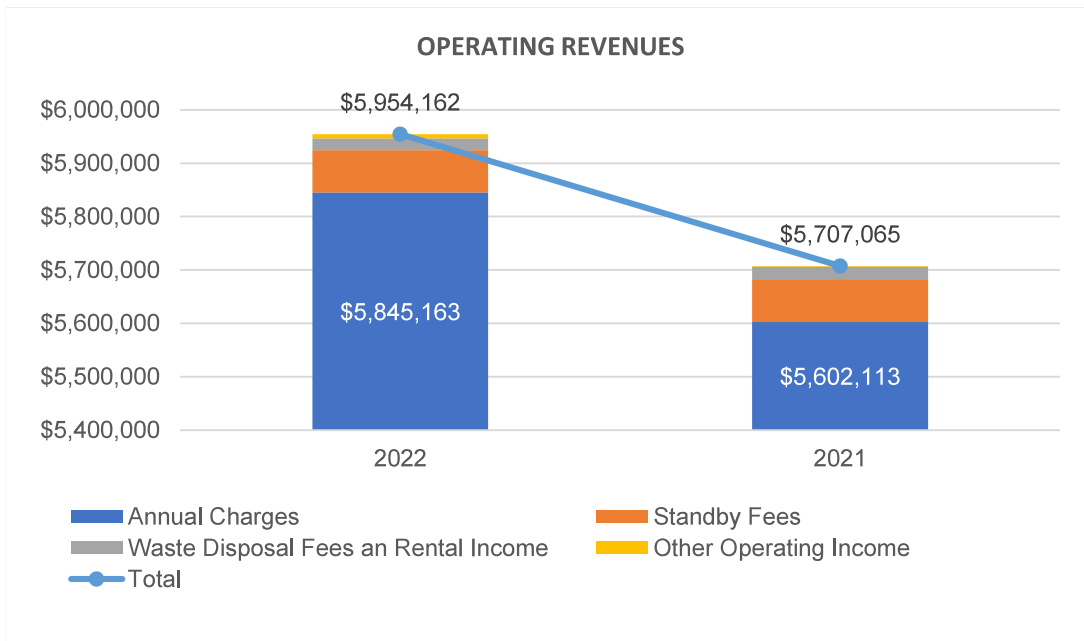
The Agency's operating revenues increased \$247,097 or 4% and operating expenses decreased \$701,321 or 13%, resulting in an increase in operating income of \$948,418 or 445%. This increase combined with improved nonoperating income (expense) and much higher connection fee revenue resulted in a \$1,390,067 increase in change in net position for the 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 3.9%, which when combined with slightly higher connections drove a 4% increase in annual charges, and the 4% overall increase in operating revenues. The increase in other revenue for the period was related to the sale of green energy credits generated by the solar production facility.

OPERATING REVENUES

	As of June 30,		2022 vs 2021	
	2022	2021	Increase (Decrease)	% Change
Operating revenues:				
Annual charges	\$ 5,845,163	\$ 5,602,113	\$ 243,050	4%
Standby fees	79,220	80,300	(1,080)	-1%
Rent and waste disposal fees	22,070	23,859	(1,789)	-7%
Other revenue	7,709	793	6,916	872%
Total operating revenues	\$ 5,954,162	\$ 5,707,065	\$ 247,097	4%



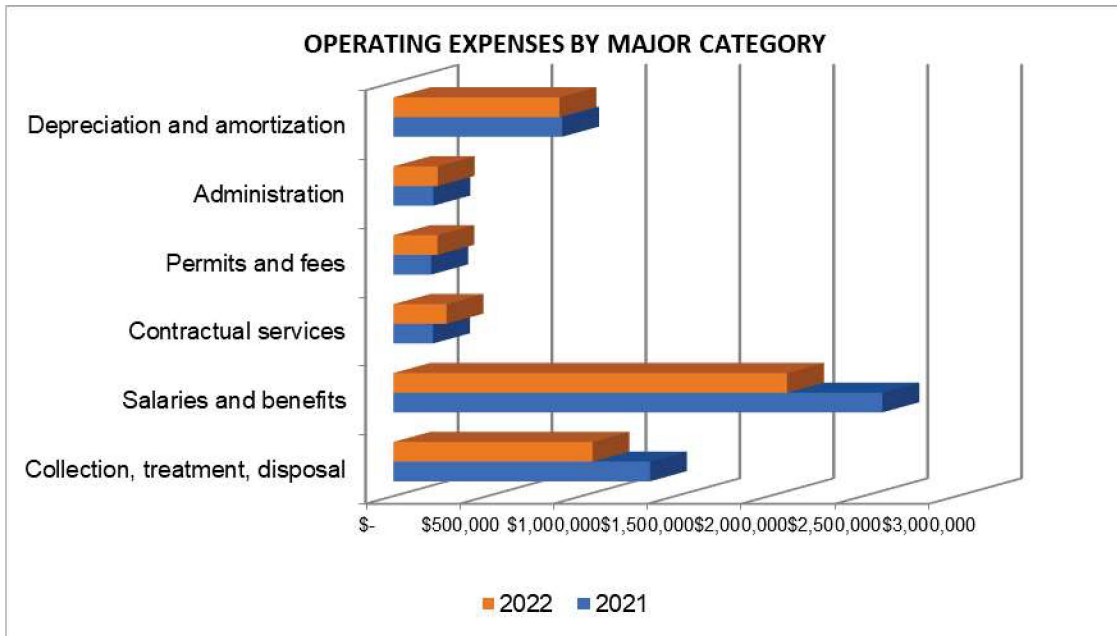
BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2022

Operating Expenses

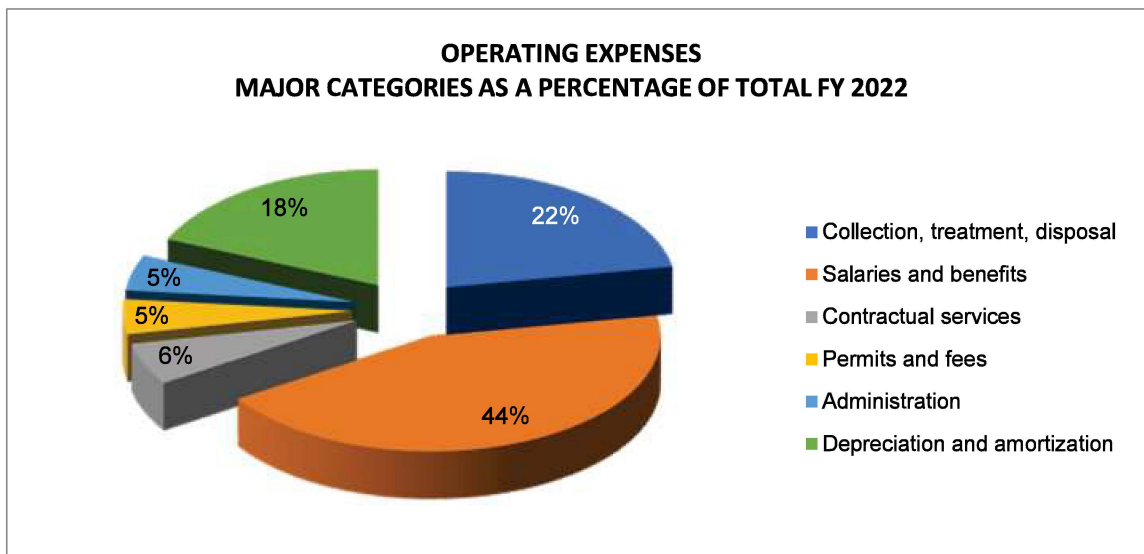
Operating expenses decreased \$701,321 or 13% compared to the year-ago period. The decrease was driven by lower collection, treatment, and disposal costs and lower salaries and benefits expense. The decrease in salaries and benefits expense was largely due to accounting adjustments associated with pension and OPEB expense.

OPERATING EXPENSES

	As of June 30,		2022 vs 2021	
	2022	2021	Increase (Decrease)	% Change
Operating expenses:				
Collection, treatment, disposal	\$ 1,059,748	\$ 1,366,184	\$ (306,436)	-22%
Salaries and benefits	2,095,989	2,603,634	(507,645)	-19%
Contractual services	282,884	211,263	71,621	34%
Permits and fees	234,270	201,452	32,818	16%
Administration	235,848	213,060	22,788	11%
Depreciation and amortization	883,955	898,422	(14,467)	-2%
Total operating expenses	\$ 4,792,694	\$ 5,494,015	\$ (701,321)	-13%



BIG BEAR AREA REGIONAL WASTEWATER AGENCY
 Management's Discussion and Analysis
 Year ended June 30, 2022



Collection, Treatment and Disposal Expense

Collection, treatment and disposal expense decreased \$306,436 or 22% over the prior period. This decrease was driven by decreases in repairs and replacements, power, sludge removal, materials and supplies, and utilities expense.

- **Repairs and Replacement expense** decreased \$106,186 or 40% due to higher repairs and replacements in the prior period related to in-plant piping and a gate valve replacement along with hydro cleaning and video inspection of the Agency's mainline.
- **Power expense** decreased \$70,761 or 15%. Lower power expense was primarily related to the Agency's transition to solar power during the fiscal year.
- **Sludge removal expense** decreased \$48,299, or 15% due to lower sludge removal. Sludge tons decreased 16% or 794 tons over the prior period due in part to lower influent biochemical oxygen demand (a decrease to 300 compared to 312 in the prior period) and slightly lower flows (down 32 million gallons or 4.5%).
- **Chemicals expense** decreased \$44,331 or 46% over the prior period due to lower odor control and polymer requirements combined with inventory on hand for both of these items at the end of the prior year.
- **Utilities expense** decreased \$39,569 or 64% when compared to the prior year. The decrease was due to higher solid waste disposal in the prior period which resulted from 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 solar facility installation.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2022

Salaries and Benefits Expense

Salaries and benefits expense decreased \$507,645 or 19% over the prior period. Excluding accounting adjustments related to GASB 68 and GASB 75, salaries and benefits expense increased \$102,185 or 4%.

Salaries and Benefits Expense Excluding Accounting Adjustments

	As of June 30,		2022 vs 2021	
	<u>2022</u>	<u>2021</u>	<u>Increase</u>	<u>%</u>
			<u>(Decrease)</u>	<u>Change¹</u>
Salaries and benefits	\$ 2,095,989	\$ 2,603,634	\$ (507,645)	-19%
Accounting adjustments	<u>453,902</u>	<u>(155,928)</u>	<u>609,830</u>	<u>±</u>
Salaries and benefits before adjustments	<u>\$ 2,549,891</u>	<u>\$ 2,447,706</u>	<u>\$ 102,185</u>	<u>4%</u>

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, a "-" is given.

The increase in salaries and benefits expense (excluding accounting adjustments) largely reflects a \$66,805 or 4% increase in salaries and wages and a \$36,989 or 4% increase in employee benefits expense. Salaries and wages were up due to annual merit and cost-of-living adjustments offset in part by lower overtime and accrued compensation pay. Employee benefits expense was up due to higher pension and medical premium expense.

Contractual Services

Contractual services expense increased \$71,621 or 34% over the prior period. The increase was driven by an increase in professional services associated with a Rate Study and Arc Flash Study completed in the current period, and financial advisory services.

Permits and Fees

Permits and fees expense increased \$32,818 or 16% largely due to a \$28,897 increase in the Agency's State Water Resources Control Board annual discharge permit fees and a \$3,814 change-in-use fee associated with the Agency's conversion of its generators to standby operation.

Administration Expense

Administration expense was up \$22,788 or 11% from the prior period reflecting an increase in insurance expense of \$16,963 and an increase in education and training expense of \$6,529. Higher insurance expense was related to higher 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) due to California wildfires. Higher education and training expense over the prior period was due to much lower travel and training in the prior period resulting from the covid 19 pandemic.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2022

Depreciation and amortization

Depreciation and amortization expense decreased \$14,467 or 2% from the prior period and was due to a lower level of depreciable assets during the period. Average depreciable assets in the current year were approximately \$15.7 million, down from \$16.1 million in the prior period.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) had a positive variance of \$377,586 compared to the prior period primarily due to lower net loss on asset disposal (lower by \$327,480), and higher nonoperating revenues driven by higher grant proceeds (higher by \$109,233). The Agency incurred a large loss on assets in the prior period related to the write-off of prior generator rebuilds and the disposal of non-working equipment related to the covered drying bed operations. Higher grant proceeds in the current period are related to grant reimbursements associated with the Replenish Big Bear Project.

NONOPERATING REVENUES (EXPENSES)

	As of June 30,		2022 vs. 2021	
	2022	2021	Increase (Decrease)	% Change
Nonoperating revenues:				
Interest income (loss)	-\$70,341	-\$1,670	-\$68,671	-
Lease revenue	52,741	52,592	149	0%
Other	<u>133,473</u>	<u>24,158</u>	<u>109,315</u>	<u>453%</u>
Total nonoperating revenues	<u>115,873</u>	<u>75,080</u>	<u>40,793</u>	<u>54%</u>
Nonoperating expenses				
Net loss on asset disposal	33,519	360,999	-327,480	-91%
Interest expense	109,214	122,823	-13,609	-11%
Other	103,172	98,876	4,296	4%
Amortization of bond cost	<u>5,029</u>	<u>5,029</u>	<u>0</u>	<u>0%</u>
Total nonoperating expenses	<u>250,934</u>	<u>587,727</u>	<u>-336,793</u>	<u>-57%</u>
Total nonoperating revenues (expenses)	<u>-\$135,061</u>	<u>-\$512,647</u>	<u>\$377,586</u>	+

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 \$79,420 or 28% over the prior year as the number of connections increased to 87 from 68 in the prior period, a change of 19 connections. The Agency's connection fee remained unchanged at \$4,180 per connection.

CAPITAL CONTRIBUTIONS (CONNECTION FEE REVENUE)

	As of June 30,		Increase (Decrease)	% Change
	2022	2021		
Capital Contributions	\$ 363,660	\$ 284,240	\$ 79,420	28%
Number of Connections	87	68	19	28%

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2022

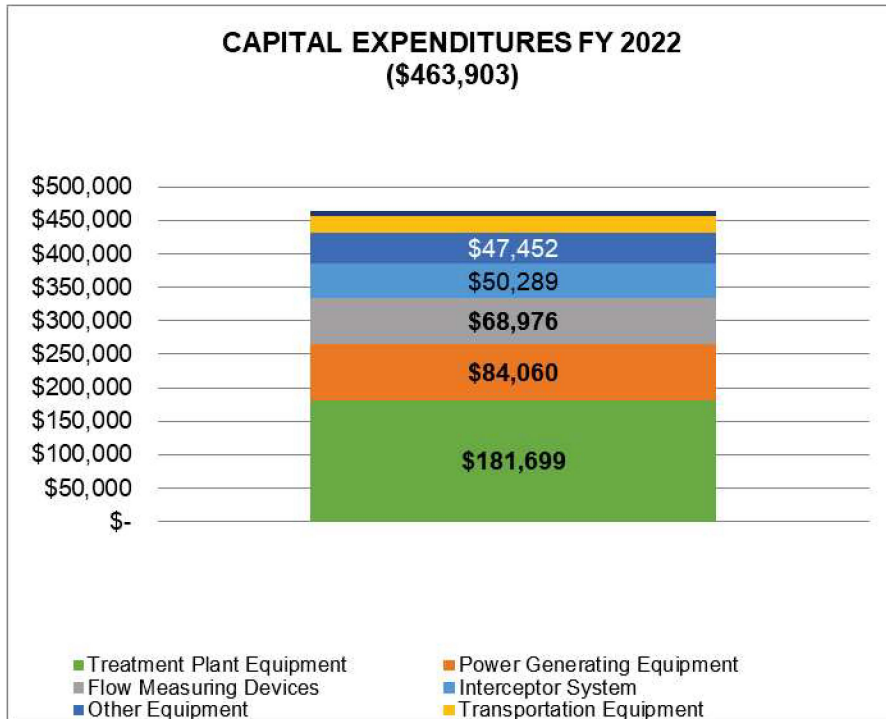
Capital Asset Activity

The Agency's net capital assets decreased by \$467,078 or 3% 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 \$463,903, compared to annual depreciation expense of \$883,556 and net asset disposals of \$47,425.

CAPITAL ASSETS, NET

	As of June 30,		2022 vs 2021	
	2022	2021	Increase (Decrease)	% Change
Capital assets, net	\$ 15,511,055	\$ 15,978,133	\$ (467,078)	-3%

Fiscal year 2022 was a relatively low capital investment period with \$463,903 in capital expenditures during the period. Of this amount, \$114,440 remained in progress at year end, and is related to the Agency's Grit System Rehabilitation Project. The remaining \$349,463 in capital investment for the period was primarily related to the replacement of treatment plant pumping equipment and upgrades to the splitter box building, replacements and improvements to the Agency's flow measuring devices including the City of Big Bear Lake's flow meter and software, improvements to the interceptor system including the rebuild of station pumps, the installation of new communication and electrical equipment (new SCADA production server and ground fault monitor), the replacement of the station 3 generator and fuel system, and the replacement of an electric utility cart. The Agency carried over approximately \$1.5 million in capital expenditures planned for FY 2022 that will be completed in FY 2023.



BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2022

For additional information related to the Agency's capital assets, see note 5 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 \$398,160 or 12% which reflects regularly scheduled debt amortization. The Agency's net OPEB liability decreased by \$707,128 or 69% and the Agency's pension liability decreased by \$1,274,902 or 54%. The net change in OPEB and pension liabilities reflects the net change during the period in the respective plan assets and plan liabilities.

OUTSTANDING DEBT, NET

	As of June 30,		2022 vs 2021	
	2022	2021	Increase (Decrease)	%
			Change	
Outstanding Debt, Net	\$ 2,885,070	\$ 3,283,230	\$ (398,160)	-12%
Net OPEB Liability	\$ 312,804	\$ 1,019,932	\$ (707,128)	-69%
Net Pension Liability	\$ 1,097,546	\$ 2,372,448	\$ (1,274,902)	-54%

For additional information, see note 6, 8 and 9 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 909-584-4018, 121 Palomino Drive, Big Bear City, California 92314.

Basic Financial Statements

Big Bear Area Regional Wastewater Agency

Statement of Net Position

June 30, 2022

(With comparative data for prior year)

Assets	2022	2021
Current assets:		
Cash and investments (Note 3)	\$ 7,832,439	\$ 6,694,851
Accounts receivable	113,005	34,908
Lease receivable	35,130	53,361
Due from member agencies	45,980	54,340
Interest receivable	12,928	4,768
Prepaid expenses	12,498	14,229
Total current assets	<u>8,051,980</u>	<u>6,856,457</u>
Noncurrent assets:		
Lease receivable (Note 4)	78,615	112,439
Intangible assets, net of amortization (Note 5)	2,051	2,450
Capital assets, not being depreciated (Note 5)	1,336,874	1,237,454
Capital assets, net of depreciation (Note 5)	14,174,181	14,740,679
Total noncurrent assets	<u>15,591,721</u>	<u>16,093,022</u>
Total assets	<u>23,643,701</u>	<u>22,949,479</u>
Deferred Outflows of Resources		
Deferred charges on refunding	22,396	27,425
Pension related (Note 8)	634,989	672,101
OPEB related (Note 9)	308,903	407,731
Total deferred outflows of resources	<u>966,288</u>	<u>1,107,257</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	358,835	179,852
Accrued salaries and benefits	39,507	34,899
Accrued interest	12,598	14,289
Long-term liabilities, due within one year (Note 6)	620,661	564,836
Total current liabilities	<u>1,031,601</u>	<u>793,876</u>
Noncurrent liabilities:		
Net OPEB liability (Note 8)	312,804	1,019,932
Net pension liability (Note 9)	1,097,546	2,372,448
Long-term liabilities, due beyond one year (Note 6)	2,506,520	2,943,770
Total noncurrent liabilities	<u>3,916,870</u>	<u>6,336,150</u>
Total liabilities	<u>4,948,471</u>	<u>7,130,026</u>
Deferred Inflows of Resources		
Lease related (Note 4)	122,117	169,563
Pension related (Note 8)	1,137,648	212,548
OPEB related (Note 9)	514,531	47,444
Total deferred inflows of resources	<u>1,774,296</u>	<u>429,555</u>
Net position:		
Net investment in capital assets	12,648,441	12,722,328
Unrestricted	5,238,781	3,774,827
Total net position	<u>\$ 17,887,222</u>	<u>\$ 16,497,155</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, 2022
(With comparative data for prior year)

	<u>2022</u>	<u>2021</u>
Operating revenues		
Member agency fees	\$ 5,845,163	\$ 5,602,113
Standby charges	79,220	80,300
Rental income	70	-
Waste disposal fees	22,000	23,859
Other revenues	7,709	793
Total operating revenues	<u>5,954,162</u>	<u>5,707,065</u>
Operating expenses		
Salaries and benefits	2,095,989	2,603,634
Power	388,721	459,483
Sludge removal	271,361	319,660
Chemicals	51,788	96,119
Materials and supplies	120,638	120,308
Repairs and replacements	156,609	262,795
Equipment rental	111	835
Utilities	22,427	61,996
Communications	48,093	44,988
Contractual services - other	86,212	90,873
Contractual services - professional	196,672	120,390
Permits and fees	234,270	201,452
Property tax	4,017	3,963
Insurance	188,844	171,881
Other operating	42,987	37,216
Amortization	399	-
Depreciation	883,556	898,422
Total operating expenses	<u>4,792,694</u>	<u>5,494,015</u>
Operating income	<u>1,161,468</u>	<u>213,050</u>
Nonoperating revenues		
Investment income (loss)	(70,341)	(1,670)
Lease revenue	52,741	52,592
Other miscellaneous revenue	133,473	24,158
Total nonoperating revenues	<u>115,873</u>	<u>75,080</u>
Nonoperating expenses		
Other	103,172	98,876
Interest	114,243	127,852
Net loss on capital asset disposals	33,519	360,999
Total nonoperating expenses	<u>250,934</u>	<u>587,727</u>
Income before contributions	1,026,407	(299,597)
Capital contributions - connection charges	363,660	284,240
Change in net position	1,390,067	(15,357)
Net position, beginning of year, as restated (Note 13)	<u>16,497,155</u>	<u>16,512,512</u>
Net position, end of year	<u>\$ 17,887,222</u>	<u>\$ 16,497,155</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, 2022
(With comparative data for prior year)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 5,876,065	\$ 5,793,381
Cash payments to suppliers for goods and services	(1,706,478)	(2,153,792)
Cash payments for employees and benefits	(2,528,090)	(2,409,286)
Other non-operating revenues	133,473	24,158
Other non-operating expenses	(103,172)	(98,876)
	<u>1,671,798</u>	<u>1,155,585</u>
Net cash provided by operating activities		
	<u>1,671,798</u>	<u>1,155,585</u>
Cash flows from capital and related financing activities:		
Purchases and construction of capital assets	(389,461)	(1,065,599)
Proceeds from sale of capital assets	13,906	23,548
Proceeds from capital contributions	372,020	254,980
Principal payments on lease liability	(459)	-
Principal payments on long-term debt	(398,160)	(384,975)
Interest paid on long-term debt	(110,905)	(124,458)
	<u>(513,059)</u>	<u>(1,296,504)</u>
Net cash (used for) capital and related financing activities		
	<u>(513,059)</u>	<u>(1,296,504)</u>
Cash flows from investing activities:		
Investment income received	(78,501)	13,974
Payments received from lease receivables	57,350	52,592
	<u>(21,151)</u>	<u>66,566</u>
Net cash provided by (used for) investing activities		
	<u>(21,151)</u>	<u>66,566</u>
Net change in cash and investments	1,137,588	(74,353)
Cash and investments, beginning of year	<u>6,694,851</u>	<u>6,769,204</u>
Cash and investments, end of year	<u>\$ 7,832,439</u>	<u>\$ 6,694,851</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, 2022

(With comparative data for prior year)

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,161,468	\$ 213,050
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	883,556	898,422
Amortization	399	-
Other revenues	133,473	24,158
Other expense	(103,172)	(98,876)
Construction in process in accounts payable	(74,442)	(18,406)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(78,097)	86,416
Prepaid expenses	1,731	742
Deferred outflows of resources - OPEB related	98,828	128,249
Deferred outflows of resources - pension related	37,112	3,252
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	178,983	(144,169)
Accrued salaries and benefits	4,608	4,965
Deposits	-	(100)
Compensated absences	17,194	33,453
Deferred inflows of resources - OPEB related	467,087	(23,080)
Deferred inflows of resources - pension related	925,100	(60,406)
Net OPEB liability	(707,128)	(142,527)
Net pension liability	(1,274,902)	250,442
Net cash provided by operating activities	<u>\$ 1,671,798</u>	<u>\$ 1,155,585</u>
Schedule of non-cash noncapital and capital related financing and investing activities		
Disposed capital assets, net book value	\$ (47,425)	\$ (384,549)
Construction in progress in accounts payable	74,442	18,406

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

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Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2022

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, 2022

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:

	Estimated Useful Life Range (in years)
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, 2022**

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, 2022

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, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

(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, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	June 30, 2020, to June 30, 2021

(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, 2022**

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, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	<u>\$ 7,832,439</u>
Total cash and investments	<u><u>\$ 7,832,439</u></u>

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$ 600
Deposits with financial institutions	576,512
Investments	<u>7,255,327</u>
Total cash and investments	<u><u>\$ 7,832,439</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, 2022**

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, 2022. The Local Agency Investment Fund (Fund) of \$7,255,327 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, 2022**

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	<u>\$ 7,255,327</u>	<u>\$ 7,255,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	<u>\$ 7,255,327</u>	N/A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,255,327</u>

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, 2022

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 fair 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, 2022, 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. Any amounts in excess of \$250,000 per institution are collateralized by the bank with pledged securities.

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 fair 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 fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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, 2022 and 2021 was 0.371% and .500%, respectively. The carrying value and estimated fair value of the LAIF Pool at June 30, 2022 and 2021 was \$234,469,950,028 and \$231,451,246,492 and \$193,317,608,617 and \$193,333,648,179, respectively. The Agency's share of the Pool at June 30, 2022 and 2021 was approximately 0.00309% and 0.00328%, respectively. Included in LAIF's investment portfolio at June 30, 2022 and 2021 are structured notes and asset-backed securities totaling \$2,350,000,000 and \$2,051,660,000, and \$1,700,000,000 and \$2,772,671,000, 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, 2022**

NOTE 4: Lease receivable

Pacific Bell Mobile Service

On June 4, 1997, the Agency entered into a 35-month lease as Lessor for the use of 122 East Palomino Drive. An initial lease receivable was recorded in the amount of \$34,440. As of June 30, 2022, the value of the lease receivable was paid in full. The lessee is required to make annual fixed payments of \$17,117. The lease has an interest rate of 0.6240%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$10,891, and the Agency recognized lease revenue of \$11,774 during the fiscal year. The most recent amendment to this agreement was executed on November 10, 2015, extending the lease for an additional 60 months with the lessee having 1 extension option(s), each for 60 months. The lessee had a termination period of 24 months as of the lease commencement.

New Cingular Wireless PCS, LLC

On June 27, 2005, the Agency entered into a 59-month lease as Lessor for the use of 122 Palomino Drive. An initial lease receivable was recorded in the amount of \$48,737. As of June 30, 2022, the value of the lease receivable is \$30,311. The lessee is required to make monthly fixed payments of \$779. The lease has an interest rate of 0.7190%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$29,199, and the Agency recognized lease revenue of \$9,769 during the fiscal year. The lessee has 5 extension option(s), each for 60 months, one extension is left remaining at June 30, 2022.

BBARWA Lucerne Valley Lease

On September 1, 2005, the Agency entered into a 62-month lease as Lessor for the use of BBARWA Lucerne Valley. An initial lease receivable was recorded in the amount of \$133,833. As of June 30, 2022, the value of the lease receivable is \$83,434. The lessee is required to make quarterly fixed payments of \$6,525. The lease has an interest rate of 0.9480%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$82,027, and the Agency recognized lease revenue of \$25,903 during the fiscal year.

As of June 30, 2022, the Agency had total outstanding lease receivables of \$113,745 and related deferred inflows of \$122,117.

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Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 5: Capital & intangible assets

A summary of changes in capital assets of the Agency for the year ending June 30, 2022 is as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated				
Land	\$ 1,037,626	\$ -	\$ -	\$ 1,037,626
Construction in Progress	199,828	114,440	(15,020)	299,248
Total capital assets, not being depreciated	1,237,454	114,440	(15,020)	1,336,874
Capital assets, being depreciated:				
Administration Building	2,029,161	-	-	2,029,161
Treatment Plant	16,729,113	75,285	(278,392)	16,526,006
Interceptor System	3,654,354	50,289	-	3,704,643
Effluent Disposal Assets	4,728,589	-	-	4,728,589
Power Generation Equipment	2,263,603	89,009	-	2,352,612
Flow Measuring Devices	140,957	76,461	(37,463)	179,955
Other Equipment	2,121,273	49,262	(50,750)	2,119,785
Transportation Equipment	554,880	24,177	(8,510)	570,547
Other Tangible Plant	907,922	-	-	907,922
Studies and Maps	106,425	-	-	106,425
Total capital assets, being depreciated	33,236,277	364,483	(375,115)	33,225,645
Less accumulated depreciation for:				
Administration Building	(942,334)	(60,581)	-	(1,002,915)
Treatment Plant	(8,142,471)	(441,936)	230,967	(8,353,440)
Interceptor System	(2,268,679)	(60,293)	-	(2,328,972)
Effluent Disposal Assets	(4,128,376)	(65,793)	-	(4,194,169)
Power Generation Equipment	(1,037,204)	(111,966)	-	(1,149,170)
Flow Measuring Devices	(80,134)	(9,622)	37,463	(52,293)
Other Equipment	(1,104,702)	(70,909)	50,750	(1,124,861)
Transportation Equipment	(307,785)	(27,045)	8,510	(326,320)
Other Tangible Plant	(393,240)	(34,361)	-	(427,601)
Studies and Maps	(90,673)	(1,050)	-	(91,723)
Total accumulated depreciation	(18,495,598)	(883,556)	327,690	(19,051,464)
Total capital assets being depreciated, net	14,740,679	(519,073)	(47,425)	14,174,181
Total capital assets, net	<u>\$ 15,978,133</u>	<u>\$ (404,633)</u>	<u>\$ (62,445)</u>	<u>\$ 15,511,055</u>

A summary of changes in intangible assets of the Agency for the year ending June 30, 2022 is as follows:

	Beginning balance	Additions	Deletions	Ending Balance
Intangible right to use asset	\$ 2,450	\$ -	\$ -	\$ 2,450
Accumulated amortization	-	(399)	-	(399)
Lease asset, net of amortization	<u>\$ 2,450</u>	<u>\$ (399)</u>	<u>\$ -</u>	<u>\$ 2,051</u>

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2022

NOTE 6: Long-term liabilities

A summary of long-term liabilities of the Agency at June 30, 2022 is as follows:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year	Due beyond one year
<u>Long-term debt - direct borrowings:</u>						
2011 refunding agreement	\$ 1,792,769	\$ -	\$ (302,421)	\$ 1,490,348	\$ 312,483	\$ 1,177,865
2018 installment purchase agreement	1,490,461	-	(95,739)	1,394,722	99,314	1,295,408
Total direct borrowings	3,283,230	-	(398,160)	2,885,070	411,797	2,473,273
<u>Other long-term liability:</u>						
Compensated absences	222,926	210,675	(193,481)	240,120	208,404	31,716
<u>Lease liability:</u>						
Postage meter	2,450	-	(459)	1,991	460	1,531
Total	<u>\$ 3,508,606</u>	<u>\$ 210,675</u>	<u>\$ (592,100)</u>	<u>\$ 3,127,181</u>	<u>\$ 620,661</u>	<u>\$ 2,506,520</u>

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.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 6: 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, 2022 the Agency's net revenues were 467% 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 Refun i			Installment Purchase Agreement		
	Principal	Interest	Total	Principal	Interest	Total
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	39,148	150,008
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>\$ 1,490,348</u>	<u>\$ 125,637</u>	<u>\$ 1,615,985</u>	<u>\$ 1,394,722</u>	<u>\$ 330,378</u>	<u>\$ 1,725,100</u>

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 6: Long-term liabilities (continued)

Lease Liability – Postage meter

On August 23, 2021, the Agency entered into a 63-month lease as Lessee for the use of a postage meter. An initial lease liability was recorded in the amount of \$2,450. As of June 30, 2022, the value of the lease liability is \$1,991. The Agency is required to make quarterly fixed payments of \$120. The lease has an interest rate of 1.09%. The equipment estimated useful life was months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$2,450 with accumulated amortization of \$339 is included with equipment on the note 4.

Debt service requirements to maturity

Fiscal year	Principial	Interest	Total
2022-2023	\$ 460	\$ 21	\$ 481
2023-2024	465	20	485
2024-2025	470	15	485
2025-2026	475	10	485
2026-2027	121	5	126
	<u>\$ 1,991</u>	<u>\$ 71</u>	<u>\$ 2,062</u>

NOTE 7: 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.

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Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2022

NOTE 8: 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, 2022, 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)	14.870%	7.730%

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements June 30, 2022

NOTE 8: 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. The actuarially determined rate is based on the estimated amount necessary to finance the cost 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, 2022 were \$350,101. The actual employer payments of \$310,799 made to CalPERS by the Agency during the measurement period ended June 30, 2021 differed from the Agency's proportionate share of the employer's contribution of \$426,405 by \$115,606, 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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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

All other actuarial assumptions used in the June 30, 2020 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.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	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 or 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 for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 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, 2022**

NOTE 8: Pension plan, (continued)

B. Net pension liability, continued

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:

<u>Asset Class¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10²</u>	<u>Real Return Years 11+³</u>
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)
Total	<u>10 .</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 2.00% used for this period

³ An expected inflation of 2.92% used for this period

Change of assumptions

There were no changes of assumptions for measurement date June 30, 2021.

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 8: Pension plan, (continued)

B. Net pension liability, continued

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.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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, 2022**

NOTE 8: 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 (a)	Plaid iary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2020 (VD)	\$ 11,545,251	\$ 9,172,803	\$ 2,372,448
Balance at: 6/30/2021 (MD)	11,938,827	10,841,281	1,097,546
Net changes during 20 -			

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, 2020 and 2021 measurement dates was as follows:

Proportion share of NPL - June 30, 2020	0.05624%
Proportion share of NPL - June 30, 2021	0.05780%
Change - Increase (Decrease)	0.00156%

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	\$ 2,673,840	\$ 1,097,546	\$ (205,554)

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 8: 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
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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, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (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, 2020), the Agency's net pension liability was \$2,372,448. For the measurement period ending in June 30, 2021 (the measurement date), the Agency incurred a pension expense of \$37,412.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 8: Pension plan, (continued)

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

As of June 30, 2022, the Agency has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 123,078	\$ -
Differences between Projected and Actual Investment Earnings	-	958,099
Differences between Employer's Contributions and Proportionate Share of Contributions	-	179,549
Change in Employer's Proportion	161,810	-
Pension Contributions Made Subsequent to Measurement Date	350,101	-
	<u>\$ 634,989</u>	<u>\$ 1,137,648</u>

The amounts above are net of outflows and inflows recognized in the 2020-2021 measurement period expense. Contributions subsequent to the measurement date of \$350,101 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
2023	\$ (186,089)
2024	(190,097)
2025	(211,805)
2026	(264,769)
2027	-
Thereafter	-

E. Payable to the pension plan

At June 30, 2022, 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, 2022**

NOTE 9: 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, 2020 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, 2021 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 – \$1,727. 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, 2022, the Agency's cash contributions were \$164,685, made for health reimbursement premiums to retirees, and the estimated implied subsidy was \$68,444 resulting in total payments of \$233,129. 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, 2022**

NOTE 9: Other postemployment benefits plan, (continued)

Net OPEB liability

The Agency's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
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	6.95%
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>Lo - 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	100%	

* based on 2014 Capital Market Assumptions

Change of Assumptions

In 2021, demographic assumptions were updated based on a new CalPERS experience study; updated medical trend model and age-based premiums were applied which developed an implicit (pool) subsidy liability for retirees enrolled in Medicare plans, following updated guidance provided in Actuarial Standard of Practice #6.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 9: Other postemployment benefits plan, (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.05% percent as of June 30, 2021, 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.

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, 2021 (Measurement Date June 30, 2020)	\$ 3,337,764	\$ 2,317,832	\$ 1,019,932
Changes recog	-	-	-
Service Cost	118,066	-	118,066
Interest on the total OPEB liability	234,811	-	234,811
Changes of assumptions	17,881	-	17,881
Plan experience differences	(191,253)	-	(191,253)
Contributions - employer	-	250,348	(250,348)
Net investment income	-	637,162	(637,162)
Benefit payments	(250,348)	(250,348)	-
Administrative expenses	-	(877)	877
Net Changes	<u>(70,843)</u>	<u>636,285</u>	<u>(707,128)</u>
Balance at June 30, 2022 (Measurement Date June 30, 2021)	<u>\$ 3,266,921</u>	<u>\$ 2,954,117</u>	<u>\$ 312,804</u>

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, 2021:

	1% Decrease 6.05%	Current Discount Rate 7.05%	1% Increase 8.05%
Net OPEB liability	\$ 778,842	\$ 312,804	\$ (65,236)

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 9: Other postemployment benefits plan, (continued)

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, 2021:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ (102,145)</u>	<u>\$ 312,804</u>	<u>\$ 835,251</u>

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, 2022, the Agency recognized OPEB expense of \$91,916. A complete breakdown of OPEB expense is as follows:

Description	Amount
Service cost	\$ 118,066
Interest cost	234,811
Expected earnings on assets	(163,376)
Administrative expenses	877
Recognized assumption changes	32,893
Recognized differences in plan experience	(49,792)
Recognized differences in projected and actual investments earnings	<u>(81,563)</u>
Total OPEB expense	<u>\$ 91,916</u>

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 9: Other postemployment benefits plan, (continued)

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

As of fiscal year, ended June 30, 2022, 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	\$ 233,129	\$ -
Changes of assumptions	70,026	-
Differences between expected and actual experience	5,748	187,533
Net difference between projected and actual earnings on OPEB plan investments	-	326,998
Total	\$ 308,903	\$ 514,531

The \$233,129 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:	Outflows/(Inflows) of Resources, net
2023	\$ (92,999)
2024	(82,812)
2025	(100,611)
2026	(116,885)
2027	(24,826)
Thereafter	(20,624)

NOTE 10: 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, 2022, 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 \$45,799.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 11: Net position

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

	2022	2021
Net investment in capital assets:		
Intangible assets, net of amortization	\$ 2,051	\$ 2,450
Capital assets, not being depreciated	1,336,874	1,237,454
Capital assets, net of depreciation	14,174,181	14,740,679
Debt related to capital assets		
2011 Refunding agreement	(1,490,348)	(1,792,769)
2018 Installment purchase agreement	(1,394,722)	(1,490,461)
Copier lease	(1,991)	(2,450)
Less: Deferred charges on refunding	22,396	27,425
Net investment in capital assets	<u>12,648,441</u>	<u>12,722,328</u>
Unrestricted	<u>5,238,781</u>	<u>3,774,827</u>
Total net position	<u>\$ 17,887,222</u>	<u>\$ 16,497,155</u>

NOTE 12: 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.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
June 30, 2022**

NOTE 13: Change in accounting principle

The Agency's net position was restated as follows due to the implementation of GASB 87:

Beginning net position, as previously reported	\$ 16,500,915
Restatement due to change in accounting principle	<u>(3,760)</u>
Beginning net position, as restated	<u><u>\$ 16,497,155</u></u>

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Required Supplementary Information

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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	0.02181%	2,372,448	1,279,546	185.41%	79.45%
6/30/2021	0.02029%	1,097,546	1,300,655	84.38%	90.81%

¹ Proportion of the 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	Contribution 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%
June 30, 2022	350,101	(350,101)	-	1,392,498	25.14%

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2020 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: There were no assumption changes for 2021. 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.

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	2021
Total OPEB Liability					
Service Cost	\$ 70,271	\$ 92,607	\$ 101,392	\$ 114,627	\$ 118,066
Interest on the Total OPEB Liability	197,835	204,015	213,507	226,464	234,811
Actual and expected experience difference	(139,764)	-	9,864	-	(191,253)
Changes in assumptions	70,862	100,635	14,085	-	17,881
Benefit payments	(134,557)	(138,739)	(177,938)	(201,920)	(250,348)
Net change in Total OPEB Liability	64,647	258,518	160,910	139,171	(70,843)
Total OPEB Liability - beginning	2,714,518	2,779,165	3,037,683	3,198,593	3,337,764
Total OPEB Liability - ending (a)	2,779,165	3,037,683	3,198,593	3,337,764	3,266,921
Plan Fiduciary Net Position					
Contribution - employer	419,453	425,765	241,291	410,141	250,348
Net investment income	114,707	113,645	117,953	74,474	637,162
Benefit payments	(134,557)	(138,739)	(177,938)	(201,920)	(250,348)
Administrative expense	(581)	(2,726)	(403)	(997)	(877)
Net change in Plan Fiduciary Net Position	399,022	397,945	180,903	281,698	636,285
Plan Fiduciary Net Position - beginning	1,058,264	1,457,286	1,855,231	2,036,134	2,317,832
Plan Fiduciary Net Position - ending (b)	1,457,286	1,855,231	2,036,134	2,317,832	2,954,117
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>	<u>\$ 312,804</u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.44%	61.07%	63.66%	69.44%	90.43%
Covered-employee payroll	\$ 1,097,657	\$ 1,099,489	\$ 1,135,222	\$ 1,317,806	\$ 1,346,813
Net OPEB liability as a percentage of covered-employee payroll	120.43%	107.55%	102.40%	77.40%	23.23%

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 was changed from 7.28% to 7.05%

Change in assumptions: In 2021, demographic assumptions were updated based on a new CalPERS experience study; updated medical trend model and age-based premiums were applied which developed an implicit (pool) subsidy liability for retirees enrolled in Medicare plans, following updated guidance provided in Actuarial Standard of Practice #6.

*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%
2022	206,603	(233,129)	(26,526)	1,443,194	16.15%

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 2022 were from the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Methodology	Level % of Pay, 15 years closed
Asset Valuation Method	Market value of assets
Discount Rate	7.05%
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	6.95%
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.

Supplementary Information

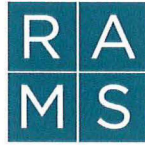
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Big Bear Area Regional Wastewater Agency

**Schedule of Revenues, Expenses and Changes in Net Position – Budget vs. Actual
For the year ended June 30, 2022**

	2022 Actual	2022 Final budget (unaudited)	Variance with budget	2021 Actual
Operating revenues				
Member agency fees	\$ 5,845,163	\$ 5,845,163	\$ -	\$ 5,602,113
Standby charges	79,220	21,690	57,530	80,300
Rental income	70	53,386	(53,316)	-
Waste disposal fees	22,000	79,220	(57,220)	23,859
Other revenues	7,709	-	7,709	793
Total operating revenues	<u>5,954,162</u>	<u>5,999,459</u>	<u>(45,297)</u>	<u>5,707,065</u>
Operating expenses				
Salaries and benefits	2,095,989	2,664,027	(568,038)	2,603,634
Power	388,721	463,514	(74,793)	459,483
Sludge removal	271,361	319,488	(48,127)	319,660
Chemicals	51,788	83,557	(31,769)	96,119
Materials and supplies	120,638	133,744	(13,106)	120,308
Repairs and replacements	156,609	258,642	(102,033)	262,795
Equipment rental	111	853	(742)	835
Utilities	22,427	30,388	(7,961)	61,996
Communications	48,093	55,592	(7,499)	44,988
Contractual services - other	86,212	94,563	(8,351)	90,873
Contractual services - professional	196,672	252,383	(55,711)	120,390
Permits and fees	234,270	208,484	25,786	201,452
Property tax	4,017	4,016	1	3,963
Insurance	188,844	229,214	(40,370)	171,881
Other operating	42,987	60,613	(17,626)	37,216
Amortization	399	-	399	-
Depreciation	883,556	905,147	(21,591)	898,422
Total operating expenses	<u>4,792,694</u>	<u>5,764,225</u>	<u>(971,531)</u>	<u>5,494,015</u>
Operating income	<u>1,161,468</u>	<u>235,234</u>	<u>926,234</u>	<u>213,050</u>
Nonoperating revenues				
Investment income (loss)	(70,341)	10,171	(80,512)	(1,670)
Lease revenue	52,741	-	52,741	52,592
Other miscellaneous revenue	133,473	513,874	(380,401)	24,158
Total nonoperating revenues	<u>115,873</u>	<u>524,045</u>	<u>(408,172)</u>	<u>75,080</u>
Nonoperating expenses				
Other	103,172	766,087	(662,915)	98,876
Interest	114,243	115,944	(1,701)	127,852
Net loss on capital asset disposals	33,519	-	33,519	360,999
Total nonoperating expenses	<u>250,934</u>	<u>882,031</u>	<u>(631,097)</u>	<u>587,727</u>
Income before contributions	1,026,407	(122,752)	1,149,159	(299,597)
Capital contributions - connection charges	<u>363,660</u>	<u>188,100</u>	<u>175,560</u>	<u>284,240</u>
Change in net position	1,390,067	65,348	1,324,719	(15,357)
Net position, beginning of year, as restated	<u>16,497,155</u>	<u>16,497,155</u>	<u>-</u>	<u>16,512,512</u>
Net position, end of year	<u>\$ 17,887,222</u>	<u>\$ 16,562,503</u>	<u>\$ 1,324,719</u>	<u>\$ 16,497,155</u>

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**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

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
Brenda L. Odle, CPA, MST (Partner Emeritus)

Independent Auditor's Report

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

MANAGERS / STAFF

Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
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
Demi Hite, CPA

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, 2022, 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 13, 2022.

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.

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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.

Report on 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 13, 2022

STATISTICAL SECTION

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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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NET POSITION ¹ :										
Net investment										
in ca ital asset:	\$ 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	\$ 12,648,441
Unrestricted										
net position	<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>3,774,827</u>	<u>5,238,781</u>
Total	<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>\$ 16,497,155</u>	<u>\$ 17,887,222</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 2021 to reflect a reduction in assets, the Agency's PERS side fund liability, the implementation of GASB 65, the implementation of GASB 68, the implementation of GASB 75, and the implementation of GASB 87, respectively.

CHANGE IN NET POSITION - 10 FISCAL YEARS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERATING REVENUES:										
Annual Charges	\$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	\$5,845,163
Standby Fees	92,430	91,400	90,860	89,250	86,930	85,180	83,200	81,660	80,300	79,220
Rent, Waste Disposal Fees	68,351	70,178	68,120	72,101	71,951	73,562	71,679	70,610	23,859	22,070
Other	50	2,007	24,575	5,104	488	1,916	765	0	793	7,709
Total	4,849,143	4,941,800	5,163,245	5,157,621	5,166,439	5,252,234	5,407,186	5,589,346	5,707,065	5,954,162
OPERATING EXPENSES:										
Salaries and Benefits	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	2,095,989
Power	424,266	399,239	486,461	520,431	522,181	386,367	520,234	453,306	459,483	388,721
Sludge Removal ¹	242,838	221,541	162,627	225,990	281,096	397,813	298,241	276,292	319,660	271,361
Materials and Supplies	225,624	190,830	192,900	184,933	209,323	176,687	215,782	206,648	216,427	172,426
Repairs and Replacements	159,819	186,806	161,825	150,764	128,645	155,447	445,040	253,789	262,795	156,609
Equipment rental ²	0	0	3,659	165	2,242	37,215	1,363	351	835	111
Utilities expense ³	22,509	19,757	16,062	11,773	13,023	26,737	22,207	14,180	61,996	22,427
Communications expense ⁴	34,293	45,613	33,490	38,610	44,062	37,064	32,160	39,043	44,988	48,093
Contractual services - other	75,706	95,678	81,626	102,120	94,181	74,947	97,296	78,879	90,673	86,212
Contractual services, prof ⁵	136,259	224,045	99,798	151,407	191,457	399,514	214,413	153,470	120,390	196,672
Permits and fees	124,708	131,361	142,310	145,866	148,687	145,515	158,528	185,051	201,452	234,270
Property tax expense	3,488	3,265	3,426	3,476	3,523	3,599	3,665	3,917	3,963	4,017
Insurance expense ⁶	86,135	69,622	83,561	87,406	85,386	99,428	100,952	112,262	171,881	188,844
Other operating expense	65,638	58,032	57,963	59,474	56,328	50,469	48,142	45,018	37,216	42,987
Depreciation and amortization	806,274	799,443	840,229	875,328	896,429	842,154	893,196	863,233	898,422	883,955
Total	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	4,792,694
OPERATING INCOME	628,751	698,877	1,052,266	756,193	334,072	274,978	156,539	325,474	213,050	1,161,468
NONOPERATING REVENUES:										
Net gain on asset disposal	0	0	0	0	0	0	0	0	0	0
Interest income (loss)	16,167	11,305	12,430	22,889	29,101	73,866	164,531	130,952	-1,670	-70,341
Lease Revenue	0	0	0	0	0	0	0	0	52,592	52,741
Other	0	0	0	0	0	0	180	101,297	24,158	133,473
Total non-operating revenue	16,167	11,305	12,430	22,889	29,101	73,866	164,711	232,249	75,080	115,873
NONOPERATING EXPENSES:										
Net Loss on asset disposal	122,718	28,326	21,553	2,678	91,973	1,709,527	0	9,178	360,999	33,519
Interest expense	165,092	111,747	145,012	130,669	115,849	100,536	134,569	135,308	122,823	109,214
Amortization debt costs	11,700	11,700	11,700	11,700	11,700	11,700	7,665	5,029	5,029	5,029
Other	0	0	0	0	0	19,777	181,529	172,597	98,876	103,172
Total non-operating expense	299,510	151,773	178,265	145,047	219,522	1,841,540	323,763	322,112	587,727	250,934
INCOME BEFORE CAPITAL CONTRIBUTIONS										
CONTRIBUTIONS	345,408	558,409	886,431	634,035	143,651	-1,492,696	-2,513	235,611	-299,597	1,026,407
Capital contributions	110,100	165,150	308,280	253,230	231,210	249,560	188,100	188,100	284,240	363,660
CHANGE IN NET POSITION	455,508	723,559	1,194,711	887,265	374,861	-1,243,136	185,587	423,711	-15,357	1,390,067
NET POSITION										
Beginning of year	16,824,400	17,279,908	16,207,863	17,402,574	18,289,839	17,150,110	15,906,974	16,092,561	16,512,512	16,497,155
End of year	17,279,908	18,003,467	17,402,574	18,289,839	18,664,700	15,906,975	16,092,561	16,516,272	16,497,155	17,887,222

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.

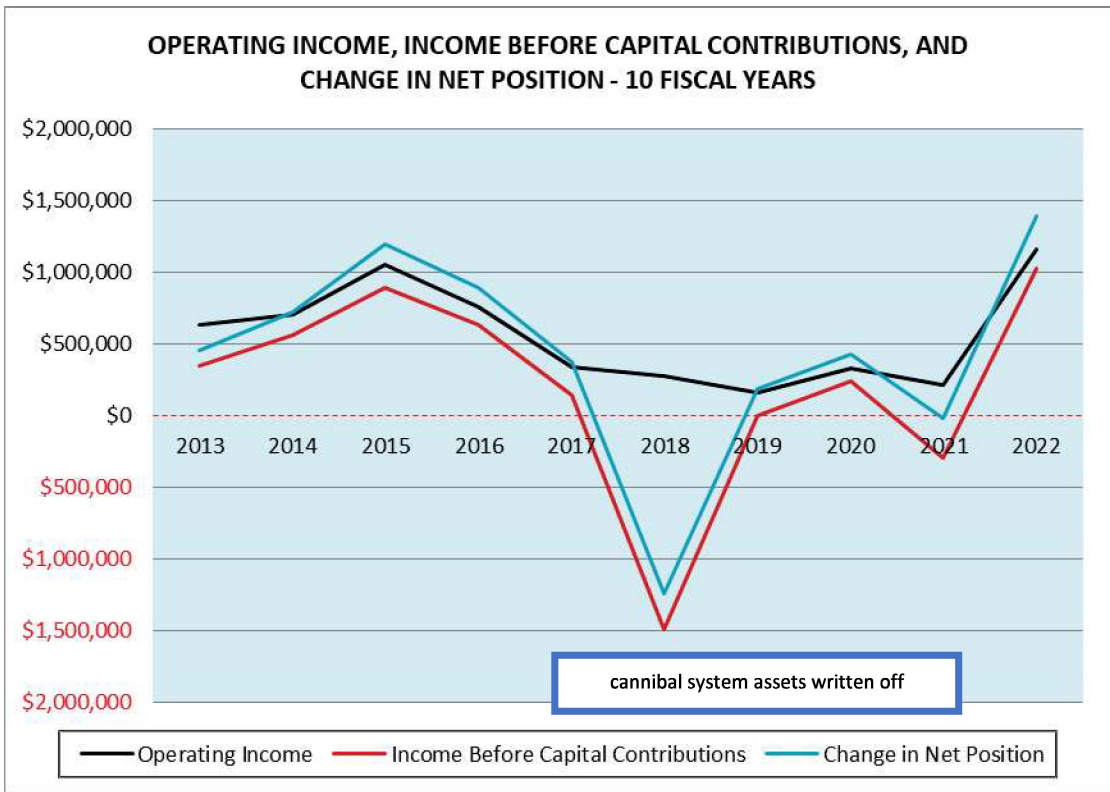
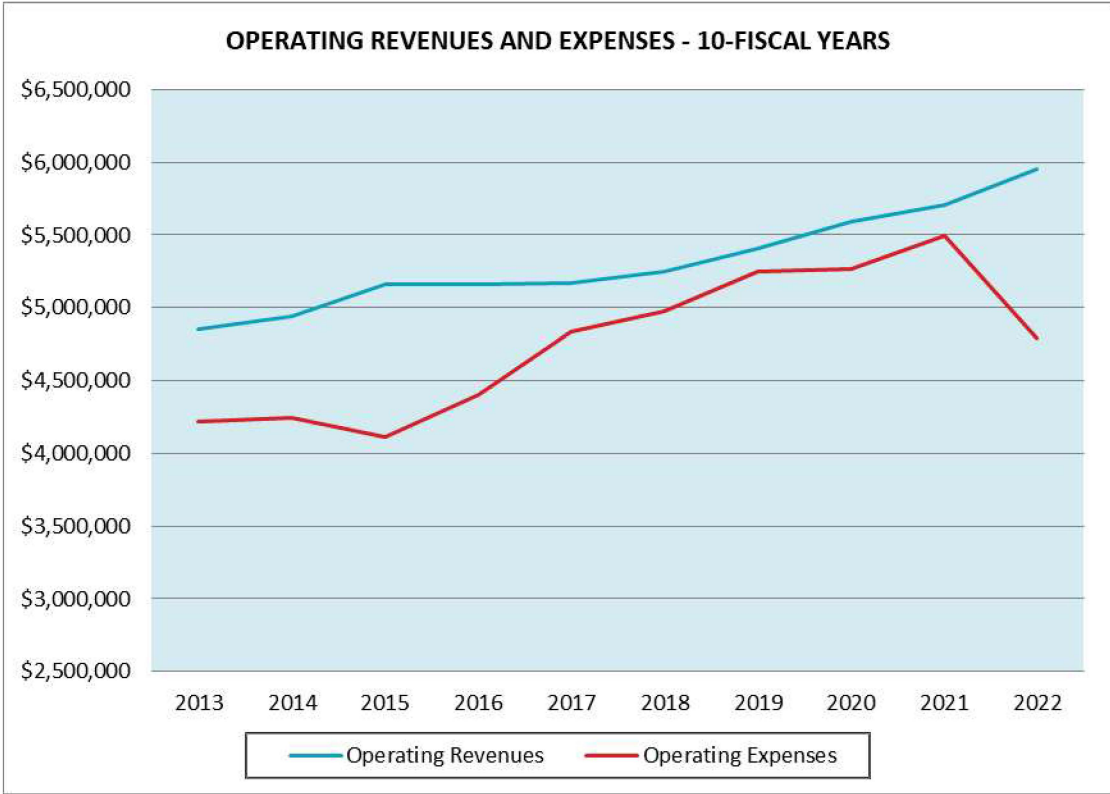
³ Included in power expense prior to fiscal year 2009.

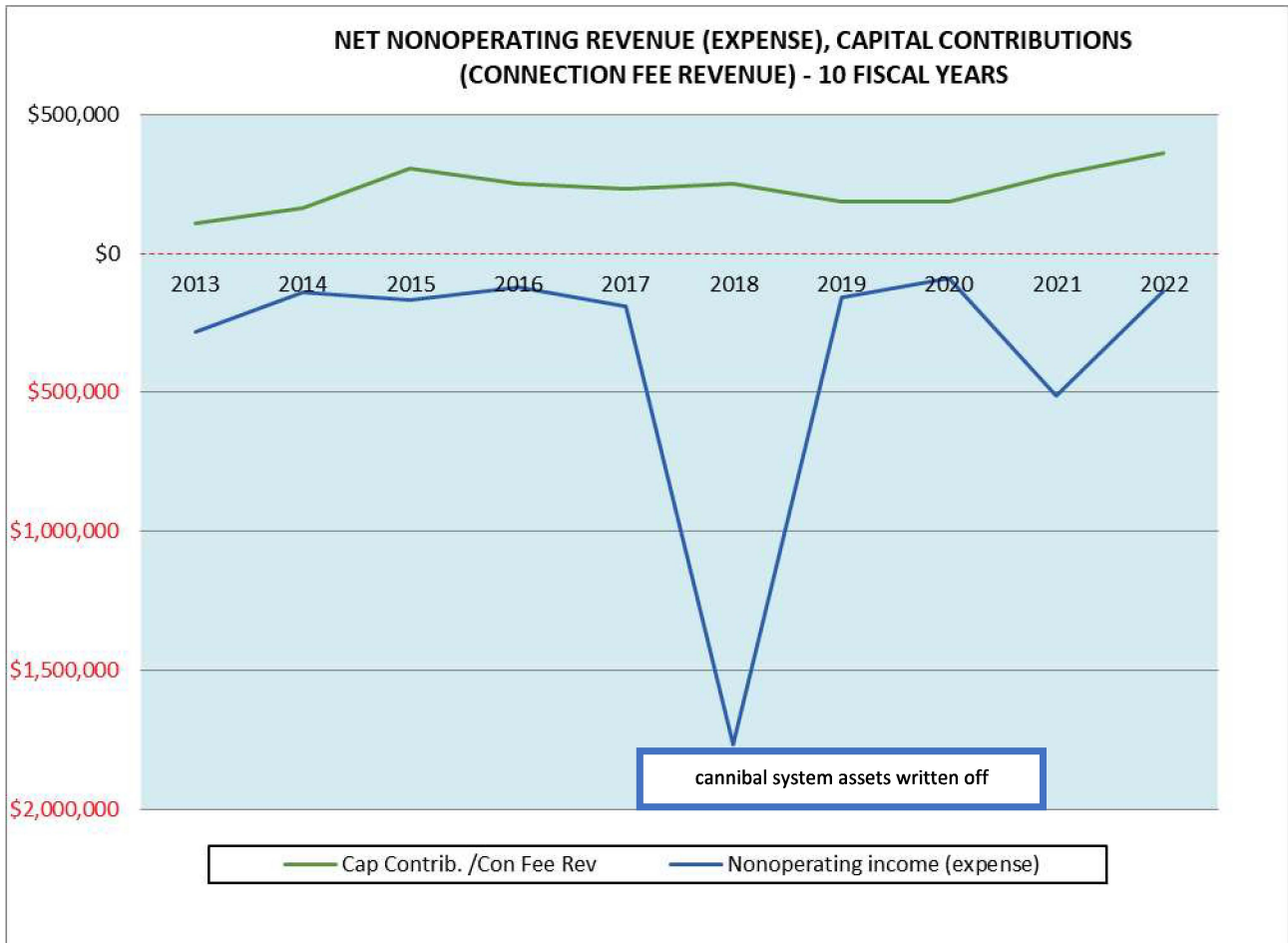
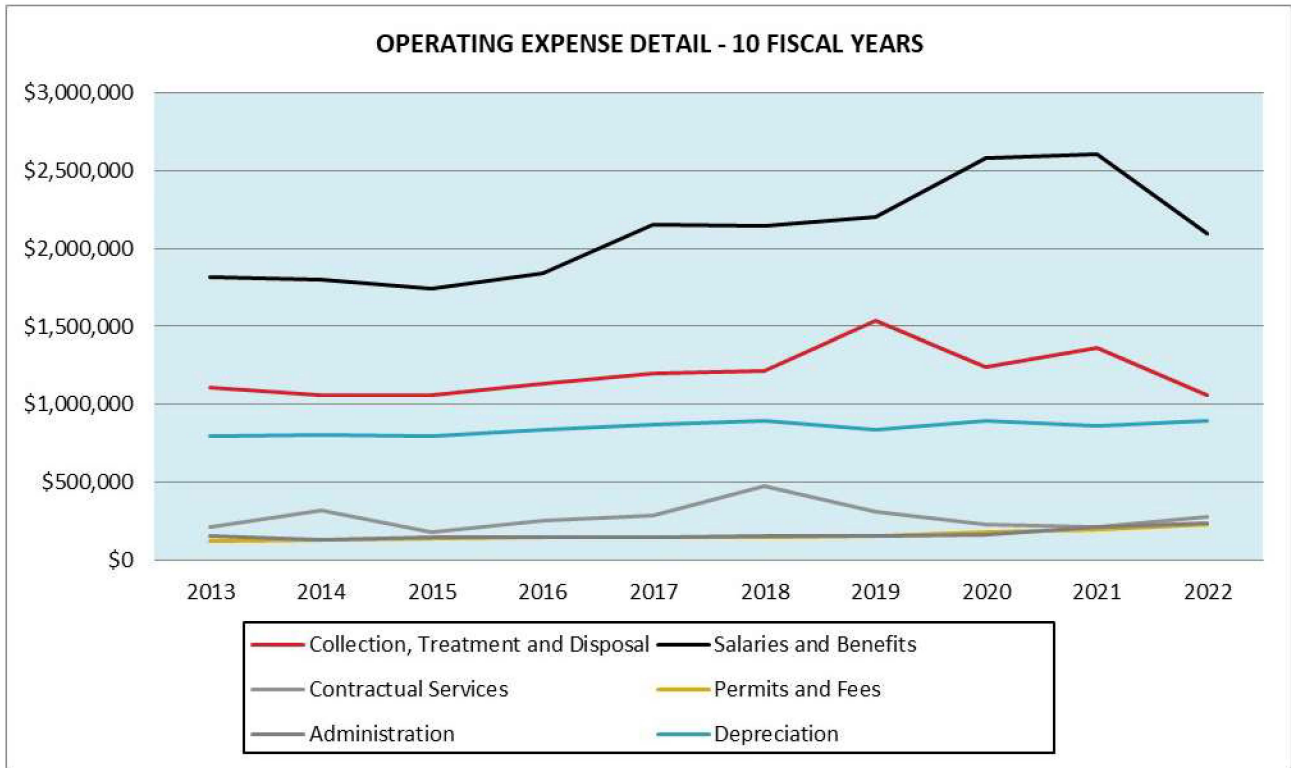
⁴ Included in materials and supplies expense prior to fiscal year 2009.

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, 2018 and 2021 to reflect a reduction in assets, the Agency's PERS side fund liability, the implementation of GASB 65, the implementation of GASB 68, implementation of GASB 75, and the implementation of GASB 87, respectively.

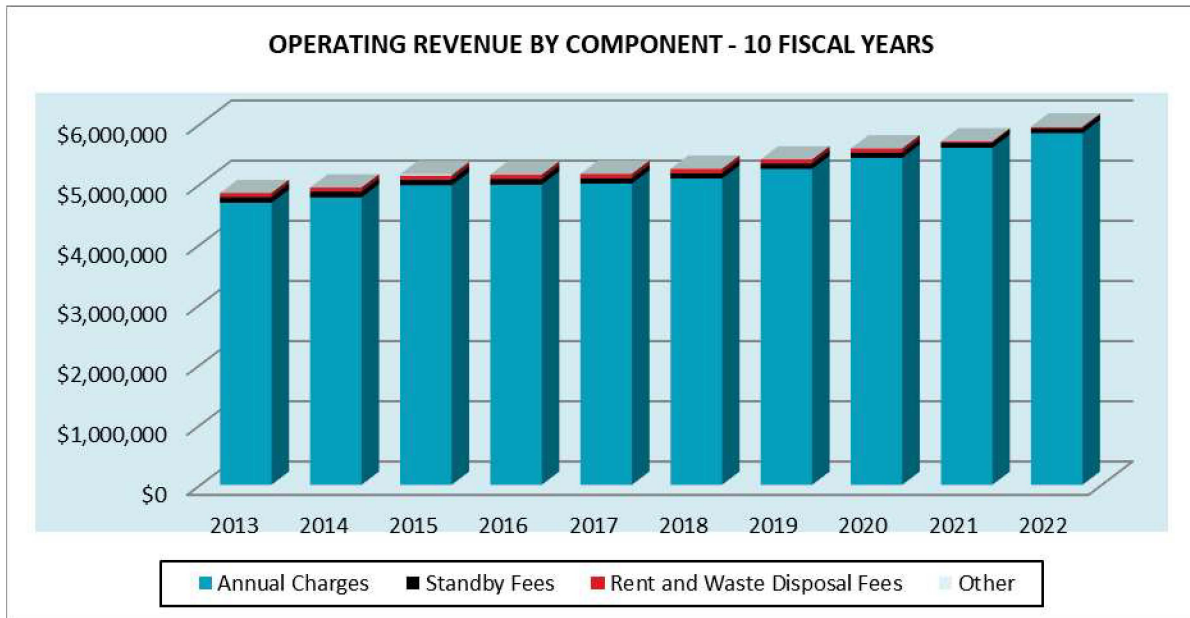




Revenue Capacity

OPERATING REVENUE BY CATEGORY - 10 FISCAL YEARS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERATING REVENUES:										
Annual charges	\$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	5,845,163
Standby fees	92,430	91,400	90,860	89,250	86,930	85,180	83,200	81,660	80,300	79,220
Rent, waste disposal fees	68,351	70,178	68,120	72,101	71,951	73,562	71,679	70,610	23,859	22,070
Other	50	2,007	24,575	5,104	488	1,916	765	0	793	7,709
Total operating revenues	<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>\$5,707,065</u>	<u>5,954,162</u>

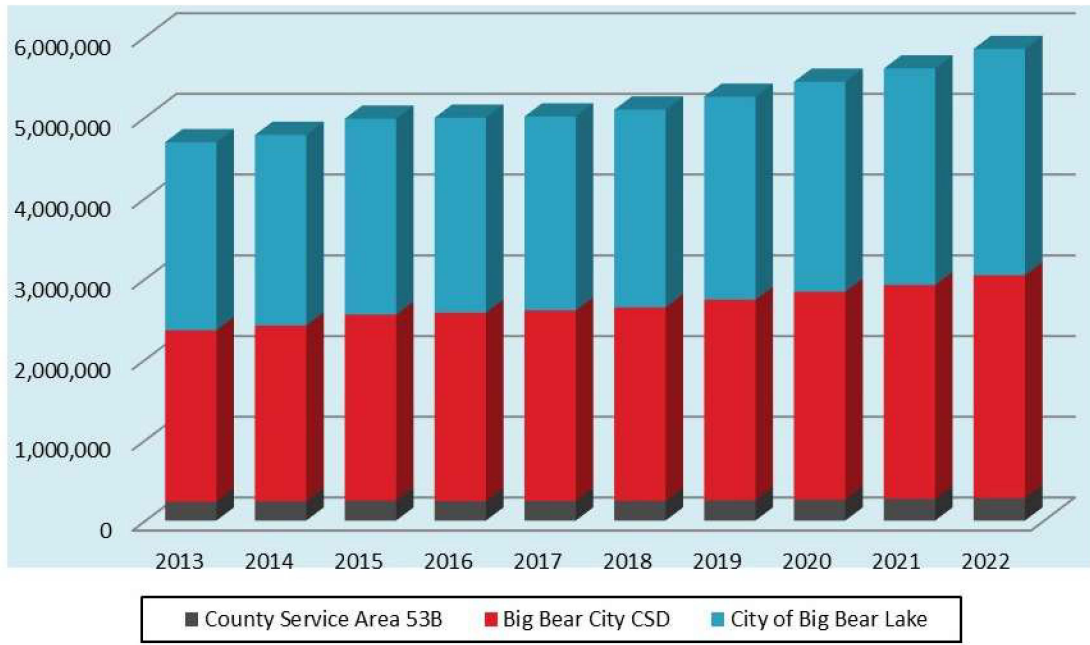


Annual charges are the Agency’s largest component of Operating Revenues and represent the Agency’s charges for the collection, treatment and disposal of wastewater flow. Annual charges are charged to the Member Agencies (the Big Bear City Community Services District, the City of Big Bear Lake, and the 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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CSA 53B	\$233,120	\$239,091	\$247,473	\$241,822	\$242,135	\$244,697	\$250,523	\$258,429	\$268,256	\$278,853
Big Bear City CSD	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	2,763,777
City of Big Bear Lake	<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>	<u>2,802,534</u>
Total Annual Charges	<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>	<u>\$5,845,163</u>

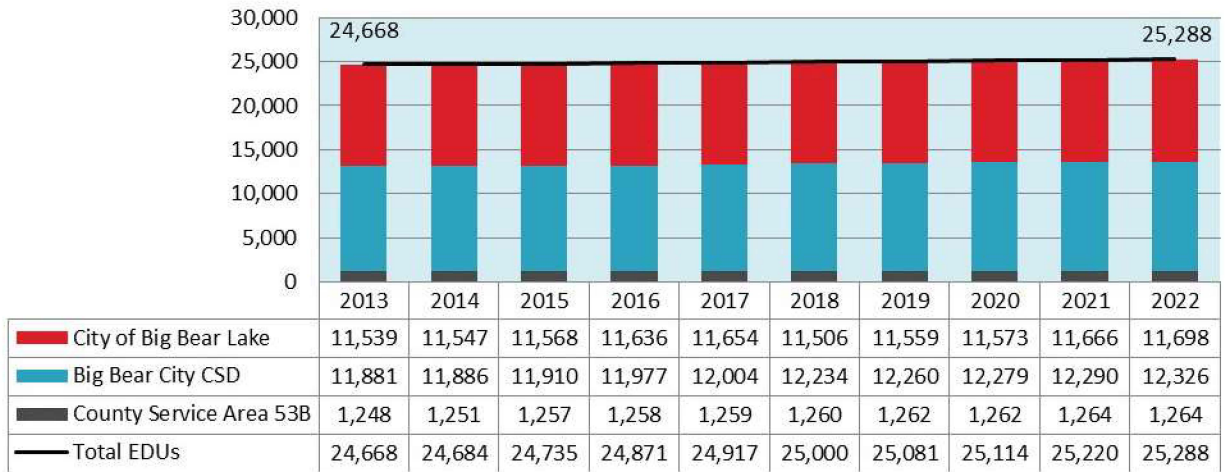
**ANNUAL CHARGES BY MEMBER AGENCY
10 FISCAL YEARS**



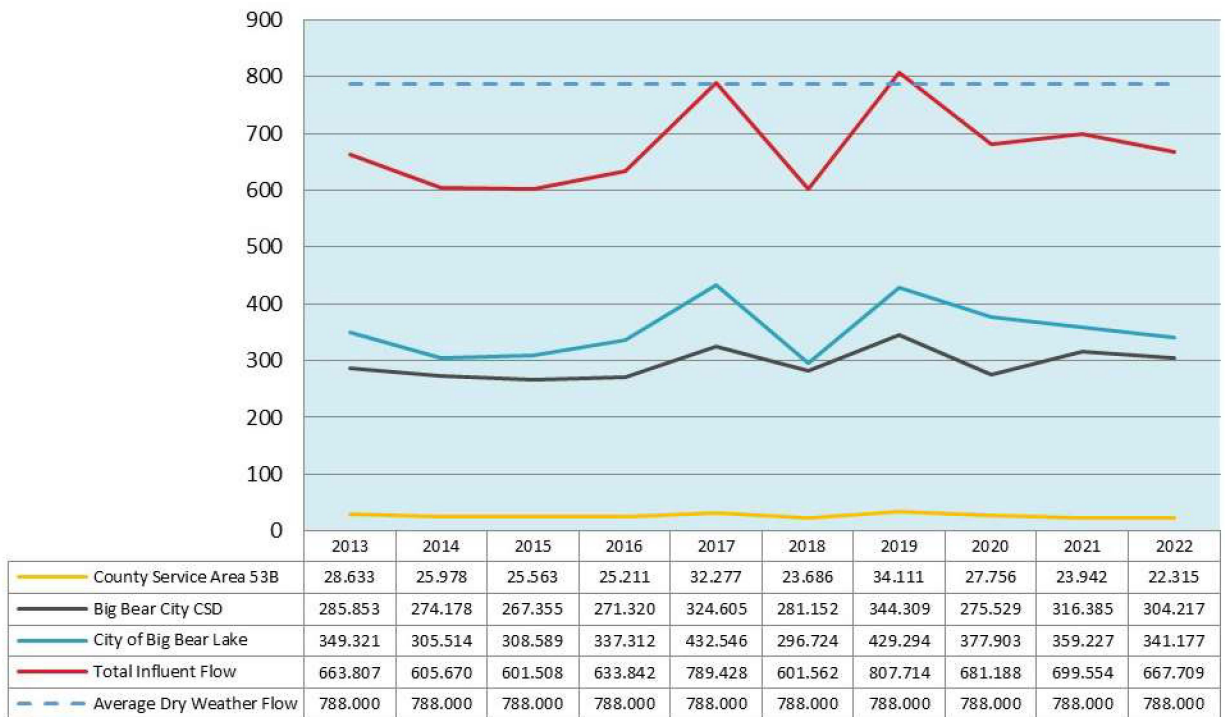
**ANNUAL CHARGES BY MEMBER AGENCY
% OF TOTAL**

	<u>2013</u>	<u>2022</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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Principal Outstanding (1)	\$ 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	\$ 2,885,070
EDUs	24,668	24,684	24,735	24,871	24,917	25,000	25,081	25,114	25,220	25,288
Debt per EDU	\$ 201	\$ 185	\$ 167	\$ 148	\$ 129	\$ 110	\$ 161	\$ 146	\$ 130	\$ 114
Debt per Residential EDU	\$ 242	\$ 221	\$ 200	\$ 178	\$ 155	\$ 132	\$ 193	\$ 175	\$ 156	\$ 137
Debt as % of Household Income	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.3%	0.3%	0.3%
Rate of Debt to Gross Revenue	100	0.89	0.75	0.68	0.59	0.49	0.70	0.62	0.54	0.46

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. For the periods through 2017 the estimate was determined with data provided in the 2010 U.S. Census Bureau. For periods 2018 and after, data provided in the 2018 American Community Survey was used.

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					
2013	-	0	4,969,876	4,969,876	4,975,410	1,561,293	579,284	2.70
2014	-	0	4,554,398	4,554,398	5,118,255	1,674,775	579,284	2.89
2015	-	0	4,125,097	4,125,097	5,483,955	2,213,205	579,284	3.82
2016	-	0	3,681,512	3,681,512	5,433,739	1,907,640	579,284	3.29
2017	-	0	3,223,168	3,223,168	5,426,749	1,490,810	579,284	2.57
2018	-	0	2,368,710	2,368,710	5,575,660	1,440,559	579,284	2.49
2019	0	0	4,040,433	4,040,433	5,759,997	1,402,366	593,013	2.36
2020	0	0	3,668,205	3,668,205	5,908,852	1,508,210	511,944	2.95
2021	0	0	3,283,230	3,283,230	6,042,227	1,446,634	511,944	2.83
2022	0	0	2,885,070	2,885,070	6,300,304	2,391,563	511,944	4.67

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 and amortization expense. Net Revenues include one-time, non-operating income of \$788,361 in fiscal year 2011. Net Revenue include GASB 68 and 75 adjustments. These adjustments were material in FY 2022. Excluding these adjustments, debt service coverage in FY 2022 was 3.78%.

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.**

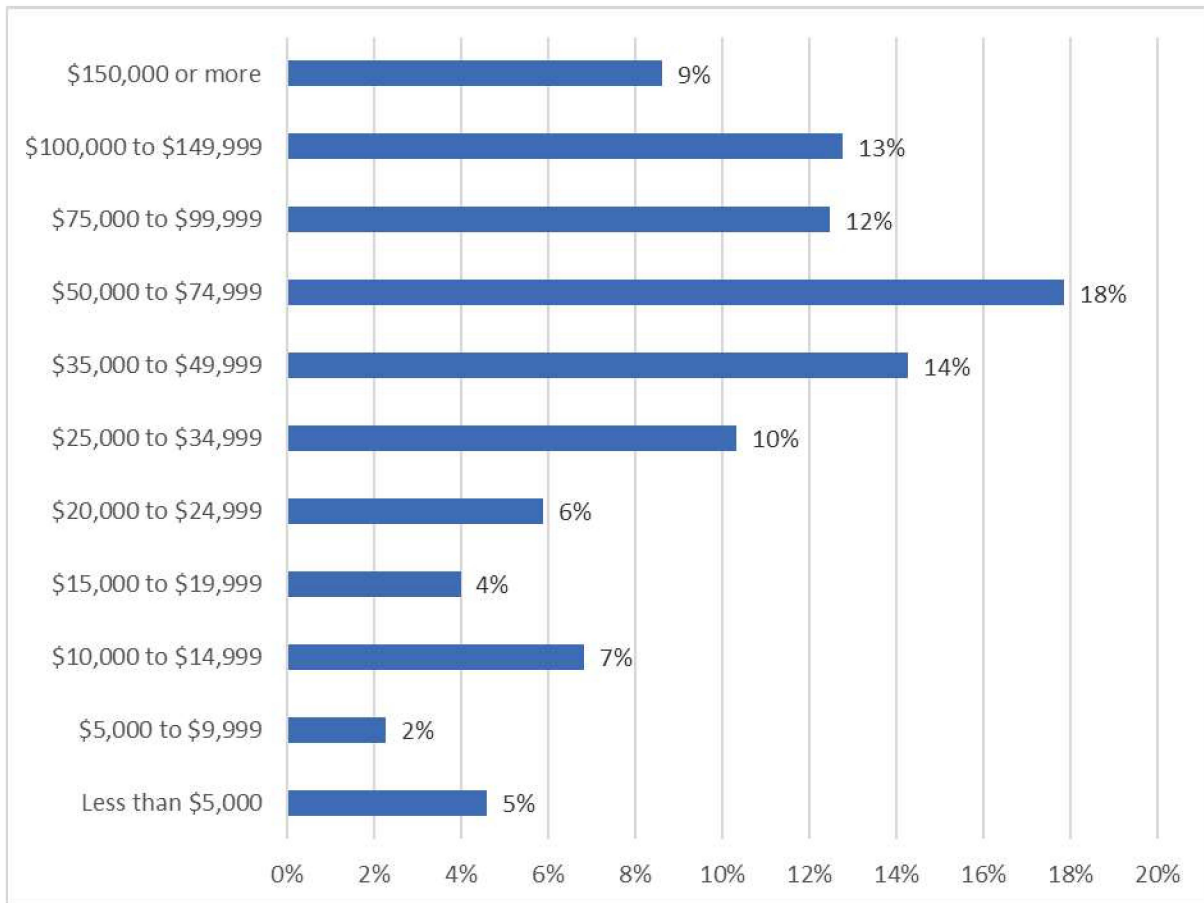
POPULATION ESTIMATES

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

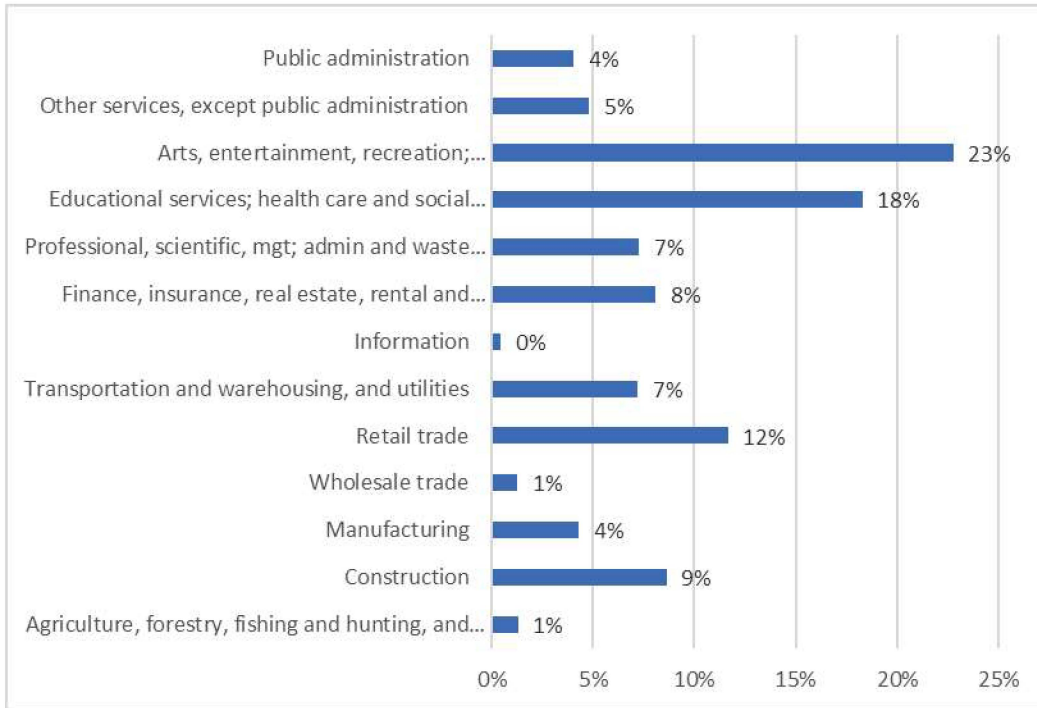
UNEMPLOYMENT ESTIMATES

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

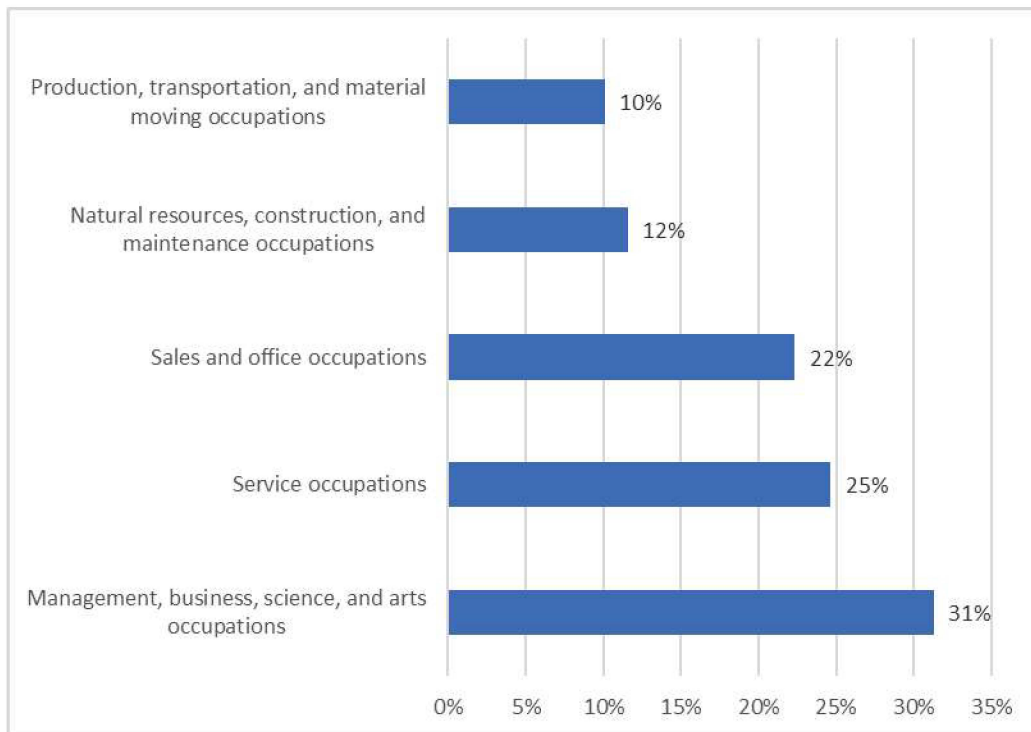
HOUSEHOLD INCOME
(combined zip codes of 92314 and 92315)



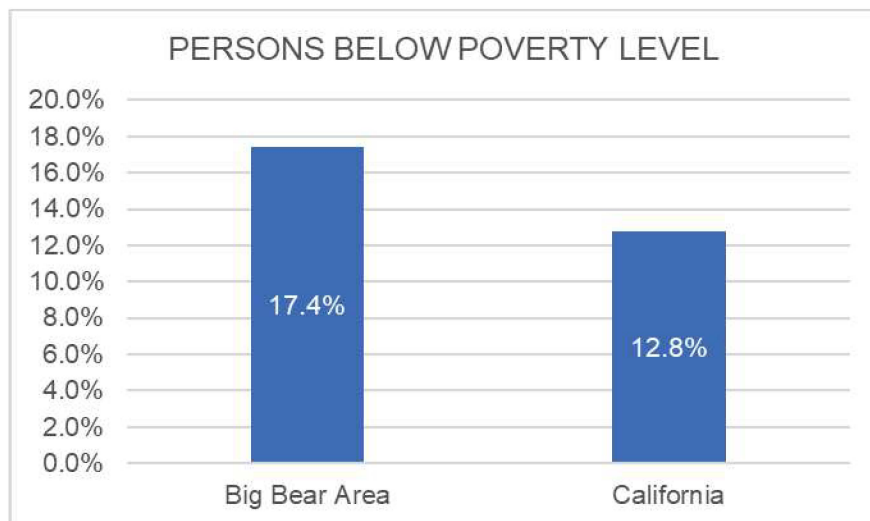
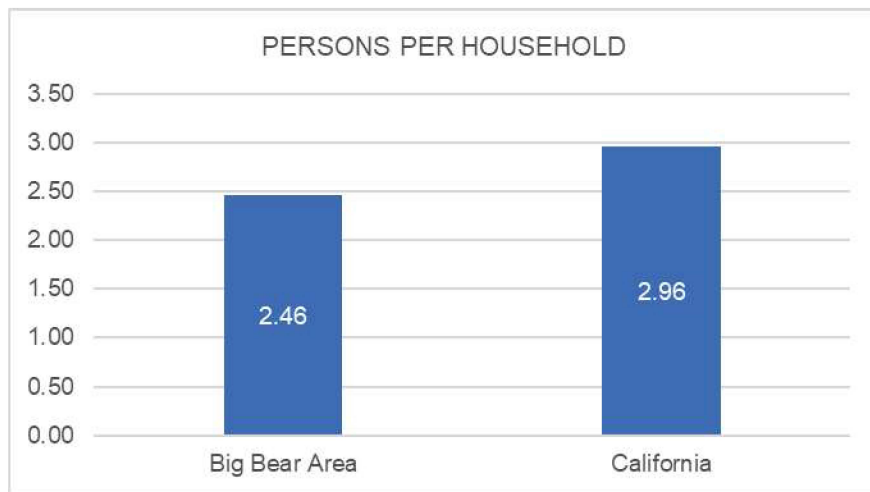
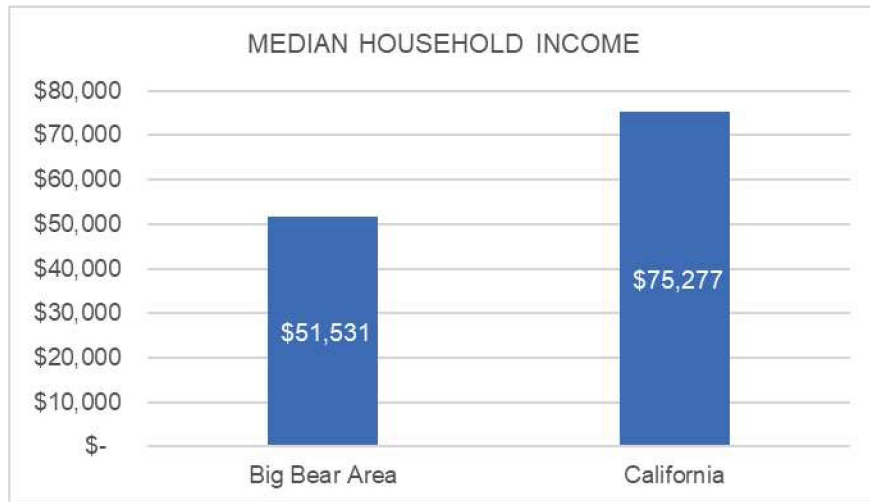
**% OF EMPLOYED POPULATION BY INDUSTRY
(combined zip codes of 92314 and 92315)**



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



BIG BEAR AREA¹ COMPARISON TO STATE OF CALIFORNIA

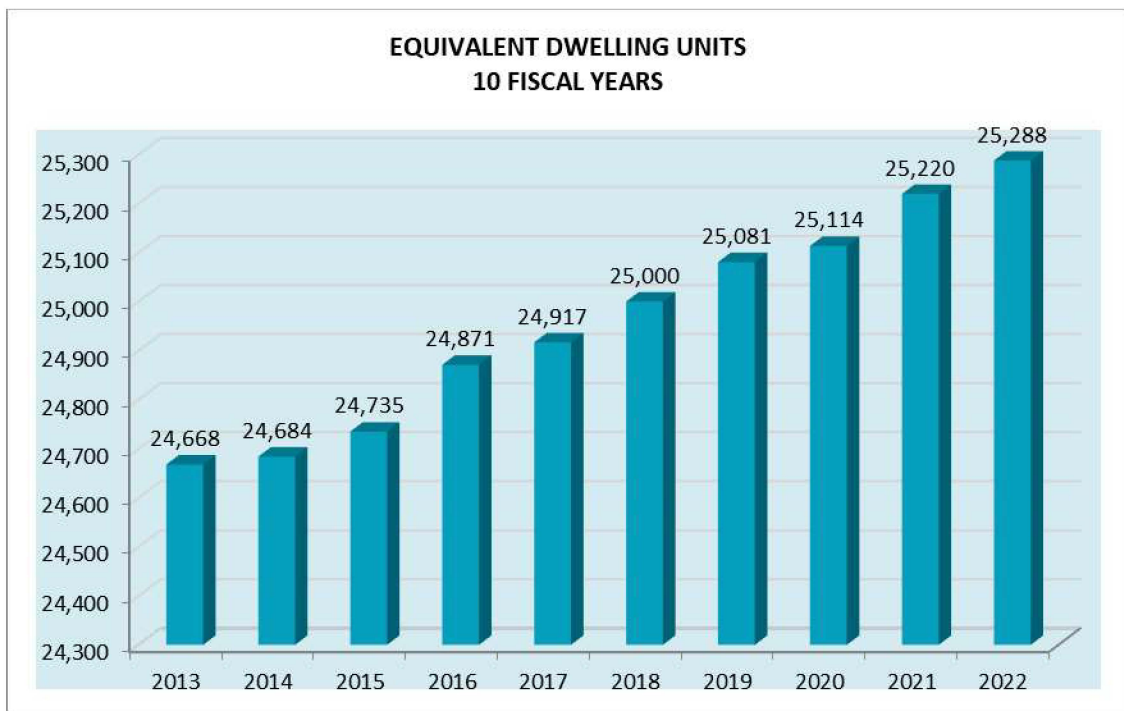
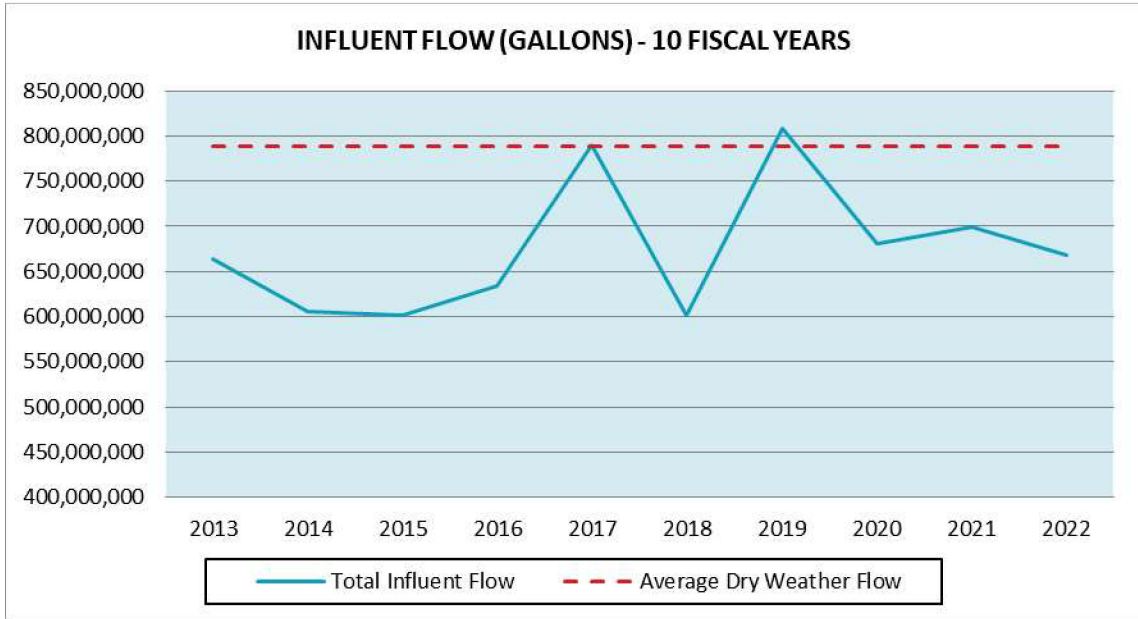


¹ Includes the zip code areas of 92314 and 92315.

Operating Information

System Demand (annual influent flow)

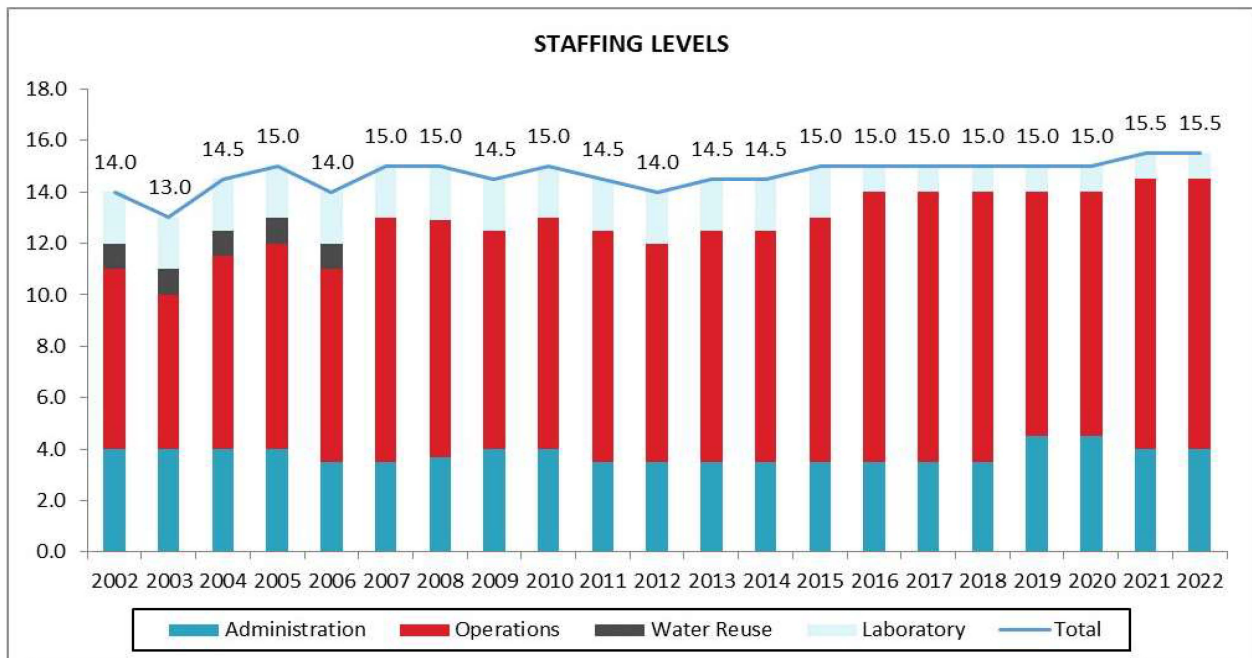
The Agency's wastewater flows are primarily impacted by 1) wet weather which creates infiltration and inflow into the system, and 2) peak tourist periods. Otherwise, the Agency's wastewater flows are fairly predictable due to the mature and stable commercial and residential housing markets in the area. The long-term average annual growth in equivalent dwelling units is below 1.0%. It is important to note that eight 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	10.5	0.0	1.0	15.5
2022	4.0	10.5	0.0	1.0	15.5

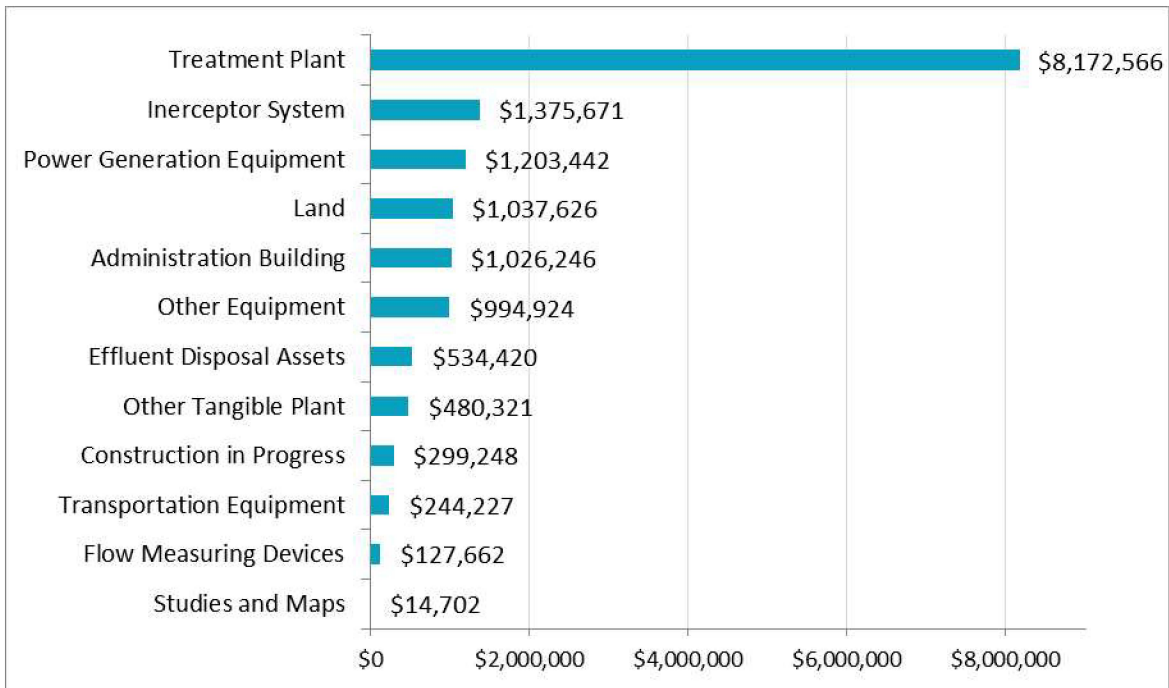
¹Full-time regular employees are assigned a 1.0. Part-time (regular, not full-time) and Non-regular (seasonal, temporary) are assigned a 0.5, although hours worked and compensation are not equivalent, i.e. part-time employees may receive full benefits and non-regular employees may not receive benefits. 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 (53%) 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%