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Years



**BIG BEAR AREA
REGIONAL WASTEWATER AGENCY**

P.O. Box 517, 121 Palomino Drive, Big Bear City, CA 92314-0517

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
For Fiscal Year End June 30, 2025**

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

FY 2025
Annual Comprehensive
Financial Report
For the year ended June 30, 2025

*Protecting Big Bear's Future
through Responsible
Planning*



David Lawrence, *General Manager*

Prepared by

Christine Bennett, *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, 2025**

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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 6, 2025

Chairperson, Members of the Governing Board of Directors, and the Public:

We are pleased to submit 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, 2025. California Government Code Section 26909(a)(2) 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 is responsible for the accuracy and reliability of the information contained within the report, based upon a comprehensive framework of internal controls that have been established for this purpose. The cost of internal controls should not exceed anticipated benefits; therefore, 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 the financial position of the Agency.

The auditing firm of Rogers, Anderson, Malody & Scott, LLP have conducted an independent audit of the Financial Report. 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, 2025. 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 to enhance the readers' understanding of the information provided.

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 an enterprise, wastewater treatment facility which was established in 1974 and organized as a joint powers agency, currently operating under Special District 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 San Bernardino County Service Area 53 B (the Member Agencies). The Agency's service area encompasses a rural mountain community of approximately 79,000 acres and 25,600 sewer connections.

Governing Body

The Agency is governed by a five-member Governing Board. Per the Joint Powers Agreement, Governing Board members are appointed to four-year terms by the governing bodies of its three Member Agencies.

Services

The Agency provides wastewater collection, treatment, and disposal services to the Big Bear Valley, serving approximately 25,600 commercial and residential customers. On average, the Agency treats approximately 800 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 Quality 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. R7-2021-0023. The disposal site is leased to an independent contractor.

Mission

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

To conduct 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 between 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 improvement 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 primarily 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 closely by professional, management, administrative, and waste management services. The Agency serves an area that experiences relatively low growth with new connections averaging less than 1% over the long term or approximately 62 connections per year. Over the past 10 years new connections to the system have been low with the exception of the COVID-19 migration which saw an influx of new construction and the construction of a new hotel during FY 2024. The annual average of new connections for the last ten years is approximately 57 per year, not including nonrecurring multi-unit connections (such as the addition of a new hotel). 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. The rate adjustment for FY 2025 is 18%. The FY 2026 rate adjustment is 6%, initially forecast at 18% however, due to the project pause during FY 2025 for Replenish Big Bear (RBB), BBARWA's Big Wastewater Treatment Upgrade Project, the additional increase was also paused. Projected rate adjustments are 18% annually from FY 2027 through FY 2029, with a 6% rate adjustment projected for FY 2030. These rate adjustments include rate collection for RBB for debt service payments and operational costs. Annual rate adjustments, not including RBB, average 6% through FY 2030 and reflect the changes to the methodology used when prioritizing capital improvements and updated project costs based on that methodology. These rate and inflation assumptions were developed during the FY 2026 budget process.

The Agency has focused on managing costs to inflationary levels, which has resulted in relatively stable rates over the years. 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. With the addition of RBB and the implementation of an updated capital improvement forecasting methodology, it has become necessary to adjust rates above inflationary levels for FY 2025 through FY 2030.

The Agency has experienced challenges to estimating and forecasting capital project costs over the years. Those challenges include post-pandemic cost volatility and supply chain disruptions, limited bidders due to scheduling conflicts and seasonal weather deadlines, and geographic limits. The process of using the Construction Cost Index, published by the Engineering News Record, to forecast capital costs was simply not keeping up with the current conditions. A new capital improvement forecasting methodology, adopted in FY 2025, prioritizes capital improvements based on likelihood and consequence of failure scores and addresses outdated project costs. Project estimates will be escalated by the Handy Whitman Index, a widely recognized benchmark that tracks construction cost trends across various regions and project types. This index will provide reliable data for estimating future costs, allowing the Agency to forecast capital costs more accurately and allow for better financial planning. As a result of the updated capital improvement forecasting methodology, rate adjustments, not including RBB, are forecast to be slightly higher than inflation through FY 2030. Rate adjustments are expected to return to at or near inflation in FY 2031.

The Agency's capital projects during the next five-year period through FY 2030 total approximately \$87.1 million (approximately \$17.4 million annual average) and through FY 2045 total approximately \$120 million (approximately \$6 million annual average). Over the long term, under the updated capital improvement plan, approximately 28% of the Agency's capital investment is for maintenance with the remaining 72% for non-maintenance improvements.

Over the next five years, the Agency's major capital projects (in approximate amounts) include \$2.8 million for the rehabilitation of the North Shore Pump Station 3 Well \$1.7 million for the Outfall Line Investigation Project (pipeline to Lucerne Valley), \$945,000 for the Return Activated Sludge (RAS) Header Replacement Project, \$900,000 for the Clarifier Splitter Gates Project, \$2.1 million in asphalt and paving improvements, and \$800,000 to update the Wastewater Treatment and Outfall Master Plan, the Collection Systems Master Plan, and pipeline maps. Capital project costs for RBB through FY 2028 are anticipated to be approximately \$76 million, which will be funded through a combination of debt, grant proceeds, and RBB reserves.

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 adopted a policy on a balanced budget, which is included as part of the Financial Policies. The Agency's practice is to balance the budget through the planned use of contributions to the Agency's capital and replacement fund and structure 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 2026 Major Initiatives

RAS Header Replacement Project – The RAS header replacement requires the replacement of the existing RAS pumping suction piping, RAS pump discharge piping, and downstream header from the pump discharge flanges to the RAS header isolation valve. The valves, piping, fittings, and couplings for the headers were purchased in FY 2024 and FY 2025 under the headers and check valves project. This project includes cured-in-place pipe (CIPP) lining of the RAS piping from the Main Pump Building to the Oxidation Ditch Splitter Box and the sludge piping from each clarifier to the Main Pump Building. Engineering is expected to be completed in FY 2025.

Oxidation Ditch 1 Wall Rehabilitation – A section of the northern wall has been structurally compromised due to poor subgrade conditions. The concrete and geotechnical conditions require investigation to determine the appropriate repair method and construction to stabilize subgrade conditions, repave the road between Oxidation Ditch 1 and 2, and repair or replace the concrete. The construction cost also includes an allowance for the contractor to clean out settled solids from Oxidation Ditch 1 to allow for work in the structure.

Replenish Big Bear – Through state-of-the-art treatment processes, RBB will produce high-quality water (Program Water) that exceeds drinking water standards. The purified Program Water will be used to recharge groundwater levels in the Big Bear Valley to protect the community's drinking water supply during extended dry periods, augment lake levels to support recreation and enhance economic growth and sustain habitat.

The Agency began the preliminary engineering and environmental work for RBB in FY 2019. Pre-construction activities began in FY 2023 which included engineering, environmental, pilot facility planning and implementation, and design work. Piloting for RBB was completed in FY 2024. A preliminary design report, updated cost estimates, and a financing plan for RBB are expected to be completed during FY 2026. This will provide the most current information to the Governing Board, allowing them to make informed decisions about RBB. Final design is scheduled to be completed in FY 2026 with construction beginning soon thereafter

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, 2024. This is the 13th 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. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and will be submitting 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



Christine Bennett
Finance Manager

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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, 2024

Christopher P. Morrill

Executive Director/CEO

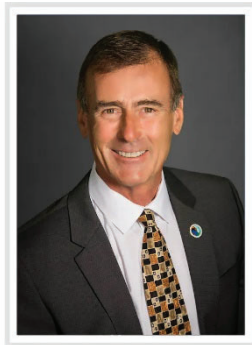
The Governing Board of Directors



Kendi Segovia, Chair
City of Big Bear Lake



Larry Walsh, Vice-Chair
Big Bear City CSD



Rick Herrick, Director
City of Big Bear Lake



Jim Miller, Director
County Service Area 53B



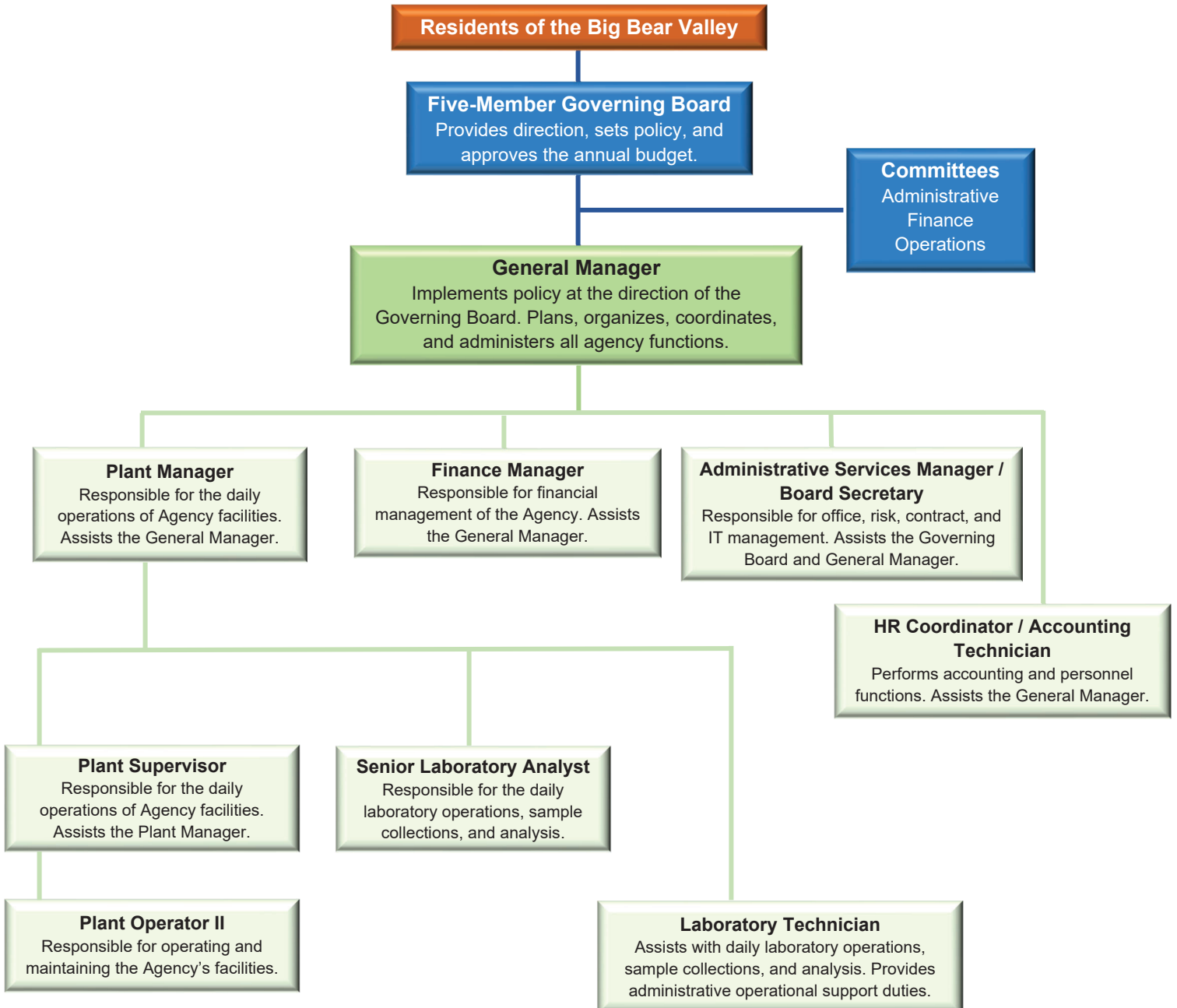
John Russo, Director
Big Bear City CSD

General Manager and Management Staff

David Lawrence	General Manager	909-584-4018
Christine Bennett	Finance Manager	909-584-4522
John Shimmin	Plant Manager	909-584-4520
Bridgette Burton	Administrative Services Manager	909-584-4524

Organizational Chart

(as of June 30, 2025)



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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Big Bear Area Regional Wastewater Agency (the Agency), as of and for the year ended June 30, 2025, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, and State Controller's *Minimum Audit Requirements for California 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 (*Government Auditing Standards*), 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 2024 financial statements, and we expressed an unmodified opinion in our report dated October 6, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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 issuance 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 opinions. 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 and GAS 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 and change to *Government Auditing Standards*, 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 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 GAAS, 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 that collectively comprise the Agency's basic financial statements. 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 supplementary information listed above 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. The 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 (ACFR). The other information comprises the introductory section 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 6, 2025 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 6, 2025

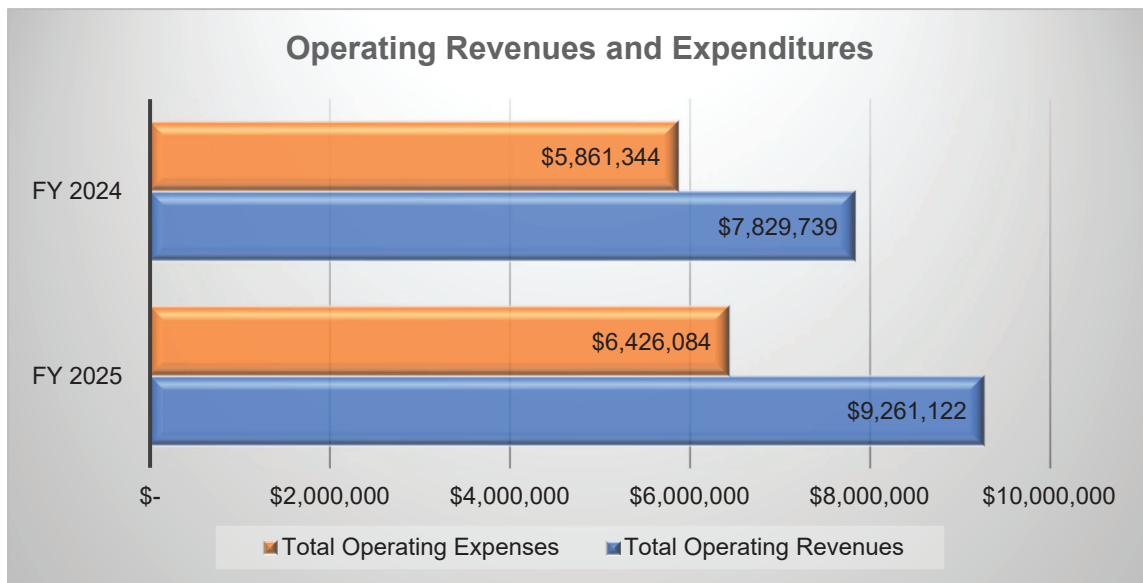
BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2025

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, 2025 (FY 2025). 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. Operating revenues outpaced operating expenses with operating revenues increasing by 18% and operating expenses increasing by 10%. This resulted in an increase in operating income during the period of \$2,835,038, a 44% increase over the prior year. The end of year net position increased by 16%.

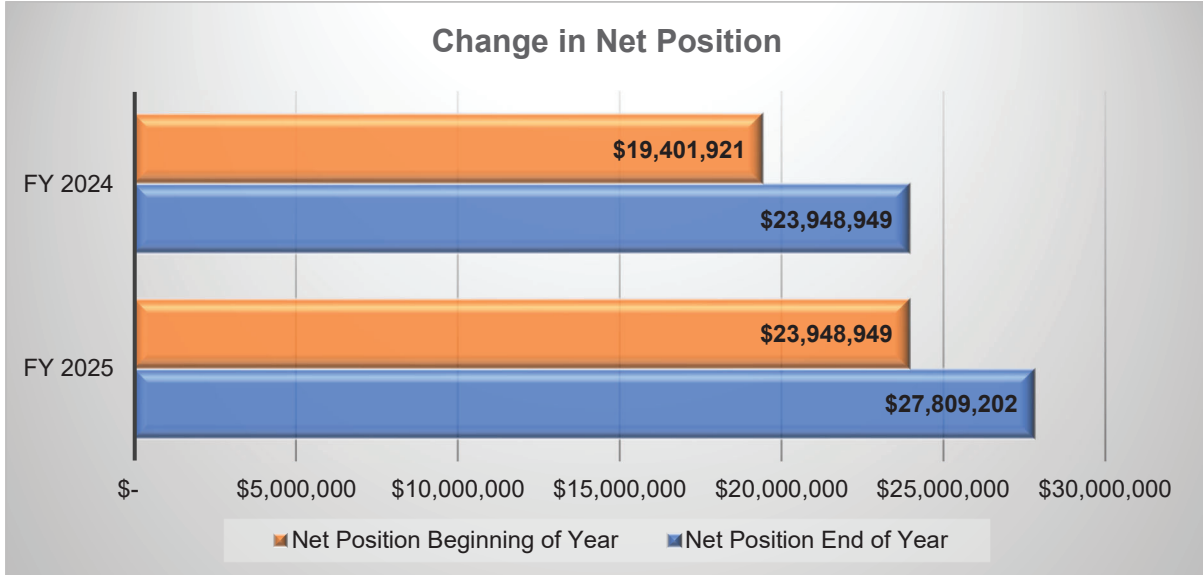


The Agency's operating revenues increased by \$1,431,383 or 18% compared to the prior period. The increase was primarily due to an 18% increase in sewer user fees, which included an increase for Replenish Big Bear (RBB) debt service and operations reserves. Operating expenses increased \$564,740 or 10% over the prior period, with the greatest increase experienced in salaries and benefits, primarily a result of GASB 68 and GASB 75 accounting adjustments, increases in medical premiums, and budgeted cost of living and merit increases.

The Agency's nonoperating revenues decreased \$1,271,169 or 55% over the prior period and was mostly due to the RBB pause and lower expected grant reimbursements. Nonoperating expenses decreased \$14,531 or 6%, primarily a result of lower interest expense as the principal on debt service reduced. Overall, net nonoperating revenues (expenses) had a negative variance of \$1,256,638 for the period.

Capital contributions (connection fee revenue) decreased \$296,780 or 60% during the period, primarily a result of an addition of 62 connections for the Hampton Inn in FY 2024. Current period connections were 47, a decrease of 71 connections. The connection fee (the rate charged per connection) remained unchanged during the period at \$4,180 per connection.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
 Management's Discussion and Analysis
 Year ended June 30, 2025



Net position increased \$3,860,253 over the year-ago period as a result of the increase in operating revenues partially offset by an increase in operating expenses and a decrease in nonoperating income.

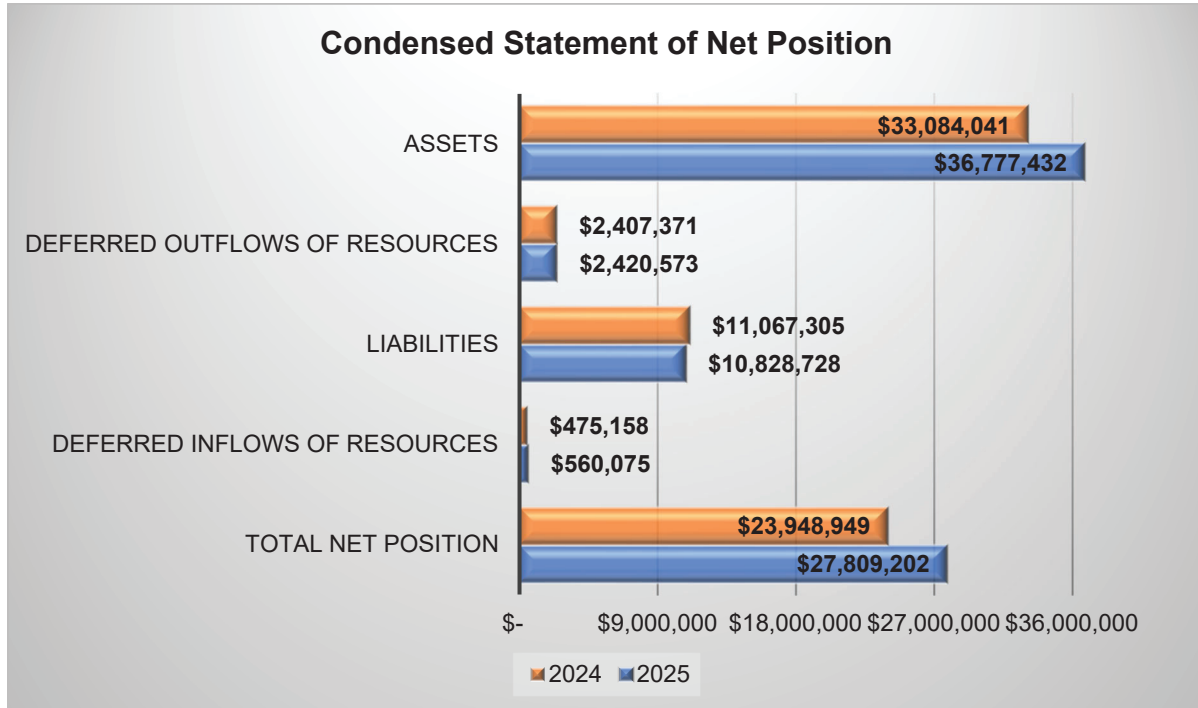
The Agency had positive cash flow during the period of \$4,003,457. The Agency generated approximately \$5.6 million in cash from operations and investment income. These sources of cash were offset in part by capital expenditures and debt service of approximately \$1.6 million. Capital expenditures were partially offset by grant proceeds for RBB.

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

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.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2025



Condensed Statement of Net Position

	As of June 30,		2025 vs 2024	
	2025	2024	Increase (Decrease)	% Change
Assets:				
Current and other assets	\$ 16,729,638	\$ 13,585,574	\$ 3,144,064	23%
Capital assets, net	19,970,578	19,430,494	540,084	3%
Other noncurrent assets	77,216	67,973	9,243	14%
Total assets	36,777,432	33,084,041	3,693,391	11%
Deferred Outflows of Resources	2,420,573	2,407,371	13,202	1%
Liabilities:				
Current liabilities	4,592,695	1,350,597	3,242,098	240%
Noncurrent liabilities	6,236,033	9,716,708	(3,480,675)	-36%
Total liabilities	10,828,728	11,067,305	(238,577)	-2%
Deferred Inflows of Resources	560,075	475,158	84,917	18%
Net Position:				
Net investment in capital assets	14,949,285	13,994,395	954,890	7%
Unrestricted	12,859,917	9,954,554	2,905,363	29%
Total Net Position	\$ 27,809,202	\$ 23,948,949	\$3,860,253	16%

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2025

Summary

The Agency's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,809,202 at fiscal year-end. This increased \$3,860,253 compared to the prior year driven by an increase in current assets (cash and investments) and capital assets, offset by increases in liabilities, primarily post-employment benefit (OPEB) liabilities.

Assets

Total assets increased \$3,693,391 or 11% over the prior period and was the result of an increase across most asset types. The increase in current assets was driven by higher cash and investments resulting from increased cash flow during the period. Higher cash flow was driven by an increase in sewer user fees to build required reserves for RBB and an increase in interest revenue. The increase in noncurrent assets was primarily driven by an increase in capital assets with the completion of the Headworks (including the wash press) and the Lake Pump Station generator and fuel system projects. Capitalized investment for the period was \$1,390,502 compared to \$934,411 in asset depreciation and amortization.

Deferred Outflows of Resources

Deferred outflows of resources increased slightly, \$13,202 or 1% over the prior period and primarily reflects the net change in pension and OPEB related adjustments associated with changes in investment experience and contributions related to these plans.

Liabilities

Total liabilities decreased \$238,577 or 2% from the prior period. The decrease was driven by an increase in current liabilities of \$3,242,098, offset by a decrease in noncurrent liabilities of \$3,480,675. The greatest contributing factor was an increase in OPEB liabilities of \$295,537 as a result of higher medical premium rates. This was partially offset by decreases in accounts payable and accrued expenses of \$125,721 and long-term liabilities by \$378,272, as a result of scheduled principal amortization.

Deferred Inflows of Resources

Deferred inflows of resources increased \$84,917 or 18%, driven mostly by OPEB adjustments associated with changes in medical premium rates.

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 \$3,860,253 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 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 nonoperating expenses presented second, and capital contributions presented last. The change in net position shows the residual

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
Year ended June 30, 2025

revenue (on an accrual basis) that is available to contribute toward current and future capital (both investment and debt service) and reserve funding and is an indication of the adequacy of the Agency's rates.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	As of June 30,		2025 vs 2024	
	2025	2024	Increase (Decrease)	%
			Change	
Operating revenues	\$ 9,261,122	\$ 7,829,739	\$ 1,431,382	18%
Nonoperating Income	<u>1,051,455</u>	<u>2,322,624</u>	<u>(1,271,169)</u>	-55%
Total revenues	10,312,577	10,152,364	160,212	2%
Operating expenses	5,491,673	5,002,841	488,832	10%
Depreciation and amortization	934,411	858,504	75,907	9%
Nonoperating expenses	<u>222,700</u>	<u>237,231</u>	<u>(14,531)</u>	-6%
Total expenses	6,648,784	6,098,576	550,208	9%
Net income (loss) before capital contributions	3,663,793	4,053,788	(389,995)	-10%
Capital contributions	<u>196,460</u>	<u>493,240</u>	<u>(296,780)</u>	-60%
Change in net position	<u>\$ 3,860,253</u>	<u>\$ 4,547,028</u>	<u>\$ (686,775)</u>	-15%
Net position, beginning of year	23,948,949	19,401,921	4,547,028	23%
Net position, end of year	27,809,202	23,948,949	3,860,253	16%

Summary

The Agency's operating revenues increased \$1,431,382 or 18% and operating expenses, including depreciation and amortization, increased \$564,740 or 10%, resulting in an increase in operating income of \$866,643 or 44% when compared to the prior period. This increase, with the addition of nonoperating revenue (expense), resulted in a \$686,775 or 15% decrease in change in net position for the period when compared to the prior period.

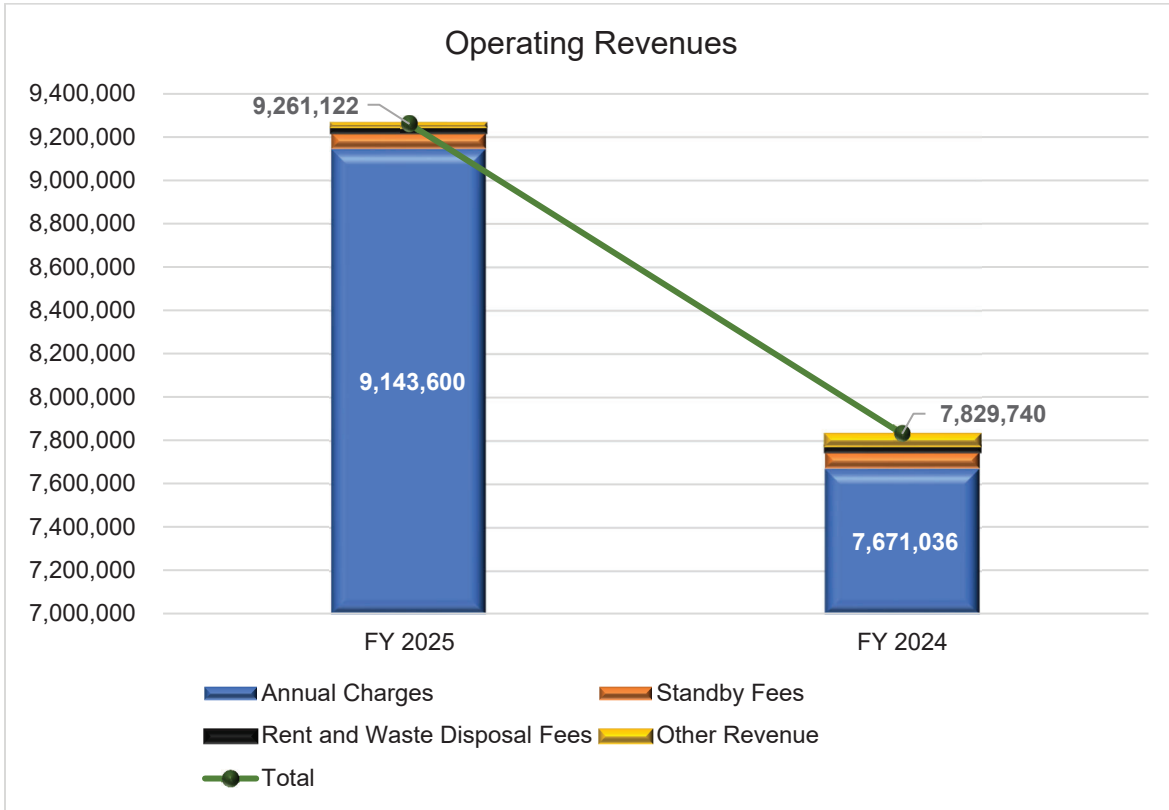
Operating Revenues

	As of June 30,		2025 vs 2024	
	2025	2024	Increase (Decrease)	%
			Change	
Operating revenues:				
Annual Charges	\$ 9,143,600	\$ 7,671,036	\$ 1,472,564	19%
Standby Fees	73,252	75,297	(2,046)	-3%
Rent and Waste Disposal Fees	28,340	30,010	(1,670)	-6%
Other Revenue	<u>15,930</u>	<u>53,396</u>	<u>(37,466)</u>	-70%
Total Operating Revenue	<u>\$ 9,261,122</u>	<u>\$ 7,829,739</u>	<u>\$ 1,431,382</u>	18%

Changes in operating revenues are largely driven by changes in annual charges which make up 99% of total operating revenues. Annual charges are based on the established sewer user fee set by the Governing

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Management's Discussion and Analysis
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Board and the number of equivalent dwelling units connected to the system. Sewer user fees increased 18%, which included an increase for required reserves and debt financing for RBB. When combined with new connections the total increase in annual charges was 19%, with an overall increase in operating revenue of 18%. The decrease in other revenue for the period resulted from an insurance claim reimbursement that was received in FY 2024.



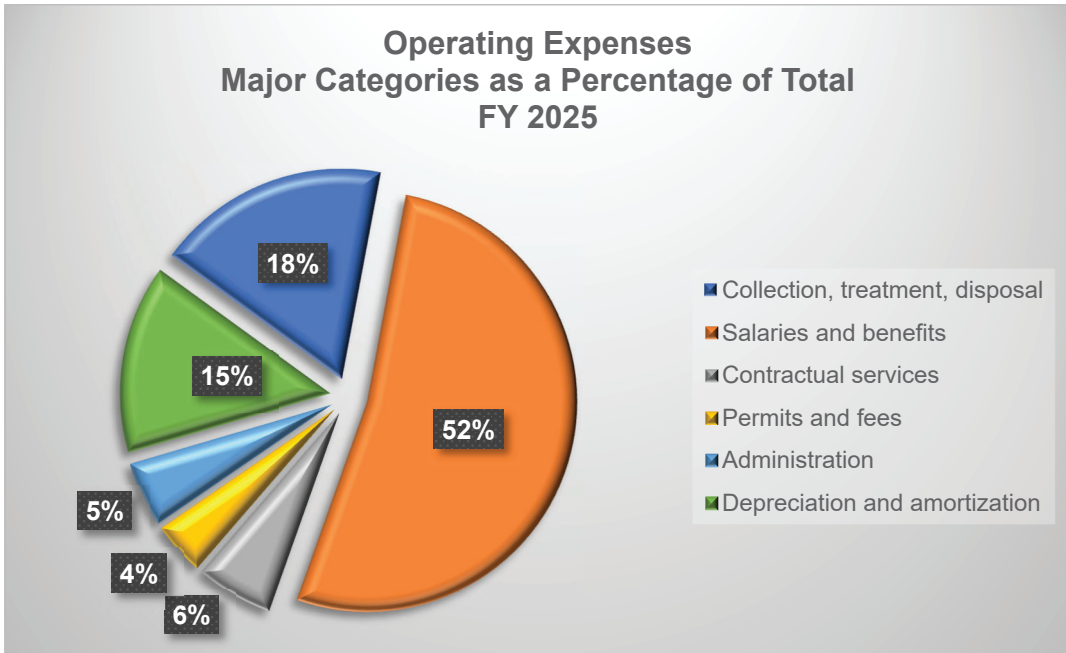
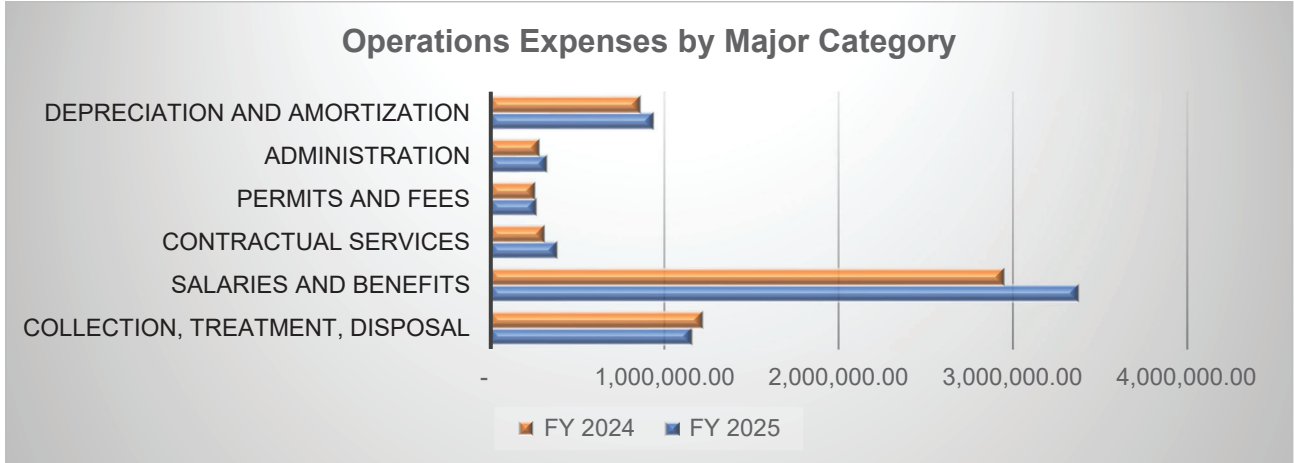
Operating Expenses

	As of June 30,		2025 vs 2024	
	2025	2024	Increase (Decrease)	% Change
Operating expenses:				
Collection, treatment, disposal	\$ 1,154,433	\$ 1,216,104	\$ (61,671)	-5%
Salaries and benefits	3,371,036	2,944,982	426,054	14%
Contractual services	380,919	307,965	72,954	24%
Permits and fees	262,791	254,556	8,235	3%
Administration	322,495	279,234	43,260	15%
Depreciation and amortization	934,411	858,504	75,907	9%
Total Operating Expenses	6,426,084	5,861,344	564,740	10%

Operating expenses increased \$564,740 or 10% compared to the year-ago period. This increase was distributed across most expense categories with the exception of collection, treatment, and disposal. The greatest increase experienced was in salaries and benefits. The increase in salaries and benefits was

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
Management's Discussion and Analysis
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largely due to accounting adjustments associated with pension and OPEB expense as well as increases in wages and benefits. Further discussion regarding variances to operating expenses continues below.



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Collection, Treatment and Disposal Expense

Collection, treatment, and disposal expense decreased \$61,671 or 5% below the prior period. This decrease was primarily driven by decreases in power, chemicals, and repairs and replacements partially offset by increases in materials and supplies.

- **Power expense** decreased \$39,130 or 9%. The largest decrease was in electricity usage for the Treatment Plant due to a 27% decrease in annual flows when compared to the prior period.
- **Chemicals expense** decreased \$26,225 or 27% primarily due to a decrease in Polymer. In FY 2024, Polymer usage was much higher than previous year, increasing by 19% over the prior year as a result of much higher flows. FY 2025 Polymer usage was more in line with annual averages.
- **Repairs and Replacement expense** decreased \$10,522 or 7%, primarily driven by lower costs in other repairs.
- **Materials and supplies expense** increased \$23,579 or 17% when compared to the prior year. The increase was due to higher office equipment and supplies expenses. The Agency implemented multi-factor authentication, purchased additional wireless microphones for the boardroom, and implemented VPN's at three pump stations in the current period.

Salaries and Benefits Expense

Salaries and benefits expense increased \$426,053 or 14% over the prior period. Excluding accounting adjustments related to GASB 68 and GASB 75, salaries and benefits expense increased \$256,038 or 9%.

Salaries and Benefits Expense Excluding Accounting Adjustments

	As of June 30,		2025 vs 2024	
	2025	2024	Increase (Decrease)	% Change
	Salaries and benefits	\$ 3,371,035	\$ 2,944,982	\$ 426,054
Accounting Adjustments	<u>(206,215)</u>	<u>(36,200)</u>	<u>(170,015)</u>	-
Salaries and benefits before adjustments	<u>\$ 3,164,820</u>	<u>\$ 2,908,782</u>	<u>\$ 256,038</u>	9%

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 \$144,297 or 8% increase in salaries and wages and a \$110,292 or 10% increase in employee benefits expense. Salaries and wages increased as a result of annual merit and cost-of-living adjustments. Employee benefits expense increased due to higher medical premiums and pension expenses. OPEB increased as a result of an increase in the required employer contributions per the valuation report.

BIG BEAR AREA REGIONAL WASTEWATER AGENCY
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Contractual Services

Contractual services expense increased \$72,954 or 24% over the prior period. The increase was driven by increases in legal services due to a significant increase in records requests, engineering services which included support for the Capital Improvement Development Plan, and unexpected repairs to the administration building fire sprinkler system.

Permits and Fees

Permits and fees expense increased \$8,235 or 3% largely due to increases imposed by the permitting agencies.

Administration Expense

Administration expense was up \$43,260 or 15% from the prior period primarily driven by an increase in insurance expense. The Agency experienced a 5% increase in the value of scheduled buildings and contents. Additionally, Worker's Compensation Insurance experienced an increase in the pooled insurance rates as well as a change in the experience modifier (EMOD) calculation.

Depreciation and amortization

Depreciation and amortization expense increased \$75,908 or 9% from the prior period and was due to the completion of the headworks grit rehabilitation project, the Lake Pump Station generator and fuel system project, and the wash press headworks project which added \$1.8 million in depreciable assets.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) had a negative variance of \$1,256,638 compared to the prior period primarily due to lower nonoperating revenues driven by decreased grant proceeds (lower by \$1.3 million). The drop in grant proceeds in the current period was related to grant reimbursements associated with RBB and the project pause that was initiated.

	Nonoperating Revenues (Expenses)		2025 vs 2024	
	As of June 30,		Increase	%
	2025	2024	(Decrease)	Change
Nonoperating revenues:				
Interest Income	\$ 598,610	\$ 556,822	\$ 41,788	8%
Lease Revenue	61,754	60,539	1,215	2%
Other	<u>391,091</u>	<u>1,705,263</u>	<u>(1,314,172)</u>	-77%
Total Nonoperating Revenue	<u>1,051,455</u>	<u>2,322,624</u>	<u>(1,271,169)</u>	-55%
Nonoperating expenses:				
Interest expense	216,577	230,717	(14,139)	-6%
Other	1,094	1,486	(392)	-26%
Amortization of bond cost	<u>5,029</u>	<u>5,029</u>	-	0%
Total Nonoperating Expense	<u>222,700</u>	<u>237,231</u>	<u>(14,531)</u>	-6%
Total nonoperating revenue (expense)	<u>\$ 828,755</u>	<u>\$ 2,085,393</u>	<u>\$ (1,256,638)</u>	-60%

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Capital Contributions (Connection Fee Revenue)

Connection fee revenue decreased \$296,780 or 60% under the prior year as the number of connections decreased to 47 from 118 in the prior period, a change of 71 connections. FY 2024 included an addition of 62 connections for the Hampton Inn. The Agency's connection fee remained unchanged at \$4,180 per connection.

Capital Contributions (Connection Fee Revenue)

	As of June 30,		2025 vs 2024	
	2025	2024	Increase (Decrease)	% Change
	Capital Contributions	\$ 196,460	\$ 493,240	\$ (296,780)
Number of Connections	47	118	(71)	-60%

Capital Asset Activity

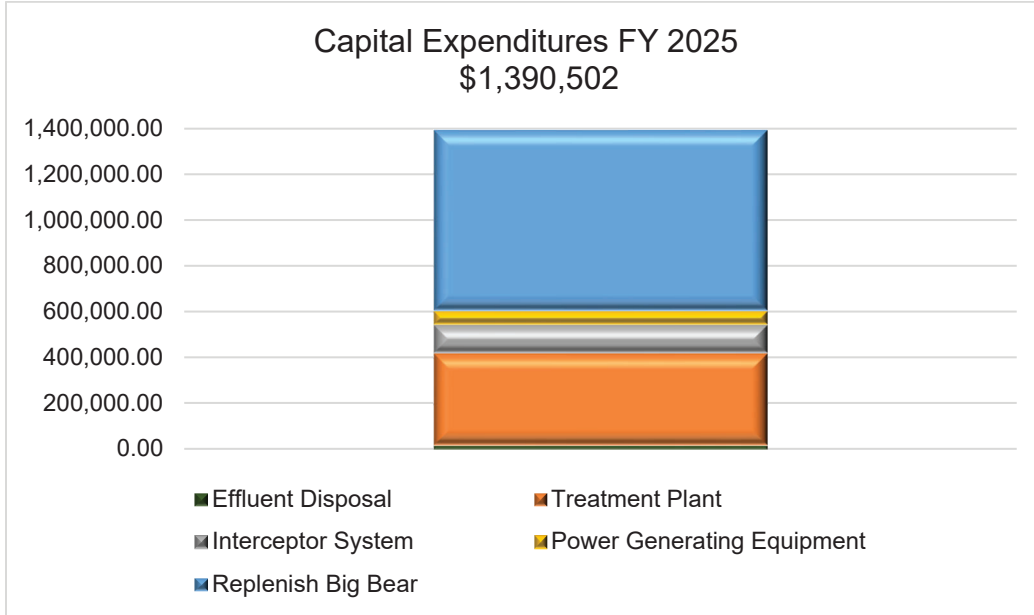
The Agency's net capital assets increased by \$540,072 or 3% during the period. The net increase in capital assets was due to capital expenditures greater than annual depreciation expense and asset disposals for the period. The Agency's capital expenditures during the period totaled \$1,390,502, compared to annual depreciation expense of \$930,833 and net asset disposals of \$59,342.

Capital Assets, Net

	As of June 30,		2025 vs 2024	
	2025	2024	Increase (Decrease)	% Change
	Capital assets, net	\$ 19,970,578	\$ 19,430,494	\$ 540,084

During fiscal year 2025 capital investments totaled \$1,390,502. Of this amount, \$1,080,632 remained in progress at year end and was primarily related to the RBB, the Force Main Repair Project, and the Return Activated Sludge (RAS) Header Replacement Project. The remaining \$309,870 in capital investment for the period was related to the replacement of treatment plant equipment, the completion of the Lake Pump Station generator and fuel system, and the Operations and Control (OAC) building roof replacement. The Agency carried over approximately \$5.8 million in capital expenditures planned for FY 2025 that are expected to be completed in future fiscal years.

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Management's Discussion and Analysis
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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 \$440,495 or 8%, which reflects regularly scheduled debt amortization. The Agency's net OPEB liability increased by \$295,537 or 21% and the Agency's pension liability decreased by \$36,973 or 1%. 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		<u>2025 vs 2024</u>	
	<u>As of June 30,</u>		Increase	%
	<u>2025</u>	<u>2024</u>	<u>(Decrease)</u>	<u>Change</u>
Outstanding debt, net	\$ 5,365,472	\$ 5,447,370	\$ (440,495)	-8%
Net OPEB liability	1,721,268	1,425,731	295,537	21%
Net pension liability	3,195,945	3,232,918	(36,973)	-1%

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.

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Basic Financial Statements

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Big Bear Area Regional Wastewater Agency

Statement of Net Position

June 30, 2025

(With comparative data for prior year)

	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Cash and investments (Note 3)	\$ 16,173,777	\$ 12,170,320
Accounts receivable	305,351	1,163,037
Lease receivable (Note 4)	47,228	64,621
Due from member agencies	25,080	33,440
Interest receivable	158,747	136,007
Prepaid expenses	19,455	18,149
Total current assets	<u>16,729,638</u>	<u>13,585,574</u>
Noncurrent assets:		
Lease receivable (Note 4)	77,216	67,973
Capital assets, not being depreciated (Note 5)	5,569,088	6,274,301
Capital assets, net of depreciation/amortization (Note 5)	14,401,490	13,156,193
Total noncurrent assets	<u>20,047,794</u>	<u>19,498,467</u>
Total assets	<u>36,777,432</u>	<u>33,084,041</u>
Deferred Outflows of Resources		
Deferred charges on refunding	7,307	12,336
Pension related (Note 8)	1,107,210	1,434,566
OPEB related (Note 9)	1,306,056	960,469
Total deferred outflows of resources	<u>2,420,573</u>	<u>2,407,371</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	432,204	557,925
Accrued salaries and benefits	88,605	79,882
Accrued interest	25,234	27,104
Long-term liabilities, due within one year (Note 6)	4,046,652	685,686
Total current liabilities	<u>4,592,695</u>	<u>1,350,597</u>
Noncurrent liabilities:		
Net OPEB liability (Note 9)	1,721,268	1,425,731
Net pension liability (Note 8)	3,195,945	3,232,918
Long-term liabilities, due beyond one year (Note 6)	1,318,820	5,058,059
Total noncurrent liabilities	<u>6,236,033</u>	<u>9,716,708</u>
Total liabilities	<u>10,828,728</u>	<u>11,067,305</u>
Deferred Inflows of Resources		
Lease related (Note 4)	131,672	137,325
Pension related (Note 8)	119,523	179,400
OPEB related (Note 9)	308,880	158,433
Total deferred inflows of resources	<u>560,075</u>	<u>475,158</u>
Net Position		
Net investment in capital assets	14,949,285	13,994,395
Unrestricted	12,859,917	9,954,554
Total net position	<u>\$ 27,809,202</u>	<u>\$ 23,948,949</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, 2025
(With comparative data for prior year)

	<u>2025</u>	<u>2024</u>
Operating revenues		
Member agency fees	\$ 9,143,600	\$ 7,671,036
Standby charges	73,252	75,297
Rental income	4	7
Waste disposal fees	28,336	30,003
Other revenues	15,930	53,396
Total operating revenues	<u>9,261,122</u>	<u>7,829,739</u>
Operating expenses		
Salaries and benefits	3,371,035	2,944,982
Power	403,532	442,662
Sludge removal	283,739	291,833
Chemicals	69,376	95,601
Materials and supplies	166,183	142,604
Repairs and replacements	138,206	148,728
Equipment rental	950	950
Utilities	25,069	28,578
Communications	67,379	65,148
Contractual services - other	156,318	153,562
Contractual services - professional	224,601	154,403
Permits and fees	262,791	254,556
Property tax	4,252	4,196
Insurance	268,664	229,000
Other operating	49,578	46,038
Amortization	3,578	467
Depreciation	930,833	858,036
Total operating expenses	<u>6,426,084</u>	<u>5,861,344</u>
Operating income	<u>2,835,038</u>	<u>1,968,395</u>
Nonoperating revenues		
Investment income	598,610	556,822
Lease revenue	61,754	60,539
Other miscellaneous revenue	389,341	1,705,263
Net gain on capital asset disposals	1,750	-
Total nonoperating revenues	<u>1,051,455</u>	<u>2,322,624</u>
Nonoperating expenses		
Other	6,123	6,514
Interest	216,577	230,717
Total nonoperating expenses	<u>222,700</u>	<u>237,231</u>
Income before contributions	3,663,793	4,053,788
Capital contributions - connection charges	196,460	493,240
Change in net position	3,860,253	4,547,028
Net position, beginning of year	<u>23,948,949</u>	<u>19,401,921</u>
Net position, end of year	<u>\$ 27,809,202</u>	<u>\$ 23,948,949</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, 2025 (With comparative data for prior year)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 10,118,808	\$ 7,179,155
Cash payments to suppliers for goods and services	(2,512,623)	(2,173,271)
Cash payments for employees and benefits	(2,989,843)	(2,551,422)
Other non-operating revenues	389,341	1,705,263
Other non-operating expenses	(6,123)	(6,514)
	<u>4,999,560</u>	<u>4,153,211</u>
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Purchases and construction of capital assets	(1,186,209)	(3,862,094)
Proceeds from sale of capital assets	1,750	-
Proceeds from capital contributions	204,820	501,600
Principal payments on lease liability	(2,674)	(465)
Principal payments on long-term debt	(440,493)	(425,904)
Payments received from lease receivables	64,251	62,436
Interest paid on long-term debt	(213,418)	(227,728)
	<u>(1,571,973)</u>	<u>(3,952,155)</u>
Net cash (used for) capital and related financing activities		
Cash flows from investing activities:		
Investment income received	575,870	511,130
	<u>575,870</u>	<u>511,130</u>
Net cash provided by investing activities		
Net change in cash and investments	4,003,457	712,186
Cash and investments, beginning of year	12,170,320	11,458,134
Cash and investments, end of year	<u>\$ 16,173,777</u>	<u>\$ 12,170,320</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, 2025 (With comparative data for prior year)

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,835,038	\$ 1,968,395
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	930,833	858,036
Amortization	3,578	467
Other revenues	389,341	1,705,263
Other expense	(6,123)	(6,514)
Construction in process in accounts payable	(264,954)	(320,041)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	857,686	(650,584)
Prepaid expenses	(1,306)	(3,363)
Deferred outflows of resources - OPEB related	(345,587)	(112,561)
Deferred outflows of resources - pension related	327,356	68,300
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	(125,721)	207,992
Accrued salaries and benefits	8,723	11,831
Compensated absences	41,562	35,556
Deferred inflows of resources - OPEB related	150,447	22,064
Deferred inflows of resources - pension related	(59,877)	(84,777)
Net OPEB liability	295,537	162,684
Net pension liability	(36,973)	290,463
Net cash provided by operating activities	<u>\$ 4,999,560</u>	<u>\$ 4,153,211</u>
Schedule of non-cash noncapital and capital related financing and investing activities		
Issuance of new lease	\$ 23,332	\$ -
Construction in progress in accounts payable	264,954	320,041

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

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements For the Year Ended June 30, 2025

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 For the Year Ended June 30, 2025

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 additions, major improvements, equipment, tools, vehicles, and other capital assets that individually have an original total cost of \$10,000 or more and have a useful life of one year or more or in the case of additions and improvements, extend the useful life by one year or more. Pipeline replacement expenditures of \$20,000 or greater and have a one year or greater life expectancy. All land and buildings are capitalized.

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
For the Year Ended June 30, 2025**

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

(h) Employee leave benefits

Regular employees of the Agency earn from 13 to 24 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 For the Year Ended June 30, 2025

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, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

(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.

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, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	June 30, 2023 to June 30, 2024

(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
For the Year Ended June 30, 2025**

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, 2025 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	<u>\$ 16,173,777</u>
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Cash and investments as of June 30, 2025 consist of the following:

Cash on hand	\$ 600
Deposits with financial institutions	291,377
Investments	<u>15,881,800</u>
 Total cash and investments	 <u>\$ 16,173,777</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
For the Year Ended June 30, 2025**

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, 2025. The Local Agency Investment Fund (LAIF) of \$15,881,800 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	5 years	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	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
For the Year Ended June 30, 2025**

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	\$ 15,881,800	\$ 15,881,800	\$ -	\$ -	\$ -

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	\$ 15,881,800	N/A	\$ -	\$ -	\$ -	\$ 15,881,800

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 For the Year Ended June 30, 2025

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, 2025, 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, 2025 and 2024 was 4.411% and 3.927%, respectively. The carrying value and estimated fair value of the LAIF Pool at June 30, 2025 and 2024 was \$178,130,508,152 and \$178,048,356,232 and \$178,343,963,721 and \$177,392,433,566, respectively. The Agency's share of the Pool at June 30, 2025 and 2024 was approximately 0.00892% and 0.00658%, respectively. Included in LAIF's investment portfolio at June 30, 2025 and 2024 are structured notes and asset-backed securities totaling \$3,350.000 and \$3,437.909 and \$2,250.000 and \$3,098.480, 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
For the Year Ended June 30, 2025**

NOTE 4: Lease receivable

On July 1, 2023, the Agency had several leases as a Lessor which ranged from 59 to 60 months for the use of several plots of land. An initial lease receivable was recorded in the range between \$34,440 and \$133,833. As of June 30, 2025, the value of the lease receivable was \$124,444. The lessees are required to make fixed payments in a range between \$779 and \$17,117. The leases have an interest rate between 0.6240% and 0.9480%. The value of the deferred inflow of resources as of June 30, 2025 was \$131,672, and the Agency recognized lease revenue of \$61,754 during the fiscal year. Two of the leases have an extension option for 60 months.

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Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 5: Capital & intangible assets

A summary of changes in capital and intangible assets of the Agency for the year ending June 30, 2025 is as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated				
Land	\$ 1,037,626	\$ -	\$ -	\$ 1,037,626
Construction in Progress	5,236,675	1,080,633	(1,785,846)	4,531,462
Total capital assets, not being depreciated	6,274,301	1,080,633	(1,785,846)	5,569,088
Capital assets, being depreciated/ amortized:				
Administration Building	2,158,891	-	-	2,158,891
Treatment Plant	16,940,163	1,949,931	-	18,890,094
Interceptor System	3,760,105	-	-	3,760,105
Effluent Disposal Assets	4,728,589	-	-	4,728,589
Power Generation Equipment	2,352,612	174,890	(45,500)	2,482,002
Flow Measuring Devices	179,955	-	-	179,955
Other Equipment	2,148,342	-	(13,842)	2,134,500
Transportation Equipment	602,042	16,705	-	618,747
Other Tangible Plant	906,530	14,850	-	921,380
Studies and Maps	100,785	-	-	100,785
Right-of-Use Leased Equipment	2,450	23,332	-	25,782
Total capital assets, being depreciated/amortized	33,880,464	2,179,708	(59,342)	36,000,830
Less accumulated depreciation/ amortization for:				
Administration Building	(1,126,599)	(64,905)	-	(1,191,504)
Treatment Plant	(9,158,100)	(458,822)	-	(9,616,922)
Interceptor System	(2,450,117)	(65,759)	-	(2,515,876)
Effluent Disposal Assets	(4,318,474)	(61,031)	-	(4,379,505)
Power Generation Equipment	(1,375,328)	(119,637)	45,500	(1,449,465)
Flow Measuring Devices	(77,363)	(11,984)	-	(89,347)
Other Equipment	(1,252,644)	(83,336)	13,842	(1,322,138)
Transportation Equipment	(381,198)	(29,618)	-	(410,816)
Other Tangible Plant	(494,932)	(34,691)	-	(529,623)
Studies and Maps	(88,183)	(1,050)	-	(89,233)
Right-of-Use Leased Equipment	(1,333)	(3,578)	-	(4,911)
Total accumulated depreciation/ amortization	(20,724,271)	(934,411)	59,342	(21,599,340)
Total capital assets being depreciated/amortized, net	13,156,193	1,245,297	-	14,401,490
Total capital assets, net	<u>\$ 19,430,494</u>	<u>\$ 2,325,930</u>	<u>\$ (1,785,846)</u>	<u>\$ 19,970,578</u>

Depreciation and amortization expense for the year ending June 30, 2025 is as follows:

Depreciation	\$ 930,833
Amortization	3,578
Total	<u>\$ 934,411</u>

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 6: Long-term liabilities

A summary of long-term liabilities of the Agency at June 30, 2025 is as follows:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year	Due beyond one year
<i>Long-term debt - direct borrowings:</i>						
2011 refunding agreement	\$ 854,985	\$ -	\$ (333,623)	\$ 521,362	\$ 344,723	\$ 176,639
2018 installment purchase agreement	1,192,384	-	(106,870)	1,085,514	110,860	974,654
2023 Capital One public funding	3,400,000	-	-	3,400,000	3,400,000	-
Total direct borrowings	5,447,369	-	(440,493)	5,006,876	3,855,583	1,151,293
<i>Other long-term liability:</i>						
Compensated absences	295,310	270,726	(229,164)	336,872	186,117	150,755
<i>Lease liability:</i>						
Equipment	1,066	23,332	(2,674)	21,724	4,952	16,772
Total	\$ 5,743,745	\$ 294,058	\$ (672,331)	\$ 5,365,472	\$ 4,046,652	\$ 1,318,820

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 For the Year Ended June 30, 2025

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, 2025 the Agency's net revenues were 704% 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.

2023 Capital One Public Funding Loan Agreement – Direct Borrowing

On February 1, 2023, the Agency entered into a Loan Agreement (the 2023 Capital One Public Funding Loan Agreement), for \$3,400,000 with Capital One Public Funding, LLC, a limited liability company (the Lender), for the purpose of financing the Replenish Big Bear Project which consists of treatment plant upgrades and improvements to distribute treated water to the lake for re-use purposes such as landscape irrigation, dust control, and snowmaking at the golf course and ski resort and for water supply purposes such as groundwater recharge in Sand Canyon. The Capital One Public Funding Loan Agreement carries an interest rate of 4.25% on the unpaid principal with an ending term on the earlier of June 30, 2026 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 2023 Capital One Public Funding Loan 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 2023 Capital One Public Funding Loan Agreement.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 6: Long-term liabilities (continued)

2023 Capital One Public Funding Loan 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 110% of the annual debt service for such year. For the year ended June 30, 2025 the Agency's net revenues were 704% of the annual debt service, which exceeded the minimum requirement. The Agency also complied with all other covenants set forth in the 2023 Capital One Public funding Loan Agreement.

Debt service requirements to maturity

Fiscal year	2011 Refunding Loan Agreement		
	Principal	Interest	Total
2025-2026	\$ 344,723	\$ 14,384	\$ 359,107
2026-2027	176,639	2,915	179,554
Total	<u>\$ 521,362</u>	<u>\$ 17,299</u>	<u>\$ 538,661</u>

Fiscal year	2018 Installment Purchase Agreement		
	Principal	Interest	Total
2025-2026	\$ 110,860	\$ 39,150	\$ 150,010
2026-2027	115,000	35,009	150,009
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	16,845	150,009
2031-2032	138,138	11,871	150,009
2032-2033	143,295	6,714	150,009
2033-2034	73,641	1,359	75,000
Total	<u>\$ 1,085,514</u>	<u>\$ 189,559</u>	<u>\$ 1,275,073</u>

Fiscal year	Capital One Public Funding Loan Agreement		
	Principal	Interest	Total
2025-2026	\$ 3,400,000	\$ 144,500	\$ 3,544,500
Total	<u>\$ 3,400,000</u>	<u>\$ 144,500</u>	<u>\$ 3,544,500</u>

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements For the Year Ended June 30, 2025

NOTE 6: Long-term liabilities (continued)

Lease Liabilities

On July 1, 2021, the Agency had several leases as a lessee which ranged from 60-63 months for the use of equipment. An initial lease liability was recorded in the amount of \$45,782. As of June 30, 2025, the value of the lease liability is \$21,724. The Agency is required to make quarterly fixed payments between \$120-\$1,245. The leases have an interest rate between 1.09%-2.511%. The equipment estimated useful life was 63 months as of the contract commencement. The value of the right to use asset can be seen in Note 5.

Debt service requirements to maturity

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025-2026	\$ 4,952	\$ 296	\$ 5,248
2026-2027	4,725	493	5,218
2027-2028	4,722	375	5,097
2028-2029	4,842	258	5,100
2029-2030	2,483	138	2,621
	<u>\$ 21,724</u>	<u>\$ 1,560</u>	<u>\$ 23,284</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.

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.

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements For the Year Ended June 30, 2025

NOTE 8: Pension plan (continued)

A. General information about the pension plan, continued

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 as of June 30, 2025, 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
Employer contribution rates	2.0% to 2.7%	1.0% to 2.5%
Required employer contribution rates	16.94%	8.18%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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 the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance 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, 2025, were \$473,579.

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements For the Year Ended June 30, 2025

NOTE 8: Pension plan, (continued)

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, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 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

The collective total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture mortality improvements using 80% of Scale MP-2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements For the Year Ended June 30, 2025

NOTE 8: Pension plan, (continued)

B. Net pension liability, continued

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return^{1,2}</u>
Global equity - cap-weighted	30.0%	4.54%
Global equity non-cap-weighted	12.0%	3.84%
Private equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0%)	-0.59%

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-2022 Asset Liability Management study.

Discount rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. 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

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

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
For the Year Ended June 30, 2025**

NOTE 8: Pension plan, (continued)

C. Proportionate share of net pension liability

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

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2023 (VD)	\$ 14,190,128	\$ 10,957,210	\$ 3,232,918
Balance at: 6/30/2024 (MD)	15,392,991	12,197,046	3,195,945
Net changes during 2023-24	<u>\$ 1,202,863</u>	<u>\$ 1,239,836</u>	<u>\$ (36,973)</u>

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

The Agency's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The Agency's proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2023 and 2024 measurement dates was as follows:

Proportion share of NPL - June 30, 2023	0.06465%
Proportion share of NPL - June 30, 2024	0.06608%
Change - Increase (Decrease)	<u>0.00143%</u>

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 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability	\$ 5,273,082	\$ 3,195,945	\$ 1,486,156

Amortization of deferred outflows and deferred inflows of resources

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.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 8: Pension plan, (continued)

C. Proportionate share of net pension liability, continued

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

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

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

As of the start of the measurement period (July 1, 2023), the Agency's net pension liability was \$3,323,918. For the measurement period ending in June 30, 2024 (the measurement date), the Agency incurred a pension expense of \$704,085.

As of June 30, 2025, the Agency has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 82,142	\$ -
Differences between Expected and Actual Experience	276,319	10,782
Differences between Projected and Actual Investment Earnings	183,987	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	108,741
Change in Employer's Proportion	91,183	-
Pension Contributions Made Subsequent to Measurement Date	473,579	-
	\$ 1,107,210	\$ 119,523

The amounts above are net of outflows and inflows recognized in the 2023-2024 measurement period expense. Contributions subsequent to the measurement date of \$473,579 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
2026	\$ 176,342
2027	400,934
2028	(118)
2029	(63,050)
2030	-
Thereafter	-

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 8: Pension plan, (continued)

E. Payable to the pension plan

At June 30, 2025, the Agency reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for year then ended.

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, 2023 actuarial valuation date the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	14
Inactive employees or beneficiaries currently receiving benefits	14
Total	<u>28</u>

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 9: Other postemployment benefits plan, (continued)

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 \$250 - \$2,106. 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, 2025, the Agency's cash contributions were \$178,822 made for health reimbursement premiums to retirees, \$64,488 of contributions made to the Trust, and the estimated implied subsidy was \$45,610 resulting in total payments of \$288,920. 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.

Net OPEB liability

The Agency's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Discount Rate	6.55%
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	6.20%
Mortality Rate	MacLeod Watts Scale 2022
Pre-Retirement Turnover Healthcare Trend Rate	Medical plan premiums and claims are assumed to increase once each year

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Treasury inflation-protected securities	5%	1.70%
Fixed income	23%	2.70%
Global equity	49%	3.90%
Global Real Estate (REIT's)	20%	3.70%
Commodities	3%	2.90%

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 9: Other postemployment benefits plan, (continued)

Change of Assumptions

For the current measurement period, the discount rate changed from 6.20% to 6.55% reflecting updated projected benefit cash flows applied to the expected rate of return provided by CalPERS in June 2024.

Discount rate

The discount rate used to measure the total OPEB liability was 6.55% as of June 30, 2025, 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 (c) = (a) - (b)
Balance at June 30, 2024 (Measurement Date June 30, 2023)	\$ 4,147,214	\$ 2,721,483	\$ 1,425,731
Changes recognized for the measurement period:			
Service Cost	147,403	-	147,403
Interest on the total OPEB liability	259,334	-	259,334
Changes of assumptions	(222,796)	-	(222,796)
Plan experience differences	689,907	-	689,907
Investment experience differences	-	128,224	(128,224)
Contributions - employer	-	280,506	(280,506)
Expected investment income	-	170,468	(170,468)
Benefit payments	(223,629)	(223,629)	-
Administrative expenses	-	(887)	887
Net Changes	650,219	354,682	295,537
Balance at June 30, 2025 (Measurement Date June 30, 2024)	\$ 4,797,433	\$ 3,076,165	\$ 1,721,268

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 9: Other postemployment benefits plan, (continued)

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, 2024:

	1% Decrease 5.55%	Discount rate 6.55%	1% Increase 7.55%
Net OPEB Liability	\$ 2,402,034	\$ 1,721,268	\$ 1,163,852

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, 2024:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 1,092,430	\$ 1,721,268	\$ 2,510,394

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 year straight-line recognition
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.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 9: Other postemployment benefits plan, (continued)

OPEB expense and deferred outflows/inflows of resources related to OPEB

For the fiscal year ended June 30, 2025, the Agency recognized OPEB expense of \$389,317. A complete breakdown of OPEB expense is as follows:

Description	Amount
Service cost	\$ 147,403
Interest cost	259,334
Expected earnings on assets	(170,468)
Administrative expenses	887
Recognized assumption changes	25,543
Recognized differences in plan experience	112,411
Recognized differences in projected and actual investments earnings	14,207
Total OPEB expense	\$ 389,317

As of June 30, 2025, 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	\$ 288,920	\$ 229,963
Changes of assumptions	254,401	78,917
Differences between expected and actual experience	722,796	-
Net difference between projected and actual earnings on OPEB plan investments	39,939	-
Total	\$ 1,306,056	\$ 308,880

The \$288,920 reported as deferred outflows of resources related to contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, net
2026	\$ 135,887
2027	227,944
2028	111,421
2029	121,235
2030	81,890
Thereafter	29,879

Big Bear Area Regional Wastewater Agency

Notes to the Basic Financial Statements For the Year Ended June 30, 2025

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 into a 401(a) plan, which is a employer-sponsored defined contribution plan. As of June 30, 2025, 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 \$54,789.

NOTE 11: Net position

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

	2025	2024
Net investment in capital assets:		
Capital assets, not being depreciated	\$ 5,569,088	\$ 6,274,301
Capital assets, net of depreciation	14,401,490	13,156,193
Less: Debt related to capital assets		
2011 Refunding agreement	(521,362)	(854,985)
2018 Installment purchase agreement	(1,085,514)	(1,192,384)
2023 Capital One public funding loan agreement	(3,400,000)	(3,400,000)
Lease liabilities	(21,724)	(1,066)
Add: Deferred charges on refunding	7,307	12,336
Net investment in capital assets	<u>14,949,285</u>	<u>13,994,395</u>
Unrestricted	<u>12,859,917</u>	<u>9,954,554</u>
Total net position	<u>\$ 27,809,202</u>	<u>\$ 23,948,949</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.

Big Bear Area Regional Wastewater Agency

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2025**

NOTE 12: Risk management, (continued)

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 \$500 per claim;

Comprehensive and Collision: on selected vehicles with deductibles of \$500/\$1,000.

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.

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

Measurement date	Employer's proportion of the collective net pension liability ¹	Employer's proportionate share of the collective net pension liability	Employer's covered payroll	Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	Pension plan's fiduciary net position as a percentage of the total pension liability
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%
6/30/2022	0.02547%	2,942,455	1,392,498	211.31%	78.14%
6/30/2023	0.02591%	3,232,918	1,557,221	207.61%	77.22%
6/30/2024	0.02635%	3,195,945	1,575,803	202.81%	79.24%

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.

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Big Bear Area Regional Wastewater Agency

Schedule of Pension Plan Contributions Last 10 Years

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 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%
June 30, 2023	398,290	(398,290)	-	1,557,221	25.58%
June 30, 2024	404,922	(404,922)	-	1,575,803	25.70%
June 30, 2025	473,579	(473,579)	-	1,695,810	27.93%

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023, valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Change in Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

Big Bear Area Regional Wastewater Agency

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

Measurement Date	2024	2023	2022	2021	2020
Total OPEB Liability					
Service Cost	\$ 147,403	\$ 148,568	\$ 119,346	\$ 118,066	\$ 114,627
Interest on the Total OPEB Liability	259,334	237,941	230,514	234,811	226,464
Actual and expected experience difference	689,907	201,873	-	(191,253)	-
Changes in assumptions	(222,796)	(60,939)	437,365	17,881	-
Benefit payments	(223,629)	(201,246)	(233,129)	(250,348)	(201,920)
Net change in Total OPEB Liability	650,219	326,197	554,096	(70,843)	139,171
Total OPEB Liability - beginning	4,147,214	3,821,017	3,266,921	3,337,764	3,198,593
Total OPEB Liability - ending (a)	4,797,433	4,147,214	3,821,017	3,266,921	3,337,764
Plan Fiduciary Net Position					
Contribution - employer	280,506	201,246	233,129	250,348	410,141
Net investment income	298,692	164,256	(395,399)	637,162	74,474
Benefit payments	(223,629)	(201,246)	(233,129)	(250,348)	(201,920)
Administrative expense	(887)	(743)	(748)	(877)	(997)
Net change in Plan Fiduciary Net Position	354,682	163,513	(396,147)	636,285	281,698
Plan Fiduciary Net Position - beginning	2,721,483	2,557,970	2,954,117	2,317,832	2,036,134
Plan Fiduciary Net Position - ending (b)	3,076,165	2,721,483	2,557,970	2,954,117	2,317,832
Net OPEB Liability - ending (a) - (b)	\$ 1,721,268	\$ 1,425,731	\$ 1,263,047	\$ 312,804	\$ 1,019,932
Plan fiduciary net position as a percentage of the total OPEB liability	64.12%	65.62%	66.94%	90.43%	69.44%
Covered-employee payroll	\$ 1,684,000	\$ 1,613,198	\$ 1,443,194	\$ 1,346,813	\$ 1,317,806
Net OPEB liability as a percentage of covered-employee payroll	102.21%	88.38%	87.52%	23.23%	77.40%

Notes to schedule:

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

The following assumptions were changed from the prior valuation:

Discount rate: In 2025, the discount rate was changed from 6.20% to 6.55%.

Healthcare cost trend rates: In 2024, the step down changed from 5.7% in 2022 decreasing to 4.0% by 2076 to 6.5% in 2025 decreasing to 3.9% by 2075.

Mortality: In 2024, the CalPERS Experience Study was updated to 2021 from 2017

Mortality Improvement: In 2024, the MW Scale was updated to 2022 from 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.

Big Bear Area Regional Wastewater Agency

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

(Continued)

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

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%
2023	156,703	(201,246)	(44,543)	1,613,198	12.47%
2024	280,506	(280,506)	-	1,684,000	16.66%
2025	288,920	(288,920)	-	1,768,310	16.34%

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 2025 were from the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Methodology	Level % of Pay, 30 years closed
Amortization Period	14 yrs remain
Asset Valuation Method	Fair value of assets
Discount Rate	6.55%
Inflation	2.50% per annum
Salary Increase	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	6.20%
Healthcare Trend	6.50%, decreasing to 3.9% by 2075
Retirement Age	From 50 to 75
Mortality	CalPERS 2021 Experience Study, Projected with MW Scale 2022

*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, 2025**

	2025 Actual	2025 Final budget (unaudited)	Variance with budget	2024 Actual
Operating revenues				
Member agency fees	\$ 9,143,600	\$ 9,143,600	\$ -	\$ 7,671,036
Standby charges	73,252	73,252	-	75,297
Rental income	4	10,924	(10,920)	7
Waste disposal fees	28,336	22,244	6,092	30,003
Other revenues	15,930	-	15,930	53,396
Total operating revenues	9,261,122	9,250,020	11,102	7,829,739
Operating expenses				
Salaries and benefits	3,371,035	3,274,752	96,283	2,944,982
Power	403,532	516,348	(112,816)	442,662
Sludge removal	283,739	344,723	(60,984)	291,833
Chemicals	69,376	106,023	(36,647)	95,601
Materials and supplies	166,183	178,420	(12,237)	142,604
Repairs and replacements	138,206	312,536	(174,330)	148,728
Equipment rental	950	2,004	(1,054)	950
Utilities	25,069	39,739	(14,670)	28,578
Communications	67,379	58,862	8,517	65,148
Contractual services - other	156,318	165,471	(9,153)	153,562
Contractual services - professional	224,601	208,535	16,066	154,403
Permits and fees	262,791	276,859	(14,068)	254,556
Property tax	4,252	4,252	-	4,196
Insurance	268,664	298,302	(29,638)	229,000
Other operating	49,578	65,744	(16,166)	46,038
Amortization	3,578	-	3,578	467
Depreciation	930,833	1,509,638	(578,805)	858,036
Total operating expenses	6,426,084	7,362,208	(936,124)	5,861,344
Operating income	2,835,038	1,887,812	947,226	1,968,395
Nonoperating revenues				
Investment income (loss)	598,610	315,625	282,985	556,822
Lease revenue	61,754	55,917	5,837	60,539
Other miscellaneous revenue	389,341	4,747,377	(4,358,036)	1,705,263
Net gain on capital asset disposals	1,750	-	1,750	-
Total nonoperating revenues	1,051,455	5,118,919	(4,067,464)	2,322,624
Nonoperating expenses				
Other	6,123	-	6,123	6,514
Interest	216,577	304,364	(87,787)	230,717
Total nonoperating expenses	222,700	304,364	(81,664)	237,231
Income before contributions	3,663,793	6,702,367	(3,038,574)	4,053,788
Capital contributions - connection charges	196,460	188,100	8,360	493,240
Change in net position	3,860,253	6,890,467	(3,030,214)	4,547,028
Net position, beginning of year	23,948,949	23,948,949	-	19,401,921
Net position, end of year	\$ 27,809,202	\$ 30,839,416	\$ (3,030,214)	\$ 23,948,949

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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**

Independent Auditor's Report

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

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 (*Government Auditing Standards*), the financial statements of the Big Bear Area Regional Wastewater Agency (the Agency), as of and for the year ended June 30, 2025, 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 6, 2025.

Report on 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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 financial statements. 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 6, 2025

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.

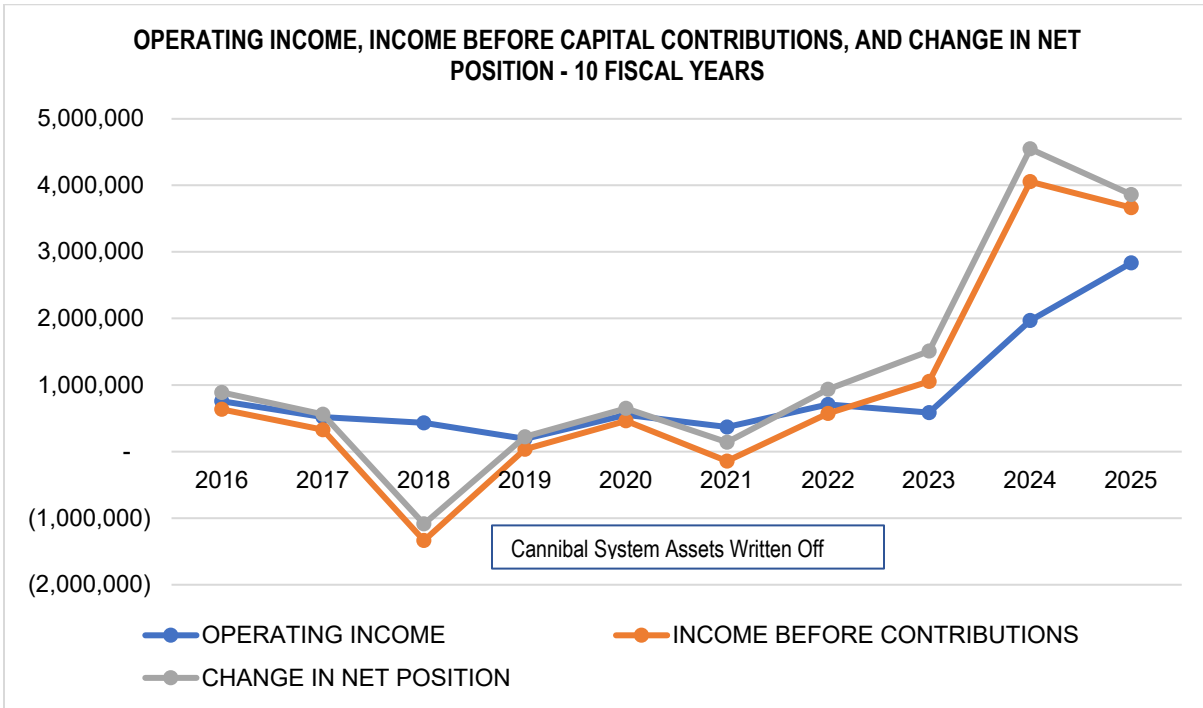
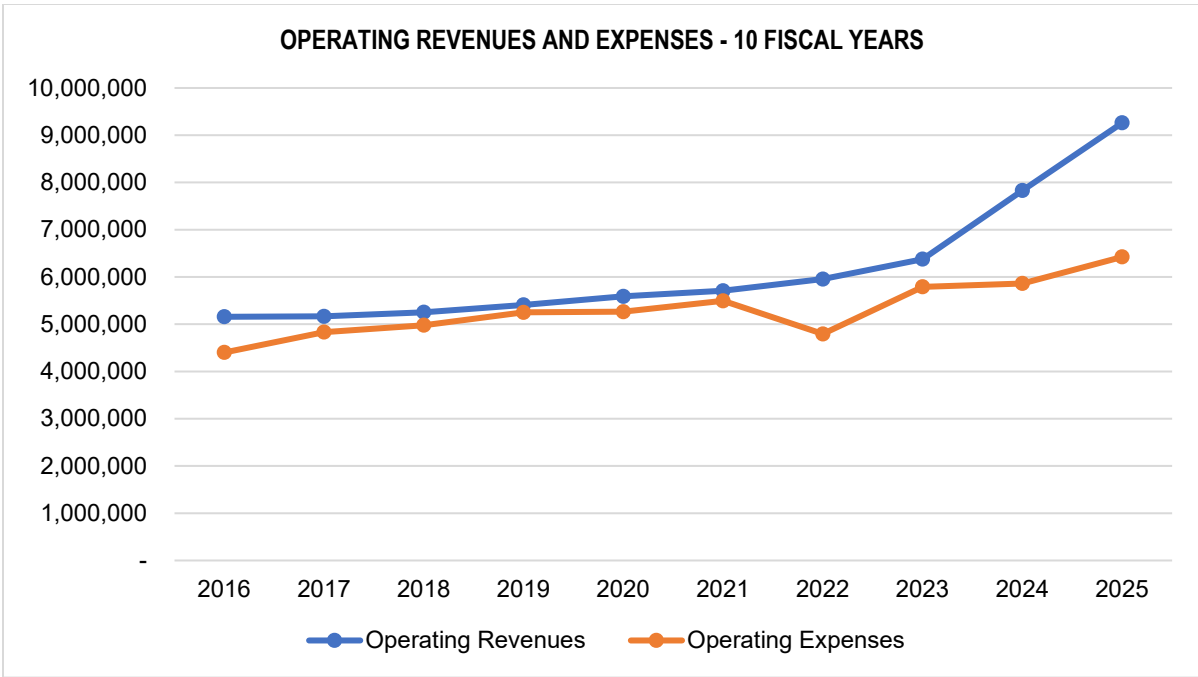
	NET POSITION BY COMPONENT - 10 FISCAL YEARS									
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
NET POSITION:										
Net Investment										
in capital assets	\$12,947,480	\$12,864,383	\$12,092,923	\$10,947,850	\$12,541,345	\$12,722,328	\$12,648,441	\$10,249,423	\$13,994,395	\$14,949,285
Unrestricted										
net position	<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>	<u>9,152,498</u>	<u>9,954,554</u>	<u>12,859,917</u>
Total	<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>	<u>\$19,401,921</u>	<u>\$23,948,949</u>	<u>\$27,809,202</u>

Notes: The above data was extracted from the Agency's financial statements. Net position was restated in fiscal years 2015, 2018, 2021, and 2023 to reflect the implementation of GASB 68, the implementation of GASB 75, and the implementation of GASB 87, respectively.

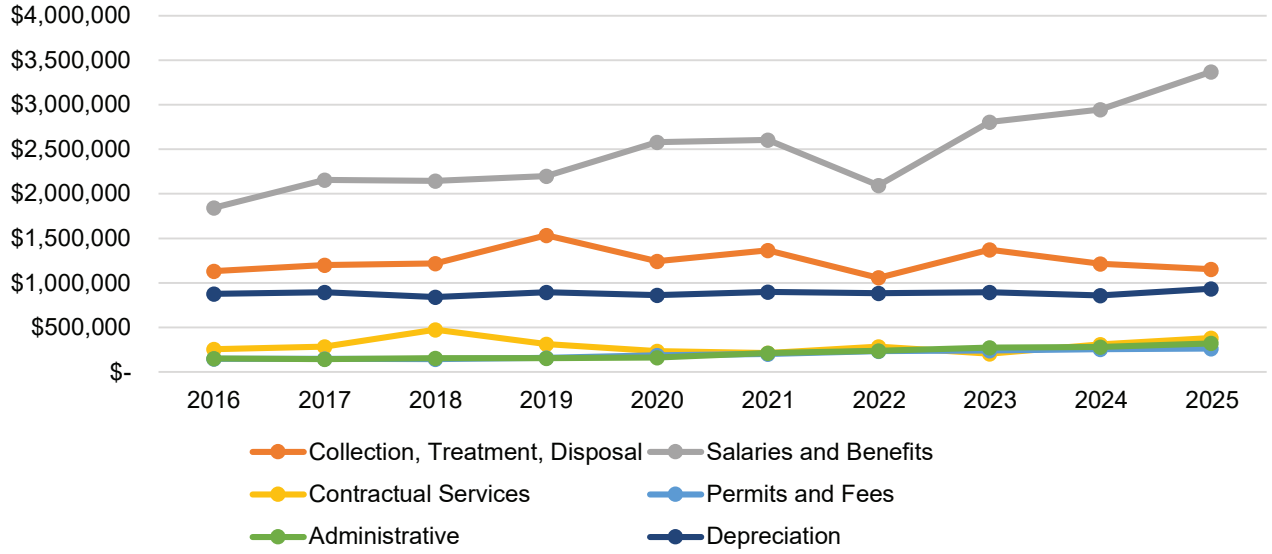
CHANGE IN NET POSITION - 10 FISCAL YEARS

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Revenues:										
Annual Charges	\$4,991,166	\$5,007,070	\$5,091,576	\$5,251,542	\$5,437,076	\$5,602,113	\$5,845,163	\$6,241,883	\$7,671,036	\$9,143,600
Standby Fees	89,250	86,930	85,180	83,200	81,660	80,300	79,220	77,590	75,297	73,252
Rent, Waste Disposal	72,101	71,951	73,562	71,679	70,610	23,859	22,070	36,359	30,010	28,340
Other	5,104	488	1,916	765	-	793	7,709	19,819	53,396	15,930
Total Operating Revenues	5,157,621	5,166,439	5,252,234	5,407,186	5,589,346	5,707,065	5,954,162	6,375,651	7,829,739	9,261,122
Operating Expenses:										
Salaries and Benefits	1,843,685	2,155,804	2,144,299	2,199,428	2,578,433	2,603,634	2,095,989	2,807,640	2,944,982	3,371,036
Power	520,431	522,181	386,367	520,234	453,306	459,483	388,721	434,357	442,662	403,532
Sludge Removal	225,990	281,096	397,813	298,241	276,292	319,660	271,361	258,216	291,833	283,739
Materials and Supplies	184,933	209,323	176,687	215,782	206,648	216,427	172,426	228,562	238,205	235,559
Repairs and Replacements	150,764	128,645	155,447	445,040	253,789	262,795	156,609	339,659	148,728	138,206
Equipment rental	165	2,242	37,215	1,363	351	835	111	3,097	950	950
Utilities expense	11,773	13,023	26,737	22,207	14,180	61,996	22,427	48,982	28,578	25,069
Communications expense	38,610	44,062	37,064	32,160	39,043	44,988	48,093	58,941	65,148	67,379
Contractual services - other	102,120	94,181	74,947	97,296	78,879	90,873	86,212	80,920	153,562	156,318
Contractual services, prof	151,407	191,457	399,514	214,413	153,470	120,390	196,672	123,963	154,403	224,601
Permits and fees	145,866	148,687	145,515	158,528	185,051	201,452	234,270	239,056	254,556	262,791
Property tax	3,476	3,523	3,599	3,665	3,917	3,963	4,017	4,096	4,196	4,252
Insurance	87,406	85,386	99,428	100,952	112,262	171,881	188,844	226,698	229,000	268,664
Other operating expense	59,474	56,328	50,470	48,142	45,018	37,216	42,987	42,370	46,038	49,578
Depreciation and Amort	875,328	896,429	842,154	893,196	863,233	898,422	883,955	893,690	858,504	934,411
Total Operating Expenses	4,401,428	4,832,367	4,977,256	5,250,647	5,263,872	5,494,015	4,792,694	5,790,248	5,861,344	6,426,084
Operating Income	756,193	334,072	274,978	156,539	325,474	213,050	1,161,468	585,403	1,968,395	2,835,038
Nonoperating Revenues:										
Net gain on asset disposal	-	-	-	-	-	-	-	-	-	1,750
Interest income	22,889	29,101	73,866	164,531	130,952	(1,670)	(70,341)	127,719	553,315	598,610
Lease Revenue	-	-	-	-	-	52,592	52,741	60,552	64,047	61,754
Other	-	-	-	180	101,297	24,158	133,473	516,044	1,705,263	389,341
Total nonoperating rev.	22,889	29,101	73,866	164,711	232,249	75,080	115,873	704,315	2,322,624	1,051,455
Nonoperating Expenses:										
Net Loss on asset disposal	2,678	91,973	1,709,527	-	9,178	360,999	33,519	6,029	-	-
Interest expense	130,669	115,849	100,536	134,569	135,308	122,823	109,214	154,490	225,688	211,549
Amortization debt costs	11,700	11,700	11,700	7,665	5,029	5,029	5,028	5,031	5,029	5,029
Other	-	-	19,777	181,529	172,597	98,876	103,172	71,119	6,514	6,123
Total nonoperating exp	145,047	219,522	1,841,540	323,763	322,112	587,727	250,933	236,668	237,231	222,700
Income before capital contributions	634,035	143,651	(1,492,696)	(2,513)	235,611	(299,597)	1,026,407	1,053,050	4,053,788	3,663,793
Capital contributions	253,230	231,210	249,560	188,100	188,100	284,240	363,660	246,620	493,240	196,460
RBB Capital Contributions	-	-	-	-	-	-	-	209,726	-	-
Change in net position	887,265	374,861	(1,243,136)	185,587	423,711	(15,357)	1,390,067	1,509,396	4,547,028	3,860,253
Net Position										
Beginning of year, as restated	<u>17,402,574</u>	<u>18,289,839</u>	<u>17,150,110</u>	<u>15,906,974</u>	<u>16,092,561</u>	<u>16,512,512</u>	<u>16,497,155</u>	<u>17,892,525</u>	<u>19,401,921</u>	<u>23,948,949</u>
End of year	<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>	<u>\$19,401,921</u>	<u>\$23,948,949</u>	<u>\$27,809,202</u>

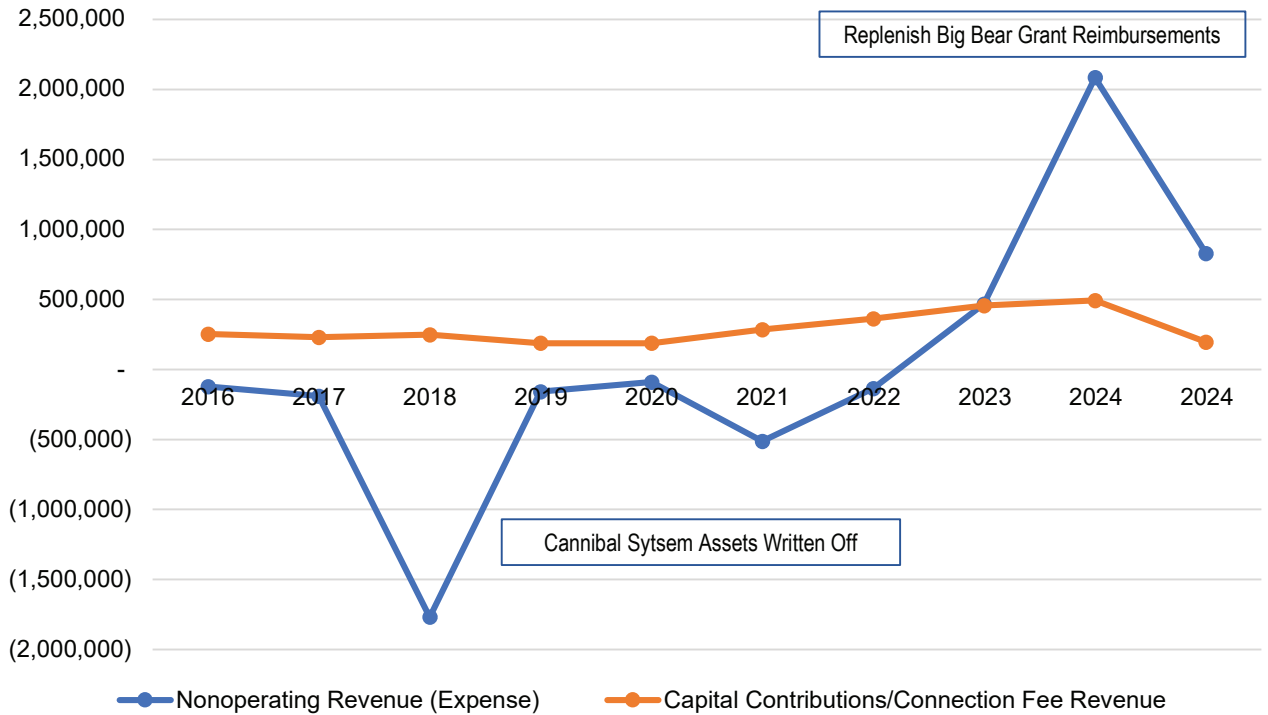
Notes: The above data was extracted from the Agency's financial statements. Net position was restated in fiscal years 2015, 2018, and 2021 to reflect the implementation of GASB 68, implementation of GASB 75, and the implementation of GASB 87, respectively. Fiscal Year 2023 includes one-time RBB capital contributions that were received from member agencies for use towards the Replenish Big Bear Project.



OPERATING EXPENSE DETAIL - 10 FISCAL YEARS



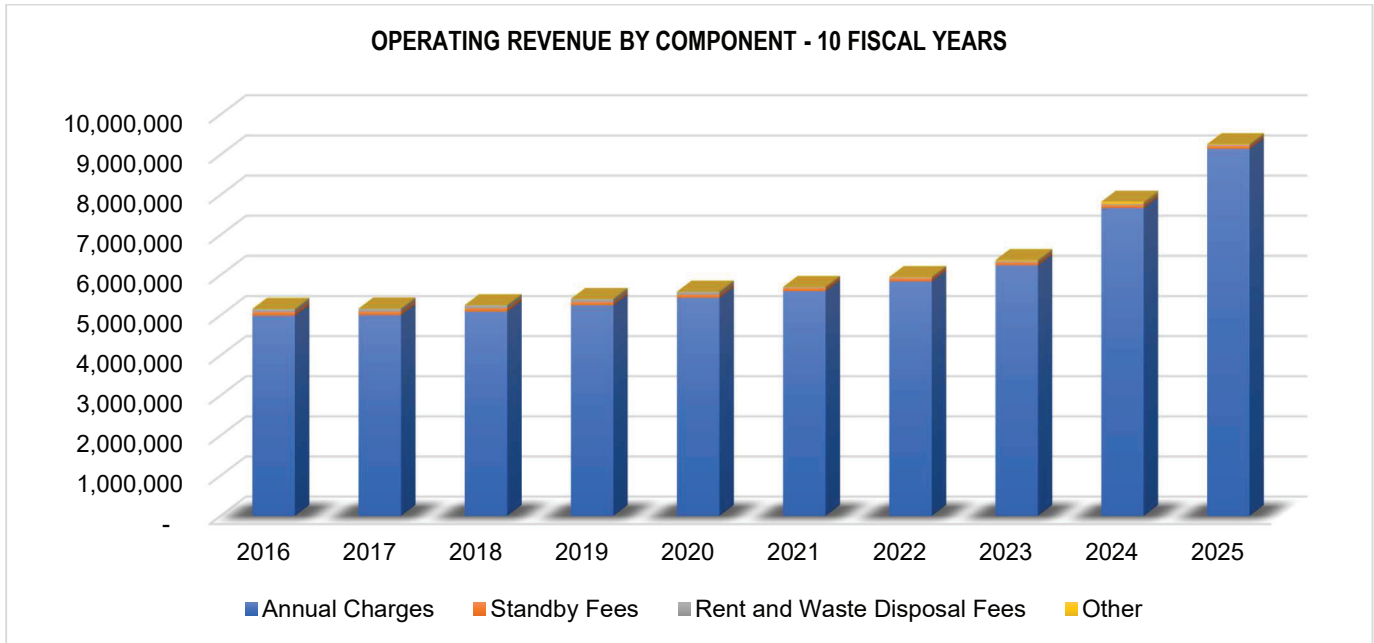
NET NONOPERATING REVENUE (EXPENSE), CAPITAL CONTRIBUTIONS (CONNECTION FEE REVENUE) - 10 FISCAL YEARS



Revenue Capacity

OPERATING REVENUES BY COMPONENT - 10 FISCAL YEARS

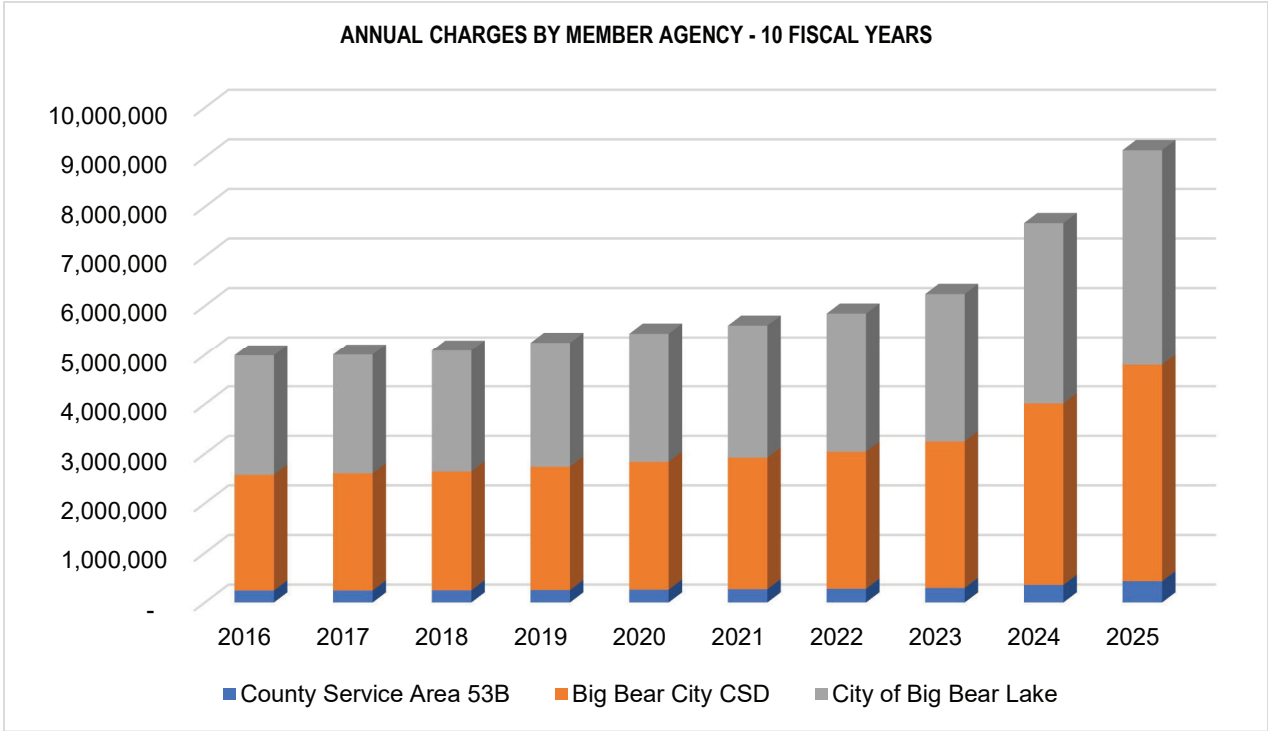
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
OPERATING REVENUES:										
Annual Charges	\$4,991,166	\$5,007,070	\$5,091,576	\$5,251,542	\$5,437,076	\$5,602,113	\$5,845,163	\$6,241,883	\$7,671,036	\$9,143,600
Standby Fees	89,250	86,930	85,180	83,200	81,660	80,300	79,220	77,590	75,297	73,252
Rent and Waste Disposal Fees	72,101	71,951	73,562	71,679	70,610	23,859	22,070	36,359	30,010	28,340
Other	<u>5,104</u>	<u>488</u>	<u>1,916</u>	<u>765</u>	-	<u>793</u>	<u>7,709</u>	<u>19,819</u>	<u>53,396</u>	<u>15,930</u>
Total operating revenues	<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>	<u>\$6,375,651</u>	<u>\$7,829,739</u>	<u>\$9,261,122</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.

ANNUAL CHARGES BY MEMBER AGENCY - 10 FISCAL YEARS

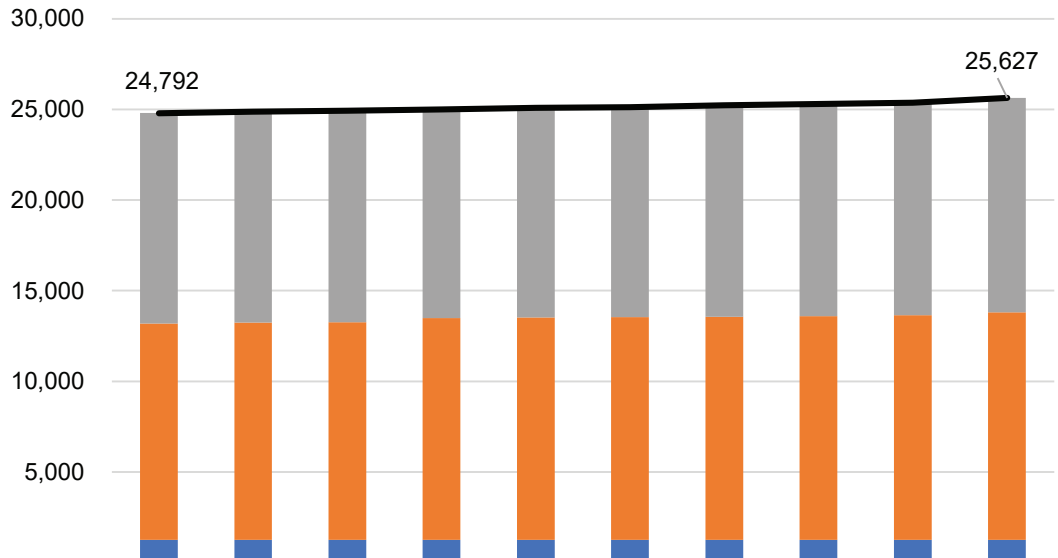
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
County Service Area 53B	\$241,821	\$242,135	\$244,697	\$250,523	\$258,429	\$268,256	\$278,853	\$294,727	\$354,559	\$430,033
Big Bear City CSD	2,335,900	2,363,616	2,398,457	2,488,269	2,579,204	2,652,478	2,763,777	2,955,515	3,660,648	4,369,986
City of Big Bear Lake	<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>	<u>2,991,642</u>	<u>3,655,830</u>	<u>4,343,581</u>
Total Annual Charges	<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>	<u>\$6,241,883</u>	<u>\$7,671,036</u>	<u>\$9,143,600</u>



ANNUAL CHARGES BY MEMBER AGENCY - % OF TOTAL

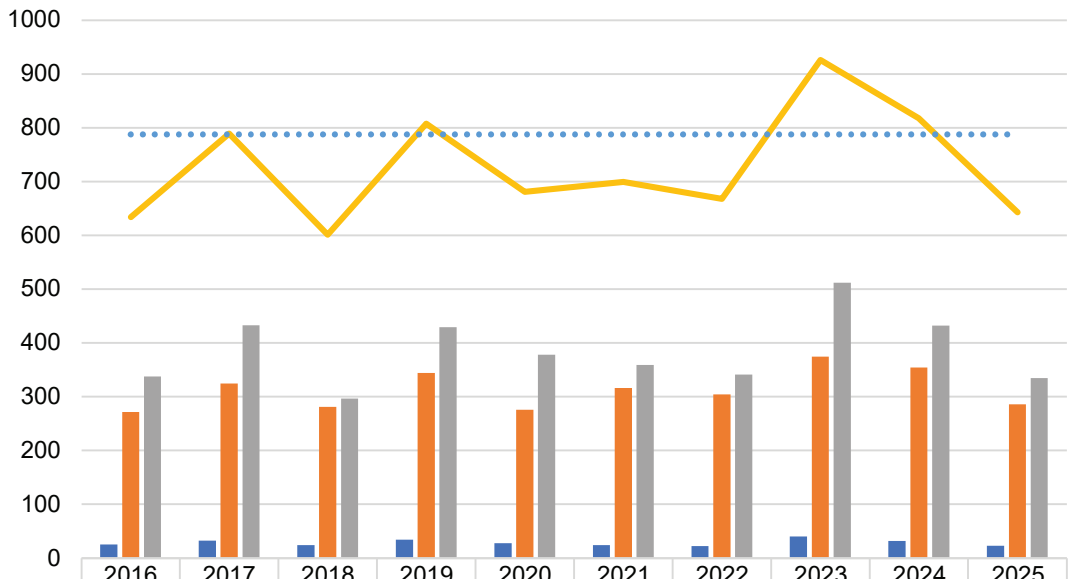
	<u>2016</u>	<u>2025</u>
County Service Area 53B	5%	5%
Big Bear City CSD	47%	48%
City of Big Bear Lake	48%	47%
	<hr/> 100%	<hr/> 100%

EQUIVALENT DWELLING UNITS BY MEMBER AGENCY - 10 FISCAL YEARS

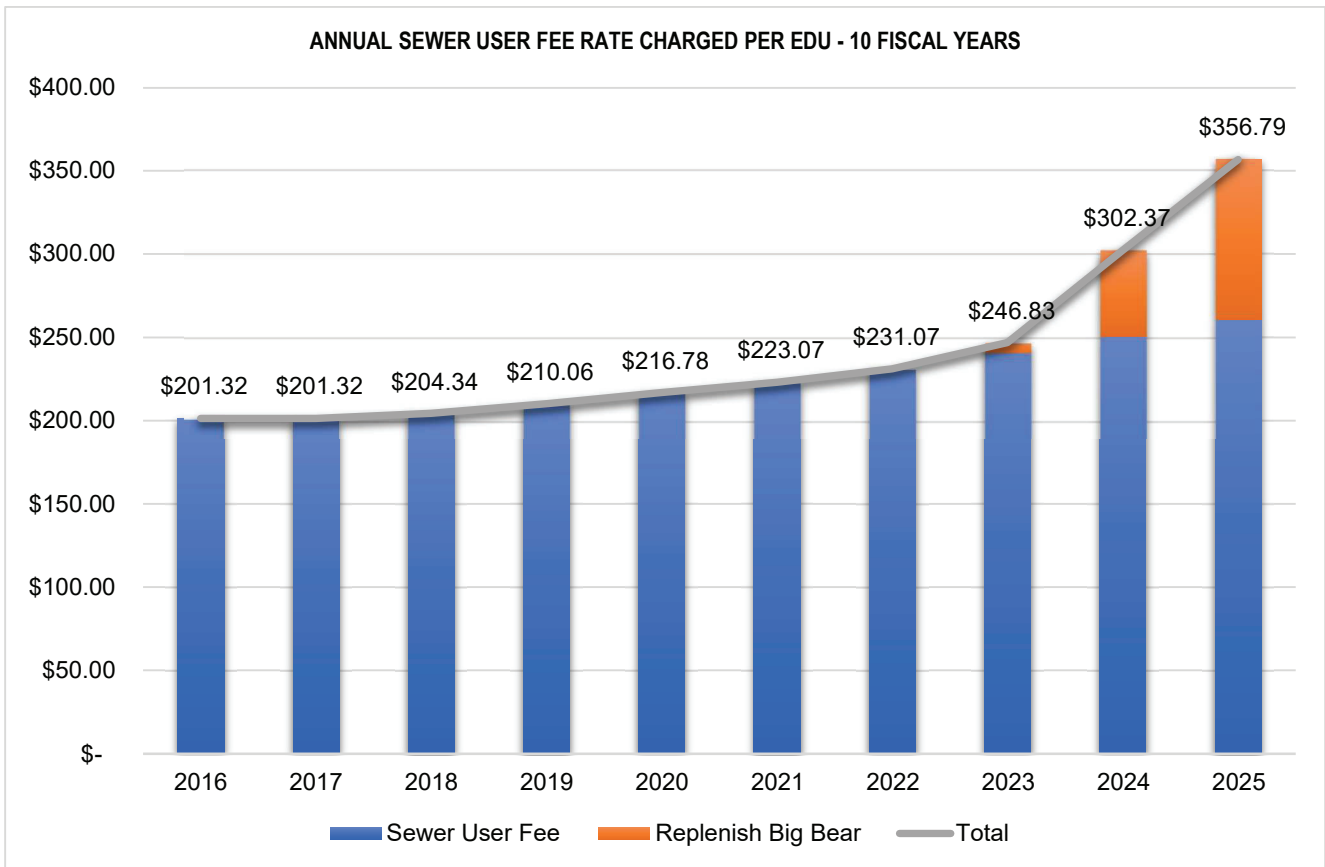


	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City of Big Bear Lake	11,605	11,636	11,654	11,506	11,559	11,573	11,666	11,698	11,724	11,814
Big Bear City CSD	11,931	11,977	12,004	12,234	12,260	12,279	12,290	12,326	12,381	12,546
County Service Area 53B	1,256	1,258	1,259	1,261	1,262	1,262	1,264	1,264	1,265	1,268
Total EDUs	24,792	24,871	24,917	25,001	25,081	25,114	25,220	25,288	25,370	25,627

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



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
County Service Area 53B	25.211	32.277	23.686	34.111	27.756	23.942	22.315	40.248	31.532	22.637
Big Bear City CSD	271.320	324.605	281.152	344.309	275.529	316.385	304.217	374.248	354.100	285.556
City of Big Bear Lake	337.312	432.546	296.724	429.294	377.903	359.227	341.177	512.109	432.213	334.642
Total Influent Flow	633.842	789.428	601.562	807.714	681.188	699.554	667.709	926.605	817.845	642.835
Average Dry Weather Flow	788.000	788.000	788.000	788.000	788.000	788.000	788.000	788.000	788.000	788.000



Debt Capacity

DEBT RATIOS - 10 FISCAL YEARS

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Principal Outstanding	\$3,681,512	\$3,223,168	\$2,749,574	\$4,040,433	\$3,668,205	\$3,283,230	\$2,885,070	\$5,873,273	\$5,477,369	\$5,006,876
Leases Outstanding	=	=	=	=	=	=	1,991	1,531	1,066	21,724
Total Outstanding Debt	\$3,681,512	\$3,223,168	\$2,749,574	\$4,040,433	\$3,668,205	\$3,283,230	\$2,887,061	\$5,874,804	\$5,448,435	\$5,028,600
EDUs	24,792	24,871	24,917	25,001	25,081	25,114	25,220	25,288	25,370	25,627
Debt Per EDU	\$148	\$130	\$110	\$162	\$146	\$131	\$114	\$232	\$215	\$196
Debt per Residential EDU	\$178	\$156	\$132	\$194	\$176	\$157	\$137	\$279	\$258	\$236
Debt as % of Household Income	0.5%	0.4%	0.3%	0.4%	0.3%	0.3%	0.3%	0.5%	0.4%	0.3%
Rate of Debt to Gross Revenue	0.68	0.58	0.48	0.70	0.62	0.54	0.46	0.86	0.61	0.50

Notes: 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.

Household income is derived from an average of the household income estimated for the City of Big Bear Lake and the Big Bear City Community Services District. For periods through 2017 the estimate is determined with data provided in the 2010 U.S. Census Bureau. For periods 2018 and after, data provided in the American Community Survey was used.

DEBT SERVICE COVERAGE - 10 FISCAL YEARS

Fiscal Year	Loan	Leases	Total Outstanding Debt	Gross Revenues	Net Revenues ²	Debt Service ³	Debt Service Coverage
2016	\$ 3,681,512	-	\$ 3,681,512	\$ 5,426,749	\$ 1,490,810	\$ 579,284	2.57
2017	3,223,168	-	3,223,168	5,575,660	1,440,559	579,284	2.49
2018	2,368,710	-	2,368,710	5,759,997	1,402,547	579,284	2.42
2019	4,040,433	-	4,040,433	5,759,997	1,402,366	593,013	2.36
2020	3,668,205	-	3,668,205	5,908,852	1,508,210	511,944	2.95
2021	3,283,230	-	3,283,230	6,042,227	1,446,634	511,944	2.83
2022	2,885,070	1,991	2,885,070	6,300,304	2,391,563	511,944	4.67
2023	5,873,273	1,531	5,873,273	7,012,538	2,115,981	614,230	3.44
2024	5,447,370	1,066	5,447,370	8,946,743	3,943,435	635,234	6.21
2025	5,006,876	21,734	5,006,876	10,119,695	4,624,449	657,248	7.04

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 2023 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.**

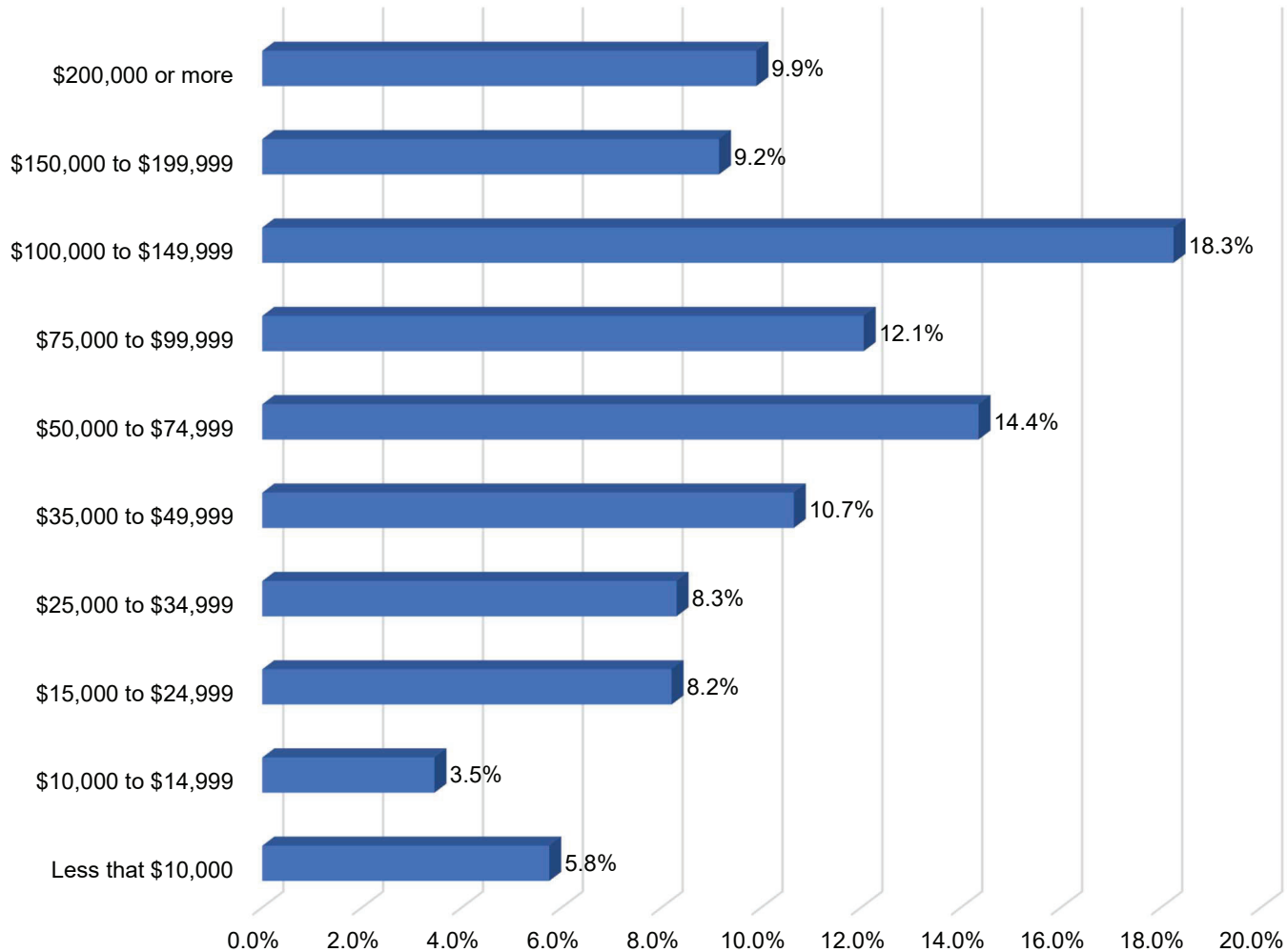
POPULATION ESTIMATES

Year	City of Big Bear Lake	Big Bear City	Total
2023	5,038	12,493	17,531

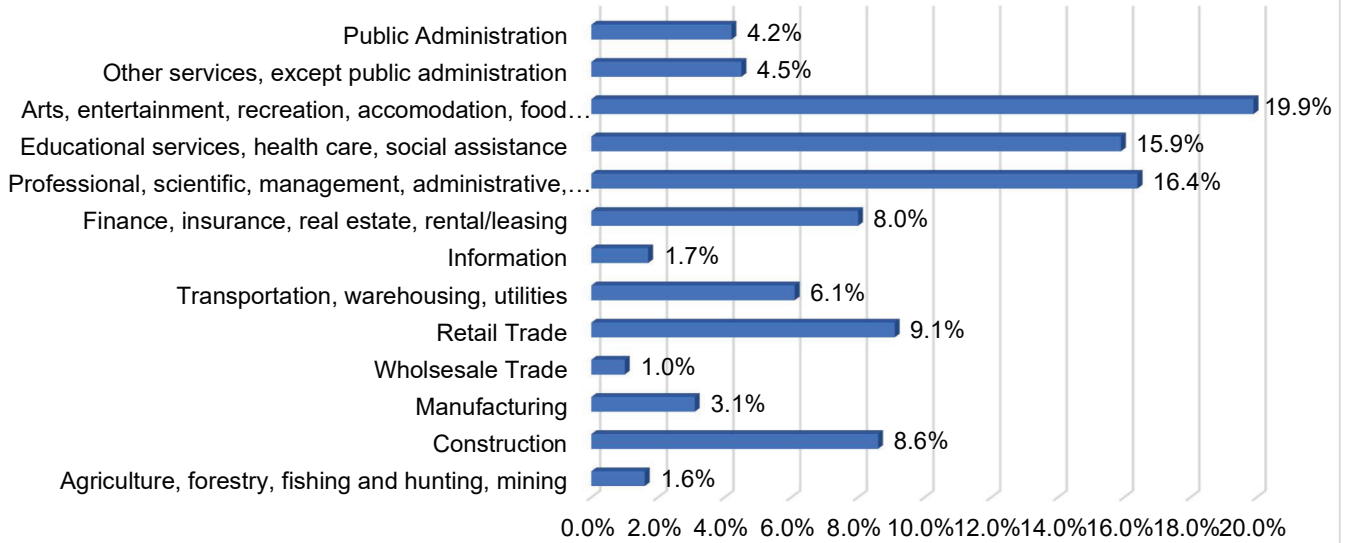
UNEMPLOYMENT ESTIMATES

Year	City of Big Bear Lake	Big Bear City
2023	4.0%	4.4%

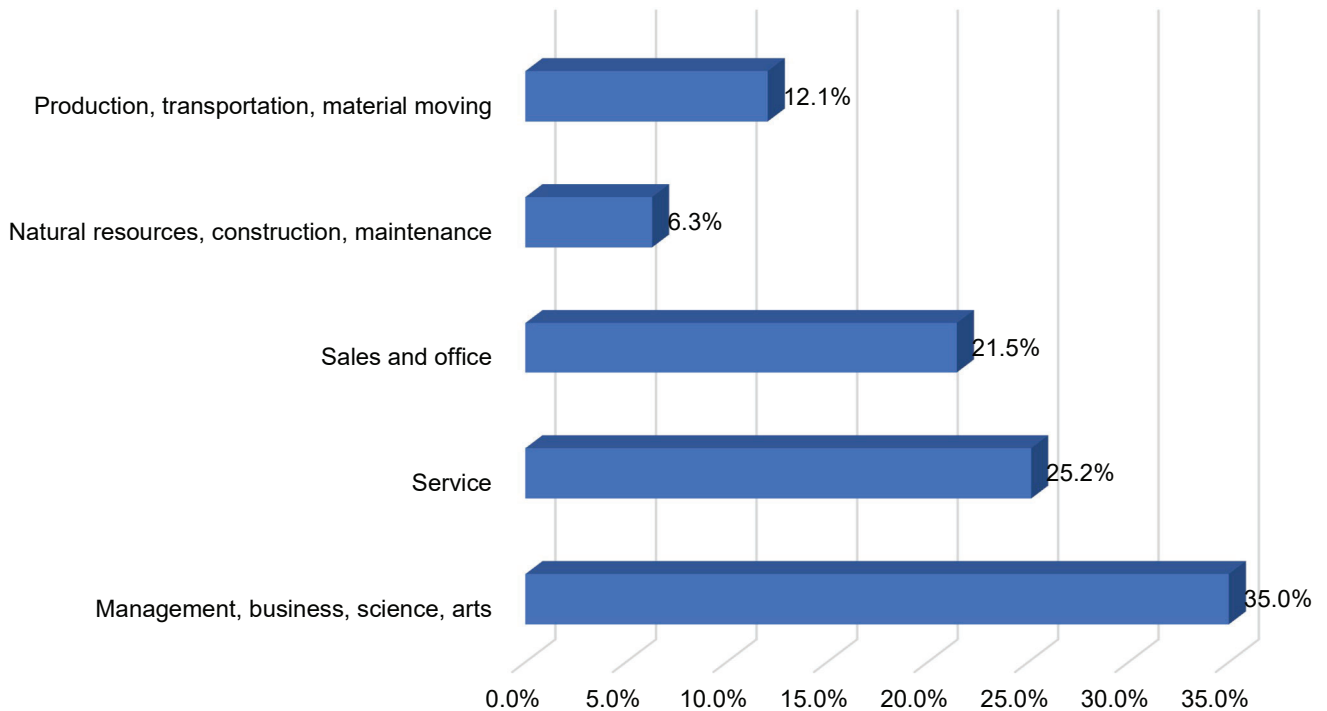
HOUSEHOLD INCOME (COMBINED ZIP CODES 92314 AND 92315)



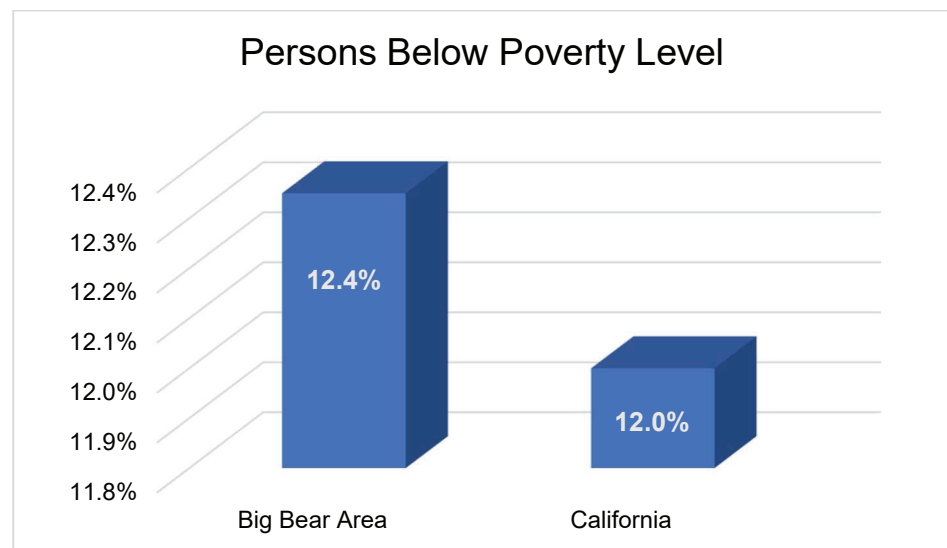
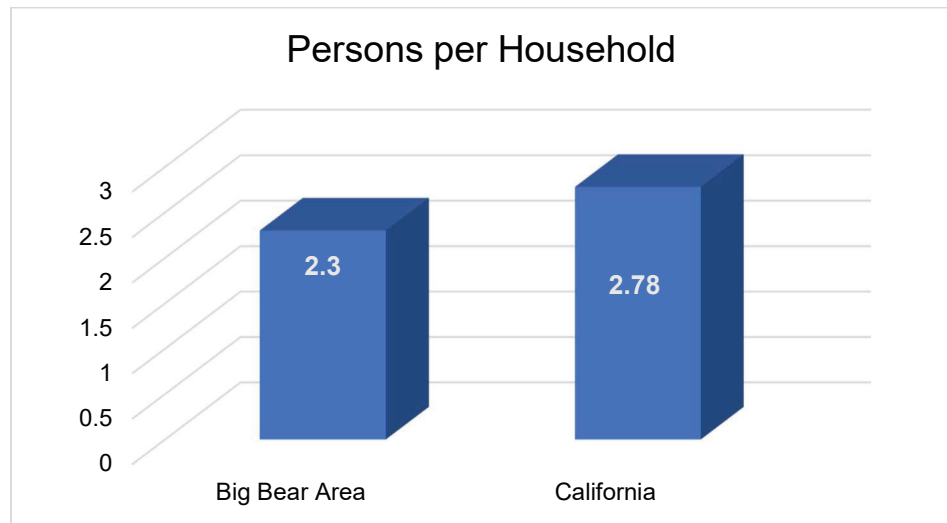
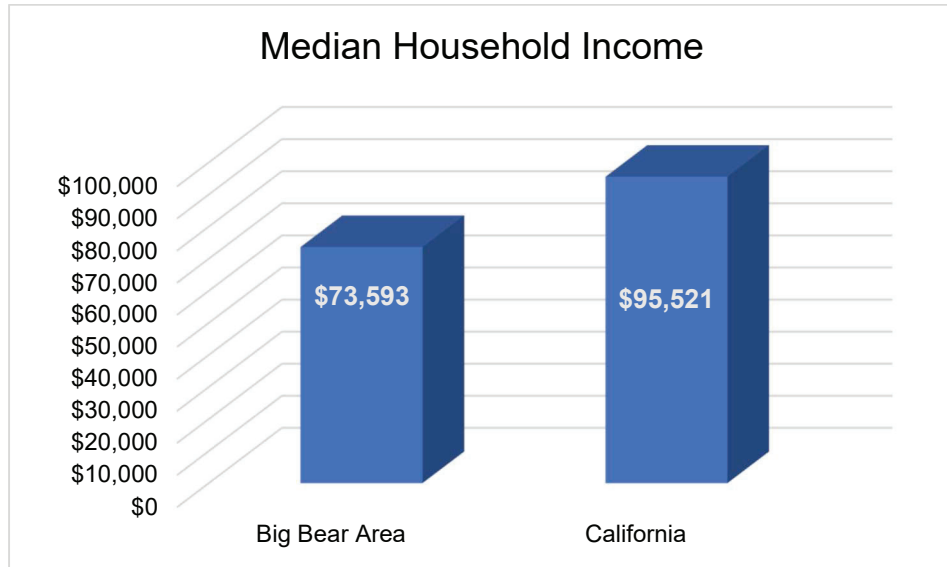
% OF EMPLOYED POPULATION BY INDUSTRY (COMBINED ZIP CODES OF 92314 AND 92315)



% OF EMPLOYED POPULATION BY OCCUPATION (COMBINED ZIP CODES OF 92314 AND 92315)



BIG BEAR AREA¹ COMPARISON TO STATE OF CALIFORNIA

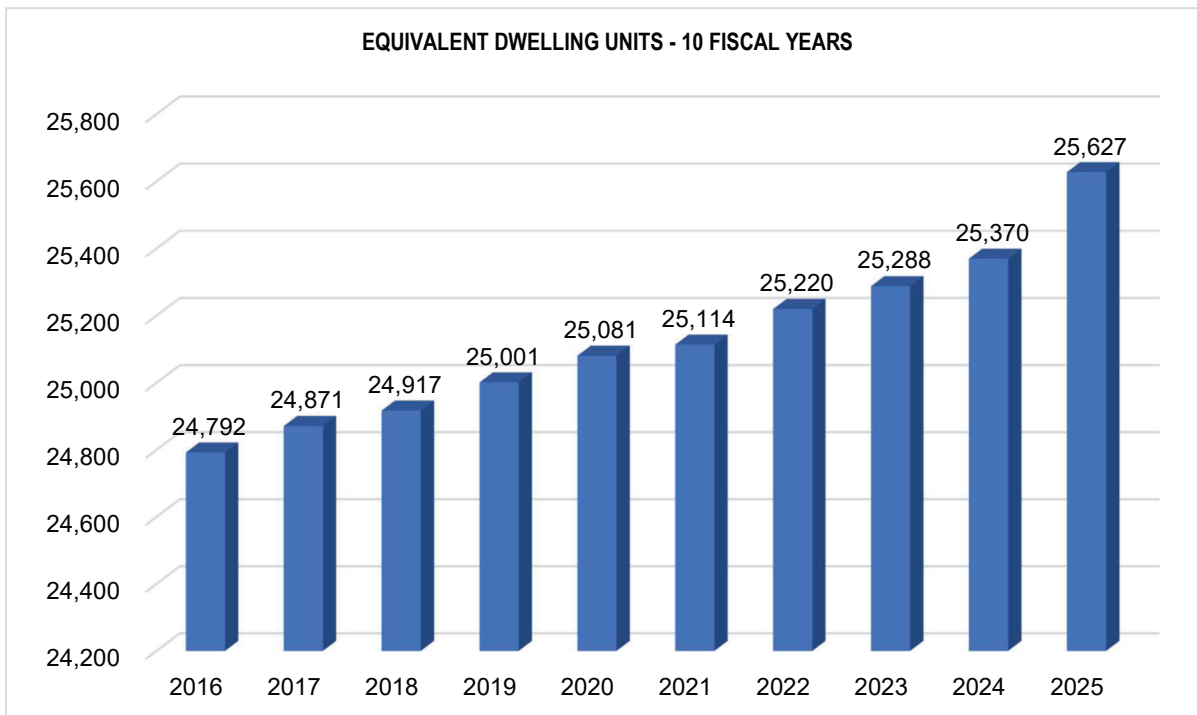
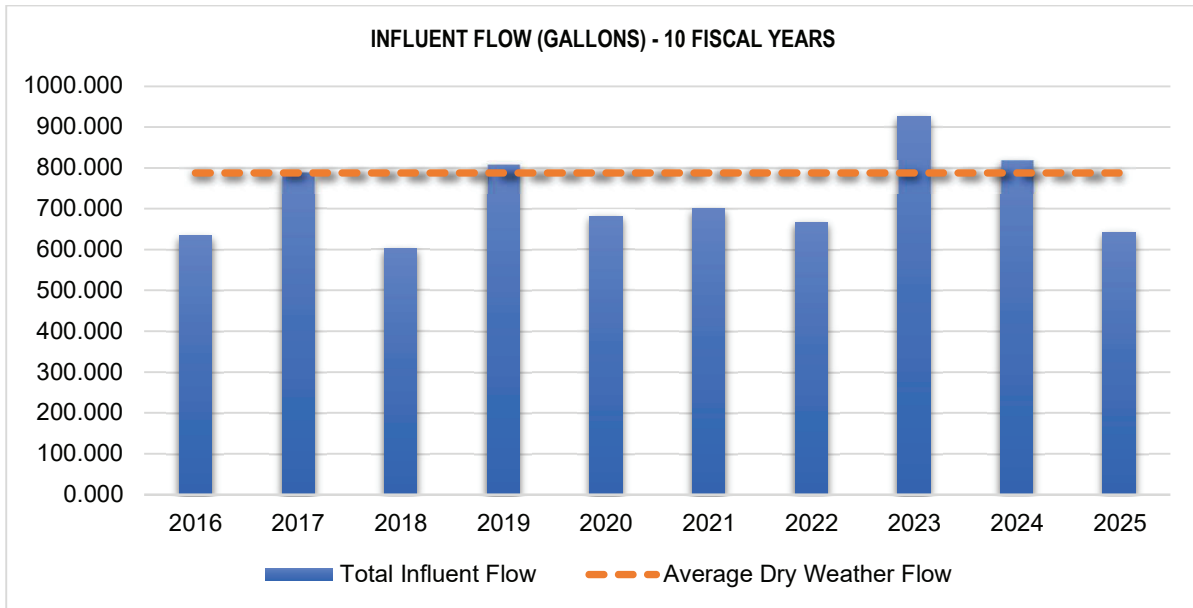


¹ Includes the zip code areas of 92314 and 92315.

Operating Information

System Demand (annual influent flow)

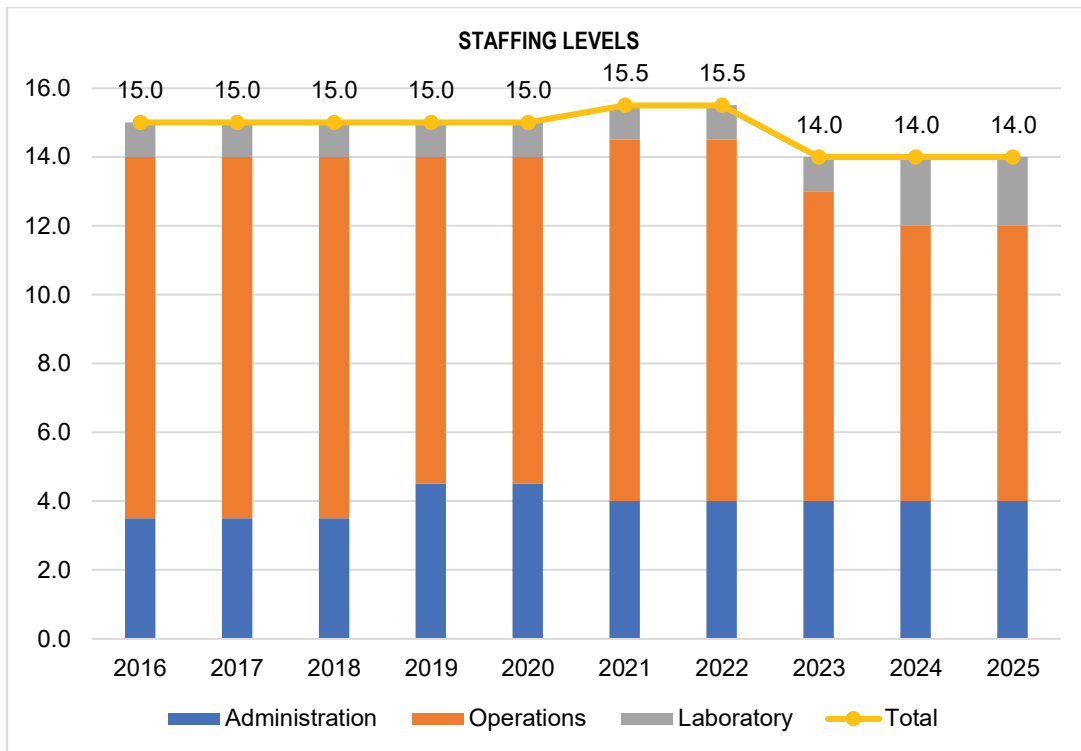
The Agency's wastewater flows are primarily impacted by 1) wet weather which creates infiltration and inflow into the system, and 2) peak tourist periods. Otherwise, the Agency's wastewater flows are fairly predictable due to the mature and stable commercial and residential housing markets in the area.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

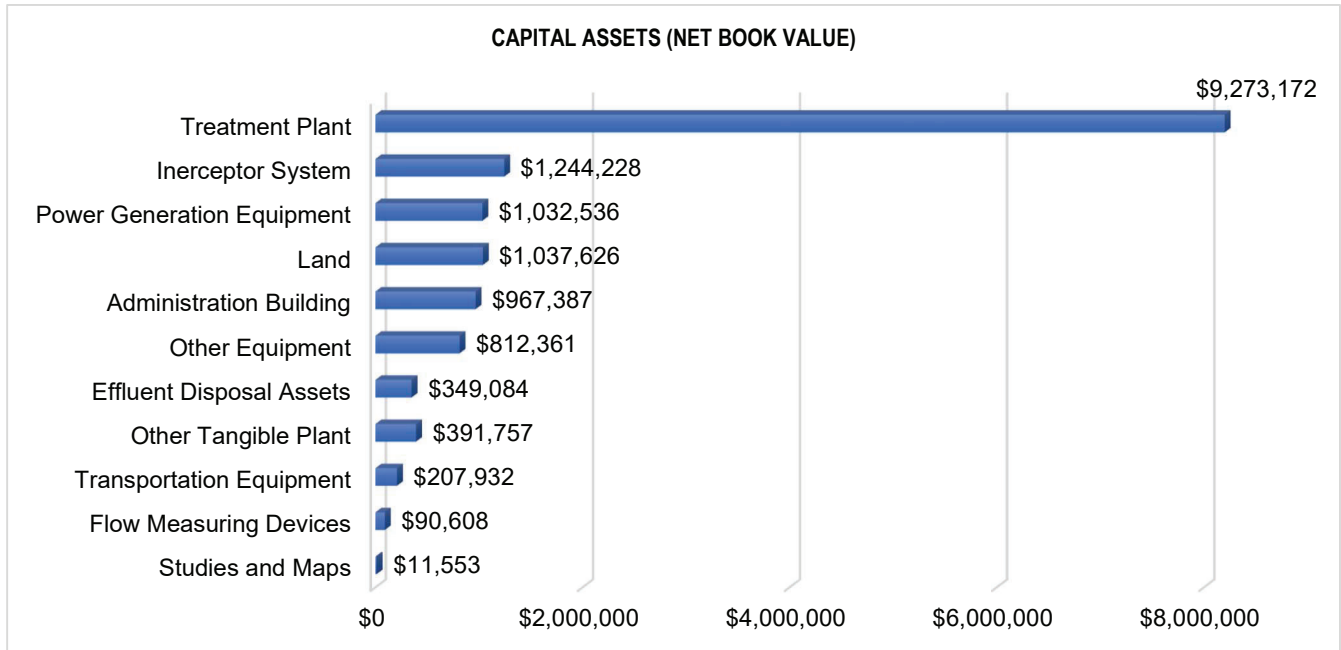
Year	Administration	Operations	Laboratory	Total
2016	3.5	10.5	1.0	15.0
2017	3.5	10.5	1.0	15.0
2018	3.5	10.5	1.0	15.0
2019	4.5	9.5	1.0	15.0
2020	4.5	9.5	1.0	15.0
2021	4.0	10.5	1.0	15.5
2022	4.0	10.5	1.0	15.5
2023	4.0	9.0	1.0	14.0
2024	4.0	8.0	2.0	14.0
2025	4.0	8.0	2.0	14.0

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



Nature of Capital Assets and Capacity Utilization

The concentration of the Agency's assets directly reflects its operations with the largest investments in the wastewater treatment plant (60%).



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	4	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 demands associated with an increase in full-time occupancy. Historical data is not available.

CAPACITY UTILIZATION BY STRUCTURE

	<u>Capacity</u> MGD	<u>Utilization</u> MGD	<u>Utilization</u> Rate
Effluent Pumping	5.6	2.4	43%
Interceptor System (N. Shore Sliplining)	2.0	0.5	26%
Lake Pump Station	8.0	4.6	58%
Load Equalization Basin/Bal Chamber	2.4	0.8	33%
Main Line (manholes)	7.2	3.2	44%
North Shore Pump Station 1	0.9	0.3	36%
Oxidation Ditches	4.9	2.4	49%
RAS Pumping	3.8	2.4	63%
Old Sludge Building	6.4	2.4	38%
Outfall Line	9.6	2.4	25%
Grit Removal System (2.4 / 7.6)	10.0	2.4	24%
Clarifiers	3.04	2.4	79%
New Belt Press	18.56	2.4	13%