



BIG BEAR FIRE AUTHORITY  
BIG BEAR LAKE, CALIFORNIA  
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT

Focused  
on YOU



BIG BEAR FIRE AUTHORITY  
BIG BEAR LAKE, CALIFORNIA  
Financial Statements  
For the Year Ended June 30, 2023

PREPARED BY:  
FINANCE DEPARTMENT

BIG BEAR FIRE AUTHORITY  
 BIG BEAR LAKE, CALIFORNIA  
 Financial Statements  
 For the Year Ended June 30, 2023

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Big Bear Fire Authority  
Big Bear Lake, California

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Big Bear Fire Authority, (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit 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. 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 Authority 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 opinions.

#### **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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



To the Board of Directors  
Big Bear Fire Authority  
Big Bear Lake, California

### ***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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison schedule for the capital projects fund (supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2024, on our consideration of the Authority'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 the Authority's 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 Authority's internal control over financial reporting and compliance.



Brea, California  
February 7, 2024

## **BIG BEAR FIRE AUTHORITY**

### Management's Discussion and Analysis

June 30, 2023

As management of the Big Bear Fire Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our notes to the financial statements.

#### **Financial Highlights**

The Authority was formed in July 2012 and operates pursuant to the California Joint Exercise of Powers Act and the Fire Protection District Law of 1987. The Authority is a separate and legal entity which exercised joint authority over the participating fire agencies. The participating agencies are the Big Bear Lake Fire Protection District and the Big Bear Community Services District. The governing board is a ten-member board comprised of equal members from each of the partner agencies.

The Authority's financial highlights for the year ended June 30, 2023 are as follows:

- The Authority's primary source of revenue is from property taxes passed through from the Big Bear Lake Fire Protection District and the Big Bear City Community Services District, as well as from air operations, ambulance services, and mutual aid reimbursements. All revenues are generated from governmental activities. Total revenue was \$18,711,898, an increase of \$1,359,353 over the prior year.
- The Authority's change in net position was a decrease of \$2,289,738 due to actuarial pension value changes.
- The Authority's cost of governmental activities was \$14,917,770, an increase of \$3,742,882 over the prior year.

#### **Overview of the Financial Statements**

The annual financial report consists of three primary parts:

- Government-wide Financial Statements
- Fund Financial Statement
- Notes to the Financial Statements

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business.

The statement of net position presents information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as an indicator of the financial health of the Authority.

The statement of activities presents information showing how the government's net position changed during the fiscal year. It also separates revenue by governmental program.

## **Fund Financial Statements**

Fund Financial Statements provide detailed information about the funds of the Authority. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Notes to the Financial Statements**

Notes to Financial Statements are presented following the Fund Financial Statements to provide additional information that is essential to a full understanding of the financial statements including significant accounting policies, cash and investments, inter-fund transactions, liabilities, and other disclosures.

## **Financial Analysis of the Authority's General Fund Financial Statements**

Our analysis focuses on the Balance sheet and changes in Fund balance of the Authority's governmental activities within the General Fund. The difference between the Authority's assets and liabilities represents the Authority's General Fund net position. Table 1 shows the assets and liabilities resulting in the Authority's net position. Table 2 shows the revenues and expenses resulting in the change in net position.

**Table 1**  
**Statement of Net Position**

	<b>2023</b>	<b>2022</b>
<b>ASSETS:</b>		
Cash and Investments	\$771,198	\$1,694,512
Accounts Receivable	2,926,876	2,687,784
Accrued Interest Receivable	208	49
Due from other governments	404,479	137,092
Prepaid costs	49,686	21,415
Capital assets not being depreciated	2,756,669	2,606,839
Capital assets, net of depreciation	2,778,425	2,803,783
	<b>9,687,541</b>	<b>9,951,474</b>
 <b>DEFERRED OUTFLOW OF RESOURCES:</b>		
Deferred outflows related to pensions/OPEB	23,802,857	15,871,283
	<b>23,802,857</b>	<b>15,871,283</b>
 <b>LIABILITIES:</b>		
Accounts payable and accrued expenses	224,733	301,459
Accrued liabilities	448,710	411,724
Accrued Interest	24,470	27,499
Unearned revenue	20,737	23,437
Loans, Compensated absences, due in one year	1,121,035	1,117,607
 Noncurrent liabilities		
Compensated absences, loans, due in more than one year	4,086,310	4,278,621
 Net OPEB liability	3,320,307	3,271,833
Net pension liability	31,339,824	12,684,046
	<b>40,586,126</b>	<b>22,116,226</b>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows related to pensions	7,159,503	15,708,498
Deferred inflows related to OPEB	624,218	555,338
	<b>7,783,721</b>	<b>16,263,836</b>
 <b>NET POSITION:</b>		
Net investment in capital assets	2,875,810	2,685,821
Unrestricted	(17,687,458)	(15,243,126)
	<b>\$(14,879,449)</b>	<b>\$(12,557,305)</b>

**Table 2**  
**Change in Net Position**

	<b>2023</b>	<b>2022</b>
<b>Revenues:</b>		
Program Revenues	\$ 6,083,866	\$ 5,877,797
General Revenues		
Property Taxes	12,446,606	11,413,102
Investment Income	181,426	61,646
<b>Total Revenues</b>	<b>18,711,898</b>	<b>17,352,545</b>
 <b>Expenditures:</b>		
Public safety	20,839,913	17,017,388
Interest and fiscal charges	161,723	67,703
<b>Total Expenditures</b>	<b>21,001,636</b>	<b>17,085,091</b>
Net Change in Net Position	(2,289,738)	267,454
Net Position, Beginning of Year	(12,857,165)	(12,857,165)
<b>Net Position at end of Year</b>	<b>\$(14,879,449)</b>	<b>\$(12,589,711)</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (2,289,738)</b>	<b>\$ 267,454</b>

**CHANGE IN NET POSITION (Table 2)**

- Total revenues were \$18,711,898 or \$1,359,353 more than the prior year, due to an active fire season which resulted in increased mutual aid reimbursement revenue as well as an increase in property tax revenues.
- Total expenses were \$21,001,636 or \$3,948,951 more than the prior year as a result of pension actuarial valuation changes.
- Net Position at end of year was \$(14,879,449), a decrease of \$2,289,738.

## Debt Administration

At the end of the current fiscal year, the Authority had total debt outstanding of \$5,207,345. During the fiscal year, the District's debt obligation decreased \$188,883 due to debt service payments made on the Authority's loan obligations.

### Long Term Debt As of June 30, 2023

	<u>2023</u>	<u>2022</u>
<b>Compensated Absences</b>	\$1,468,615	\$1,478,553
<b>Loans Payable</b>	<u>3,738,730</u>	<u>3,917,675</u>
	\$5,207,345	\$5,396,228

## Pension-Related Items and Net Pension Liability

### Deferred Outflows and Inflows:

The pension related items include deferred outflows and inflows in the amount of \$23,443,072 and \$7,159,503 respectively. The portion of deferred outflows related to contributions made by the Authority subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The deferred outflows and inflows result from changes in proportion and differences between employer contributions and proportionate share contributions, changes in actuarial assumptions, differences in projected and actual pension plan investments, and differences between expected and actual experience in total pension liability will be amortized and recognized as pension expense in the year ended June 30, 2024 and thereafter as shown in Note 9 to the financial statements.

### Net Pension Liability:

The aggregate net pension liability represents total pension liability (the present value of projected benefit payments to be provided through the plan to current active and inactive employees that is attributed to those employees' years of service) less the amount of the pension plan's fiduciary net position. The Authority's net pension liability as of June 30, 2023 is reported as \$31,339,824 for its proportionate shares of the SBCERA net pension liability and the Big Bear City Community Services District's net pension liability administered by CalPERS.

### Net OPEB Liability:

The aggregate net OPEB liability represents total OPEB liability (the present value of projected health benefit payments to be provided through the plan current retirees that is attributed to those employees' years of service) less the amount of the OPEB plan's fiduciary net position. The Authority's net OPEB liability as of June 30, 2023 is reported as \$3,320,307 for its proportionate share of the Big Bear City Community Services District's net OPEB liability.

### **Capital Asset Activity**

As of June 30, 2023, the Authority had \$1,203,507 capital assets as shown in the table below. This amount represents a decrease in capital assets in the amount of \$86,475 as a result of depreciation.

**Capital Assets (net of depreciation)  
Governmental Activities  
As of June 30, 2022**

Land	\$248,916
Construction in progress	\$2,507,753
Buildings	\$197,028
Large Utility	\$2,442,912
Equipment	<u>\$138,485</u>
Total	\$5,535,094

### **Considerations, Plans and Projections for Next Fiscal Year**

The revenue projections provided for in fiscal Year 2023-2024 are based on projected property tax pass-through revenues as well as ambulance, air operations and mutual aid revenues from which the projected expenditures for the Authority will be funded.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the Big Bear Fire Authority, PO Box 2830, Big Bear Lake, California 92315, (909) 866-7566.

**BIG BEAR FIRE AUTHORITY****Statement of Net Position****June 30, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 771,198
Receivables (net of uncollectibles):	
Accounts	2,926,876
Accrued interest	208
Due from other governments	404,479
Prepaid costs	49,686
Capital assets (not being depreciated)	2,756,669
Capital assets (net of accumulated depreciation)	2,778,425
<b>Total assets</b>	<b>9,687,541</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension-related	23,443,072
OPEB-related	359,785
<b>Total deferred outflows of resources</b>	<b>23,802,857</b>
<b>LIABILITIES</b>	
Accounts payable	224,733
Accrued liabilities	448,710
Accrued interest	24,470
Unearned revenue	20,737
Noncurrent liabilities:	
Due within one year:	
Loans and compensated absences	1,121,035
Due in more than one year:	
Net pension liability	31,339,824
Net OPEB liability	3,320,307
Loans and compensated absences	4,086,310
<b>Total liabilities</b>	<b>40,586,126</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension-related	7,159,503
OPEB-related	624,218
<b>Total deferred inflows of resources</b>	<b>7,783,721</b>
<b>NET POSITION</b>	
Net investment in capital assets	2,875,810
Unrestricted	(17,687,458)
<b>Total net position</b>	<b>\$ (14,879,449)</b>

**BIG BEAR FIRE AUTHORITY**

Statement of Activities

For the Year Ended June 30, 2023

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Changes in Net Position
	Expenses	Charges for Services	Operating Contributions and Grants	Governmental Activities
<b>Functions/Programs:</b>				
<b>Primary government:</b>				
<b>Governmental activities:</b>				
Public safety	\$ 20,839,913	\$ 4,843,747	\$ 1,240,119	\$ (14,756,047)
Interest on long-term debt	161,723	-	-	(161,723)
<b>Total governmental activities</b>	<b>\$ 21,001,636</b>	<b>\$ 4,843,747</b>	<b>\$ 1,240,119</b>	<b>\$ (14,917,770)</b>
<b>Total primary government</b>	<b>\$ 21,001,636</b>	<b>\$ 4,843,747</b>	<b>\$ 1,240,119</b>	<b>\$ (14,917,770)</b>
<b>General revenues and transfers:</b>				
General revenues:				
				12,446,606
				181,426
				<u>12,628,032</u>
				<b>(2,289,738)</b>
				(12,589,711)
				<u>\$ (14,879,449)</u>

**BIG BEAR FIRE AUTHORITY****Balance Sheet****Governmental Funds**

June 30, 2023

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Grants Fund</u>	<u>Capital Projects</u>	
<b>ASSETS</b>				
Cash and investments	\$ 771,198	\$ -	\$ -	\$ 771,198
Receivables (net of allowance for uncollectible):				
Accounts	2,926,876	-	-	2,926,876
Accrued interest	208	-	-	208
Due from other governments	171,563	232,916	-	404,479
Due from other funds	230,385	-	-	230,385
Prepaid costs	49,686	-	-	49,686
<b>Total assets</b>	<b>\$ 4,149,916</b>	<b>\$ 232,916</b>	<b>\$ -</b>	<b>\$ 4,382,832</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 175,138	\$ -	\$ 49,595	\$ 224,733
Accrued liabilities	448,710	-	-	448,710
Due to other funds	-	212,179	18,206	230,385
Unearned revenues	-	20,737	-	20,737
<b>Total liabilities</b>	<b>623,848</b>	<b>232,916</b>	<b>67,801</b>	<b>924,565</b>
<b>FUND BALANCES</b>				
Nonspendable	49,686	-	-	49,686
Unassigned (deficit)	3,476,382	-	(67,801)	3,408,581
<b>Total fund balances</b>	<b>3,526,068</b>	<b>-</b>	<b>(67,801)</b>	<b>3,458,267</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,149,916</b>	<b>\$ 232,916</b>	<b>\$ -</b>	<b>\$ 4,382,832</b>

# BIG BEAR FIRE AUTHORITY

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2023

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Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds		\$	3,458,267
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.			5,535,094
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings, and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.			
Deferred outflows-pension related	\$	23,443,072	
Deferred outflows-OPEB related		359,785	
Deferred inflows-pension related		(7,159,503)	
Deferred inflows-OPEB related		<u>(624,218)</u>	
Total deferred outflows and inflows related to postemployment benefits			16,019,136
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.			
Loans payable		(3,738,730)	
Compensated absences		(1,468,615)	
Accrued interest payable		(24,470)	
Net pension liability		(31,339,824)	
Net OPEB liability		<u>(3,320,307)</u>	
Total long-term liabilities			<u>(39,891,946)</u>
<b>Net position of governmental activities</b>			<b><u>\$ (14,879,449)</u></b>

**BIG BEAR FIRE AUTHORITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	<u>Special</u>		<u>Capital</u>	<u>Total</u>
	<u>Revenue Funds</u>	<u>Projects Funds</u>	<u>Projects Funds</u>	
	<u>General</u>	<u>Grants Fund</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 12,446,606	\$ -	\$ -	\$ 12,446,606
Intergovernmental	-	252,697	-	252,697
Charges for services	3,430,728	-	-	3,430,728
Use of money and property	181,426	-	-	181,426
Contributions	987,422	-	-	987,422
Miscellaneous	1,413,019	-	-	1,413,019
<b>Total revenues</b>	<b>18,459,201</b>	<b>252,697</b>	<b>-</b>	<b>18,711,898</b>
<b>EXPENDITURES</b>				
Current:				
Public safety	17,905,619	270,126	-	18,175,745
Capital outlay	-	-	506,015	506,015
Debt service:				
Principal	517,788	-	-	517,788
Interest and fiscal charges	164,752	-	-	164,752
<b>Total expenditures</b>	<b>18,588,159</b>	<b>270,126</b>	<b>506,015</b>	<b>19,364,300</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(128,958)</b>	<b>(17,429)</b>	<b>(506,015)</b>	<b>(652,402)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	17,429	131,777	149,206
Transfers out	(149,206)	-	-	(149,206)
Loans issued	-	-	306,437	306,437
<b>Total other financing sources (uses)</b>	<b>(149,206)</b>	<b>17,429</b>	<b>438,214</b>	<b>306,437</b>
<b>Net change in fund balances</b>	<b>(278,164)</b>	<b>-</b>	<b>(67,801)</b>	<b>(345,965)</b>
Fund balances -beginning	3,804,232	-	-	3,804,232
<b>Fund balances (deficit) -ending</b>	<b>\$ 3,526,068</b>	<b>\$ -</b>	<b>\$ (67,801)</b>	<b>\$ 3,458,267</b>

## BIG BEAR FIRE AUTHORITY

### Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2023

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Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds: \$ (345,965)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.

Capital outlay	\$ 506,015	
Depreciation/amortization expense	<u>(192,511)</u>	
Total adjustment		313,504

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase/(decrease) net position.

Loss on disposal of capital assets	<u>(189,032)</u>	
Total adjustment		(189,032)

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Loans issued	(306,437)	
Principal payments	<u>517,788</u>	
Total adjustment		211,351

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest on long-term debt	3,029	
Compensated absences	9,938	
Changes in pension liabilities and related deferred outflows and inflows of resources	(2,418,111)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	<u>125,548</u>	
Total adjustment		<u>(2,279,596)</u>

**Change in net position of governmental activities** \$ (2,289,738)

**NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Big Bear Fire Authority (the Authority) was formed on June 21, 2012, pursuant to the California Joint Exercise of Powers Act, commencing at California Government Code section 6500 *et seq.* to merge the Big Bear Lake Fire Protection District's (FPD) and the Big Bear City Community Services District (CSD)'s fire agencies under one umbrella, and provide fire protection and prevention services in the Big Bear Valley area of San Bernardino County.

The governing board consists of ten directors, including the elected or appointed members of the boards of directors of the participating agencies. The term of office of each director shall be concurrent with that director's term or office on the participating agency's Board of Directors.

The Authority's operations are funded by contributions from the participating agencies.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The Authority reports the following major funds:

- The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Grants Fund accounts for receipts and disbursements relating to grant programs received by the Authority.

**NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- The Capital Projects Fund accounts for receipts and disbursements related to the acquisition and construction of capital assets, including property, buildings, and equipment.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**D. Assets, Liabilities and Net Position or Equity**

Cash and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Authority are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Available means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Authority accrues revenue only for those revenues which are received within 90 days after year-end.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

**NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets(e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities' column in the government-wide financial statements. The Authority defined capital assets as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

In accordance with GASB Statement No. 34, the Authority has reported its general infrastructure.

Addition of a major component (over \$3,000) to an existing fixed asset that increases its usability or value is considered to be a fixed asset addition to the original asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
General plant and equipment	5 - 30

Compensated Absences

It is the Authority's policy to permit employees to accumulate general leave benefits. Under the current memorandum of understanding, the Authority's suppression employees receive 17 to 22, 24-hour shifts of general leave each year depending upon length of service. Ambulance operators receive 13 to 17, 24-hour shifts per year; flight staff receive 10 to 14, 24-hour shifts of general leave, and administrative staff receive 21 to 31, 8 hour shifts per year. Each employee's maximum accrual of general leave shall be equal to three times the employee's annual entitlement in hours. Employees may cash out up to 192 hours of general leave per fiscal year. However, employees must keep a minimum leave amount of 72 hours.

All paid time off is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category. The items are deferred pension related items and deferred other post-employment benefits (OPEB) related items.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category. The items are deferred pension related items and deferred other post-employment benefits (OPEB) related items.

**NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Pensions

For the purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) and the California Public Employees Retirement System (CalPERS) and additions to/deductions from SBCERA and CalPERS' plans fiduciary net positions have been determined on the same basis as they are reported by SBCERA and CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

GASB 68 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, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

Other Post-Employment Benefits

For the purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows and inflows of resources, and OPEB expense, information about the fiduciary net position of California Public Employees Retirement System (CalPERS) trust, and additions to/deductions from CalPERS plan's fiduciary net position have been determined on the same basis as it is reported by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value. Generally accepted accounting principles require 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	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses when incurred.

Fund Equity

In the fund financial statements, government funds report the following fund balance classifications:

Non-spendable Fund Balance – This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – This includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

**NOTE 1: REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Committed Fund Balance – This includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a minute action or a resolution of the Authority’s Board of Directors.

Assigned Fund Balance – This includes amounts that are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance – This includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

Functional Classifications

Expenditures of the governmental funds are classified by function. Functional classifications are defined as follows:

- Public Safety includes activities of the Authority involved in the protection of people and property from fire, and emergency medical services.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Note 2 to Required Supplementary Information, *Excess of Expenditures over Appropriations*, describes budgetary excesses in the General Fund that occurred for the year ended June 30, 2023.

**NOTE 3: CASH AND INVESTMENTS**

Cash and investments at June 30, 2023, consisted of the following:

	Governmental Activities
	<u>                    </u>
Cash and cash equivalents	\$ 744,648
Investments	<u>26,550</u>
Total Cash and Investments	<u>\$ 771,198</u>

The Authority follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on monthly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2023, the carrying amount of the Authority’s deposits was \$774,648 and the bank balance was \$1,107,614. The \$362,966 difference represents outstanding checks and other reconciling items.

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure a City's deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments in State Investment Pool

The Authority 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 Authority's investment in this pool is reported in the accompanying financial statements at amounts based on the Authority's pro rate 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 not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals in LAIF are made on the basis of \$1 and not fair value.

Concentration of Credit Risk

The only investment held by the Authority is LAIF, which is exempt from any restrictions regarding concentration of credit risk.

Credit Risk

As of June 30, 2023, the Authority's investments in external investment pools are unrated.

Custodial Credit Risk

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2023, the Authority had no investments considered to be exposed to custodial credit risk. The Authority does not have a policy related to custodial credit risk.

Interest Rate Risk

As of June 30, 2023, the fair value of the Authority's investments was \$26,550, all invested in the Local Agency Investment Fund which has a maturity of less than one year.

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application* establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority 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. LAIF, being the only investment held, is considered to be uncategorized.

**NOTE 4: CAPITAL ASSETS**

A summary of changes in capital assets for fiscal year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Adjustments	Additions	Deletions	Transfers	Balance June 30, 2023
Governmental activities:						
Capital assets, not being depreciated						
Land	\$ 248,916	\$ -	\$ -	\$ -	\$ -	\$ 248,916
Construction-in-progress	2,357,923	-	149,830	-	-	2,507,753
Total capital assets, not being depreciated	2,606,839	-	149,830	-	-	2,756,669
Capital assets, being depreciated						
Buildings	211,749	-	57,020	-	-	268,769
Machinery, equipment, and vehicles	298,481	-	-	-	-	298,481
Automotive equipment	2,830,447	-	299,165	(297,051)	-	2,832,561
Total capital assets, being depreciated	3,340,677	-	356,185	(297,051)	-	3,399,811
Less accumulated depreciation						
Buildings	(59,701)	-	(12,040)	-	-	(71,741)
Machinery, equipment, and vehicles	(130,423)	-	(29,573)	-	-	(159,996)
Automotive equipment	(346,770)	-	(150,898)	108,019	-	(389,649)
Total accumulated depreciation	(536,894)	-	(192,511)	108,019	-	(621,386)
Total capital assets, being depreciated, net	2,803,783	-	163,674	(189,032)	-	2,778,425
Total governmental activities capital assets	\$ 5,410,622	\$ -	\$ 313,504	\$ (189,032)	\$ -	\$ 5,535,094

Depreciation expense was fully charged to the public safety function in the amount of \$192,511.

**NOTE 5: LONG TERM DEBT**

**A. Asset-related loans payable**

A summary of the changes in long-term debt of the Authority for the fiscal year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amount Due Within One Year
Governmental activities					
Loans payable					
PNC fire engine	\$ 460,547	\$ -	\$ 111,239	\$ 349,308	\$ 115,091
Banc of america #1	1,442,429	15,465	147,632	1,310,262	150,252
Banc of america #2	821,825	290,972	113,083	999,714	115,280
Total loans payable	2,724,801	306,437	371,954	2,659,284	380,623
Compensated absences	1,478,553	1,221,306	1,231,244	1,468,615	587,446
Total governmental activities	\$ 4,203,354	\$ 1,527,743	\$ 1,603,198	\$ 4,127,899	\$ 968,069

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 5: LONG TERM DEBT (CONTINUED)**

PNC Fire Engine

In February 2021, the Authority entered into a financed asset acquisition for the acquisition of a Pumper Engine valued at \$671,651. The ambulance has a five-year estimated useful life. This agreement qualifies as a financed asset acquisition for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date. The agreement is to be liquidated through the General Fund. The balance of the loan at June 30, 2023 is \$349,308.

Banc of America Loan #1

In December 2021, the Authority entered into a financed asset acquisition for the acquisition of a ladder truck and brush engine valued at \$1,442,429. The ambulance has a five-year estimated useful life. This agreement qualifies as a financed asset acquisition for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date. The agreement is to be liquidated through the General Fund. The balance of the loan at June 30, 2023 is \$1,310,262.

Banc of America Loan #2

In February 2022, the Authority entered into a financed asset acquisition for the acquisition of a fire engine, ambulance and Battalion Chief vehicle valued at \$821,825. The ambulance has a five-year estimated useful life. This agreement qualifies as a financed asset acquisition for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date. The agreement is to be liquidated through the General Fund. The balance of the loan at June 30, 2023 is \$999,714.

The future minimum agreement obligations and the net present value of these agreement payments as of June 30, 2023, were as follows:

June 30	Asset-related loans payable	
	Principal	Interest
2024	\$ 380,623	\$ 53,082
2025	386,545	46,203
2026	393,549	39,200
2027	280,527	32,584
2028	285,712	27,399
2029-2033	932,328	55,806
Totals	<u>\$ 2,659,284</u>	<u>\$ 254,274</u>

**B. Pension related loans**

A summary of the changes in loan obligations for the fiscal year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Prior Period Adjustment	Increases	Decreases	Balance June 30, 2023	Amount Due Within One Year
Pension related loans payable:						
SBCERA Loan	\$ 901,201	\$ 32,405	\$ -	\$ 32,405	\$ 901,201	\$ 35,243
CSD Side Fund Loan	291,674	-	-	113,429	178,245	117,723
Total pension related loans payable	<u>\$1,192,875</u>	<u>\$ 32,405</u>	<u>\$ -</u>	<u>\$ 145,834</u>	<u>\$ 1,079,446</u>	<u>\$ 152,966</u>

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 5: LONG TERM DEBT (CONTINUED)**

SBERA Loan

As part of the merger between the FPD and the Authority, the employees of the FPD are to be included in the San Bernardino County Employees' Retirement Association (SBCERA)'s County Safety cost group and moved out of the City's Other Safety cost group. SBCERA and the FPD, on behalf of the City, have agreed that the amount to effectuate the inclusion of the FPD into the present County Safety cost group, and to avoid negatively impacting the County as a result, is \$6,508,000 calculated as of June 30, 2016, the last date for which actuarially determined unfunded actuarial liability (UAL) figures are available ("Transfer Amount"). As of June 30, 2023, the outstanding balance is \$901,201.

CSD CalPERS Side Fund Loan

In Fiscal Year 2014-15, the CSD's Sewer Department loaned \$1,020,445 to the CSD Fire Department. The CSD Fire Department paid off their Safety Group CalPERS side fund with the loaned funds. The legally binding interfund agreement requires that the Fire Department repay the loan within 10 years including 3.75 percent interest. Previously the CSD Fire Department had paid CalPERS 7.5 percent for the same loan and the Sewer Department had been earning 0.3 percent with the California Local Agency Investment Fund (LAIF). The side fund loan is secured with CSD collected property tax. As part of the merger agreement between the CSD Fire Department and the Authority, this loan is now an obligation of the Authority. As of June 30, 2023, the outstanding balance is \$178,245.

Debt service requirements on long-term debt at June 30, 2023, are as follows:

June 30	Pension related loans payable	
	Principal	Interest
2024	\$ 152,966	\$ 79,625
2025	98,852	67,789
2026	41,687	63,297
2027	45,339	59,645
2028	49,310	55,674
2029-2033	319,418	205,502
2034-2038	371,874	48,061
Totals	<u>\$ 1,079,446</u>	<u>\$ 579,593</u>

**NOTE 6: INTERFUND TRANSACTIONS**

During the normal course of business, the Authority moves resources from a fund receiving revenue to the fund where the resources are expended. Such transactions are recorded as transfers.

- The general fund made a transfer in the amount of \$17,429 to the grants fund to meet grant matching requirements.
- The general fund made a transfer in the amount of \$131,777 to the capital projects fund to finance the acquisition of additional equipment purchases.

**NOTE 7: DEFINED CONTRIBUTION PENSION PLAN**

The Authority's two 457(b) deferred compensation plans are defined contribution pension plans administered by the Board of Directors and management of the Authority. The deferred compensation plans cover all employees who were previously covered under the Authority's previous 401(a) Money Purchase Plan, which closed at the end of the previous fiscal year and did not opt for a distribution of assets from that plan.

**NOTE 7: DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)**

Employees may make voluntary contributions to the plan up to the maximum annual amounts permitted by the Internal Revenue Service. One of the 457(b) plans is administered by Nationwide Trust Company (Nationwide Plan) and the other is administered by Lincoln Financial Group (Lincoln Plan). Voluntary employee contributions to the plans were \$224,162 to the Nationwide Plan and \$66,603 to the Lincoln Plan.

Federal law requires that Plan assets be held in trust for the exclusive benefit of the participants. Accordingly, the Authority is in compliance with the legislation. Therefore, these assets are not the legal property of the Authority and are not subject to claims of the Authority's general creditors. Market value of the plan assets held in trust at June 30, 2023, for the Nationwide Plan were \$1,500,526 for 22 participants; plan assets for the Lincoln Plan for the same period was \$680,334 for 14 participants.

The Authority's Board of Directors establishes and amends all deferred compensation plan provisions, including benefit terms and contribution requirements. Amendment or termination of the plans is subject to the meet and confer requirement of the Myers-Milias-Brown Act and other applicable law.

**NOTE 8: DEFINED BENEFIT PENSION PLANS**

**A. SBCERA Cost-Sharing Plan**

Plan Description

SBCERA was established by the County of San Bernardino in 1945. SBCERA is governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq), the California Public Employees' Pension Reform Act of 2013 (CalPEPRA), and the regulations, procedures, and policies adopted by SBCERA's Board of Retirement. SBCERA is a cost-sharing, multiple employer, defined benefit public employee Retirement Association whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of San Bernardino. SBCERA also provides retirement benefits to the employee members for 17 other employers which are members of SBCERA.

The Plan operates under the provisions of the California County Employees' Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by SBCERA's Board of Retirement (Board). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401 (a) of the Internal Revenue Code.

SBCERA is a legally separate entity from the Authority, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, the Authority's basic financial statements exclude the SBCERA pension plan as of June 30, 2023. SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, that can be obtained by writing SBCERA at, 348 W. Hospitality Lane, Third Floor, San Bernardino, California 92415-0014 or visiting the website at: [www.SBCERA.org](http://www.SBCERA.org).

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 8: DEFINED BENEFIT PENSION PLANS (CONTINUED)**

Benefits Provided

SBCERA provides retirement, disability, death, and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

	Safety - Tier 1	Safety - Tier 2
Final Average Compensation	Highest 12 months	Highest 36 months
Normal Retirement Age	Age 55	Age 50
Early Retirement: Years of service required and/or age eligible for	Age 70 any years	Age 70 any years
	10 years age 50	5 years age 50
	20 years any age	N/A
Benefit percent per year of service for normal retirement age	3% per year of final average compensation for every year of service credit	2.5% per year of final average three years compensation for every year of service credit
Benefit adjustments	Reduce before age 50	Reduce before age 57
Final Average Compensation Limitation	Internal Revenue Code section 401(a)(17)	Government Code 7522.10

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the members years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.

Contributions

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members.

The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee contribution rates for the fiscal year ended June 30, 2023, ranged between 14.84% and 14.84% for Tier 1 General members and 9.06% for Tier 2 General members and 17.30% and 17.30% for Tier 1 Safety member and 16.13% for Tier 2 Safety member.

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Employer contribution rates for the year ended June 30, 2023, are as follows:

	<u>Employer Contribution Rates</u>	
	<u>Tier 1 Members</u>	<u>Tier 2 Members</u>
General	40.48%	35.48%
Safety	59.75%	51.21%

The required employer contributions and the amount paid to SBCERA by the Authority for the year ended June 30, 2023, were \$2,777,063. The employer contributions were equal to the required employer contributions for the year ended June 30, 2023.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources

At June 30, 2023, the Authority reported a net pension liability of \$14,410,735 for its proportionate share of the SBCERA's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The SBCERA's publicly available financial report provides details on the change in the net pension liability.

The Authority's proportion of the net pension liability were based on the contributions received by SBCERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of SBCERA's participating employers. At the June 30, 2022, measurement date, the Authority's proportion was 0.620%, which is a 16.67% decrease over the prior year proportion of 0.744%.

For the year ended June 30, 2023, the Authority recognized \$4,404,639 for its proportionate share of SBCERA's pension expense.

At June 30, 2023, the Authority reported their proportionate shares of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 2,777,063	\$ -
Changes of assumptions	997,304	-
Net difference between projected and actual earnings on pension plan investments	-	263,365
Differences between expected and actual experience	359,376	324,570
Difference between actual contributions and the proportionate share of contributions	<u>5,814,493</u>	<u>4,829,090</u>
Total	<u>\$ 9,948,236</u>	<u>\$ 5,417,025</u>

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The \$2,777,063 reported as deferred outflows of resources related to pensions contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SBCERA pensions will be recognized in pension expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 2,162,489
2025	724,701
2026	(2,093,428)
2027	1,172,179
2028	(211,793)
Total	<u>\$ 1,754,148</u>

Actuarial Assumptions and Methods

The significant actuarial assumptions and methods used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Investment rate of return	7.25%
Inflation	2.75%
Projected salary increases	4.55% to 12.75%
Administrative expenses	0.85% of payroll

Mortality is based on the Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2019 projection scale.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the three year period of July 1, 2016 through June 30, 2019.

The long-term expected rate of return on pension plan investments is 7.25%. SBCERA's actuary prepares an analysis of the long-term expected rate of return on a triennial basis using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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 by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocations (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long term expected investment rate of return assumptions are summarized in the following table.

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Estate of Return
Large Cap U.S. Equity	11.00%	5.42%
Small Cap U.S. Equity	2.00%	6.21%
International Developed Equity	9.00%	6.50%
Emerging Market Equity	6.00%	8.80%
Core Bonds	2.00%	1.13%
High Yield Bonds	13.00%	3.40%
Global Bonds	1.00%	-0.04%
Emerging Market Debt	8.00%	3.44%
Real Estate	3.50%	4.57%
Cash	2.00%	-0.03%
Value Added Real Estate	3.50%	6.53%
Real Assets	5.00%	10.64%
Absolute Return	7.00%	3.69%
International Credit	11.00%	5.89%
Private Equity	16.00%	10.70%
<b>Total</b>	<b>100.00%</b>	

Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made based on the actuarially determined rates based on the SBCERA Board's funding policy, which establishes the contractually required rate based on statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the actuarial valuation date of June 30, 2022, the discount rate used to measure the total pension liability as of the year ended June 30, 2023, was 7.25%.

Sensitivity of Net Pension Liability to Changes in Discount Rate

The following table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	Discount Rate -1 Percent (6.25%)	Current Discount Rate (7.25%)	Discount Rate +1 Percent (8.25%)
Authority's proportionate share of net pension liability	\$ 23,887,257	\$ 14,410,735	\$ 6,659,684

**NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Pension Plan Fiduciary Net Position

Detailed information about the SBCERA's fiduciary net position is available in a separately issued SBCERA comprehensive annual financial report. That report may be obtained on the Internet at [www.SBCERA.org](http://www.SBCERA.org); by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, California 92415; or by calling (909) 885-7980 or (877) 722-3721.

**B. CalPERS Cost-Sharing Plan**

The Authority funds a portion of the CSD's CalPERS pension plan for safety retirees. No current employees are eligible to participate in this plan and all active employees transitioned over to the SBCERA cost-sharing plan at June 30, 2020. The CalPERS plan is a cost-sharing, multiple employer, defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is 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.

**NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Actuarial Methods and Assumptions

The total pension liability for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following assumptions:

	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies

<sup>1</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the December 2021 experience study report that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for PERF C (pension fund administered by CalPERS) was 6.90 percent. 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.

Long-Term Expected Rate of Return

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

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

**NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

Asset Class	Assumed Asset Allocation	Real Return <sup>1, 2</sup>
Global equity-cap-weighted	30.00%	4.54%
Global equity-non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Annual Comprehensive Financial Report closing and final reconciled reserves.

Changes in Net Pension Liability

At June 30, 2023, the Authority reported its proportionate share of the CSD's net pension liability of \$16,929,089, an increase of \$14,046,185 from the prior year amount of \$2,882,904.

The Authority's proportionate share of the net pension liability for the plan as of June 30, 2021, and 2022 was as follows:

Proportion - June 30, 2021	0.0530%
Proportion - June 30, 2022	0.0950%
Change	0.0420%

**NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

The following presents 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 Percent (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1 Percent (7.90%)
Proportionate share of net pension liability/(asset)	<u>\$ 24,133,818</u>	<u>\$ 16,929,089</u>	<u>\$ 11,040,851</u>

Recognition of Gains and Losses

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

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

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

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for PERF C for the measurement period ending June 30, 2022, is 3.8 years.

Pension Expense, Deferred Outflows, and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2023, the Authority recognized a pension expense of \$4,499,594.



**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Plan Description

The Authority funds health benefits for its share of all qualifying fire safety retirees from the CSD in accordance with Memorandums of Understanding under various labor agreements. The CSD’s plan is an agent, multiple-employer plan administered by the CSD.

Contributions

As required by GASB Statement No. 75, an actuary will determine the CSD’s annual required contribution (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years. The Authority provides funding to the CSD for the former CSD fire safety retirees enrolled in the plan. The Authority did not make any contributions to the plan for the year ended June 30, 2023.

Significant Actuarial Assumptions Used for Total OPEB Liability

Actuarial Assumption	June 30,2022 Measurement Date
Actuarial Valuation Date	June 30, 2022
Contribution Policy	Authority contributes portion of full CSD ADC
Discount Rate	6.25 percent
General Inflation	2.50 percent
Mortality, Retirement	CalPERS 2000-2019 Experience Study
Disability, Termination	
Salary Increases	2.75 percent
Medical Trends	Non-Medicare - 8.50% in 2024, decreasing to 3.45% in 2076 Medicare (Non-Kaiser) - 7.50% in 2024, decreasing to 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2024, decreasing to 3.45% in 2076

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.

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	49%	4.56%
Long US Treasuries	5%	0.29%
Mortgage-Backed Securities	5%	0.49%
Investment Grade Corporates	4%	1.56%
High Yield	4%	3.00%
Sovereigns	5%	2.76%
TIPS	5%	-0.08%
Commodities	3%	1.22%
REITs	20%	4.06%
Assumed Long-term Rate of Inflation		2.50%
Expected Long-term Net Rate of Return, Rounded		6.25%

Changes in Net OPEB Liability

At June 30, 2023, the measurement date, the Authority reported its proportionate share of the CSD's net OPEB liability of \$3,320,307; an increase of \$48,474 from the prior year amount of \$3,271,833.

The net OPEB liability of the plan is measured as of June 30, 2023, and the total OPEB liability for the plan used to calculate the net OPEB liability was determined by an actuarial valuation of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. The proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net OPEB liability for the plan as of June 30, 2022 and 2023 was as follows:

	OPEB Plan
Proportion – June 30, 2022	37%
Proportion – June 30, 2023	33%
Change – Increase (Decrease)	-4%

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

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using the discount rate of 6.25 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25 percent) or 1 percentage-point higher (7.25 percent) than the current rate:

	Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate + 1% (7.25%)
Plan's Net OPEB Liability -Authority Allocation (37%)	\$3,923,219	\$3,320,307	\$2,785,361

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability of the Plan as of the Measurement Date, calculated using current healthcare trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate + 1% (7.25%)
Plan's Net OPEB Liability -Authority Allocation (37%)	\$2,707,495	\$3,320,307	\$4,028,338

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. The net difference between projected and actual earnings on OPEB plan investments are amortized over 5 years, while all other deferred outflows and inflows are amortized over the average expected remaining service life of plan participants. For the June 30, 2022, measurement date, the average expected remaining service life is 5.1 years.

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

For the fiscal year ended June 30, 2023, the Authority recognized OPEB income of \$125,548. As of fiscal year-ended June 30, 2023, the Department reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	_____	_____
Differences between actual contributions and the proportionate share of contributions	\$ -	\$ 496,480
Changes in assumptions	264,628	127,738
Net difference between projected and actual earnings on plan investments	95,157	-
	_____	_____
Total	<u>\$ 359,785</u>	<u>\$ 624,218</u>

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

The amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (153,983)
2024	(160,738)
2025	49,478
2026	4,291
2026	<u>(3,481)</u>
Total	<u>\$ (264,433)</u>

**NOTE 10: INSURANCE**

**A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement**

The Authority is a member of the California Joint Powers Insurance Authority (CJPIA). CJPIA is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. CJPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**B. Self-Insurance Programs of the CJPIA**

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses also have a \$50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on CJPIA's website: <https://cjpia.org/coverage/risk-sharing-pools/>.

**NOTE 10: INSURANCE (CONTINUED)**

Primary Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$75,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2021-22, CJPIA's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

**C. Purchased Insurance**

Pollution Legal Liability Insurance

The Authority participates in the pollution legal liability insurance program which is available through CJPIA. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the Authority. Coverage is on a claims-made basis. There is a \$250,000 deductible. CJPIA has an aggregate limit of \$20 million.

Property Insurance

The Authority participates in the all-risk property protection program of CJPIA. This insurance protection is underwritten by several insurance companies. The Authority's property is currently insured according to a schedule of covered property submitted by the Authority to the CJPIA. The Authority's property currently has all-risk property insurance protection in the amount of \$10,013,929. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

The Authority purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through CJPIA.

**D. Adequacy of Protection**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2022-23.

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

The Authority is subject to litigation arising in the normal course of business. In the opinion of legal counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

**BIG BEAR FIRE AUTHORITY**  
**Notes To Financial Statements**  
**Year Ended June 30, 2023**

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**NOTE 12: RESTATEMENTS OF NET POSITION**

For the fiscal year ended June 30, 2022, the Statement of Activities reported the following adjustment to beginning net position to correct an inadvertent reduction of the Authority's SBCERA pension related loan payable during the fiscal year ended June 30, 2022.

	June 30, 2022 As Previously Reported	Adjustment	June 30, 2022 As Restated
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental activities	<u>\$ (12,557,305)</u>	<u>\$ (32,406)</u>	<u>\$ (12,589,711)</u>

**NOTE 13: SUBSEQUENT EVENTS**

The Authority evaluated subsequent events for recognition and disclosure through February 7, 2024, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023, that required recognition or disclosure in these financial statements.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**BIG BEAR FIRE AUTHORITY**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 12,221,006	\$ 12,221,006	\$ 12,446,606	\$ 225,600
Charges for services	3,297,711	3,665,711	3,430,728	(234,983)
Use of money and property	71,244	184,744	181,426	(3,318)
Contributions	1,119,600	1,119,600	987,422	(132,178)
Miscellaneous	1,141,300	1,141,300	1,413,019	271,719
<b>Total revenues</b>	<b>17,850,861</b>	<b>18,332,361</b>	<b>18,459,201</b>	<b>126,840</b>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Salaries and benefits	15,070,236	15,217,236	15,769,247	(552,011)
Supplies	334,124	334,124	379,016	(44,892)
Professional services	440,736	480,736	430,485	50,251
Maintenance and equipment	484,323	493,923	502,879	(8,956)
Utilities	193,000	193,000	251,775	(58,775)
Other expenditures	510,598	540,598	572,217	(31,619)
Debt service:				
Principal	518,745	518,745	517,788	957
Interest	163,600	163,600	164,752	(1,152)
<b>Total expenditures</b>	<b>17,715,362</b>	<b>17,941,962</b>	<b>18,588,159</b>	<b>(646,197)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>135,499</b>	<b>390,399</b>	<b>(128,958)</b>	<b>(519,357)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(82,000)	(219,500)	(149,206)	70,294
Total other financing sources (uses)	(82,000)	(219,500)	(149,206)	70,294
<b>Net change in fund balance</b>	<b>\$ 53,499</b>	<b>\$ 170,899</b>	<b>(278,164)</b>	<b>\$ (449,063)</b>
Fund balance-beginning			3,804,232	
<b>Fund balance-ending</b>			<b>\$ 3,526,068</b>	

The Notes to Required Supplementary Information are an Integral part of this schedule.

**BIG BEAR FIRE AUTHORITY**  
**Grants Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2023**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 54,105	\$ 272,246	\$ 252,697	\$ (19,549)
<b>Total revenues</b>	<b>54,105</b>	<b>272,246</b>	<b>252,697</b>	<b>(19,549)</b>
<b>EXPENDITURES</b>				
Current:				
Public safety	54,105	297,019	270,126	26,893
<b>Total expenditures</b>	<b>54,105</b>	<b>297,019</b>	<b>270,126</b>	<b>26,893</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>(24,773)</b>	<b>(17,429)</b>	<b>(7,344)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	17,429	17,429
Total other financing sources (uses)	-	-	17,429	17,429
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (24,773)</b>	<b>-</b>	<b>\$ 24,773</b>
Fund balance-beginning			-	
<b>Fund balance-ending</b>			<b>\$ -</b>	

The Notes to Required Supplementary Information are an Integral part of this schedule.

**BIG BEAR FIRE AUTHORITY**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**As of June 30 for The Last Ten Fiscal Years**

<u>Measurement Date</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
<u>SBCERA Plan:</u>					
Proportion of the Net Pension Liability	0.620%	0.744%	0.606%	0.787%	0.393%
Proportionate Share of the Net Pension Liability	\$ 14,410,735	\$ 9,801,142	\$ 24,295,795	\$ 21,353,585	\$ 9,948,458
Covered Payroll	\$ 5,790,479	\$ 4,944,594	\$ 6,049,654	\$ 4,484,497	\$ 2,343,852
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	248.87%	198.22%	401.61%	476.16%	424.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.58%	91.19%	71.96%	79.61%	79.89%
<u>CalPERS Plan:</u>					
Proportion of the Net Pension Liability <sup>2</sup>	0.095%	0.053%	0.047%	0.051%	0.066%
Proportionate Share of the Net Pension Liability	\$ 16,929,089	\$ 2,882,904	\$ 5,474,917	\$ 5,291,112	\$ 6,397,198
Covered Payroll	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.85%	88.29%	75.10%	75.26%	72.82%

**Notes to Schedule:**

Benefit Changes: None

Changes of Assumptions: Changes of Assumptions: Effective with the June 30, 2021 valuation date (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. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

<sup>1</sup> Fiscal year 2019 is the first year the Authority is reporting a defined benefit pension plan, therefore only five years are shown.

<sup>2</sup> This plan is closed to new entrants, and has no active participants. As such, there is no covered payroll.

**BIG BEAR FIRE AUTHORITY**  
**Schedule of Plan Contributions**  
**As of June 30 for the last Ten Fiscal Years<sup>1</sup>**

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<u>SBCERA Plan:</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially Determined Contribution <sup>3</sup>	\$ 2,777,063	\$ 2,803,745	\$ 2,490,371	\$ 2,708,917	\$ 2,618,764
Actual Contributions	(2,777,063)	(2,803,745)	(2,490,371)	(2,708,917)	(2,618,764)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,254,888	\$ 5,790,479	\$ 4,944,594	\$ 6,049,654	\$ 4,484,497
Contributions as a Percentage of Covered Payroll	52.85%	48.42%	50.37%	44.78%	58.40%

  

<u>CalPERS Plan:</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
Actuarially Determined Contribution <sup>3</sup>	\$ 684,766	\$ 616,998	\$ 575,708	\$ 509,619	\$ 506,410
Actual Contributions	(684,766)	(616,998)	(575,708)	(509,619)	(506,410)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>2</sup>

**Note to Schedule:**

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<sup>1</sup> Fiscal year 2019 is the first year the Authority is reporting a defined benefit pension plan, therefore only five years are shown.

<sup>2</sup> This plan is closed to new entrants, and has no active participants. As such, there is no covered payroll.

<sup>3</sup> For information on the actuarial assumptions underlying the actuarially determined contribution, refer to the SBCERA Funding Valuation dated June 30, 2021, and the CalPERS Funding Valuation dated June 30, 2019, available on the retirement plans' respective websites: [www.sbcera.org](http://www.sbcera.org) and [www.calpers.ca.gov](http://www.calpers.ca.gov).

**BIG BEAR FIRE AUTHORITY**  
**Schedule of Proportionate Share of the Net OPEB Liability**  
**As of June 30 for the last Ten Fiscal Years <sup>1</sup>**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Proportion of the Net OPEB Liability <sup>2</sup>	33%	37%	40%	35%
Proportionate Share of the Net OPEB Liability	\$ 3,320,307	\$ 3,271,833	\$ 3,219,758	\$ 3,913,298
Covered Payroll	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>3</sup>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33.1%	30.8%	34.8%	22.5%

**Notes to Schedule:**

<sup>1</sup> Fiscal year 2019 is the first year the Authority is reporting a defined benefit OPEB plan, therefore only five years are shown.

<sup>2</sup> This amount represents the Authority's share of the CSD's net OPEB liability. For more information on the CSD's proportionate pension liability in relation to CalPER's pool as a whole, refer to the CSD's financial statements available at [www.bbcsd.org](http://www.bbcsd.org).

<sup>3</sup> This plan is closed to new entrants, and has no active participants. As such, there is no covered payroll.

**BIG BEAR FIRE AUTHORITY**  
**Notes To Required Supplementary Information**  
**Year Ended June 30, 2023**

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**NOTE 1: GENERAL BUDGET POLICIES**

1. The annual budget adopted by the Authority Board of Directors provides for the general operation of the Authority. It includes proposed expenditures and the means of financing them.
2. The Authority Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. This appropriated budget covers the Authority expenditures. Actual expenditures may not exceed budgeted appropriations at the function level. Budget figures used in the financial statements are the final adjusted amounts, including any amendments to the budget during the year.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services such as purchase orders and contracts are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are encumbered at year-end lapse, and then are added to the following year's budgeted appropriations.
4. The budget is adopted on a basis substantially consistent with Generally Accepted Accounting Principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

**NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2023, the following functions of the General Fund reflected expenditures in excess of budgeted amounts.

Major Fund	Appropriations	Expenditures	Amount of Excess
General Fund			
Public safety	\$ 17,259,617	\$ 17,905,619	\$ 646,002
Debt service	682,345	682,540	195
Capital Projects			
Capital outlay	\$ 219,500	\$ 506,015	\$ 286,515

# **SUPPLEMENTARY INFORMATION**

**BIG BEAR FIRE AUTHORITY**  
**Capital Projects**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2023**

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	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES</b>				
Capital outlay	\$ 82,000	\$ 219,500	\$ 506,015	\$ (286,515)
<b>Total expenditures</b>	<b>82,000</b>	<b>219,500</b>	<b>506,015</b>	<b>(286,515)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(82,000)</b>	<b>(219,500)</b>	<b>(506,015)</b>	<b>286,515</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	82,000	-	131,777	131,777
Loans issued	-	-	306,437	306,437
<b>Total other financing sources (uses)</b>	<b>82,000</b>	<b>-</b>	<b>438,214</b>	<b>438,214</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (219,500)</b>	<b>(67,801)</b>	<b>\$ 151,699</b>
Fund balance-beginning			-	
<b>Fund balance (deficit)-ending</b>			<b>\$ (67,801)</b>	