



**FALLBROOK PUBLIC UTILITY DISTRICT  
MEETING OF THE FISCAL POLICY AND INSURANCE COMMITTEE**

**AGENDA**

**WEDNESDAY, NOVEMBER 13, 2019  
3:00 P.M.**

**FALLBROOK PUBLIC UTILITY DISTRICT  
990 E. MISSION RD., FALLBROOK, CA 92028  
PHONE: (760) 728-1125**

*If you have a disability and need an accommodation to participate in the meeting, please call the Secretary at (760) 999-2704 for assistance.*

*Writings that are public records and are distributed during a public meeting are available for public inspection at the meeting if prepared by the local agency or a member of its legislative body or after the meeting if prepared by some other person.*

**I. PRELIMINARY FUNCTIONS**

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

**II. ACTION / DISCUSSION -----(ITEMS A-C)**

- A. REVIEW CALENDAR YEAR 2020 RATES AND CHARGES
- B. REVIEW DRAFT COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FY ENDING JUNE 30, 2019
- C. REVIEW FOUR COMMITTEE REQUESTS

**III. ADJOURNMENT OF MEETING**

\* \* \* \* \*

**DECLARATION OF POSTING**


I, Mary Lou West, Secretary of the Board of Directors of the Fallbrook Public Utility District, do hereby declare that I posted a copy of the foregoing agenda in the glass case at the entrance of the District Office located at 990 East Mission Road, Fallbrook, California, at least 72 hours prior to the meeting in accordance with Government Code § 54954.2.

I, Mary Lou West, further declare under penalty of perjury and under the laws of the State of California that the foregoing is true and correct.

November 7, 2019  
Dated / Fallbrook, CA

  
Secretary, Board of Directors

## M E M O

**TO:** Fiscal Policy & Insurance Committee  
**FROM:** David Shank, Assistant General Manager/CFO   
**DATE:** November 13, 2019  
**SUBJECT:** Review Calendar Year 2020 Rates and Charges

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Purpose

The Proposition 218 noticed maximum rate and charge increases adopted by the Board in December 2018 were the culmination of a long and thorough financial planning process that began in April of 2017 (Attachment A - Schedule of Maximum Rates). Not only did the process involve extensive community outreach and communications, but also multiple public hearings to solicit stakeholder feedback. As part of the Board's commitment to fiscal transparency, each year rather than just setting the rates and charges at the maximum permitted level, the Board reviews the updated financial projections and sets rates and charges for the calendar year based upon the District's actual fiscal needs. This review has resulted in smaller than the adopted maximum rate increases for water and recycled water the last two years.

Summary

Calendar year 2020 is the third year of the adopted five year plan. In preparation for the review and adoption of rates and charges for calendar year 2020, the District's financial data, sales projections, and water cost data were updated. This provides the Committee with the most up to date information to base the CY 2020 rate increase on. A few of the notable updates made to the financial projections are:

- Water Sales – Sales this year have consistently underperformed budget levels. The FY 2019-20 budgeted sales estimate was revised down from 9,100 Acre Feet (AF) to just over 8,000 AF. In addition, the average sales level for FY 2020-21 and beyond were revised down from 9,100 AF to 8,500 AF.
- Wastewater Billable Flow – The domestic billable wastewater flow calculation methodology continues to be a challenge. However, the two-year average winter flow methodology continues to be the best option for approximating expected billable wastewater flows for CY 2020.
- Santa Margarita Conjunctive Use Project Costs – The debt service for the project has been updated to reflect the terms of the loan. In addition, the project's average water yield was set at 3,100 AF a year and all the cost estimates have been updated. The cost is also adjusted for the grant funding approved by the Metropolitan Water District (MWD).

At the Committee meeting, these assumptions and financial results will be presented to the Committee as well as proposed rate and charges for CY 2020

Recommended Action

This item is for discussion only. No action is required.

## **Attachment A**

## MAXIMUM RATES FOR WATER CHARGES

### **MONTHLY WATER FIXED CHARGES**

Monthly Water Fixed Charges (\$/meter size)					
Meter Size	Rates and Effective Date				
	Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021	Jan. 1, 2022
3/4"	\$44.72	\$48.30	\$52.17	\$56.35	\$60.86
1"	\$68.27	\$73.74	\$79.64	\$86.02	\$92.91
1 1/2"	\$127.12	\$137.29	\$148.28	\$160.15	\$172.97
2"	\$197.75	\$213.57	\$230.66	\$249.12	\$269.05
3"	\$386.09	\$416.98	\$450.34	\$486.37	\$525.28
4"	\$597.97	\$645.81	\$697.48	\$753.28	\$813.55
6"	\$1,186.53	\$1,281.46	\$1,383.98	\$1,494.70	\$1,614.28
Monthly Standby Service Charge					
3/4"	\$20.06	\$21.67	\$23.41	\$25.29	\$27.32
1"	\$27.17	\$29.35	\$31.70	\$34.24	\$36.98
1 1/2"	\$44.93	\$48.53	\$52.42	\$56.62	\$61.15
2"	\$66.24	\$71.54	\$77.27	\$83.46	\$90.14
3"	\$123.08	\$132.93	\$143.57	\$155.06	\$167.47
4"	\$187.02	\$201.99	\$218.15	\$235.61	\$254.46
6"	\$364.64	\$393.82	\$425.33	\$459.36	\$496.11
Monthly Private Fire Services Charge					
2"	\$9.74	\$10.52	\$11.37	\$12.28	\$13.27
3"	\$10.39	\$11.23	\$12.13	\$13.11	\$14.16
4"	\$11.51	\$12.44	\$13.44	\$14.52	\$15.69
6"	\$15.51	\$16.76	\$18.11	\$19.56	\$21.13
8"	\$22.42	\$24.22	\$26.16	\$28.26	\$30.53

Water CIC (\$/meter size)		
Effective January 1, 2018		
Meter Size	Water CIC (Regular Service)*	Water CIC (Standby Service)
3/4"	\$8.58	\$3.89
1"	\$14.30	\$6.48
1 1/2"	\$28.60	\$12.96
2"	\$45.76	\$20.74
3"	\$91.52	\$41.47
4"	\$143.00	\$64.80
6"	\$286.00	\$129.59

## VOLUMETRIC WATER CHARGES

Monthly Water Volumetric Charges and Pumping Charges (\$/kgal)						
		Rates and Effective Dates				
Customer Class		Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021	Jan. 1, 2022
<b>Ag SAWR</b>		\$4.22	\$4.56	\$4.93	\$5.33*	\$5.76*
<b>Commercial Ag</b>		\$4.89	\$5.29	\$5.72	\$6.18	\$6.68
<b>Ag Domestic</b>						
Tier 1	0 – 5 kgal	\$5.69	\$6.15	\$6.65	\$7.19	\$7.77
Tier 2	6 – 20 kgal	\$4.89	\$5.29	\$5.72	\$6.18	\$6.68
Tier 3	Above 20 kgal	\$4.22	\$4.56	\$4.93	\$5.33*	\$5.76*
<b>Commercial Domestic Ag</b>						
Tier 1	0 – 5 kgal	\$5.69	\$6.15	\$6.65	\$7.19	\$7.77
Tier 2	Above 5 kgal	\$4.89	\$5.29	\$5.72	\$6.18	\$6.68
<b>Residential</b>						
Tier 1	0 – 5 kgal	\$5.69	\$6.15	\$6.65	\$7.19	\$7.77
Tier 2	6 – 30 kgal	\$5.79	\$6.26	\$6.77	\$7.32	\$7.91
Tier 3	Above 30 kgal	\$7.04	\$7.61	\$8.22	\$8.88	\$9.60
<b>Commercial</b>		\$5.87	\$6.34	\$6.85	\$7.40	\$8.00
<b>Government</b>		\$5.78	\$6.25	\$6.75	\$7.29	\$7.88
<b>Irrigation Only</b>		\$5.88	\$6.36	\$6.87	\$7.42	\$8.02
<b>Pumping Surcharges</b> (DSA, Toyon service areas)		\$0.69	\$0.75	\$0.81	\$0.88	\$0.96
<i>*The SAWR program expires on December 31, 2020. If the SAWR program is not extended, Ag SAWR and Ag Domestic customers (Tier 2 only) will be charged the rates for Commercial Ag customers (i.e. \$6.18/kgal effective January 1, 2021, and \$6.68/kgal effective January 1, 2022.)</i>						

Water CIC Pumping (\$/kgal)	
Effective January 1, 2018	
Water CIC Pumping	\$0.10

## MONTHLY WATER MWD RTS AND CWA IAC PASS-THROUGHS

Monthly MWD RTS Charge and CWA IAC (\$/meter size)		
Effective January 1, 2018		
Meter Size	MWD RTS	CWA IAC
3/4"	\$2.34	\$2.93
1"	\$3.91	\$4.88
1 1/2"	\$7.79	\$9.76
2"	\$12.47	\$15.62
3"	\$24.97	\$31.24
4"	\$39.01	\$48.80
6"	\$77.99	\$97.60

### DROUGHT RATES

2018 Monthly Drought Rates by Drought Levels (\$/kgal)			
Customer Class	Level 1	Level 2	Level 3 and 4
<b>Residential</b>			
Tier 1	\$5.98	\$6.24	\$7.01
Tier 2	\$6.08	\$6.35	\$7.13
Tier 3	\$7.40	\$7.72	\$8.67
<b>Ag Domestic</b>			
Tier 1 only	\$5.98	\$6.24	\$7.01
<b>Commercial Dom Ag</b>			
Tier 1	\$5.98	\$6.24	\$7.01
Tier 2	\$5.14	\$5.36	\$6.02
<b>Uniform</b>			
Commercial Ag	\$5.14	\$5.36	\$6.02
Commercial	\$6.17	\$6.44	\$7.23
Irrigation Only	\$6.07	\$6.34	\$7.12
Government	\$6.18	\$6.45	\$7.24

2019 Monthly Drought Rates by Drought Levels (\$/kgal)			
Customer Class	Level 1	Level 2	Level 3 and 4
<b>Residential</b>			
Tier 1	\$6.46	\$6.75	\$7.57
Tier 2	\$6.58	\$6.87	\$7.71
Tier 3	\$7.99	\$8.35	\$9.37
<b>Ag Domestic</b>			
Tier 1 only	\$6.46	\$6.75	\$7.57
<b>Commercial Dom Ag</b>			
Tier 1	\$6.46	\$6.75	\$7.57
Tier 2	\$5.56	\$5.80	\$6.51
<b>Uniform</b>			
Commercial Ag	\$5.56	\$5.80	\$6.51
Commercial	\$6.66	\$6.95	\$7.81
Irrigation Only	\$6.57	\$6.86	\$7.69
Government	\$6.68	\$6.98	\$7.83

2020 Monthly Drought Rates by Drought Levels (\$/kgal)			
Customer Class	Level 1	Level 2	Level 3 and 4
<b>Residential</b>			
Tier 1	\$6.99	\$7.29	\$8.19
Tier 2	\$7.11	\$7.43	\$8.33
Tier 3	\$8.63	\$9.01	\$10.12
<b>Ag Domestic</b>			
Tier 1 only	\$6.99	\$7.29	\$8.19
<b>Commercial Dom Ag</b>			
Tier 1	\$6.99	\$7.29	\$8.19
Tier 2	\$6.01	\$6.27	\$7.04
<b>Uniform</b>			
Commercial Ag	\$6.01	\$6.27	\$7.04
Commercial	\$7.20	\$7.51	\$8.43
Irrigation Only	\$7.09	\$7.40	\$8.31
Government	\$7.22	\$7.53	\$8.46

2021 Monthly Drought Rates by Drought Levels (\$/kgal)			
Customer Class	Level 1	Level 2	Level 3 and 4
<b>Residential</b>			
Tier 1	\$7.55	\$7.89	\$8.85
Tier 2	\$7.69	\$8.03	\$9.01
Tier 3	\$9.33	\$9.74	\$10.93
<b>Ag Domestic</b>			
Tier 1 only	\$7.55	\$7.89	\$8.85
<b>Commercial Dom Ag</b>			
Tier 1	\$7.55	\$7.89	\$8.85
Tier 2	\$6.49	\$6.78	\$7.61
<b>Uniform</b>			
Commercial Ag	\$6.49	\$6.78	\$7.61
Commercial	\$7.77	\$8.12	\$9.11
Irrigation Only	\$7.66	\$8.00	\$8.97
Government	\$7.79	\$8.14	\$9.13

2022 Monthly Drought Rates by Drought Levels (\$/kgal)			
Customer Class	Level 1	Level 2	Level 3 and 4
<b>Residential</b>			
Tier 1	\$8.16	\$8.52	\$9.56
Tier 2	\$8.31	\$8.67	\$9.74
Tier 3	\$10.08	\$10.53	\$11.82
<b>Ag Domestic</b>			
Tier 1 only	\$7.55	\$7.89	\$8.85
<b>Commercial Dom Ag</b>			
Tier 1	\$8.16	\$8.52	\$9.56
Tier 2	\$7.02	\$7.33	\$8.22
<b>Uniform</b>			
Commercial Ag	\$7.02	\$7.33	\$8.22
Commercial	\$8.40	\$8.77	\$9.85
Irrigation Only	\$8.28	\$8.64	\$9.70
Government	\$8.42	\$8.80	\$9.87

**MAXIMUM RATES FOR RECYCLED WATER CHARGES**

***MONTHLY FIXED RECYCLED WATER CHARGES***

Monthly Fixed Recycled Water Charges (\$/meter size)					
Meter Size	Rates and Effective Dates				
	Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021	Jan. 1, 2022
3/4"	\$20.06	\$21.67	\$23.41	\$25.29	\$27.32
1"	\$27.17	\$29.35	\$31.70	\$34.24	\$36.98
1 1/2"	\$44.93	\$48.53	\$52.42	\$56.62	\$61.15
2"	\$66.24	\$71.54	\$77.27	\$83.46	\$90.14
3"	\$123.08	\$132.93	\$143.57	\$155.06	\$167.47
4"	\$187.02	\$201.99	\$218.15	\$235.61	\$254.46
6"	\$364.64	\$393.82	\$425.33	\$459.36	\$496.11

***VOLUMETRIC RECYCLED WATER CHARGES***

Monthly Volumetric Recycled Water Charges (\$/kgal)					
	Rates and Effective Date				
	Jan 1, 2018	Jan 1, 2019	Jan 1, 2020	Jan 1, 2021	Jan 1, 2022
Recycled Water	\$4.92	\$5.32	\$5.73	\$6.19	\$6.69

## MAXIMUM RATES FOR WASTEWATER CHARGES

### **MONTHLY FIXED WASTEWATER CHARGES**

Monthly Fixed Wastewater Charges (\$/EDU*/month)					
	Effective Date				
	Jan 1, 2018	Jan 1, 2019	Jan 1, 2020	Jan 1, 2021	Jan 1, 2022
Wastewater (\$/EDU)	\$9.28	\$9.70	\$10.14	\$10.60	\$11.08


\*EDUs are defined and set forth in Section 20.7.2 of the District's Administrative Code.

Wastewater CIC (\$/EDU/month)	
Effective January 1, 2018	
Wastewater CIC	\$11.16

### **VOLUMETRIC WASTEWATER CHARGES**

Monthly Volumetric Wastewater Charges (\$/kgal)					
	Rates and Effective Dates				
Customer Classes	Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021	Jan. 1, 2022
Ag Domestic	\$9.44	\$9.87	\$10.32	\$10.79	\$11.28
Commercial Ag	\$9.44	\$9.87	\$10.32	\$10.79	\$11.28
Residential (Single, Multi-Family)	\$9.44	\$9.87	\$10.32	\$10.79	\$11.28
Government	\$9.37	\$9.80	\$10.25	\$10.72	\$11.21
School	\$9.37	\$9.80	\$10.25	\$10.72	\$11.21
Church	\$9.37	\$9.80	\$10.25	\$10.72	\$11.21
Commercial - Low Strength	\$9.37	\$9.80	\$10.25	\$10.72	\$11.21
Commercial-Med Strength	\$11.57	\$12.10	\$12.65	\$13.22	\$13.82
Commercial - High Strength	\$14.44	\$15.09	\$15.77	\$16.48	\$17.23

## M E M O

**TO:** Fiscal Policy and Insurance Committee  
**FROM:** David Shank, Assistant General Manager/CFO   
**DATE:** November 13, 2019  
**SUBJECT:** Review Draft Comprehensive Annual Financial Report (CAFR) for FY Ending June 30, 2019

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Purpose

Review the District's Draft Comprehensive Annual Financial Report (CAFR) for Fiscal Year ending June 30, 2019, Attachment A. This year is the second year that the District's staff have prepared a CAFR. In prior years, the District prepared and issued an Annual Financial Report (AFR). As part of the District's continuous improvement efforts, staff have implemented the best management practice of issuing a CAFR. The CAFR provides all of the information provided in prior AFRs but includes additional components designed to enhance both transparency and financial data. Two notable additions are:

- Transmittal Letter – This section provides additional information on the District including District Profile, economic conditions, major initiatives and other basic information critical to understanding the District.
- Statistical Section – This section presents unaudited and historic data related to the District's financial position, operations, customers and rates and charges. This information helps readers get a more complete understanding of the District.

Summary

Last month, the Committee reviewed the District's draft financial statements and notes prepared by White, Nelson, Diehl, Evans, LLP's, the District's independent auditor. These are included in this Draft CAFR. In addition, the draft Transmittal Letter, Management Analysis and Discussion (MD&A) and Statistical Section are included in this complete Draft CAFR. It should be noted at the time this draft was sent out some demographic and socioeconomic data included in the statistical section were not yet updated for 2019. These items will be updated this month prior to any Board action.

Recommended Action

Request that the Committee recommend to the Board that the Draft CAFR be approved.

## **Attachment A**



**Fallbrook Public Utility District**  
**A special district in the State of California**



**Comprehensive Annual Financial Report**  
**for the Fiscal Year Ending June 30, 2019**

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

***Fiscal Year ending June 30, 2019***

**Current Board of Directors:**

District #1 - Dave Baxter

District #2 - Ken Endter

District #3 - Jennifer DeMeo, Vice-President

District #4 - Don McDougal, President

District #5 - Charley Wolk

**Prepared by District Management:**

General Manager - Jack Bebee

Assistant General Manager/CFO - David Shank

Acknowledgment: District Management would like to thank Kelly Laughlin, Mick Cothran, Jeff Marchand, Joye Johnson, Annalece Bokma, Caroline Wilson and Veronica Tamzil for their support in preparing this document.

Fallbrook Public Utility District  
990 East Mission Road  
Fallbrook, CA 92028  
(760) 728-1125  
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# **INTRODUCTORY SECTION**



XX, 2019

Board of Directors

Fallbrook Public Utility District

990 East Mission Road

Fallbrook, California 92028

990 East Mission Road  
Fallbrook, California  
92028-2232  
[www.fpud.com](http://www.fpud.com)

(760) 728-1125

Board of Directors

Dave Baxter  
*Division 1*

Ken Endter  
*Division 2*

Jennifer DeMeo  
*Division 3*

Don McDougal  
*Division 4*

Charley Wolk  
*Division 5*

Staff

Jack Bebee  
*General Manager*

David Shank  
*Assistant General Manager/  
Chief Financial Officer*

Mary Lou West  
*Secretary*

General Counsel

Paula de Sousa Mills  
*Best Best & Krieger*

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Fallbrook Public Utility District (District) for the fiscal year ended June 30, 2019. The purpose of this report is to provide the Board, the public, and other interested parties, with reliable and transparent financial information about the District.

The CAFR is being produced as part of management's efforts to enhance the District's fiscal transparency and to support a better understanding of the District's financial operations. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

White Nelson Diehl Evans, LLP, Certified Public Accountants, have issued an unmodified opinion on the Fallbrook Public Utility District's financial statements for the year ended June 30, 2019. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report in the Financial Section and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. Following the MD&A are the basic financial statements, notes to the statements, and an unaudited section of statistical information.

This report has been prepared using the financial reporting model recommended in the Government Accounting Standards Board's (GASB) Statement 34. The GASB requires proprietary fund governments to use the full accrual basis of accounting. The accompanying statements have been prepared using the full accrual basis.

## District Profile

Fallbrook is an unincorporated community in San Diego County. The first permanent recorded settlement in Fallbrook was in 1869, in the east area of the District, which later became Live Oak County Park. While agriculture has always played a major role in the community, the first plantings were olives and citrus. These crops were replaced in the 1920's by avocados and it wasn't long before Fallbrook became generally recognized as the "Avocado Capital of the World."

Fallbrook Public Utility District (District) was incorporated on June 5, 1922 to serve water from local area wells along the San Luis Rey River. Soon after it was established, the District began to grow. Annexations into the District have expanded the service area from 500 acres to 28,000 acres (44 square miles). To meet the growing demand for water, additional ground water supplies were developed along both the San Luis Rey and Santa Margarita rivers.

The District became a member of the San Diego County Water Authority (Water Authority) at its formation on June 9, 1944, and thus was eligible to receive a portion of Colorado River water that would be diverted by the Metropolitan Water District of Southern California (Metropolitan). When Colorado River water became available in 1948, consumption within the District gradually increased to approximately 10,000 acre-feet per year by 1959. Then in 1978, Metropolitan augmented its supply system with water from the California State Water Project and began delivering water from both systems to San Diego County. Today, the Water Authority provides virtually all of the District's potable water.

The District provides residents, businesses and agricultural customers with full-service water, wastewater and recycled water services.

## Water System

The District imports 99% of its water from the Water Authority with the remaining 1% coming from a local well. The District has four connections to the Water Authority's system. The District's water distribution system is comprised of 270 miles of pipeline, 6,800 valves, an ultraviolet disinfection water treatment plant, nine steel reservoirs, a 300-million-gallon treated water reservoir, five pump stations and plans for a groundwater treatment plant. District staff operate the system, and conduct all system maintenance and repairs. The District is in the middle of an Advanced Metering Infrastructure (AMI) system upgrade that will enable real-time meter reading and provide customers with real-time water use.

The District also recently signed an agreement with U.S. Marine Corps Base Camp Pendleton to share local water in the Santa Margarita River. The river is expected to provide 30% of the District's total water needs, reducing reliance on the Water Authority. Construction of a bi-directional pipeline and groundwater treatment plant began in Fall 2019.

The District's five-year average annual water sales is 9,944 acre-feet. Residential and commercial customers represent 59% of sales, and agricultural customers make up the remaining 41%. The District's historic sales trend is down due to improved water efficiency for both residential and commercial indoor and outdoor use, combined with sharp decreases in agricultural water demands. The decrease in agricultural water demands is due to drought and the increases in water costs over the last decade. The District's agricultural water sales have gone from 7,000 acre-feet in Fiscal Year 2008 to 2,333 in Fiscal Year 2019 or down 33%.



## Wastewater System

The District's wastewater system is comprised of 78 miles of buried sewer lines and force mains, a 2.7 million gallon per day water reclamation plant, a 1-megawatt solar facility and a 23-mile ocean outfall line.

In an effort to go green, and to save money by reducing hauling and disposal costs of sewage sludge, the District began recycling its sewage sludge in 2008. A state-of-the-art thermal dryer heats the sludge to extremely high temperatures, killing all harmful pathogens. The end product is a sterile fertilizer that can be safely returned to the soil and is classified as a Class A soil amendment. Instead of paying to haul sewage sludge to a landfill, the fertilizer is sold to commercial growers.

The environmentally conscious decision to turn sludge into fertilizer came about as the cost of trucking the sludge out of the county had begun to skyrocket. The District was spending \$150,000 per year to haul its sludge to Riverside County, but that location was set to close and the nearest site was Kern County or out of state. This technology was cutting edge in 2008 and remains so today, reducing the District's environmental footprint, and reducing waste and saving money, all while meeting California's strict emissions standards

## Recycled Water System

The District's recycled water system includes 10.5 miles of buried pipe. Currently the District has 16 recycled water customers, and delivers an average of 0.6 million gallons per day to them. The District provides recycled water for nurseries, sports fields, home owners' associations, Fallbrook High School, street medians, and for freeway irrigation. In 2015, the District completed a \$27 million expansion and upgrade to the water reclamation plant to improve reliability of operation and provide storage for recycled water. The project was completed ahead of schedule and under budget.

Demand for recycled water has been down due to changes in recycled water customers' water demands. The primary recycled water customers are nurseries and with rising costs many of these customers have switched from growing water intensive fruit trees to drought tolerant plants. As a result of this change, recycled water demands have decreased. With idle capacity to produce recycled water, the District is exploring alternative uses for the recycled water.

## Governance and Organizational Structure

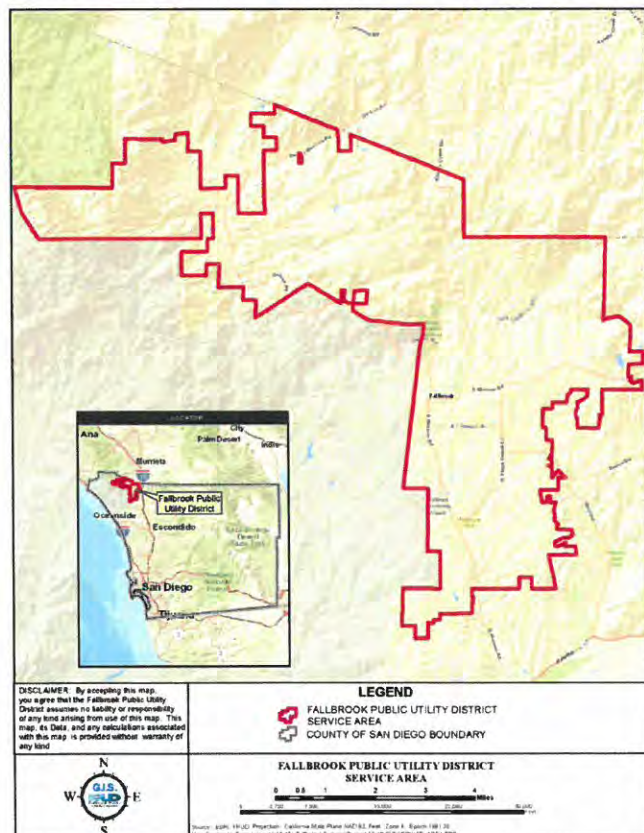
The District's Board is made up of five community members who serve overlapping four-year terms. In March 2016, the Board unanimously approved a resolution to change the method of electing board members to "election by district" and approved a map identifying five territorial units within the District. Each director, therefore, is elected by the registered voters of the sub-district he or she resides in, within the District's service area. To run for office, a candidate must live in the area he or she is running to represent. Prior to 2016, directors would win a seat on the board by being the top vote-getters, regardless of where they lived within the District.

**Elected District Officials (As of 06/30/2019):****District #1 - Al Gebhart****District #2 - Milt Davies****District #3 - Jennifer DeMeo, Vice-President****District #4 - Don McDougal, President****District #5 - Charley Wolk****Service Area and Local Economy**

San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District's service area and pipeline is shown in the accompanying maps. The District is bordered to the west by the Naval Weapons Station and U.S. Marine Corps Base Camp Pendleton, making the District's service area a bedroom community for Camp Pendleton's active military and civilian-service workers. The service area's 2017 population is estimated to be 34,602 with 11,418 households. Fallbrook's population has remained relatively unchanged over the past several years.

The median household income in Fallbrook was \$60,546, which is less than the state median of \$67,739 and slightly higher than the national average of \$59,039. Being only slightly higher than the national average is noteworthy since California is one of the most expensive states to live in.

The San Diego Association of Governments (SANDAG) projects that the County's population will approach 4.4 million residents in 2050, up from 3.3 million in 2016. The District's 2050 housing density is expected to increase slightly as housing demands increase. Employment is also expected to slightly increase by 2050.



## Financial Policies

The District maintains certain policies that govern aspects of the District's financial management. The District's maintains the following policies:

- Debt Management Policy – Defines the District's debt management.
- Investment Policy – Establishes permitted investments in compliance with State Code.
- Fund Balance/Reserve Policies – Set target balances for reserves and working capital.
- Capitalization Policy – Establishes the parameters for defining an operating or capital expenditure.

These policies can be found on the District's website as standalone documents or as part of the District's Administrative Code.

## Long-Range Planning

The District engages in a wide range of long range planning activities. In 2017, the District completed a comprehensive 10-year financial plan. As part of the financial plan, a Capital Improvement Plan was developed for water, recycled water and wastewater services. In addition, the District also restructured its rates and charges to better align them with the cost of service. Other planning activities include establishing and funding a 115 Trust to offset the District's pension and Other Post Employment Benefits (OPEB) liabilities. On June 30, 2019, the trust held \$7.1 million in assets to offset in District's OPEB and Pension liabilities.

In 2018, the District adopted a new Mission Statement to ensure the District's activities are aligned with the stakeholder interests. To benefit the community of Fallbrook by providing efficient and reliable services the District has identified the following long-range strategic focus areas.

### #1 Strategic Focus Area | Water Supply

**Need:** *The District is almost 100% reliant on imported water purchased from the SDCWA, and has little control over the cost of this water. While our water is reliable due to regional investments in supply and storage, this has also resulted in the cost of water increasing significantly.*

**Goal:** Provide a reliable, cost-effective water supply through implementation of local water supply projects.

**Strategy:** Maximize available local water resources through development of our Santa Margarita River water rights settlement, which will provide low-cost water from the Santa Margarita River and resolve over 60 years of water rights litigation between the United States Government and the District. Evaluate further expansion of recycled water supplies, which provide a local, cost-effective drought-proof supply.

## #2 Strategic Focus Area | Infrastructure

**Need:** *The District was formed in 1922 and has aging infrastructure throughout its service area. Over the last few years, pipe failures have caused increased service disruptions and property damage. If not addressed, these problems will increase significantly as the existing infrastructure reaches the end of its useful life.*

**Goal:** Maintain reliable infrastructure to our customers in the most cost-effective manner.

**Strategy:** Continue implementation of an asset-management program to improve system reliability by replacing existing aging infrastructure before its failure in an effort to avoid service disruptions and property damage.

## #3 Strategic Focus Area | Efficiency

**Need:** *While the District has been able to maintain reliable service with limited resources, additional legal and environmental requirements along with rising employee costs require the District to do more with less to help control water and wastewater rates.*

**Goal:** Create a District culture of continuous improvement through the implementation of systems, processes and goals for all aspects of the organization.

**Strategy:** Continue taking incremental steps toward developing an organization that is a model in the industry for operational practices and efficiency, and one that is looked to as an industry leader for a smaller utility. Collaborate with other agencies locally and nationally to implement best practices in the industry.

## #4 Strategic Focus Area | Community

**Need:** *The District was formed by the community as a local resource, but the need to increase rates for long-term fiscal sustainability and to address past under-investments in infrastructure negatively affects our customers' public opinion of the District.*

**Goal:** Improve experience for our customers to help provide a positive impact on the community we serve.

**Strategy:** Improve messaging and District approach, from field staff to management, to make sure we are approaching our activities with a focus on the customer's perspective. Establish programs that help invest in our community.

## #5 Strategic Focus Area | Workforce

**Need:** *Approximately 40% of our staff are currently eligible or within five years of being eligible for retirement. Recruiting is challenging for qualified replacements with necessary knowledge in water and wastewater operations, heavy construction, finance, and engineering.*

**Goal:** Develop a resilient organization so that key positions can be filled internally with capable staff with proper training and education.

**Strategy:** Create an organization where many key positions are developed internally and a formal



program exists to identify staff with management potential and provide necessary training. Establish a work environment and reputation in the industry that draws qualified candidates with external recruitments.

## Major Initiatives

### Water Affordability

The District has been faced in the past with escalating wholesale water costs driven by major investments in supply reliability made by the San Diego County Water Authority. While the result of these investments is improved water supply reliability, it has also resulted in a corresponding increase in our water rates. The cost of the water we purchase is 50% of our total operating costs for our water enterprise.

Local water supply development, which will reduce our dependence on costly imported water, is one way to mitigate continued wholesale water rate increases.

With the water rights litigation with Camp Pendleton

Marine Corps Base settled, the District now has a local supply of untreated water available. The Santa Margarita Conjunctive Use Project (SMCUP) includes a treatment plant and related transmission lines to treat water from the Santa Margarita River and deliver it to the District's customers. Once completed, the SMCUP will provide up to 30% of the District water supply. In addition, the District has secured funding from the Metropolitan Water District to offset some of the costs associated with this local supply. The result of these actions is a cost effective local water supply that provides the District's ratepayers with long-term rate relief from increasing wholesale water costs. This project will begin construction in fiscal year 2020 and it will be one of the major capital investments by the District for the next decade.

#### Santa Margarita River Conjunctive Use Project

Development of a new groundwater treatment plant to treat water delivered by Camp Pendleton per the executed settlement agreement of US vs FPUD. Projected to provide on average 3,100 acre-feet per year of local water. The project construction is expected to take 24 months. Construction began in September 2019 and is expected to be completed in September 2021.

### Asset Management

The District has implemented an asset management program that balances the cost of infrastructure rehabilitation with the cost of emergency repairs. Our critical buried infrastructure, such as water mains, have an average service life of 80 to 100 years. In the past, the District's replacement cycle for buried assets was on a replacement cycle of 400 years. With this replacement cycle, the frequency of asset failures was expected to increase significantly over the near-term resulting in an increasing number of emergency water disruptions and property damage claims. In response, the District has proactively managed the renewal and rehabilitation program and is on a path to drive the system service life down from 400 years to 100 years. The recent decreased frequency of asset failures shows that some progress on this program has made, but this is a long-term program to meet the future replacement needs on this program has made, but this is a long-term program to meet the future replacement needs.

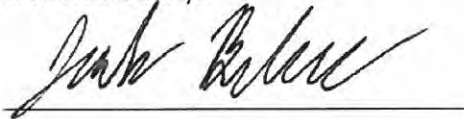
### Continuous Improvement

The District is focused on improving the level of service to its customers in the most cost-effective manner and to continuously evaluate and modify operational practices to achieve this goal. This document is an

example of the District's commitment to continuous improvement and improved financial management and transparency. The District's organizational chart is shown on the next page.

## Acknowledgments

Management would like to thank the Board of Directors for their leadership and vision guiding the implementation of the highest standards of financial management and securing District's long-term financial sustainability.



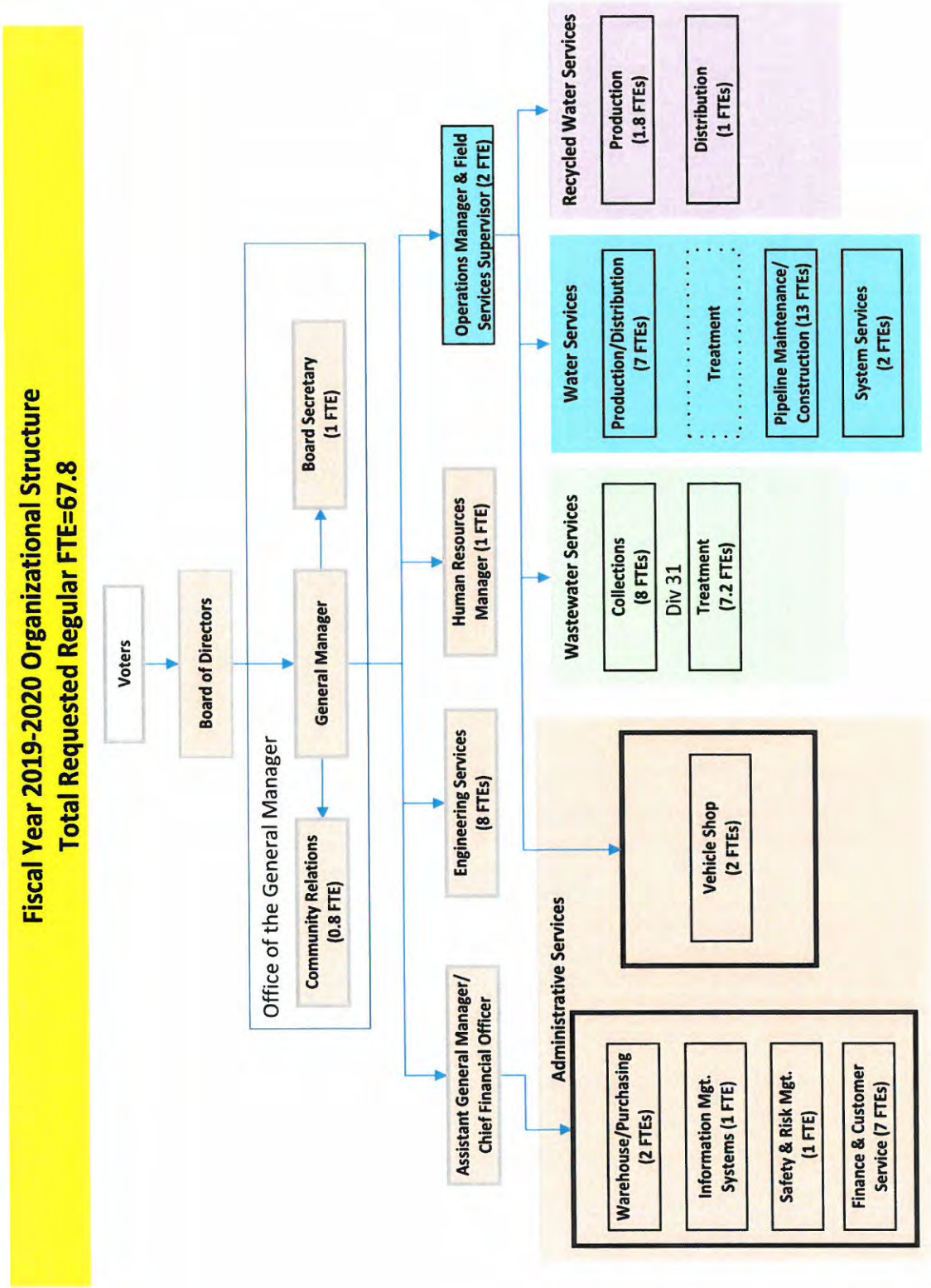
Jack Bebee  
General Manager



David Shank  
Assistant General Manager/CFO



Fiscal Year Organizational Structure (Total FTE 67.8)



FTE = Full-Time Equivalent

Future Division excluded from FTE count

## Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

### Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Fallbrook Public Utility District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# FINANCIAL SECTION

**WHITE NELSON DIEHL EVANS LLP**  
 Certified Public Accountants & Consultants

**INDEPENDENT AUDITORS' REPORT**

**Board of Directors  
 Fallbrook Public Utility District  
 Fallbrook, California**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Fallbrook Public Utility District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

2965 Roosevelt Street, Carlsbad, CA 92008-2389 • Tel: 760.729.2343 • Fax: 760.729.2234

*Offices located in Orange and San Diego Counties*

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fallbrook Public Utility District as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

As discussed in Notes 1c and 10 to the financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which required retrospective application resulting in a \$217,110 reduction of previously reported net position. As discussed in Note 10 to the financial statements, the District also recorded prior period adjustments resulting in a decrease of net position of \$542,795 related to compensated absence liability and an increase in net position in the amount of \$4,245,424 related to capital assets. Our opinion is not modified with respect to these matters.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Proportionate Share of the Net Pension Liability - Defined Benefit Pension Plans, Schedule of Contributions - Defined Benefit Pension Plans, Schedule of Changes in the Net OPEB Liability and Related Ratios, and Schedule of Contributions - OPEB, identified as Required Supplementary Information (RSI) in the accompanying Table of Contents, be presented to supplement the basic financial statements. Such information, 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Supplementary Schedules in the Financial Section, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

**Other Matters (Continued)**

**Other Information (Continued)**

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Carlsbad, California

January xxx, 2019

Draft - For Review Only

## Management's Discussion and Analysis

This section of the Fallbrook Public Utility District's (District) annual financial report provides management's summary and analysis of the District's financial performance for fiscal year ending June 30, 2019. Management's Discussion and Analysis (MD&A) are broken into the following sections:

- Financial Statement Overview
- Financial Highlights & Analysis
- Capital Assets
- Debt Management
- Currently Known Facts, Conditions and Decisions

Interested parties are encouraged to read this section of the District's annual financial report in conjunction with the Letter of Transmittal and the detailed financial statements included in this report.

### Financial Statement Overview

The financial statements report information about the District's financial position and result of operations using the accrual basis of accounting, similar to methods used by private sector companies. The statements also present changes in cash balances, and information about both short and long-term activities. This section of the annual report contains three components: Management's Discussion and Analysis, the Basic Financial Statements, and the Notes to the Financial Statements.

The Basic Financial Statements include the following:

- The Statement of Net Position present financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Position accounts for the District's activities during the last year. It provides the basis for measuring the relative success in recovering operational costs.
- The Statement of Cash Flows report the District's cash receipts and disbursements during the period, classified into operating, financing, and investing categories.
- The Notes to the Financial Statements provide additional information and present material disclosures required by generally accepted accounting principles that are not otherwise visible in the financial statements. The notes immediately follow the statements.

Interested parties are encouraged to read this section of the District's annual financial report in conjunction with the Letter of Transmittal and the detailed financial statements included in this report.

### Financial Highlights

This year the District's net financial position increased 11.6% from the June 30, 2018 restated balance of \$86,083,307 to a June 30, 2019 balance of \$96,068,428. The District's total assets increased to \$145,089,764 which is a 5.7% increase from last year. Liabilities decreased to \$51,250,632 or 5.6% from year ending June 30, 2018. Of the District's assets, 78.3% are related to infrastructure, which is the largest class of assets.

The District's operating loss widened from \$3,437,777 in fiscal year ending June 30, 2018 to \$4,763,867 in fiscal year ending June 30, 2019 as expenses outpaced increases in revenues. Overall the District's operating revenues decreased 9.8% or from \$29,882,022 to \$26,944,550 in fiscal years ending June 30, 2018 and 2019, respectively. After net non-operating revenues and capital contributions the District's fiscal year ending June 30, 2019 change in net position was \$9,985,120. During the past year the District made contributions to the Pension and OPEB 115 Trust bring the trust balance from \$2,336,531 fiscal year ending June 30, 2018 to \$7,108,112 fiscal year ending June 30, 2019.

### Condensed Statements of Net Position

	For the Year Ended June 30, 2019	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017
<b>Assets</b>			
Current Assets	\$ 21,737,022	\$ 17,589,075	\$ 19,124,049
OPEB and Restricted Assets	9,752,965	4,968,360	4,114,814
Capital Assets, net	113,599,777	114,647,596	108,717,795
<b>Total Assets</b>	<b>145,089,764</b>	<b>137,205,031</b>	<b>131,956,658</b>
<b>Deferred Outflows of Resources</b>	<b>3,419,768</b>	<b>4,014,167</b>	<b>2,980,305</b>
<b>Liabilities</b>			
Current liabilities	5,825,259	6,679,433	5,671,488
Noncurrent liabilities	45,425,373	47,605,222	46,947,511
<b>Total Liabilities</b>	<b>51,250,632</b>	<b>54,284,655</b>	<b>52,618,999</b>
<b>Deferred Inflows of Resources</b>	<b>1,190,472</b>	<b>851,236</b>	<b>635,046</b>
<b>Net Position</b>			
Net Investment in Capital Assets	80,125,400	79,333,568	72,519,098
Restricted	9,477,694	4,711,487	3,475,457
Unrestricted	6,465,334	2,038,252	5,688,363
<b>Total Net Position</b>	<b>\$ 96,068,428</b>	<b>\$ 86,083,307</b>	<b>\$ 81,682,918</b>

### Financial Analysis

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the District's enterprise fund activities in a way that will help answer questions as to whether the District, as a whole, is better or worse off as a result of this year's activities. These two statements report the net position of the District and changes in it. One can think of the District's net position as the difference between assets and deferred outflows of resources (what is owned) and liabilities and deferred inflows of resources (what is owed) and is one way to measure its financial health or financial position.

### Fiscal year 2019 compared to Fiscal Year 2018

The largest and most significant portion of the District's net position is its investment in capital assets, which are used to provide services to its customers. Water assets include the pipeline distribution system, the dam at the Red Mountain reservoir and equipment and structures. Wastewater assets include the sewage collections system, wastewater treatment plant, solar generating plant, equipment and ownership of the Oceanside Ocean Outfall. Capital assets decreased to \$113,599,777 in fiscal year ending June 30, 2019.

Current assets increased by \$4,147,947 from fiscal year ending June 30, 2018. The increase is primarily driven by the sale of the District's Santa Margarita River properties for \$10 million. At year-end, the trust offsetting the District's OPEB and pension liabilities held \$7,108,112, \$1,006,649 for OPEB and \$6,101,463 for pensions. The OPEB assets are reported in this report as a Fiduciary Fund in compliance with GASB 75.

Net capital assets remained relatively flat with a decrease of \$1,047,819 in fiscal year ending June 30, 2019. The decrease was driven by the sale of the Santa Margarita River properties with a cost basis of \$667,000. District wide depreciation in fiscal year ending June 30, 2019 was \$6,158,589. The slight decrease in net capital assets indicates that the District's capital investments in fiscal year ending June 30, 2019 were slightly outpaced by the rate of asset depreciation.

Current liabilities decrease by \$854,174 from fiscal year ending June 30, 2018. The driver behind the decrease in current liabilities was corresponding decrease in accounts payable, which is related to construction related outflows.

The District's total net position increased by \$9,985,121 primarily attributable to the \$9,338,297 net gain on disposal of capital assets. Other nonoperating revenue, which is predominantly made up of property taxes and capital improvement charges, and investment income.

These along with offsetting nonoperating expenses of \$909,966, compensated for the operating loss of \$4,763,867.

### Fiscal year 2018 compared to Fiscal Year 2017

The largest and most significant portion of the District's net position is its investment in capital assets, which are used to provide services to its customers. Water assets include the pipeline distribution system, the dam at the Red Mountain reservoir and equipment and structures. Wastewater assets include the sewage collections system, wastewater treatment plant, solar generating plant, equipment and ownership of the Oceanside Ocean Outfall. Capital assets increased to \$114,647,596 in fiscal year ending June 30, 2018.

Current assets decreased by \$1,534,974 million from fiscal year ending June 30, 2017. The decrease is primarily driven by Pay-as-you-go (PAYGO) funding of capital projects and transfers to the District's Section 115 Trust established with PARS to fund OPEB and pension liabilities. At year-end, the trust offsetting the District's OPEB and pension liabilities held \$2,336,531, \$947,784 for OPEB and \$1,388,747, respectively. The OPEB assets are reported in this report as a Fiduciary Fund in compliance with GASB 75, which is a new requirement.

Net capital assets remained relatively flat with an increase of \$1,684,377 in fiscal year ending June 30, 2018, as restated. District wide depreciation in fiscal year ending June 30, 2018 was \$5,693,723. The

slight increase in net capital assets indicates that the District's capital investments in fiscal year ending June 30, 2018 slightly outpaced the rate of asset depreciation.

Current liabilities increased by \$1,007,945 from fiscal year ending June 30, 2017. The driver behind the increase in current liabilities was corresponding increase in accounts payable, which is related to construction related outflows.

The District's total net position increased by \$914,870 primarily attributable to the \$4,211,886 in nonoperating revenue, which is predominantly made up of property taxes and capital improvement charges, and \$140,761 in capital contributions. These along with offsetting nonoperating expenses of \$1,232,411, compensated for the operating loss of \$3,437,777

### Condensed Statements of Revenues, Expenses and Changes in Net Position

	For the Year Ended June 30, 2019	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017
Operating revenues	\$ 26,944,550	\$ 29,882,022	\$ 27,256,065
Operating expenses	31,708,417	33,319,799	29,890,177
Operating loss	(4,763,867)	(3,437,777)	(2,634,112)
Non-Operating revenue, net	14,675,198	4,211,886	4,174,506
Change in net position before capital contributions	9,911,331	774,109	1,540,394
Capital Contributions	73,789	140,761	832,672
Change in net position	9,985,120	914,870	2,373,066
Net Position - beginning	86,083,307	81,682,918	79,309,852
Prior Period Adjustments	—	3,485,519	—
Net position - end of year	\$ 96,068,427	\$ 86,083,307	\$ 81,682,918

### Fiscal year 2019 compared to Fiscal Year 2018

Fiscal year ending June 30, 2019 water revenues were down 16% or \$3,984,445 from fiscal year ending June 30, 2018. Wastewater revenues were up 3.9% from fiscal year ending June 30, 2018 levels due to rate increases and higher billable flows. While the Statements of Net Position shows the District's overall financial position, the Statements of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of the changes in the District's fiscal year ending June 30, 2019 net position. The District's net position increased by \$9,985,121 during fiscal year ending June 30, 2019.

Operating revenue decreased \$2,937,472 primarily due to water sales of 7,496 AF in fiscal year ending June 30, 2019 compared to 9,313 during fiscal year ending June 30, 2018. Recycled water sales were 562 AF, which was down from 704 AF in fiscal year ending June 30, 2018. Wastewater revenues increased

by \$205,637 versus fiscal year ending June 30, 2018. Operating revenues includes potable water and recycled sales, monthly District water and wastewater operations charges and pass-through charges from the SDCWA.

Operating expenses decreased by \$1,611,382 versus fiscal year ending June 30, 2018. The decrease in operating expense was driven by a \$1,802,434 decrease in the cost of water from fiscal year ending June 30, 2018. Depreciation expense increased by \$464,866 from fiscal year ending June 30, 2018 while other operating costs decreased by \$273,814. The operating expenses decrease also includes costs associated with changes in the actuarial valuation of the District's pension obligation, which like depreciation, is the systematic allocation of the cost over a specified time horizon.

The District's operating loss of \$4,763,867 when netted against nonoperating revenue of \$14,675,198 results in a \$9,911,331 increase in net position before capital contributions. This is a \$10,463,312 increase from fiscal year ending June 30, 2018. The majority of revenues came from the District's sale of the Santa Margarita River properties which resulted in a net gain of \$9,308,952. The District's other nonoperating revenues come from six primary sources, property taxes in the amount of \$1,106,034, water and wastewater capital improvement charges in the amount of \$2,505,876, investment income of \$915,275, water availability charges in the amount of \$204,359, lease revenues in the amount of \$199,433 and connection fees of \$180,966.

Supplemental information for each of the three operations divisions can be found on page 60 of this report.

### Fiscal year 2018 compared to Fiscal Year 2017

Fiscal year ending June 30, 2018 water sales were up 14% or \$3,000,013 from fiscal year ending June 30, 2017. Wastewater revenues were down 6.6% from fiscal year ending June 30, 2017 levels due to issues associated with the methodology used to calculate billable wastewater flows. While the Statements of Net Position shows the District's overall financial position, the Statements of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of the changes in the District's fiscal year ending June 30, 2018 net position. The District's net position increased by \$914,870 during fiscal year ending June 30, 2018.

Operating revenue increased \$2,625,957 due to increased water sales of 9,313 AF in fiscal year ending June 30, 2018 compared to 8,592 during fiscal year ending June 30, 2017. Recycled water sales were up slightly to 704 AF as compared to 614 AF in fiscal year ending June 30, 2017. Wastewater revenues decreased by \$369,293 versus fiscal year ending June 30, 2017. Operating revenues includes potable water and recycled sales, monthly District water and wastewater operations charges and pass-through charges from the SDCWA.

Operating expenses increased by \$3,429,622 versus fiscal year ending June 30, 2017. The increase in operating expense was driven by a \$1,386,165 increase in the cost of water from fiscal year ending June 30, 2017. Depreciation expense increased by \$399,413 from fiscal year ending June 30, 2017 while other operating costs increased by \$3,030,209. The operating increase also includes costs associated with changes in the actuarial valuation of the District's pension obligation, which like depreciation, is the systematic allocation of the cost over a specified time horizon.

The District's operating loss of \$3,437,777 when netted against nonoperating revenue of \$4,211,886 results in a \$774,109 increase in net position before capital contributions. The District's nonoperating revenues come from five primary sources, property taxes in the amount of \$1,984,543, water and wastewater capital improvement charges in the amount of \$2,476,452, water availability charges in the

amount of \$229,400, connection fees in the amount of \$411,774 and the Federal Interest Rates Subsidy Payments of \$145,338. Other revenue was slightly up from the prior year primarily due to connection fee revenues.

Supplemental information for each of the three operations divisions can be found on page 65 of this report.

## Capital Assets

The District's has implemented an asset management program to improve the system reliability and reduce the number of unscheduled repairs. A critical component of the asset management program is the District's pipeline and valve replacement program. In fiscal year ending June 30, 2019, the District replaced 16,042 feet of pipe and 427 valves. The District's pipeline and valve replacement program's goal is to reduce the replacement cycle of pipelines to 100 years from the previous 400 year replacement cycle. This year the District completed and capitalized its Santa Margarita Water Rights capital project. This multi-decade project resulted in perpetual rights to the Santa Margarita River water. This local supply will provide water to future generations to come. The District also sold land that was purchased decades ago to support impounding water in the Santa Margarita River Valley to The Wildlands Conservancy. The \$10 million in sale proceeds were used to fund pension obligations and to create a reserve to pay debt service on the Santa Margarita Conjunctive Use Water Treatment Plant in cases of extreme drought.

June 30, 2019, the District has the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Completion Date
De Luz Road Pipeline Replacement	\$ 850,000	2019
Sandia Tank Improvements	\$117,700	2019

Additional information on the District's capital asset activity can be found at Note 3 of the Notes to the Basic Financial Statements.

## Debt Administration

At June 30, 2019, the District had \$33.5 million of long-term debt outstanding. \$3.5 million of this debt is attributable to the wastewater Qualified Energy Conservation Bonds (QECB) solar loan, which qualifies for Federal Interest Rate Subsidy payments. The loan was originally for \$7.227 million. An additional \$4.1 million of indebtedness is attributable to the Red Mountain Filtration Plant SRF loan, which was originally for \$6.16 million. \$25.9 million of indebtedness is attributable to the Wastewater Treatment Plant SRF loan. The total loan principal amount was \$29.6 million with payments on the loan commencing in March 2017. During the year ended June 30, 2019 \$1.8 million of principal payments were made on the District's outstanding long-term obligations.

More detailed information about the District's debt structure is found in Note 4 to the Basic Financial Statements

**Currently Known Facts**

On August 28, 2019, the District executed a Drinking Water State Revolving Fund Loan for \$62.9 million to fund the District's Santa Margarita Conjunctive-Use Project Water Treatment Plant. Construction on the project has begun and it is expected to be completed in Fiscal Year Ending June 30, 2022.

**FALLBROOK PUBLIC UTILITY DISTRICT**

ENTERPRISE FUND  
STATEMENT OF NET POSITION  
June 30, 2019

**ASSETS**

## Current Assets

Cash and cash equivalents (Note 2)	\$ 3,997,334
Investments (Note 2)	11,647,359
Receivables - water sales and services	4,029,630
Accrued interest receivable	79,724
Property taxes receivable	12,370
Other receivables	87,217
Inventory (Note 5)	1,839,995
Prepaid expenses and other deposits	43,393
Total current assets	<u>21,737,022</u>

## Noncurrent Assets

## Restricted Assets

Cash and cash equivalents	6,693,439
Investments	3,059,526
Total Restricted Assets	<u>9,752,965</u>

## Capital assets (Note 3)

Capital assets, not being depreciated	14,145,536
Capital assets being depreciated, net	99,454,241
Total capital assets, net	<u>113,599,777</u>
Total noncurrent assets	<u>123,352,742</u>
Total assets	<u>145,089,764</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred amounts from Pension (Note 6)	3,197,216
Deferred amounts from OPEB (Note 7)	222,552
Total Deferred Outflows of Resources	<u>\$ 3,419,768</u>

(continued)

**FALLBROOK PUBLIC UTILITY DISTRICT**

ENTERPRISE FUND  
STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2019

**LIABILITIES**

## Current liabilities

Accounts payable	\$ 2,871,022
Accrued wages	247,894
Construction and other deposits	8,908
Accrued interest payable	217,795
Compensated absences, current portion (Note 1)	586,045
Current portion of other long-term debt (Note 4)	<u>1,893,596</u>
Total current liabilities	<u>5,825,260</u>

## Noncurrent Liabilities

Health retirement account liability	258,421
Net OPEB liability (Note 7)	135,077
Net pension liability (Note 6)	12,541,929
Retention payable	30,098
Compensated absences, net of current portion (Note 1)	879,067
Long-term debt - net of current portion (Note 4)	<u>31,580,781</u>
Total Noncurrent Liabilities	<u>45,425,373</u>
Total Liabilities	<u>51,250,633</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred amounts from Pension (Note 6)	957,275
Deferred amounts from OPEB (Note 7)	118,346
Deferred revenue	<u>114,851</u>
Total Deferred Inflows of Resources	<u>1,190,472</u>

**NET POSITION**

Net investment in capital assets	80,125,400
Restricted for:	
1958 Annex projects	1,213,780
Debt service	2,162,451
Pension (Note 6)	6,101,463
Unrestricted	<u>6,465,333</u>
Total Net Position	<u>\$ 96,068,427</u>

**FALLBROOK PUBLIC UTILITY DISTRICT**

## ENTERPRISE FUND

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2019

**OPERATING REVENUES**

Water	\$ 20,481,788
Recycled water	998,942
Wastewater	5,463,820
Total operating revenues	<u>26,944,550</u>

**OPERATING EXPENSES**

Cost of water	12,650,795
Water operations	7,252,060
Recycled water operations	600,294
Wastewater operations	5,046,679
Operating expenses before depreciation	<u>25,549,828</u>
Operating income before depreciation	1,394,722
Depreciation	<u>6,158,589</u>
Operating loss	<u>(4,763,867)</u>

**NONOPERATING REVENUES (EXPENSES)**

Property taxes	2,106,034
Capital improvements charges	2,505,876
Investment income	915,275
Water availability charges	204,359
Lease revenue	199,433
Intergovernmental revenue - federal interest rate subsidy	134,924
Connection fees	180,966
Net gain on disposal of capital assets	9,338,297
Interest expense	<u>(909,966)</u>
Total nonoperating revenues (expenses)	<u>14,675,198</u>
Changes in net position before capital contributions	<u>9,911,331</u>
Capital contributions	
Capital asset contributions - donated from developers	<u>73,789</u>
Total capital contributions	<u>73,789</u>
Change in net position	<u>9,985,120</u>
Net position, beginning of year	86,083,307
Net position - end of year	<u>\$ 96,068,427</u>

**FALLBROOK PUBLIC UTILITY DISTRICT**

ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 26,957,492
Payments for water	(13,239,336)
Payments for services and supplies	(5,099,812)
Payments for employee wages, benefits and related costs	(7,046,803)
Net cash provided by operating activities	<u>1,571,541</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Property taxes	<u>2,102,847</u>
Net cash provided by noncapital financing activities	<u>2,102,847</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(5,977,474)
Proceeds from sales of capital assets	9,975,952
Principal payments on long-term debt	(1,839,651)
Interest paid	(922,536)
Lease revenues collected	199,433
Intergovernmental revenue - federal interest rate subsidy	134,924
Capital improvement charges and connection fees	2,742,322
Water availability charges	<u>204,359</u>
Net cash provided by capital and related financing activities	<u>4,517,329</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	(5,416,513)
Sales of investments	3,135,714
Interest received	<u>580,308</u>
Net cash used by investing activities	<u>(1,700,491)</u>
Net change in cash and cash equivalents	6,491,226
Cash and cash equivalents - beginning	<u>4,199,547</u>
Cash and cash equivalents - ending	<u>\$ 10,690,773</u>

**Financial Statement Presentation**

Cash and cash equivalents	\$ 3,997,334
Cash and cash equivalents - Restricted Assets	6,693,439
Total Cash and cash equivalents	<u>\$ 10,690,773</u>

**FALLBROOK PUBLIC UTILITY DISTRICT**

ENTERPRISE FUND  
STATEMENT OF CASH FLOWS (CONTINUED)  
For the year ended June 30, 2019

<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>	
Operating loss	\$ (4,763,867)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	6,158,589
(Increase) Decrease in:	
Receivables	12,942
Inventory	145,478
Prepaid expenses and other deposits	19,207
Deferred outflows of resources	594,399
Increase (decrease) in:	
Accounts payable	(722,062)
Accrued wages	(49,918)
HRA liability	17,607
Net OPEB obligation	(148,692)
Net pension liability	(204,365)
Compensated absences	172,987
Deferred inflows of resources	224,385
Deferred revenue	114,851
Net cash provided by operating activities	<u>\$ 1,571,541</u>
<b>Noncash investing and capital and related financing activities</b>	
Change in fair value of investments	\$ 334,417
Capital assets contributed	\$ 73,789

**FALLBROOK PUBLIC UTILITY DISTRICT**

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FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION - OPEB TRUST FUND  
June 30, 2019**Assets**

Cash and Cash Equivalents	\$ 1,006,649
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**Net Position**

Restricted for other postemployment benefits	\$ 1,006,649
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**FALLBROOK PUBLIC UTILITY DISTRICT**

## FIDUCIARY FUND

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - OPEB TRUST FUND

For the year ended June 30, 2019

**Additions**

Employer contributions	\$ -
Investment income	61,267
Total additions	61,267

**Deductions**

Administration	2,402
Change in net position	58,865
Net position - beginning of year	947,784
Net position - end of year	\$ 1,006,649

June 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Organization and Operations of the District**

Fallbrook Public Utility District (District) was incorporated as a political subdivision of the State of California in 1922 and operates under the provisions of the Public Utility District Code as adopted in 1953. The District constructs, operates and maintains facilities to supply water to the town of Fallbrook and the surrounding residential and agricultural areas comprising approximately 27,963 acres, which includes the former De Luz Heights Municipal Water District (annexed in 1990). The District is a member of the San Diego County Water Authority, and as that organization is a member of the Metropolitan Water District of Southern California, the District is entitled to pro rata participation in all water supplies available to those agencies. The District is governed by a Board of Directors consisting of five board members, each of whom is elected to office for a term of four years by registered voters of the District.

In November 1994, the Fallbrook Sanitary District (which is wholly included within the Fallbrook Public Utility District) dissolved that district and was incorporated into the Fallbrook Public Utility District to provide wastewater services in Fallbrook. The provisions of the dissolution and assumption of services established a separate improvement district to identify the tax base and debt obligations of the former Fallbrook Sanitary District.

Under the terms and conditions of the Local Agency Formation Commission (LAFCO), a San Diego County agency that oversees special districts, the debt of the former Fallbrook Sanitary District, now identified as Improvement District S, existing at the time of the merger was paid from taxes and other revenues raised within the Improvement District "S". The debt of the former De Luz Heights Municipal Water District was also paid from revenues and taxes paid in the De Luz area.

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

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The District's enterprise and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic measurement focus, all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under 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.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Position. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)**

The District, as an enterprise fund, accounts for its operations in a manner similar to private business enterprises. The intent of the governing body is that the costs (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of enterprise fund measurement is upon determination of operating income, changes in net position, and cash flows. The District follows the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end.

The District also reports a fiduciary fund for the activity related to its other postemployment benefits (OPEB) trust. Fiduciary funds are used to account for assets held by the District in a trustee capacity.

The basic financial statements of the Fallbrook Public Utility District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

**Net Investment in Capital Assets**

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowings that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

**Restricted Net Position**

This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position**

This component of net position consists of net position that does not meet the definition of "net investment in capital assets," or "restricted net position."



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****c. New Accounting Pronouncements:**Current Year Standards:

- GASB 83 – “*Certain Asset Retirement Obligations*,” effective for periods beginning after June 15, 2018, and did not impact the District.
- GASB 88 – “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*,” effective for periods after June 15, 2018, and did not impact the District.

Pending Accounting Standards:

GASB has issued the following statements which may impact the District’s financial reporting requirements in the future:

- GASB 84 – “*Fiduciary Activities*,” effective for periods beginning after December 15, 2018.
- GASB 87 – “*Leases*,” effective for periods beginning after December 15, 2019.
- GASB 89 – “*Accounting for Interest Cost Incurred before the End of a Construction Period*,” effective for periods beginning after December 15, 2019.
- GASB 90 – “*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*,” effective for periods beginning after December 15, 2018.
- GASB 91– “*Conduit Debt Obligations*,” effective for periods beginning after December 15, 2020.

**d. Deferred Outflows/Inflows of Resources:**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions for employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to other post-employment benefits for employer contributions made after the measurement date of the net other post-employment benefit liability.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans.
- Deferred outflow related to pensions resulting from the changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****d. Deferred Outflows/Inflows of Resources: (continued)**

- Deferred outflow related to other post-employment benefits pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following that will qualify for reporting in this category:

- Deferred inflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans.
- Deferred inflow related to pensions resulting from the changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.
- Deferred inflow related to other post-employment benefits resulting from the changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.
- Deferred inflow related to changes in proportion and differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans.
- Deferred inflow related to other post-employment benefits resulting from the difference in projected and actual earnings on investments of the other post-employment benefits plan fiduciary net position. This amount is amortized over five years.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****e. Cash, Cash Equivalents and Investments**Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), and deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District's proportionate share of the fair value of each pool's underlying portfolio.

State Investment Pool

The District 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 District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment Valuation

Investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**f. Water Sales**

Water sales revenue is recorded when water is delivered and service is rendered, including an estimated amount for unbilled service.

**g. Accounts Receivable and Allowance for Doubtful Accounts**

The District participates in the County of San Diego's Teeter Plan. Under the Plan, each year in June, the County advances the delinquent accounts receivables amount to the District. The advance is then collected from the taxpayer by the County. The County also receives penalty payments.

**h. Inventories**

Inventory consists of water stored at Red Mountain Reservoir and in any of the District's water distribution tanks in the service area, warehouse materials, supplies and equipment necessary to support operations. Inventory is valued at cost using the weighted average cost method. Warehouse materials, supplies and equipment are charged to inventory stores expense when they are issued at the weighted average cost. Water inventory is charged to the cost of water when sold.

**i. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses and are recorded utilizing the consumption method.

**j. Restricted Assets**

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****k. Capital Assets and Depreciation**

Capital assets are valued at cost when constructed or purchased. Donated assets, donated works of art and similar assets, and capital assets received in a service concession arrangement are reported at acquisition value. The District capitalizes all plant and office equipment with a value of \$5,000 or greater and a useful life of greater than three years. Improvements to existing capital assets are capitalized if they extend the useful life of the asset by three or more years and the cost of the improvement is \$5,000 or greater. Interest costs incurred while constructing capital assets can be capitalized as part of the specific capital assets. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Water Transmission and Distribution System:	
Impounding dams and reservoirs	50 years
Pipelines	50 years
Other	20 to 25 years
Wastewater collection system, and treatment and disposal facilities	
Buildings and structures	20 to 50 years
Equipment	45 years
	3 to 10 years

**l. Compensated Absences**

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Changes in compensated absences for the year ended June 30, 2019, were as follows:

Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
\$ 1,292,125	\$ 809,305	\$ (636,318)	\$ 1,465,112	\$ 586,045

**m. Contributed Capital, Connection Fees and Water Availability Charges (Capacity Fees)**

Capital contributions for water and wastewater represent contributions of capital assets from developers and revenues from the California State proposition programs. Capital contributions are recorded in the statement of revenues, expenses and changes in net position at acquisition value at the date the ownership is transferred to the District.

Connection and water availability charges (capacity fees) for water and sewer represent purchases of water meters and fees to connect to the water distribution system or connect to the wastewater collections system by developers or landowners. Connection fees and water availability charges are used strictly for capital improvement.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****n. Property Taxes and Assessments**

Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government. Additional levies require two-thirds approval by the voters and are allocated directly to the specific government. Taxes and assessments are recognized as revenue based on amounts reported to the District by the San Diego County Tax Collector's Offices. The San Diego County Tax Collector's Offices acts as a collection agent for the property taxes which are normally collected twice a year.

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment - November 1 Second Installment - February 1
Delinquent Dates:	First Installment - December 10 Second Installment - April 10

**o. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**p. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**q. Other Postemployment Benefits**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the District's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and cash equivalents	\$ 3,997,334
Restricted cash and cash equivalents	6,693,439
Investments	11,647,359
Restricted investments	3,059,526
Cash and cash equivalents with OPEB trust*	1,006,649
Total cash and investments	<u>\$26,404,307</u>

Cash and investments consist of the following:

Cash on hand	\$ 1,150
Deposits with financial institutions	1,520,410
Investments	<u>24,882,747</u>
Total cash and investments	<u>\$26,404,307</u>

\*Reported on statement of fiduciary assets and liabilities.

### Investments Authorized by the California Government Code and the District's Investment policy:

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of funds within the pension and other post-employment benefit (OPEB) trusts that are governed by the agreement of the District and the trustee, and debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Quality Requirements (S & P Rating)
U.S. Treasury Obligations	5 Years	No Limitation	No Limitation	No Limitation
Federal Agencies	5 Years	No Limitation	75%	No Limitation
State Obligations	5 Years	25%	5%	A/A-1
Supranationals	5 Years	30%	No Limitation	AA
Banker's Acceptances	180 Days	25%	5%	A-1
Commercial Paper	270 Days	25%	10%	A-1
Negotiable Certificates of Deposit	5 Years	30%	5%	A/A-1
Repurchase Agreements	1 Year	10%	No Limitation	No Limitation
Medium-Term Notes	5 Years	30%	5%	A
Passbook and Money Market Savings Accounts	No Limitation	No Limitation	No Limitation	No Limitation
Local Agency Investment Fund (LAIF)	No Limitation	No Limitation	No Limitation	No Limitation
County Pooled Investment Funds	No Limitation	No Limitation	No Limitation	No Limitation
California Local Agency Obligations	5 Years	25%	5%	A/A-1
Joint Powers Authority Pool	No Limitation	No Limitation	No Limitation	No Limitation
Money Market Mutual Funds	No Limitation	20%	No Limitation	AAA
Mortgage Pass-Through Securities	5 Years	20%	5%	AA

**2. CASH AND INVESTMENTS (Continued)**Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2019.

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	\$ 231,661	\$ 231,661	\$ -	\$ -	\$ -
San Diego County Treasurer Pool	15,077	15,077	-	-	-
California Asset Management Program (CAMP)	2,821,438	2,821,438	-	-	-
Asset Backed Securities	946,827	3,034	103,454	840,339	-
Medium-Term Notes	4,072,362	-	2,412,248	1,660,114	-
Municipal Bonds	172,654	-	172,654	-	-
Supranational Agency Bonds	139,468	-	139,468	-	-
Negotiable Certificates of Deposit	1,105,009	566,199	538,810	-	-
U.S. Agency Securities	253,317	-	253,317	-	-
U.S. Treasury Securities	7,903,944	184,147	231,812	7,487,985	-
Federal Agency Collateralized Mortgage Obligations	112,878	-	-	112,878	-
PARS Pooled Trust - Pension Trust	6,101,463	6,101,463	-	-	-
PARS Pooled Trust - OPEB Trust	1,006,649	1,006,649	-	-	-
<b>Total</b>	<b>\$ 24,882,747</b>	<b>\$ 10,929,668</b>	<b>\$ 3,851,763</b>	<b>\$ 10,101,316</b>	<b>\$ -</b>

## 2. CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Standard & Poor's (S&P) rating for each investment type at June 30, 2019.

Investment Type	Total	Minimum Legal Rating*	Ratings as of Year End				
			Exempt from Disclosure	AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	\$ 231,661	Exempt	\$ -	\$ -	\$ -	\$ -	\$ 231,661
San Diego County Treasurer Pool	15,077	Exempt	-	-	-	-	15,077
California Asset Management Program (CAMP)	2,821,438	AAA	-	2,821,438	-	-	-
Asset Backed Securities	946,827	A	-	946,827	-	-	-
Medium-Term Notes	4,072,362	A	-	-	-	4,072,362	-
Municipal Bonds	172,654	A/A-1	-	-	172,654	-	-
Supranational Agency Bonds	139,468	AA	-	139,468	-	-	-
Negotiable Certificates of Deposit	1,105,009	A/A-1	-	-	538,812	566,197	-
U.S. Agency Securities	253,317	N/A	-	-	253,317	-	-
U.S. Treasury Securities	7,903,944	Exempt	7,903,944	-	-	-	-
Federal Agency Collateralized Mortgage Obligations	112,878	AA	-	-	112,878	-	-
PARS Pooled Trust - Pension Trust	6,101,463	Exempt	-	-	-	-	6,101,463
PARS Pooled Trust - OPEB Trust	1,006,649	Exempt	-	-	-	-	1,006,649
Total	<u>\$ 24,882,747</u>		<u>\$ 7,903,944</u>	<u>\$ 3,907,733</u>	<u>\$ 1,077,661</u>	<u>\$ 4,638,559</u>	<u>\$ 7,354,850</u>

\* Required to be rated accordingly by at least one Nationally Recognized Statistical Rating Organization (NRSRO)

Concentration of Credit Risk:

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. The District holds no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2019.

## 2. CASH AND INVESTMENTS (Continued)

### Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2019, \$469,211 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

### Fair Value Measurements:

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Investments measured at cost or net asset value (NAV) are not subject to fair value measurement hierarchy.

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

**2. CASH AND INVESTMENTS (Continued)**Fair Value Measurements (Continued)

The asset's or liability's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	June 30, 2019
<b>Investments by Fair Value Level</b>				
Asset Backed Securities	\$ -	\$ 946,827	\$ -	\$ 946,827
Medium-Term Notes	-	4,072,362	-	4,072,362
Municipal Bonds	-	172,654	-	172,654
Supranational Agency Bonds	-	139,468	-	139,468
Negotiable Certificates of Deposit	-	1,105,009	-	1,105,009
U.S. Agency Securities	-	253,317	-	253,317
U.S. Treasury Securities	-	7,903,944	-	7,903,944
Federal Agency Collateralized Mortgage Obligations	-	112,878	-	112,878
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 14,706,459</u>	<u>\$ -</u>	<u>14,706,459</u>
<b>Investments measured at Cost or Net Asset Value (NAV)</b>				
Local Agency Investment Fund (LAIF)				231,661
San Diego County Treasurer Pool				15,077
California Asset Management Program (CAMP)				2,821,438
PARS Pooled Trust - Pension Trust				6,101,463
PARS Pooled Trust - OPEB Trust				1,006,649
Total Investments at Cost or Net Asset Value (NAV)				<u>10,176,288</u>
Total Investments				<u>\$ 24,882,747</u>

### 3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2019, were as follows:

	Balance June 30, 2018	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2019
<b>Capital assets, not being depreciated:</b>					
Land and property rights-water	\$ 5,770,774	\$ -	\$ (667,000)	\$ 6,600,296	\$ 11,704,070
Land and property rights-wastewater	1,128,164	-	-	-	1,128,164
Construction in progress	7,492,319	5,420,961	(52,212)	(11,547,766)	1,313,302
Total capital assets, not being depreciated	14,391,257	5,420,961	(719,212)	(4,947,470)	14,145,536
<b>Capital assets, being depreciated:</b>					
Water Operations:					
Impounding Dam	30,522,511	-	-	61,836	30,584,347
Distribution System	48,347,415	-	-	3,668,486	52,015,901
Buildings and Structures	5,049,127	-	-	(90,296)	4,958,831
Equipment	9,216,058	397,883	(73,105)	816,652	10,357,488
Total Water Operations	93,135,111	397,883	(73,105)	4,456,678	97,916,567
Wastewater Operations:					
Collection system	12,491,074	18,309	-	237,752	12,747,135
Treatment and disposal facilities	60,022,107	-	-	198,543	60,220,650
Equipment	871,062	-	-	1,727	872,789
Total wastewater operations	73,384,243	18,309	-	438,022	73,840,574
Recycle Operations:					
Distribution System	4,600,330	-	-	52,770	4,653,100
Total recycle operations	4,600,330	-	-	52,770	4,653,100
Total capital assets being depreciated	171,119,684	416,192	(73,105)	4,947,470	176,410,241
Less accumulated depreciation	(70,863,345)	(6,158,589)	65,934	-	(76,956,000)
Total capital assets being depreciated, net	100,256,339	(5,742,397)	(7,171)	4,947,470	99,454,241
Total capital assets, net	\$ 114,647,596	\$ (321,436)	\$ (726,383)	\$ -	\$ 113,599,777

Depreciation expense for depreciable capital assets was \$6,158,589 for the year ended June 30, 2019.

### 4. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Red Mountain State Revolving Fund Loan	\$ 4,350,965	\$ -	\$ (285,826)	\$ 4,065,139	\$ 293,220
Qualified Energy Conservation Revenue Bonds	3,772,059	-	(306,281)	3,465,778	325,386
Clean Water State Revolving Fund Loan	27,191,004	-	(1,247,544)	25,943,460	1,274,990
Total Long-Term Debt	\$ 35,314,028	\$ -	\$ (1,839,651)	\$ 33,474,377	\$ 1,893,596

**4. LONG TERM DEBT (Continued)**Red Mountain State Revolving Fund Loan

On June 21, 2010, The District entered into a loan agreement with the State of California Department of Public Health with interest at 2.57% payable semi-annually, and principal payments ranging from \$118,751 to \$195,414 due semi-annually beginning July 1, 2011 through January 1, 2031. The proceeds of the loan (\$6,159,773 disbursed during the fiscal year ending June 30, 2011) assisted the District in financing construction of the Red Mountain UV Filtration Plant, which enabled the District to meet the Federal safe drinking water standards. This standard is incorporated into the Long-Term Two Enhanced Surface Water Treatment Rule (LT2).

Future debt service requirements for the above loan payable based on the initial loan rate is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 293,220	\$ 102,631	\$ 395,851
2021	300,807	95,044	395,851
2022	308,589	87,262	395,851
2023	316,573	79,278	395,851
2024	324,764	71,087	395,851
2025-2029	1,754,286	224,967	1,979,253
2030-2031	766,900	24,798	791,698
Total	<u>\$ 4,065,139</u>	<u>\$ 685,067</u>	<u>\$ 4,750,206</u>

Qualified Energy Conservation Bonds (QECB) Solar Loan

On November 18, 2010, the District borrowed \$7,227,000 from the California Alternative Energy and Advanced Transportation Financing Authority, the proceeds of which were used to finance the construction of a solar project. Financing was secured at an interest rate of 5.74%. The Federal government will pay 70% of the Tax Credit Rate, which is 5.56% or 3.89%. The District's applicable interest rate is the difference between the taxable rate and the Federal Direct Pay rate, equivalent to 1.85% interest with principal payments ranging from \$134,593 to \$317,071 until November 18, 2027.

Future debt service requirements for the above loan payable based on the initial loan rate is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 325,386	\$ 62,551	\$ 387,937
2021	345,316	56,446	401,762
2022	366,104	49,969	416,073
2023	387,783	43,104	430,887
2024	410,388	35,834	446,222
2025-2028	1,630,801	61,918	1,692,719
Total	<u>\$ 3,465,778</u>	<u>\$ 309,822</u>	<u>\$ 3,775,600</u>

**4. LONG TERM DEBT (Continued)**Clean Water State Revolving Fund Loan

On November 2, 2012, the District entered into a loan agreement with the California State Water Resources Control Board in the principal amount of \$22,154,148 with interest of 2.20%. In September 2013, the District entered into an amended loan agreement increasing the principal amount to \$28,723,000. The proceeds of the loan assisted the District fund costs associated with the Fallbrook Wastewater Treatment Plan I Rehabilitation project. Upon completion of the project in May 2016, accrued interest of \$886,644 on the amount drawn down was transferred to the loan principal, increasing the principal amount to \$29,609,644. Annual payments in the amount of \$1,845,746 including principal and interest is due beginning March 2017 through March 2036.

Future debt service requirements for the above loan payable based on the initial loan rate is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,274,990	\$ 570,756	\$ 1,845,746
2021	1,303,039	542,707	1,845,746
2022	1,331,706	514,040	1,845,746
2023	1,361,004	484,742	1,845,746
2024	1,390,946	454,800	1,845,746
2025-2029	7,427,430	1,801,299	9,228,729
2030-2034	8,281,195	947,534	9,228,729
2035-2036	3,573,150	118,342	3,691,492
Total	<u>\$ 25,943,460</u>	<u>\$ 5,434,220</u>	<u>\$ 31,377,680</u>

**5. INVENTORIES**

Inventories at June 30, 2019 consisted of the following:

Water inventory	\$ 776,964
Materials inventory	<u>1,063,031</u>
	<u>\$ 1,839,995</u>

## 6. PENSION PLANS

### a. General Information about the Pension Plan

#### Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

#### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the basic death benefit or the 2W death benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. Employees are eligible for service-related disability benefits regardless of length of service. An employee must be actively employed by the District at the time of disability in order to be eligible for this benefit. Disability benefits are determined by the products of 1.8 percent of final compensation and the factor of years of service. The basic death benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

The Plans' provisions and benefits in effect at June 30, 2018 measurement date, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	6.50%
Required employer contribution rates:		
Normal cost rate	11.419%	7.266%
Payment of unfunded liability	\$ 730,148	\$ 534

**6. PENSION PLANS (Continued)****a. General Information about the Pension Plan (Continued)**Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District 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 contributions requirements are classified as plan member contributions.

**b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2019, Fallbrook Public Utility District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 12,541,929</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Fallbrook Public Utility District's proportionate share of the net pension liability as of the measurement dates ended June 30, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.32334%
Proportion - June 30, 2018	0.33279%
Change - Increase (Decrease)	0.00945%

**6. PENSION PLANS (Continued)****b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2019, the District recognized pension expense of \$1,755,796. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,224,180	\$ -
Differences between actual and expected experience	481,213	163,754
Change in assumptions	1,429,818	350,421
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	443,100
Net differences between projected and actual earnings on plan investments	62,005	-
Total	<u>\$ 3,197,216</u>	<u>\$ 957,275</u>

\$1,224,180 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 1,037,899
2021	543,131
2022	(452,463)
2023	(112,806)
2024	-
Thereafter	-

**6. PENSION PLANS (Continued)****b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) available on the CalPERS website.
- (3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

**6. PENSION PLANS (Continued)****b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**Long-term Expected Rate of Return

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

In determining the long term expected rate of return, CalPERS took into account both short term and long term market return expectations as well as the expected pension fund cash flows. Using funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 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 PERF fund. The expected rate of return was set by calculating the 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 rounded single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities;  
Liquidity is included in Short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.0% used for this period
- (c) An expected inflation of 2.92% used for this period

Discount Rate

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

**6. PENSION PLANS (Continued)****b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

		<u>Miscellaneous Plan</u>
1% Decrease		6.15%
Net Pension Liability	\$	19,246,014
Current Discount Rate		7.15%
Net Pension Liability	\$	12,541,929
1% Increase		8.15%
Net Pension Liability	\$	7,007,818

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan:

At June 30, 2019, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

**7. OTHER POSTEMPLOYMENT BENEFITS**Plan Description:

The District administers its Public Agencies Post-Employment Health Care Plan (OPEB Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions. The District's OPEB Plan provides continued medical dental, and vision coverage for an eligible retired employee, spouse or legal dependent. Coverage will continue for the retiree and spouse or legal dependent until they become entitled to Medicare Benefits at age 65.

Employees retiring after age 50, with 10 or more years of continuous employment, will have the mandatory amount estimated by the District at the date of retirement to be necessary to pay for 50% of the employee's monthly health insurance premium, and any additional costs for spouse and dependent(s) covered at the time of retirement. The difference between the total value of sick leave at retirement and the estimated cost benefit (medical, dental and vision) minus the estimated costs of 50% of the retiree's medical premium is deposited into a health reimbursement account at the District to pay for retiree benefits until Medicare entitlement or the account is depleted. The District's health reimbursement account (HRA) balance as of June 30, 2019 is \$258,421. The District will pay for half (50%) of the retired employee's monthly premium.

**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**Plan Description (Continued)

During the year ended June 30, 2017, the District entered into a trust agreement with Public Agency Retirement Services (PARS), as the trust administrator and U.S. Bank National Association (US Bank) as the trustee. Management of the OPEB Plan is vested with the General Manager of the District with oversight and governance by the District's Finance Committee. Benefit terms are as established by the District's board of directors and agreed upon between the District and the Fallbrook Public Utility District Employees' Association through Memorandum of Understanding.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

	Number of Participants
Inactive employees currently receiving benefits	10
Participating Active Employees	63
Total	73

Contributions

The District has historically funded the plan on a pay-as-you-go basis. Plan members are not required to contribute to the OPEB Plan. For the fiscal year ended June 30, 2019, the District made \$67,197 in payments made outside of the trust.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.00%
Projected Salary Increase	3.0% per year
Expected long term investment rate of return, net of plan investment expense	6.00%
Healthcare Cost Trend Rates	6.00% for 2018, decreasing to 5% for 2028
Mortality	Based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**Actuarial Methods and Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

Investment Policy

The OPEB Plan has an established investment guidelines policy document which provides a framework for a well-diversified asset mix that can potentially be expected to meet the trusts short and long-term needs consistent with the District's investment objectives, liquidity considerations and risk tolerance. The investment guidelines facilitate the process of ongoing communication between the District and the plan fiduciaries and help maintain a long-term perspective when market volatility is caused by short-term market movements. As the trustee, US Bank has delegated investment authority to Highmark Capital Management (Highmark) as the investment manager. Highmark has full investment discretion over the managed assets in the trust and is authorized to purchase, sell, exchange, invest, reinvest, and manage the OPEB Plan assets in accordance with the trust's investment objectives.

The goal of the trust's investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay the present and future obligations of the OPEB Plan. The following objectives are intended to assist in achieving this goal:

- The OPEB Plan assets should earn, on a long-term average basis, a rate of return equal to or more than the target rate of return of 5.35%;
- The OPEB Plan trust should seek to earn a return more than its policy benchmark over the long-term;
- The OPEB Plan assets will be managed on a total return basis which considers both investment income and capital appreciation. As the plan sponsor the District recognizes the importance of preservation of capital, but also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

To achieve the objectives above, the District has established an asset allocation which strives for the growth of income and principal with a strategic, long-term perspective of the capital markets. With a moderate risk tolerance, the following table summarizes the District's OPEB Plan trust asset allocation policy:

Asset Class	New Strategic Allocation
Cash	5.00%
Fixed Income	45.00%
Equity	50.00%
Total	100.00%

**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**Discount Rate

The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected OPEB payments of current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2017	\$ 1,039,721	\$ 755,952	\$ 283,769
Changes in the Year:			
Service cost **	63,116	-	63,116
Interest on the total OPEB liability	39,301	-	39,301
Differences between actual and expected experience	178,893	-	178,893
Changes in assumptions	(122,601)	-	(122,601)
Changes in benefit terms	-	-	-
Contribution - employer	-	268,569	(268,569)
Net investment income	-	40,802	(40,802)
Administrative expenses	-	(1,970)	1,970
Benefit payments	(115,569)	(115,569)	-
Net Changes	43,140	191,832	(148,692)
Balance at June 30, 2018	\$ 1,082,861	\$ 947,784	\$ 135,077

\*\* - Service Cost - The actuarial present value of projected benefits payments that are attributed to the valuation year.

Change of Assumptions

From the June 30, 2017 to the June 30, 2018 Valuation, the discount rate used increased by 2% (from 4% to 6%), the expected long-term rate of return, net of plan investment expense increased by 2% (from 4% to 6%), and healthcare trend rate assumptions decreased by 2% (from 8% to 6%).

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

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

**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage point higher (7.00%) than the current discount rate:

	1% Decrease (5.0%)	Discount Rate (6.0%)	1% Increase (7.0%)
Net OPEB Liability	\$ 212,859	\$ 135,077	\$ 63,596

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.00% decreasing to 4.00%, 3%) or 1 percentage point higher (7.00% decreasing to 5.00%), 4% than the current healthcare cost trend rates:

	1% Decrease (5.00% decreasing to 4.00%, 3%)	Current Healthcare Cost Trend Rates (6.00% decreasing to 5.00%, 4%)	1% Increase (7.00% decreasing to 6.00%, 5%)
Net OPEB Liability	\$ 47,306	\$ 135,077	\$ 235,093

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$75,510. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 67,197	\$ -
Differences between actual and expected experience	155,355	-
Change in assumptions	-	(106,469)
Differences between projected and actual earnings	-	(11,877)
Total	<u>\$ 222,552</u>	<u>\$ (118,346)</u>

\$67,197 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

**7. OTHER POSTEMPLOYMENT BENEFITS (Continued)**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 3,977
2021	3,977
2022	3,979
2023	5,818
2024	7,407
Thereafter	11,851

Payable to the OPEB Plan

At June 30, 2019, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster.

The District is a participating member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) (Authority), which arranges for and provides general liability, property damage, worker's compensation, and dam failure liability insurance to its member agencies. The District pays a premium commensurate with the level of coverage requested. The District has elected to self-insure for a portion of property damage coverage in the amount of \$10,000 per occurrence. During the past three years, there have been no instances where the amount of claims settlements exceeded insurance coverage, nor have there been any significant reductions of insurance coverage.

**9. COMMITMENTS AND CONTINGENCIES**Construction Commitments

At June 30, 2019, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Completion Date
De Luz Road Pipeline Replacement	\$ 850,000	December 2019
Sandia Tank Improvements	117,700	September 2019

**9. COMMITMENTS AND CONTINGENCIES (Continued)**Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. The District has (a) determined that it has no litigation pending with service of process completed which would have a material effect on its financial condition and (b) believes, to its current actual knowledge and after due inquiry and consultation with legal counsel, that no litigation has been threatened against the District in any court which would have a material effect on its financial condition.

**10. GAIN ON SALE OF LAND**

On December 13, 2018, the District sold the Santa Margarita River Trails land for \$10,000,000 less selling expenses of \$24,048. The land was originally purchased for \$667,000 resulting in a gain of \$9,308,952. The gain, combined with a gain on other asset disposals, is reflected as a \$9,338,297 non-operating revenue on the Statement of Revenues, Expenses, and Changes in Net Position.

**11. SUBSEQUENT EVENTS**

On August 28, 2019, the District executed a Drinking Water State Revolving Fund Loan for \$53.3 million to fund the District's Santa Margarita Conjunctive-Use Project Water Treatment Plant. Construction on the project has begun and it is expected to be completed in Fiscal Year Ending June 30, 2022.

Other

Other events occurring after June 30, 2019 have been evaluated for possible adjustments to the financial statements or disclosure as of **November XX, 2019**, which is the date these financial statements were available to be issued.

# 1. SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – DEFINED BENEFIT PENSION PLANS

For the Last Ten Fiscal Years\*

	2019	2018	2017	2016	2015
<b>Classic &amp; PEPRA Miscellaneous Plan</b>					
Plan's Proportion of the Net Pension Liability	0.13015%	0.12853%	0.12729%	0.12295%	0.11351%
Plan's Proportionate Share of the Net Pension Liability	\$ 12,541,929	\$ 12,746,294	\$ 11,014,856	\$ 8,439,096	\$ 6,888,388
Covered Payroll	\$ 5,216,869	\$ 5,271,090	\$ 4,743,986	\$ 4,753,842	\$ 4,683,594
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	240.41%	241.82%	232.19%	177.52%	147.07%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	73.31%	74.06%	78.40%	83.21%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 1,410,070	\$ 1,335,205	\$ 1,234,176	\$ 1,177,856	\$ 1,014,669

## Notes to Schedule:

### Benefit Changes:

There were no changes in benefits.

### Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019

There were no changes in assumptions.

\* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

## 2. SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLANS

For the Last Ten Fiscal Years*					
	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,224,180	\$ 1,081,154	\$ 968,372	\$ 870,680	\$ 756,872
Contributions in relation to the actuarially determined contributions	1,224,180	1,081,154	968,372	870,680	756,872
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,179,369	\$ 5,216,869	\$ 5,271,090	\$ 4,743,986	\$ 4,753,842
Contributions as a percentage of covered payroll	23.64%	20.72%	18.37%	18.35%	15.92%

*Notes to Schedule:*

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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## Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.375%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2% at 55), 62 years (2% at 62), 50 years (2% at 50)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

\* - Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

\*\* - The valuations for June 30, 2012 through June 30, 2016 (applicable to fiscal years ended June 30, 2015 through June 30, 2019) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 through June 30, 2016 valuations (applicable to fiscal years ended June 30, 2016 through June 30, 2019).

**3. SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

For the Last Ten Fiscal Years\*

Fiscal year end	6/30/2019	6/30/2018
Measurement date	6/30/2018	6/30/2017
Total OPEB Liability:		
Service cost	\$ 63,116	\$ 61,278
Interest on total OPEB liability	39,301	38,242
Difference between expected and actual experience	178,893	-
Changes of assumptions	(122,601)	-
Benefit payments, including refunds of	(115,569)	(31,396)
Net Change in Total OPEB Liability	43,140	68,124
Total OPEB Liability - Beginning of Year	1,039,721	971,597
Total OPEB Liability - End of Year (a)	1,082,861	1,039,721
Plan Fiduciary Net Position:		
Contributions - employer	268,569	767,396
Net investment income	40,802	20,571
Administrative expenses	(1,970)	(619)
Benefit payments	(115,569)	(31,396)
Net Change in Plan Fiduciary Net Position	191,832	755,952
Plan Fiduciary Net Position - Beginning of Year	755,952	-
Plan Fiduciary Net Position - End of Year (b)	947,784	755,952
Net OPEB Liability - Ending (a)-(b)	\$ 135,077	\$ 283,769
Plan fiduciary net position as a percentage of the total OPEB liability	87.53%	72.71%
Covered- employee payroll	\$ 5,216,869	\$ 5,684,049
Net OPEB liability as percentage of covered - employee payroll	2.59%	4.99%

## Notes to Schedule:

## Benefit Changes:

There were no changes in benefits.

## Changes in Assumptions:

From the June 30, 2017 to the June 30, 2018 Valuation, the discount rate used increased by 2% (from 4% to 6%), the expected long-term rate of return, net of plan investment expense increased by 2% (from 4% to 6%), and healthcare trend rate assumptions decreased by 2% (from 8% to 6%).

\* Fiscal year 2018 was the first year of implementation; therefore, only two year are shown.

## 4. SCHEDULE OF CONTRIBUTIONS - OPEB

For the Last Ten Fiscal Years\*

	6/30/2019	6/30/2018
Actuarially determined contribution	\$ 72,529	\$ 74,065
Contributions in relation to the actuarially determined contributions	(67,197)	(202,055)
Contribution deficiency (excess)	\$ 5,332	\$ (127,990)
Covered- employee payroll	\$ 5,179,369	\$ 5,216,869
Contributions as a percentage of covered payroll	1.40%	1.42%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017
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## Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age actuarial cost method **
Discount Rate	6%
Projected Salary increases	3.0% Per Year
Expected long term investment rate of return, net of plan investment expenses.	6.00%
Healthcare Cost Trend Rate	8.0% for 2016, 7.0% for 2017, 6.0% for 2018; and 5.0% for 2019 and later years.
Mortality	Based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

\* Fiscal year 2018 was the first year of implementation; therefore, two years are shown.

\*\* Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The actuarial present value of projected benefits and present value of future service costs are determined on an employee by employee basis and then aggregated. To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

## FALLBROOK PUBLIC UTILITY DISTRICT

## SUPPLEMENTARY INFORMATION

SCHEDULE OF OPERATING INCOME AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	Water	Recycled water	Wastewater	Total
<b>Operating Revenues:</b>				
Water Sales	\$ 20,481,788	\$ -	\$ -	\$ 20,481,788
Recycled Water Sales	-	998,942	-	998,942
Wastewater Sales	-	-	5,463,820	5,463,820
Total Operating Revenues	<u>20,481,788</u>	<u>998,942</u>	<u>5,463,820</u>	<u>26,944,550</u>
<b>Operating Expenses:</b>				
Cost of Water Sold	12,650,795	-	-	12,650,795
Operations and Maintenance	3,444,139	548,821	2,956,457	6,949,417
Administrative and General Expenses	3,807,921	51,473	2,090,222	5,949,616
Total Operating Expenses Before Depreciation	19,902,855	600,294	5,046,679	25,549,828
Depreciation Expense	3,290,052	54,807	2,813,730	6,158,589
Total Operating Expenses	<u>23,192,907</u>	<u>655,101</u>	<u>7,860,409</u>	<u>31,708,417</u>
Operating Income (Loss)	<u>\$ (2,711,119)</u>	<u>\$ 343,841</u>	<u>\$ (2,396,589)</u>	<u>\$ (4,763,867)</u>

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# STATISTICAL SECTION

Financial Position .....	63-65
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These tables show the District’s financial position over the reporting period.

District Operations .....	66-79
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These tables show the Districts revenues and expenses, the District’s rates and charges and the District’s property tax revenues.

Debt Capacity .....	80-81
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These tables show the District’s debt capacity and ability to meet its debt service coverage requirements.

Demographic and Economic Information .....	82
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These tables provide demographic and economic information on the District’s service area. Because the District is part of the unincorporated region of the San Diego County, County wide data is reported.

Table #1 - Net Positions

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2010	\$ 60,003,604	\$ 3,669,823	\$ 4,368,538	\$ 68,041,965
2011	60,487,772	2,613,866	7,671,400	70,773,038
2012	60,609,683	1,212,780	10,336,039	72,158,502
2013	60,609,683	1,213,780	10,336,039	72,159,502
2014	64,203,257	2,431,978	12,479,645	79,114,880
2015	67,995,640	2,231,947	4,807,404	75,034,991
2016	70,683,956	3,455,377	5,170,519	79,309,852
2017	76,004,617	3,495,635	5,668,185	85,168,437
2018	79,333,568	4,711,487	2,038,252	86,083,307
2019	80,125,400	9,477,694	6,465,333	96,068,427

Source: Fallbrook Public Utility District

Table #2 - Changes in Net Position and Net Position by Component, Last Ten Fiscal Years

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
<b>Changes in Net Position:</b>			
Operating Revenues (See Schedule 2)	\$ 21,795,259	\$ 21,255,448	\$ 23,661,715
Operating Expenses (See Schedule 3)	(24,347,069)	(24,175,989)	(26,140,572)
Other Operating Revenues	142,229	363,564	279,560
<b>Operating Income (loss)</b>	<b>\$ (2,409,581)</b>	<b>\$ (2,556,977)</b>	<b>\$ (2,199,297)</b>
<b>Non-Operating Revenues (expenses)</b>			
Property Taxes Ad-Valorem	\$ 1,602,551	\$ 1,549,625	\$ 1,552,911
Capital Improvement Charges	-	404,175	414,910
California Solar Initiative Rebate	-	-	534,835
Investment income	490,664	147,486	87,217
Water Availability Charges	201,397	200,944	200,906
Lease Revenue	215,154	184,983	177,095
Intergovernmental Revenue - Federal Interest Subsidy	-	-	-
Connection Fees	108,631	112,499	190,932
Federal Grants	-	-	-
Gain (Loss) on disposal of capital assets	-	-	-
Other Non-Operating Revenues	748,834	102,704	109,261
Other Non-Operating Expenses	(276,937)	(508,849)	(294,462)
<b>Total Non-Operating Revenues (expenses), net</b>	<b>\$ 3,090,294</b>	<b>\$ 2,193,567</b>	<b>\$ 2,973,605</b>
<b>Net income Before Capital Contributions</b>	<b>\$ 680,713</b>	<b>\$ (363,410)</b>	<b>\$ 774,308</b>
Capital Contributions	211,782	3,094,483	273,825
Capital Grant - Proposition 50	-	-	338,331
Capital Grant - Proposition 84	-	-	-
Extraordinary Items	-	-	-
<b>Changes in Net Position</b>	<b>\$ 892,495</b>	<b>\$ 2,731,073</b>	<b>\$ 1,386,464</b>
<b>Net Position</b>			
<b>Beginning, as restated</b>	<b>\$ 67,149,470</b>	<b>\$ 68,041,965</b>	<b>\$ 70,773,038</b>
Adjustments to restate balance	-	-	-
<b>Ending, as restated</b>	<b>\$ 68,041,965</b>	<b>\$ 70,773,038</b>	<b>\$ 72,159,502</b>

(1) Capital Grant of \$828,598 was received from State of California Wildlife Conservation Board Proposition 50 Funding.

(2) Accumulative effect of change in accounting principals.

(3) State Proposition 50 in the amount of \$874,040 and State Proposition 84 in the amount of \$68,428 was received

Source: Fallbrook Public Utility District

(Continued)

Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
\$ 27,582,160 (28,007,733) 439,560	\$ 28,955,183 (33,062,764) 681,876	\$ 27,483,881 (29,367,701) -	\$ 25,356,017 (27,921,351) -	\$ 27,256,065 (30,678,705) -	\$ 29,882,022 (33,319,799) -	\$26,944,550 (31,708,417) -
<b>\$ 13,987</b>	<b>\$ (3,425,705)</b>	<b>\$ (1,883,820)</b>	<b>\$ (2,565,334)</b>	<b>\$ (3,422,640)</b>	<b>\$ (3,437,777)</b>	<b>(4,763,867)</b>
\$ 1,582,219 1,252,501 779,786 30,507 201,037 181,100 - 247,607 - - 81,008 (291,721)	\$ 1,694,090 1,981,822 843,714 209,175 200,779 183,641 - 118,581 - - 69,816 (344,730)	\$ 1,719,296 2,134,025 729,519 141,433 200,810 185,770 - 208,521 - - 162,913 (321,941)	\$ 1,815,734 2,224,529 740,125 324,126 200,808 185,220 185,040 131,894 - - 91,361 (690,409)	\$ 1,889,808 2,283,558 234,930 63,861 200,730 166,012 238,765 238,124 - - 32,729 (385,483)	\$ 1,984,543 2,476,452 - 18,188 229,400 178,602 145,338 411,744 - (273,396) - 959,015	2,106,034 2,505,876 - 915,275 204,359 199,433 134,924 180,966 - 9,338,297 - (909,966)
<b>\$ 4,064,044</b>	<b>\$ 4,956,888</b>	<b>\$ 5,160,346</b>	<b>\$ 5,208,428</b>	<b>\$ 4,963,034</b>	<b>\$ 4,211,886</b>	<b>14,675,198</b>
<b>\$ 4,078,031</b>	<b>\$ 1,531,183</b>	<b>\$ 3,276,526</b>	<b>\$ 2,643,094</b>	<b>\$ 1,540,394</b>	<b>\$ 774,109</b>	<b>9,911,331</b>
595,205 - - -	76,746 828,598 <sup>(1)</sup> - -	153,790 224,596 <sup>(1)</sup> - -	75,299 874,040 <sup>(3)</sup> 682,428 -	59,509 773,163 - -	73,661 - 67,100 -	73,789 - - -
<b>\$ 4,673,236</b>	<b>\$ 2,436,527</b>	<b>\$ 3,654,912</b>	<b>\$ 4,274,861</b>	<b>\$ 2,373,066</b>	<b>\$ 914,870</b>	<b>\$9,985,120</b>
<b>\$72,159,502</b> (154,385)	<b>\$76,678,353</b> -	<b>\$79,114,880</b> (7,734,801) <sup>(2)</sup>	<b>\$75,034,991</b> -	<b>\$79,309,852</b> 3,485,519	<b>\$85,168,437</b> -	<b>86,083,307</b> -
<b>\$76,678,353</b>	<b>\$79,114,880</b>	<b>\$75,034,991</b>	<b>\$79,309,852</b>	<b>\$85,168,437</b>	<b>\$86,083,307</b>	<b>\$96,068,427</b>

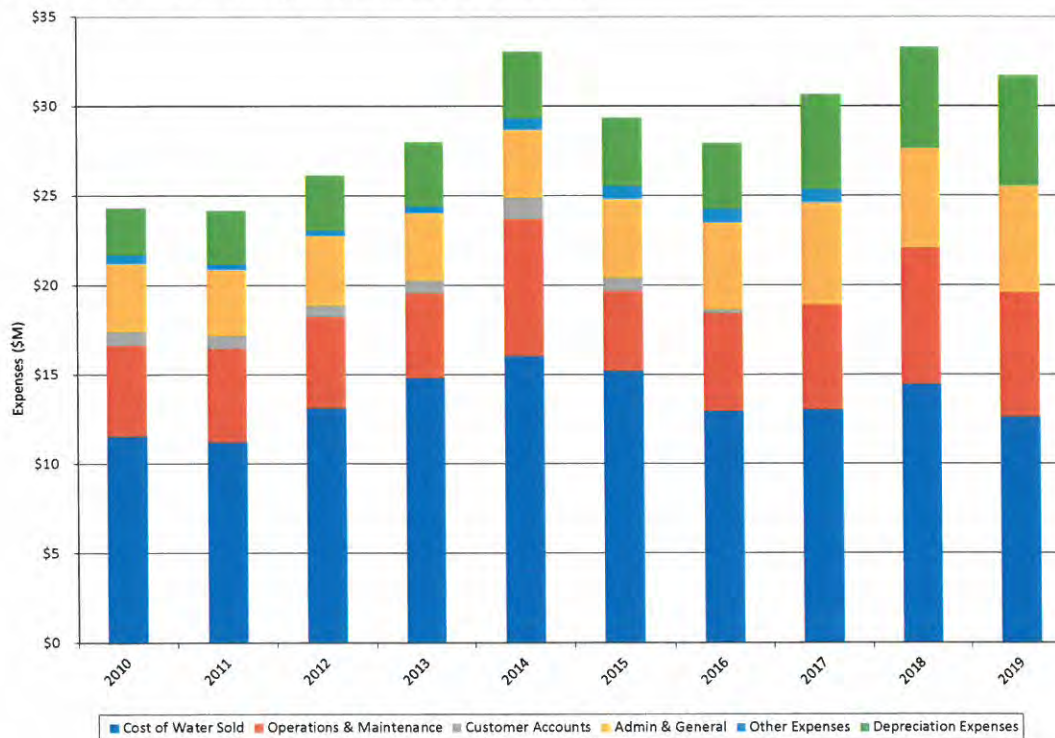
Table #3 - Operating Expenses by Activity (Last Ten Fiscal Years)

Fiscal Year	Water				
	Cost of Water Sold	Operations & Maintenance	Customer Accounts	Admin & General*	Other Expenses
2009	\$ 11,075,601	\$ 2,433,410	\$ 748,604	\$ 2,103,971	\$ 193,320
2011	10,771,752	2,461,466	726,636	2,024,761	N/A
2012	12,647,833	2,570,414	611,736	2,148,057	N/A
2013	14,457,083	2,350,655	700,158	2,056,605	N/A
2014	15,649,781	3,810,606	1,179,998	2,006,124	N/A
2015	14,692,652	2,173,576	725,610	2,286,586	N/A
2016	12,804,470	2,788,548	203,560	2,571,803	N/A
2017	13,067,064	3,030,201	N/A	2,963,305	N/A
2018	14,453,229	3,922,528	N/A	2,868,610	N/A
2019	12,650,795	3,444,139	N/A	3,807,921	N/A

\* General and administration costs are allocated as follows: 52% water, 42% wastewater, and 6% recycled water.

Source: Fallbrook Public Utility District

Chart #1 - Operating Expenses by Activity



Source: Fallbrook Public Utility District

(Continued)

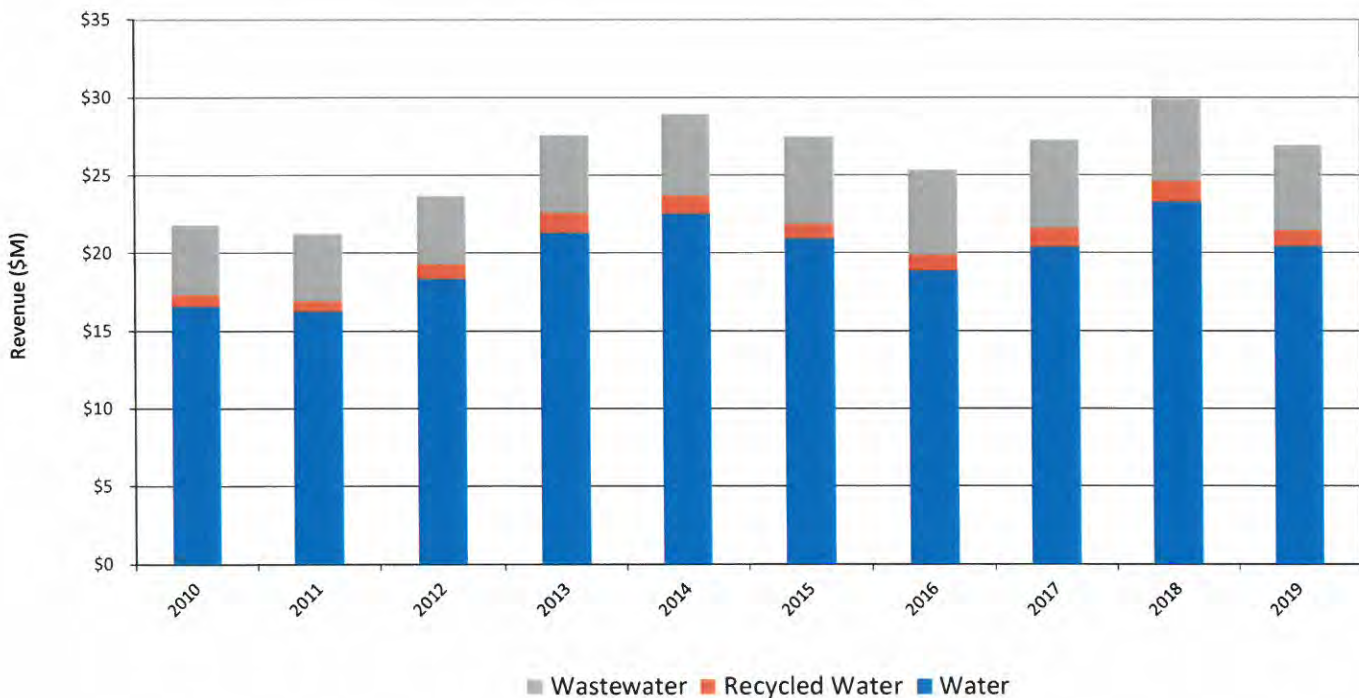
Recycled				Wastewater			Depreciation Expenses	Total Operating Expenses
Cost of Water Sold	Operations & Maintenance	Admin & General*	Other Expenses	Operations & Maintenance	Admin & General*	Other Expenses		
\$ 498,288	\$ 37,426	\$ 147,436	\$ 193,320	\$ 2,624,356	\$ 1,539,276	\$ 170,004	\$ 2,582,057	\$ 24,347,069
461,085	32,320	146,516	193,560	2,742,465	1,501,790	170,004	2,943,634	24,175,989
492,962	53,275	156,733	79,560	2,494,189	1,606,509	200,000	3,079,304	26,140,572
403,582	52,675	149,252	79,560	2,309,384	1,529,836	360,000	3,558,943	28,007,733
427,328	63,620	188,964	171,960	3,765,046	1,584,190	509,916	3,705,231	33,062,764
551,866	N/A	337,226	92,400	2,296,712	1,763,527	671,052	3,776,494	29,367,701
146,128	N/A	242,623	94,248	2,709,284	2,038,033	682,536	3,640,118	27,921,351
N/A	622,997	346,173	94,248	2,173,738	2,392,289	694,380	5,294,310	30,678,705
N/A	693,971	330,993	N/A	3,039,790	2,316,954	N/A	5,693,723	33,319,799
N/A	548,821	51,473	N/A	2,956,457	2,090,222	N/A	6,158,589	31,708,417

Table #4 - Operating Revenues by Source (Last Ten Fiscal Years)

Fiscal Year	Water			Recycled			Wastewater		Total Operating Revenue
	Water Sales	Service Charges	Other Charges	Water Sales	Service Charges	Other Charges	Service Charges	Other Charges	
2010	\$ 10,881,138	\$ 4,591,783	\$ 1,139,365	\$ 389,825	\$ 49,306	\$ 294,834	\$ 4,433,766	\$ 15,242	\$ 21,795,259
2011	10,728,119	4,531,720	1,029,567	449,322	43,576	200,345	4,162,654	110,145	21,255,448
2012	12,778,113	4,524,843	1,062,054	592,986	55,373	312,948	4,331,022	4,376	23,661,715
2013	15,458,783	4,702,564	1,190,568	777,329	50,316	445,859	4,950,757	5,984	27,582,160
2014	16,587,771	4,772,242	1,188,741	802,509	50,972	344,423	5,205,516	3,009	28,955,183
2015	14,722,792	4,930,254	1,295,660	662,849	53,011	244,466	5,571,362	3,487	27,483,881
2016	12,328,995	5,000,621	1,583,301	824,925	59,359	156,353	5,402,353	110	25,356,017
2017	13,233,057	5,388,463	1,783,859	1,135,841	N/A	86,620	5,627,476	749	27,256,065
2018	16,194,537	5,777,173	1,340,062	1,153,170	17,956	156,060	5,258,183	(15,119)	29,882,022
2019	12,997,586	6,291,436	1,192,767	920,376	(17,974)	96,541	5,453,590	10,230	26,944,552

Source: Fallbrook Public Utility District

Chart #2 - Operating Revenues by Source



Source: Fallbrook Public Utility District

Table #5 - Water Rates (\$/Kgal\*) <sup>(1)</sup>

Fiscal Year	Domestic Tier 1		Domestic Tier 2		Domestic Tier 3		Commercial Tier 1		Commercial Tier 2		Government	Special Ag Rate	Commercial Ag Rate	
2010	\$	2.55	\$	2.94	\$	3.24	\$	2.55	\$	2.94	\$	2.38	\$	2.74
2011		3.06		3.52		3.88		3.06		3.52		3.52		3.06
2012		3.51		4.04		4.45		3.51		4.04		4.04		3.45
2013		3.86		4.44		4.89		3.86		4.44		4.44		3.86
2014		4.03		4.64		5.11		4.03		4.64		4.64		4.06
2015		4.19		4.61		5.08		4.19		4.61		4.61		4.06
2016		4.38		4.82		5.31		4.38		4.82		4.82		4.28
2017		5.21		5.74		6.32		5.21		5.74		5.74		4.97
2018		5.62		5.71		6.95		5.79		5.79		5.70		4.83
2019		5.96		6.05		6.04		6.14		6.14		6.04		5.12

\*Kgal = 1,000 gal

(1) The District is required to follow the rules of Proposition 218 when raising or adjusting its rates.

Source: Fallbrook Public Utility District

Table #6 - Non-Agricultural/Government Monthly Water Service Charge (\$/month)

Fiscal Year	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
2010	\$ 34.87	\$ 45.37	\$ 64.74	\$ 94.75	\$ 154.57	\$ 245.77	\$ 439.24	\$ 20.78
2011	34.87	45.37	64.74	94.75	154.57	245.77	439.24	20.78
2012	34.87	45.37	64.74	94.75	154.57	245.77	439.24	20.78
2013	36.09	46.96	67.01	98.07	159.98	254.37	454.61	21.51
2014	36.63	47.66	68.02	99.54	162.38	258.19	461.43	21.83
2015	38.10	49.57	70.74	103.52	168.88	268.52	479.89	22.70
2016	39.24	51.06	72.86	106.63	173.95	276.58	494.29	23.38
2017	41.59	54.12	77.23	113.03	184.39	293.17	523.95	24.78
2018	44.10	67.33	125.36	195.01	380.73	589.67	1,170.06	Variable
2019	46.75	71.37	132.88	206.71	403.57	625.05	1,242.26	Variable

For more information on the District's rate structure, visit [www.fpud.com](http://www.fpud.com)

Source: Fallbrook Public Utility District

Table #7 - Monthly Water Service Charge (Ag/Gov) (\$/month)

Fiscal Year	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
2010	\$ 43.37	\$ 57.26	\$ 82.77	\$ 122.31	\$ 201.26	\$ 312.70	\$ 563.53	\$ 20.78
2011	43.37	57.26	82.77	122.31	201.26	312.70	563.53	20.78
2012	43.37	57.26	82.77	122.31	201.26	312.70	563.53	20.78
2013	44.45	58.69	84.84	125.37	206.29	320.52	576.2	21.51
2014	44.89	59.28	85.69	126.62	208.35	323.73	583.40	21.83
2015	44.89	59.28	85.69	126.62	208.35	323.73	583.40	21.83
2016	46.24	61.06	88.26	130.42	214.60	333.44	600.90	23.38
2017	49.01	64.72	93.56	138.25	227.48	353.45	636.95	24.78
2018	44.10	67.33	125.36	195.01	380.73	589.67	1,170.06	Variable
2019	46.75	71.37	132.88	206.71	403.57	625.05	1,242.26	Variable

Source: Fallbrook Public Utility District

Table #8 - Monthly Water Capital Improvement Charge (CIC) (\$/month)

Fiscal Year	3/4" Meter	1" Meter	1 1/2" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
2010	\$ 3.20	\$ 4.40	\$ 6.40	\$ 10.00	\$ 16.80	\$ 26.40	\$ 48.00	\$ 1.92
2011	3.20	4.40	6.40	10.00	16.80	26.40	48.00	1.92
2012	3.29	4.52	6.58	10.28	\$17.27	27.14	49.35	1.97
2013	4.00	5.50	8.00	12.50	21.00	33.00	60.00	2.40
2014	8.00	11.00	16.00	25.00	42.00	66.00	120.00	4.80
2015	8.59	11.81	17.18	26.84	45.10	70.87	128.85	5.15
2016	9.06	12.46	18.12	28.31	47.57	74.75	135.90	5.44
2017	9.45	12.99	18.90	29.53	49.61	77.96	141.75	5.67
2018	8.58	14.30	28.60	45.76	91.52	143.00	286.00	Variable
2019	9.12	15.20	30.40	48.64	97.29	152.01	304.02	Variable

Source: Fallbrook Public Utility District

Table #10 - Sewer Rates by Customer Class (2010 - 2018)

	2010	2011	2012	2013	2014	2015	2016	2017	2018**	2019**
<b>Fixed Rates (by meter size) (\$/month)</b>										
3/4"	\$ 12.15	\$ 12.15	\$ 12.15	\$ 12.69	\$ 13.19	\$ 14.10	\$ 14.23	\$ 16.12	B Y	B Y
1"	18.33	18.33	18.33	19.23	19.95	21.23	21.55	24.01		
1 1/2"	33.79	33.79	33.79	35.59	36.86	39.06	39.86	43.75		
2"	52.35	52.35	52.35	55.23	57.15	60.46	61.84	67.42	EDU	EDU
3"	95.63	95.63	95.63	101.03	104.49	110.38	113.14	122.67		
4"	157.48	157.48	157.48	166.47	172.12	181.70	186.36	201.60		
6"	312.08	312.08	312.08	330.06	341.20	359.99	369.49	398.91	\$9.28/ EDU	\$9.70/ EDU
<b>Billable Flow Rates * (\$/Kgal)</b>										
Single Family Residence, Ag Domestic, Multi - Family	\$ 5.63	\$ 5.88	\$ 6.72	\$ 7.64	\$ 7.64	\$ 7.64	\$ 8.21	\$ 8.77	\$ 9.44	\$ 9.86
, Low -Strength Commercial, Schools, Churches	8.47	8.81	10.09	11.54	11.54	11.54	12.35	13.27	9.37	9.86
Medium Strength Commercial	8.47	8.81	10.09	11.54	11.54	11.54	12.35	13.27	11.57	12.09
High Strength Commercial	14.14	14.67	16.83	19.35	19.35	19.35	20.63	22.28	14.44	15.09

\* Billable flow rates are calculated based upon water usage adjusted for outdoor use.

\*\* Rates switched from fiscal year to calendar year January 1, 2018.

Source: Fallbrook Public Utility District

Table #11 - Monthly Sewer Capital Improvement Charge (CIC) (\$/month)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Per EDU	N/A	N/A	N/A	\$8.00	\$10.00	\$10.44	\$10.70	\$10.84	\$11.16	\$11.53

Source: Fallbrook Public Utility District

Table #12 - Number of Water Customers by Type

As of June 30	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Ag	Other	Total
2010	7,514	222	666	666	28	9,096
2011	7,540	223	663	666	28	9,120
2012	7,545	219	678	667	29	9,138
2013	7,569	217	678	663	31	9,158
2014	7,582	217	680	660	32	9,171
2015	7,581	217	679	695	33	9,205
2016	7,582	217	671	699	37	9,206
2017	7,617	217	673	674	38	9,219
2018	7,735	218	711	529	40	9,233
2019	7,742	218	713	533	45	9,251

Source: Fallbrook Public Utility District

Chart #3 - Number of Water Customers by Type



Source: Fallbrook Public Utility District

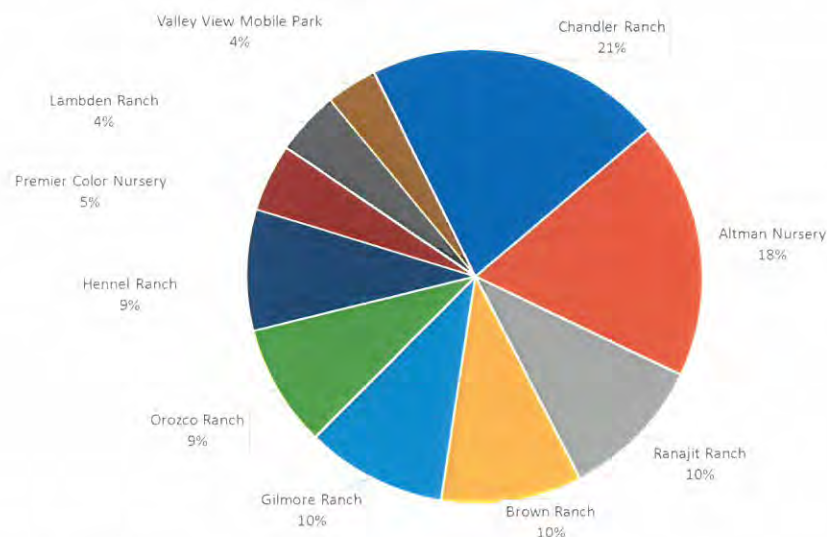
Table #13 - Top Ten Water Customers

Fiscal Year 2010		
Customer	Annual Usage (Kgal)	Percent of Total
Chandler Ranch	58,559	1.25%
Ross Ranch	53,953	1.15%
Ross Ranch	42,878	0.91%
Sparrow Hawk Ranch	36,273	0.77%
Serafiana Holdings	26,027	0.56%
Ross Ranch	31,762	0.68%
Hennel Grove	23,696	0.51%
Magdic Grove	24,525	0.52%
ACW Ranch	48,388	1.03%
Color Spot Nursery	27,046	0.58%
Total Top 10 Customers	373,107	7.96%
Total All Other Water Customers	4,314,390	92.04%
Total Water Consumed	4,687,497	100.00%

Fiscal Year 2019		
Customer	Annual Usage (Kgal)	Percent of Total
Chandler Ranch	53,987	2.21%
Altman Nursery	46,812	1.92%
Ranajit Ranch	26,488	1.08%
Brown Ranch	25,741	1.05%
Gilmore Ranch	25,432	1.04%
Orozco Ranch	22,265	0.91%
Hennel Ranch	22,062	0.90%
Premier Color Nursery	12,363	0.51%
Lambden Ranch	11,636	0.48%
Valley View Mobile Park	9,305	0.38%
Total Top 10 Customers	256,091	10.48%
Total All Other Water Customers	2,186,456	89.52%
Total Water Consumed	2,442,547	100.00%

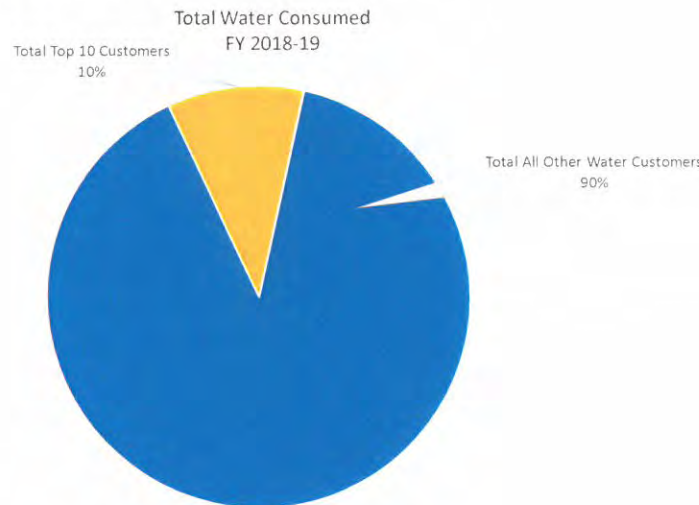
Source: Fallbrook Public Utility District

Chart #4 - Top Ten Water Customers and their Relative Consumption Fiscal Year 2019



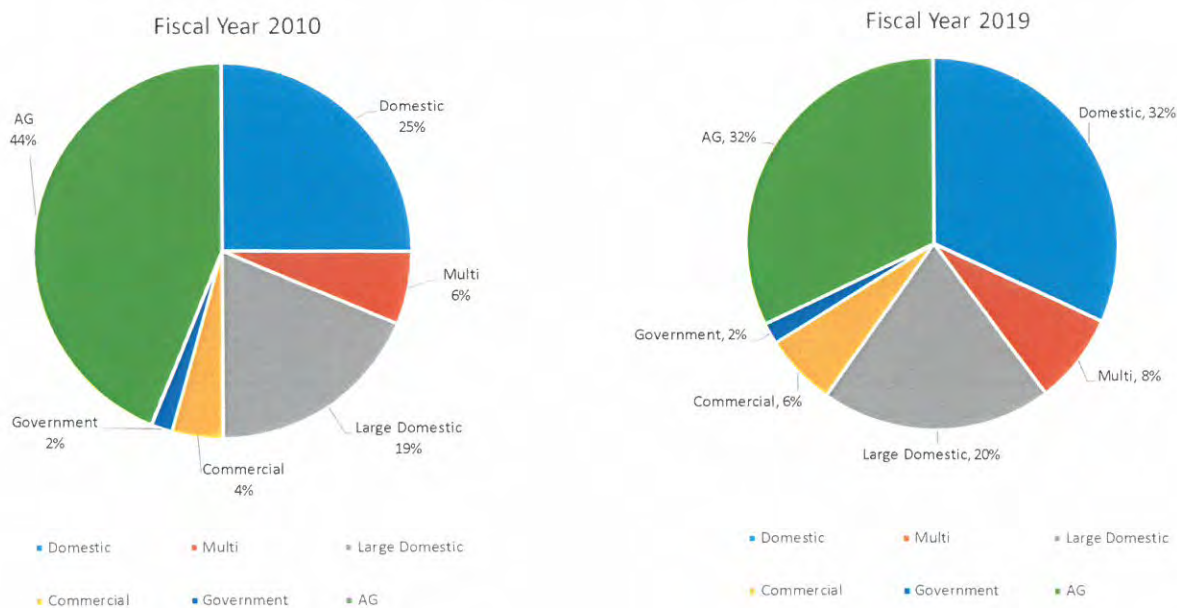
Source: Fallbrook Public Utility District

Chart #5 - Total Water Consumed Fiscal Year 2019



Source: Fallbrook Public Utility District

Chart #6 - Breakdown of Water Sales by Customer Class for Fiscal Year 2009 vs Fiscal Year 2018



Source: Fallbrook Public Utility District

Table #14 - Water System

Fiscal Year	Miles of Water Mains	Service Connections	Annual Production (G)	Average Daily Production (gpd)
2010	268.03	9,116	3,831,051,035	10,496,030
2011	268.38	9,124	3,863,212,430	10,584,144
2012	268.89	9,130	4,201,053,710	11,509,736
2013	268.89	9,142	4,159,247,155	11,395,198
2014	268.94	9,154	4,178,179,040	11,447,066
2015	268.98	9,166	3,327,254,350	9,115,765
2016	269.11	9,197	3,235,951,180	8,865,620
2017	269.11	9,211	3,114,930,490	8,534,056
2018	269.11	9,244	3,287,934,350	9,008,039
2019	269.29	9,253	2,684,556,048	7,354,948

Source: Fallbrook Public Utility District

Table #15 - Water System Total Production\*

Fiscal Year	Total Used/Prod. (AF)	HCF
2010	11,757.10	5,121,392.81
2011	11,855.80	5,164,386.53
2012	12,892.60	5,616,016.62
2013	12,764.30	5,560,129.14
2014	12,822.40	5,585,437.50
2015	10,211.00	4,447,911.65
2016	9,930.80	4,325,856.52
2017	9,559.40	4,164,074.68
2018	10,090.30	3,588,734.20
2019	8238.60	

\*Total Production before system losses.

Source: Fallbrook Public Utility District

Table #16 - Sewer System

Fiscal Year	Miles of Sewer Lines	Service Connections	Annual Sewerage (G)	Daily Sewerage (GD)
2010	77.55	4,956	630,238,194.63	1,726,679.99
2011	78.53	4,975	636,329,979.08	1,743,369.81
2012	78.62	4,994	609,826,887.99	1,670,758.60
2013	78.62	5,008	557,909,048.16	1,528,517.94
2014	78.62	5,028	540,541,189.86	1,480,934.77
2015	78.64	5,034	562,027,804.80	1,539,802.20
2016	78.64	5,044	499,860,321.77	1,369,480.33
2017	78.64	5,049	507,140,810.66	1,389,426.88
2018	78.64	5,049	486,337,179.41	1,332,430.63
2019	78.70	5,004	556,424,471	1,524,450

Source: Fallbrook Public Utility District

Table #17 - Sewer System Influent Flow

Fiscal Year	Total Used/Prod. (AF)
2010	1,965.79
2011	1,985.67
2012	1,968.83
2013	1,883.86
2014	1,873.30
2015	1,997.62
2016	1,639.416
2017	1,706.45
2018	1,592.26
2019	1,707.60

Source: Fallbrook Public Utility District

Table #18 - Recycled Water System

Fiscal Year	Miles of Recycled Pipes	Service Connections	Used Annual Recycled Water (AF)*	Daily Usage (MGD)
2010	8.28	28	593.90	0.5
2011	8.28	28	536.83	0.5
2012	8.28	28	603.50	0.5
2013	8.28	28	758.70	0.7
2014	8.28	28	746.80	0.7
2015	8.28	28	598.80	0.5
2016	10.53	29	599.83	0.5
2017	10.53	30	671.34	0.6
2018	10.53	32	740.40	0.7
2019	10.53	33	562.66	0.5

\*includes water not billed at full rate

Source: Fallbrook Public Utility District

Table #19 - Recycled Water System Production

Fiscal Year	Total Prod./Disposed (AF)
2010	1934.13
2011	1952.83
2012	1871.49
2013	1712.16
2014	1658.86
2015	1724.80
2016	1534.02
2017	1556.36
2018	1492.51
2019	1617.50

Notes:

G- Gallons

GD - Gallons per Day

AF - Acre Feet

MG - Millions of Gallons

MGD - Millions of Gallons per Day

Source: Fallbrook Public Utility District

FPUD treats all water to recycled standards. This tables includes both recycled water used as well as discharged to the ocean outfall.

Table #20 - Annual RW Production and WRP Influent Flow

	Recycled Water (Acre-Feet)				
	Annual Production	Daily Average Production	Total Used Production	Total Disposed	WRP Influent Flow (Acre-Ft)
2010	1,926.46	5.28	486.57	1,439.89	1,971.72
2011	1,962.58	5.38	607.88	1,354.69	1,999.50
2012	1,795.23	4.92	702.99	1,092.23	1,933.72
2013	1,661.57	4.55	714.98	946.59	1,892.02
2014	1,756.49	4.81	690.15	1,066.34	1,888.80
2015	1,588.47	4.35	584.11	1,004.36	1,878.31
2016	1,489.03	4.08	694.37	794.66	1,600.40
2017	1,570.92	4.30	664.82	906.11	1,694.43
2018	1,492.51	4.09	740.39	752.12	1,592.26
2019	1617.50	4.43	562.70	1054.80	1,707.60

Source: Fallbrook Public Utility District

Table #21 - Full Time Equivalent (FTE) Employees by Function

Fiscal Year	Water Services	Wastewater Services	Recycled Water Services	General & Administrative	Total Operating Revenue
2010	22	15	6	31.8	74.8
2011	23	15	5	28.8	71.8
2012	23	14	5	29.8	71.8
2013	22	14	6	28.8	70.8
2014	21	13	6	27.8	67.8
2015	21	13	5	28.8	67.8
2016	20	13	5	28.8	66.8
2017	23	12	5	27.8	67.8
2018	24	15.2	2.8	25.8	67.8
2019	24	15.2	2.8	25.8	67.8

Source: Fallbrook Public Utility District

Table #22 -Assessed Valuation of Taxable Property

Fiscal Year	Secured				Unsecured		Total Assessed Value
	Water		Sewer		Water	Sewer	
	Local Assessed	State Assessed	Local Assessed	State Assessed			
2010	\$ 3,104,742,322	\$ 225,000	\$ 1,821,146,148	\$ 225,000	\$ 41,608,589	\$ 36,302,150	\$ 5,004,249,209
2011	3,037,269,947	225,000	1,781,731,084	225,000	42,343,299	37,141,389	4,898,935,719
2012	3,023,254,725	225,000	1,783,734,000	225,000	39,028,848	33,883,225	4,880,350,798
2013	3,005,131,868	225,000	1,773,732,093	225,000	40,228,753	35,613,386	4,855,156,100
2014	3,058,914,090	-	1,811,990,591	-	39,761,073	34,916,821	4,945,582,575
2015	3,234,556,718	-	1,928,060,834	-	40,480,476	35,184,912	5,238,282,940
2016	3,390,367,447	-	2,021,437,198	-	37,440,559	32,152,307	5,481,397,511
2017	3,518,846,961	-	2,098,501,032	-	36,135,611	31,163,876	5,684,647,480
2018	3,709,470,372	-	2,220,524,962	-	36,271,614	31,902,804	3,989,169,752
2019	3,895,955,738	-	2,337,209,037	-	41,211,234	35,075,356	6,309,451,365

Source: County of San Diego, Office of the Auditor &amp; Controller

Table #23 -Property Tax

Fiscal Year	Current Year Levy*			Revenues Collected **			Uncollected Collected			Percent Uncollected
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total	
2010	\$ 884,001	\$ 785,885	\$1,669,885	\$ 870,482	\$ 773,715	\$ 1,644,197	\$ 13,519	\$ 12,170	\$ 25,688	1.5%
2011	865,466	769,673	1,635,140	853,568	759,066	1,612,634	11,898	10,607	22,506	1.4%
2012	859,279	769,708	1,628,987	848,048	758,639	1,606,687	11,230	11,069	22,300	1.4%
2013	866,702	776,960	1,643,662	855,046	766,457	1,621,503	11,656	10,504	22,159	1.3%
2014	887,378	798,786	1,686,164	874,729	787,339	1,662,068	12,649	11,447	24,096	1.4%
2015	933,206	847,121	1,780,327	921,440	836,401	1,757,840	11,766	10,721	22,487	1.3%
2016	982,997	890,717	1,873,715	970,998	879,769	1,850,767	11,999	10,949	22,948	1.2%
2017	1,022,747	927,792	1,950,539	1,009,595	915,788	1,925,384	13,151	12,004	25,155	1.3%
2018	1,072,468	978,636	2,051,105	1,060,447	967,619	2,028,066	12,021	11,017	23,039	1.1%
2019	1,122,771	1,028,393	2,151,164	1,108,272	1,015,057	2,123,329	14,499	13,336	27,835	1.3%

\* Total levy including penalties before administrative fees.

\*\* Amount before administrative and other fees deducted.

Source: County of San Diego, Office of the Auditor &amp; Controller

Table #24 -Pledged-Revenue Debt Service Coverage Ratio

Fiscal Year	Total Operating Revenues	Total Operating Expenses*	Non-Operating Revenue**	Net Revenue Available for Debt Service	Debt Service	Coverage Ratio	Required Coverage Level
2010	\$ 21,795,259	\$ 30,247	\$ 3,367,231	\$ 3,397,478	\$ 1,279,841	2.65	1.15
2011	21,255,448	23,093	2,702,416	2,725,509	1,148,552	2.37	1.20
2012	23,661,715	600,447	3,268,067	3,868,514	1,567,663	2.47	1.20
2013	27,582,160	3,133,370	4,355,765	7,489,135	1,490,434	5.02	1.20
2014	28,955,183	(402,350)	5,301,618	4,899,268	1,414,198	3.46	1.20
2015	27,483,881	1,892,674	5,482,287	7,374,961	1,319,031	5.59	1.20
2016	25,356,017	1,074,784	5,898,837	6,973,621	1,302,876	5.35	1.20
2017	27,256,065	1,871,670	5,348,517	7,220,187	2,756,731	2.62	1.20
2018	29,882,022	2,255,947	5,170,901	7,426,848	2,758,501	2.69	1.20
2019	26,944,550	25,549,828	5,336,901**	6,731,623	2,760,019	2.44	1.20

\*Excludes depreciation and interest expenses

\*\* Excludes one-term gain of \$9,338,297 on the sale of assets.

Source: Fallbrook Public Utility District

Table #25 Computation of Direct and Overlapping Debt (As of 06/30/2019)

**2017-18 Assessed Valuation: \$3,937,116,972**

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt (6/30/19)	% Applicable <sup>(1)</sup>	District's Share of Debt (6/30/19)
Metropolitan Water District	\$ 48,050,000	0.135%	\$ 64,868
Palomar Community College District	618,718,625	3.213	19,879,429
Bonsall Unified School District	10,505,021	0.494	51,895
Fallbrook Union High School District	10,071,101	40.346	4,063,286
Fallbrook Union School District	18,474,476	69.404	12,822,025
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 36,881,503</b>
 DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	255,365,000	0.748%	1,910,130
San Diego County Pension Obligation Bonds	508,765,000	0.748	3,805,562
San Diego County Superintendent of Schools Certificates of Participation	10,085,000	0.748	75,436
Palomar Community College District Certificates of Participation	2,140,000	3.213	68,758
Bonsall Unified School District Certificates of Participation	7,345,000	0.494	36,284
<b>Fallbrook Public Utility District</b>	<b>0</b>	<b>100.</b>	<b>0</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$5,896,170</b>
 <b>TOTAL DIRECT DEBT</b>			<b>\$0</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$ 42,777,673</b>
 <b>COMBINED TOTAL DEBT</b>			<b>\$ 42,777,673 <sup>(2)</sup></b>

(1) The percentage of overlapping debt applicable to the public utility district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the public utility divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.94%
<b>Total Direct Debt</b>	<b>0.00%</b>
Combined Total Debt	1.09%

Source: California Municipal Statistics Inc.

Table #26 - San Diego County Principal Employers

Fiscal Year 2018			Fiscal Year 2009		
Employer Name	Number of Employees	Percentage of Total County Employment	Employer Name	Number of Employees	Percentage of Total County Employment
University of California San Diego	34,448	2.26%	Federal Government	41,600	2.94%
Naval Base San Diego	34,185	2.24%	State of California	41,600	2.94%
Sharp Healthcare	18,364	1.20%	University of California San Diego	29,337	2.07%
County of San Diego	17,413	1.14%	County of San Diego	17,189	1.22%
Scripps Health	14,941	0.98%	San Diego Unified School District	14,555	1.03%
San Diego Unified School District	13,815	0.91%	Sharp HealthCare	14,400	1.02%
Qualcomm Inc.	11,800	0.77%	Scripps Health	12,622	0.89%
City of San Diego	11,462	0.75%	City of San Diego	11,087	0.78%
Kaiser Permanente San Diego	9,606	0.63%	Qualcomm Inc.	9,859	0.70%
UC San Diego Health	8,932	0.59%	Kaiser Permanente	7,618	0.54%
Total Top Ten County Employers	174,966	11.47%	Total Top Ten County Employers	199,867	14.13%
All Other County Employers	1,350,544	88.53%	All Other County Employers	1,214,733	85.87%
Total County Employment <sup>(1)</sup>	1,525,510	100.00%	Total County Employment <sup>(1)</sup>	1,414,600	100.00%

Source: San Diego Business Journal, County of San Diego, Bureau of Labor Statistics

Note: (1) Bureau of Labor Statistics (not seasonally adjusted)

Table #27 - Outstanding Debt, Demographic Statistics and Per Capita Statistics

Fiscal Year	District's Outstanding Long-Term Debt <sup>(1)</sup>		Total Outstanding Debt	Demographic Statistics				Per Capita Outstanding Debt	Per Capita Debt as a Percent of Personal Income
	Notes	Contracts		Population Estimate <sup>(2)</sup>	Per Capital Personal Income <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>	Total Estimated Personal Income		
2010	\$ 295,568	\$ 4,198,000	\$ 4,493,568	33,510	\$ 44,016	10.7%	\$ 1,474,981,191	\$ 134	0.3%
2011	224,814	13,386,773	13,611,587	33,645	46,496	10.7%	1,564,343,649	405	0.9%
2012	152,008	1,263,686	1,415,694	33,780	48,110	9.5%	1,625,146,771	42	0.1%
2013	77,090	13,165,083	13,242,173	33,915	49,162	8.2%	1,667,352,544	390	0.8%
2014	-	21,810,892	21,810,892	34,052	51,444	6.5%	1,751,754,674	641	1.2%
2015	-	32,389,288	32,389,288	34,188	53,696	5.3%	1,835,782,189	947	1.8%
2016	-	38,841,278	38,841,278	34,326	55,797	4.9%	1,915,273,183	1,132	2.0%
2017	-	37,101,306	37,101,306	34,464	57,878	4.2%	1,994,683,778	1,077	1.9%
2018	-	35,314,028	35,314,028	34,602	60,510	3.7%	2,093,767,020	1,021	1.7%
2019	-	33,474,377	33,474,377						

(1) - Debt secured by District's net revenues

(2) - Historic population estimated based upon a 0.4% growth rate and the current population estimate of 34,602.

(3) - Per capital personal income of for the San Diego County Region. Source: California Department of Transportation

(4) - Source Employee Development Department Labor Market Information Division June unemployment rate

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## M E M O

**TO:** Fiscal Policy & Insurance Committee  
**FROM:** David Shank, Assistant General Manager/CFO  
**DATE:** November 13, 2019  
**SUBJECT:** Review Four Committee Requests

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Purpose

Discuss the Committee's requests.

Summary

As part of the annual audit, the Committee has identified four issues it would like to further explore. The issues are:

- Treasure's Report Format – Attachment A provides three examples of Treasurer's Reports from local agencies.
- Liquidity Fund Management – How the District manages its working capital fund. Attachment B includes the Budget Resolution setting the Liquidity Fund target and Article 15 of the District's Administrative Code describing the Liquidity Fund management.
- Timing of Audit Completion – Completion timeframe.
- Audit of Santa Margarita River Property Sale – Audit proceeds to track flow of funds.

Recommended Action

This item is for discussion only. No action is required.

## **Attachment A**

**Otay Water District  
Investment Portfolio Review  
July 31, 2019**

**OTAY WATER DISTRICT  
INVESTMENT PORTFOLIO REVIEW  
July 31, 2019**

**INVESTMENT OVERVIEW & MARKET STATUS:**

At the latest Federal Reserve Board's regular scheduled meeting on July 31, 2019, the federal funds rate was decreased from 2.50% to 2.00-2.25% in light of the implications of global developments for the economic outlook as well as muted inflation pressures. The action supports the Committee's view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective as the most likely outcomes, but uncertainties about this outlook remain. The Committee will continue to monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion, with a strong labor market and inflation near its symmetric 2 percent objective as it contemplates the future path of the target range for the federal funds rate. In determining the timing and size of future adjustments to the target range for the federal funds rate, they went on to say: "*the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.*"

The District's effective rate of return for the month of July 2019 was 1.91%, which was the 2 basis points higher than the previous month. LAIF return on deposits was 5 basis points lower than the previous month, reaching an average effective yield of 2.38% for the month of July 2019. Based on our success at maintaining a competitive rate of return on our portfolio during this extended period of low interest rates, no changes in investment strategy regarding returns on investment are being considered at this time. The desired portfolio mix is important in mitigating any liquidity risk from unforeseen changes in LAIF or County Pool policy.

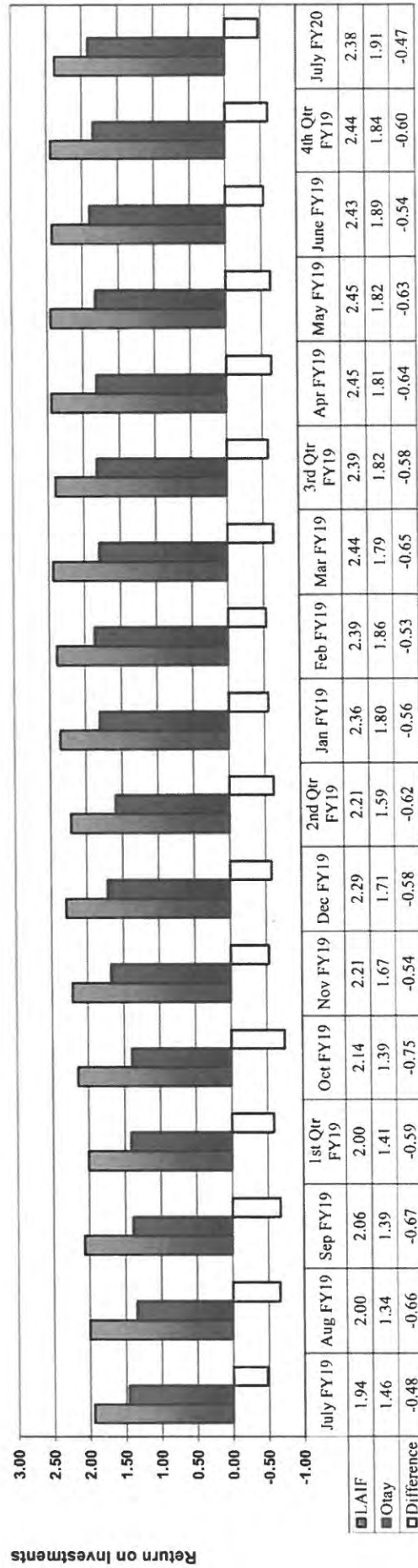
In accordance with the District's Investment Policy, all District funds continue to be managed based on the objectives, in priority order, of safety, liquidity, and return on investment.

**PORTFOLIO COMPLIANCE: July 31, 2019**

<u>Investment</u>	<u>State Limit</u>	<u>Otay Limit</u>	<u>Otay Actual</u>
8.01: Treasury Securities	100%	100%	0
8.02: Local Agency Investment Fund (Operations)	\$65 Million	\$65 Million	\$23.19 Million
8.02: Local Agency Investment Fund (Bonds)	100%	100%	\$14.41 Million
8.03: Federal Agency Issues	100%	100%	\$29.73 Million
8.04: Certificates of Deposit	30%	15%	0
8.05: Short-Term Commercial Notes	25%	10%	0
8.06: Medium-Term Commercial Debt	30%	10%	0
8.07: Money Market Mutual Funds	20%	10%	0
8.08: San Diego County Pool	100%	100%	0.41%
12.0: Maximum Single Financial Institution	100%	50%	3.04%

# Performance Measure FY-20 Return on Investment

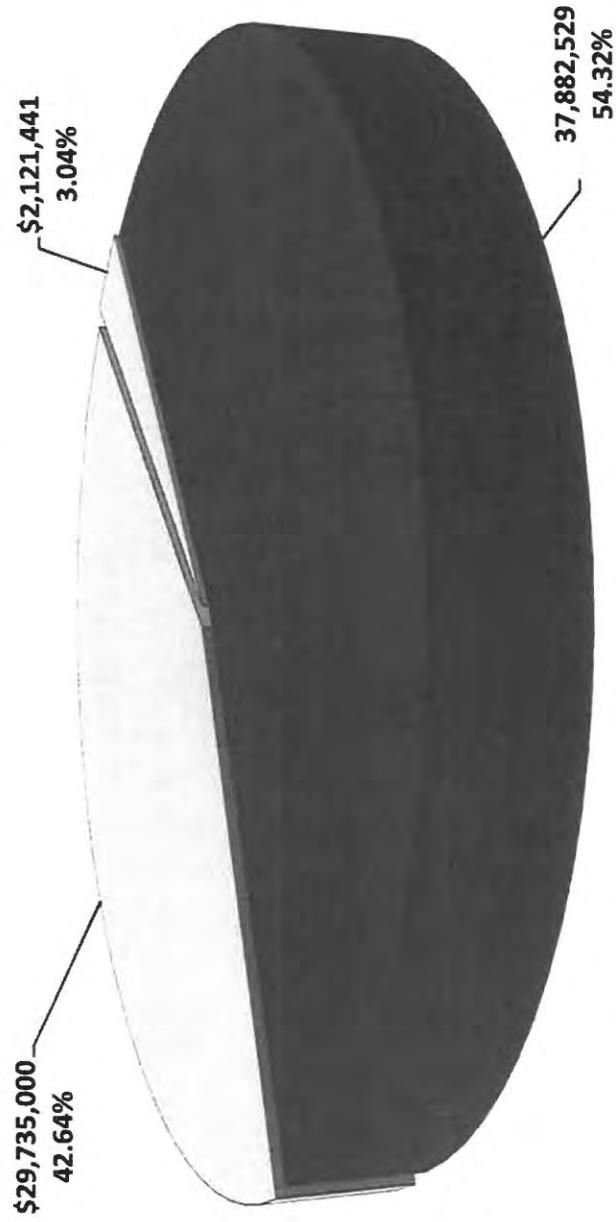
Target: Meet or Exceed 100% of LAIF



Month

LAIF Otay Difference

## Otay Water District Investment Portfolio: 07/31/2019



**Total Cash and Investments: \$69,738,971(Book Value)**


☐ Banks (Passbook/Checking/CD)    
 ☒ Pools (LAIF & County)    
 ☐ Agencies & Corporate Notes

**OTAY**  
**Portfolio Management**  
**Portfolio Summary**  
**July 31, 2019**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Federal Agency Issues- Callable	29,735,000.00	29,678,284.05	29,735,000.00	43.98	1,087	145	1.387	1.406
BOND PROCEEDS (LAIF)	14,406,860.76	14,431,522.28	14,406,860.76	21.31	1	1	2.346	2.379
Local Agency Investment Fund (LAIF)	23,192,774.13	23,232,475.29	23,192,774.13	34.30	1	1	2.346	2.379
San Diego County Pool	282,894.53	283,000.00	282,894.53	0.42	1	1	2.286	2.318
<b>Investments</b>	<b>67,617,529.42</b>	<b>67,625,281.62</b>	<b>67,617,529.42</b>	<b>100.00%</b>	<b>478</b>	<b>64</b>	<b>1.924</b>	<b>1.951</b>
<b>Cash</b>								
Passbook/Checking (not included in yield calculations)	2,121,441.16	2,121,441.16	2,121,441.16		1	1	0.918	0.931
<b>Total Cash and Investments</b>	<b>69,738,970.58</b>	<b>69,746,722.78</b>	<b>69,738,970.58</b>		<b>478</b>	<b>64</b>	<b>1.924</b>	<b>1.951</b>

Total Earnings	July 31	Month Ending	Fiscal Year To Date
Current Year	118,965.21	118,965.21	
Average Daily Balance	73,198,375.97	73,198,375.97	
Effective Rate of Return	1.91%	1.91%	1.91%

I hereby certify that the investments contained in this report are made in accordance with the District Investment Policy Number 27 adopted by the Board of Directors on May 01, 2019. The market value information provided by Interactive Data Corporation. The investments provide sufficient liquidity to meet the cash flow requirements of the District for the next six months of expenditures.

  
 Joseph Beachem, Chief Financial Officer

Reporting period 07/01/2019-07/31/2019

Portfolio OTAY  
 AP  
 PM (PRF\_PMI) 7.3.0  
 Report Ver. 7.3.5

Run Date: 08/22/2019 - 15:50

**Month End**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**July 31, 2019**

Page 1

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
<b>Federal Agency Issues- Callable</b>												
313EGWF8	2369	Federal Farm Credit Bank		10/03/2016	2,000,000.00	1,996,680.00	2,000,000.00	1.170	AA	1.154	63	10/03/2019
3130A9N6	2371	Federal Home Loan Bank		10/26/2016	2,000,000.00	1,996,440.00	2,000,000.00	1.200	AA	1.183	71	10/11/2019
3130AABM9	2374	Federal Home Loan Bank		12/27/2016	2,000,000.00	1,995,040.00	2,000,000.00	1.450	AA	1.430	148	12/27/2019
3130ADC26	2382	Federal Home Loan Bank		01/29/2018	2,000,000.00	1,993,380.00	2,000,000.00	2.200	AA	2.170	547	01/29/2021
3134GB4S8	2381	Federal Home Loan Mortgage		12/28/2017	2,000,000.00	1,995,360.00	2,000,000.00	2.000	AA	1.973	424	09/28/2020
3136G33N3	2364	Federal National Mortgage Assoc		08/30/2016	1,030,000.00	1,029,206.90	1,030,000.00	1.125	AA	1.110	27	08/28/2019
3136G33N3	2365	Federal National Mortgage Assoc		08/30/2016	2,705,000.00	2,702,917.15	2,705,000.00	1.125	AA	1.110	27	08/28/2019
3136G33N3	2366	Federal National Mortgage Assoc		08/30/2016	2,000,000.00	1,998,460.00	2,000,000.00	1.125	AA	1.110	27	08/28/2019
3136G34U6	2367	Federal National Mortgage Assoc		08/30/2016	2,000,000.00	1,998,460.00	2,000,000.00	1.125	AA	1.110	27	08/28/2019
3136G4DZ3	2370	Federal National Mortgage Assoc		10/25/2016	2,000,000.00	1,995,680.00	2,000,000.00	1.200	AA	1.184	85	10/25/2019
3136G4FY4	2372	Federal National Mortgage Assoc		11/08/2016	2,000,000.00	1,995,300.00	2,000,000.00	1.250	AA	1.233	99	11/08/2019
3136G4DR1	2373	Federal National Mortgage Assoc		10/27/2016	2,000,000.00	1,995,120.00	2,000,000.00	1.100	AA	1.085	77	10/17/2019
3136G4J08	2375	Federal National Mortgage Assoc		12/30/2016	2,000,000.00	1,996,020.00	2,000,000.00	1.580	AA	1.558	151	12/30/2019
3135G0S53	2377	Federal National Mortgage Assoc		01/27/2017	2,000,000.00	1,994,840.00	2,000,000.00	1.700	AA	1.677	179	01/27/2020
3136G4MA8	2379	Federal National Mortgage Assoc		02/28/2017	2,000,000.00	1,995,380.00	2,000,000.00	1.700	AA	1.677	211	02/28/2020
<b>Subtotal and Average</b>			<b>29,993,064.52</b>		<b>29,735,000.00</b>	<b>29,678,284.05</b>	<b>29,735,000.00</b>			<b>1.387</b>	<b>145</b>	
<b>BOND PROCEEDS (LAIF)</b>												
LAIF 2018	9015	STATE OF CALIFORNIA			14,406,860.76	14,431,522.28	14,406,860.76	2.379		2.346	1	
<b>Subtotal and Average</b>			<b>14,423,117.19</b>		<b>14,406,860.76</b>	<b>14,431,522.28</b>	<b>14,406,860.76</b>			<b>2.346</b>	<b>1</b>	
<b>Local Agency Investment Fund (LAIF)</b>												
LAIF	9001	STATE OF CALIFORNIA			23,192,774.13	23,232,475.29	23,192,774.13	2.379		2.346	1	
<b>Subtotal and Average</b>			<b>25,727,406.90</b>		<b>23,192,774.13</b>	<b>23,232,475.29</b>	<b>23,192,774.13</b>			<b>2.346</b>	<b>1</b>	
<b>San Diego County Pool</b>												
SD COUNTY POOL	9007	San Diego County			282,894.53	283,000.00	282,894.53	2.318		2.286	1	
<b>Subtotal and Average</b>			<b>282,440.71</b>		<b>282,894.53</b>	<b>283,000.00</b>	<b>282,894.53</b>			<b>2.286</b>	<b>1</b>	
<b>Total and Average</b>			<b>73,198,375.97</b>		<b>67,617,529.42</b>	<b>67,625,281.62</b>	<b>67,617,529.42</b>			<b>1.324</b>	<b>64</b>	

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Run Date: 08/22/2019 - 10:42

Portfolio OTAY  
NLI AP  
PM (PRF\_PM2) 7.3.0

Report Ver. 7.3.5

**Month End**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**July 31, 2019**

Page 2

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to 360 Maturity
<b>Union Bank</b>											
UNION MONEY	9002	STATE OF CALIFORNIA		07/01/2019	10,000.12	10,000.12	10,000.12	0.010		0.010	1
PETTY CASH	9003	STATE OF CALIFORNIA			2,950.00	2,950.00	2,950.00			0.000	1
UNION OPERATING	9004	STATE OF CALIFORNIA			1,973,413.27	1,973,413.27	1,973,413.27	1.000		0.986	1
PAYROLL	9005	STATE OF CALIFORNIA		07/01/2019	28,249.67	28,249.67	28,249.67			0.000	1
RESERVE-10 COPS	9010	STATE OF CALIFORNIA		07/01/2019	16,289.59	16,289.59	16,289.59	0.010		0.010	1
RESERVE-10 BABS	9011	STATE OF CALIFORNIA		07/01/2019	43,415.77	43,415.77	43,415.77	0.010		0.010	1
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA		07/01/2019	47,122.74	47,122.74	47,122.74			0.000	1
<b>Average Balance</b>			<b>0.00</b>								<b>1</b>
<b>Total Cash and Investments</b>					<b>69,738,970.58</b>	<b>69,746,722.78</b>	<b>69,738,970.58</b>			<b>1.924</b>	<b>64</b>

Data Updated: SET\_ME8: 08/22/2019 10:42  
Run Date: 08/22/2019 - 10:42

Portfolio OTAY  
NLI AP  
PM (PRF\_PM2) 7.3.0

**Month End**  
**GASB 31 Compliance Detail**  
**Sorted by Fund - Fund**  
**July 1, 2019 - July 31, 2019**

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
3134GB4S8	2381	99	Fair Value	09/28/2020	1,999,100.00	0.00	0.00	0.00	0.00	-3,740.00	1,995,360.00
3136G34U6	2367	99	Fair Value	08/28/2019	1,996,440.00	0.00	0.00	0.00	0.00	2,020.00	1,998,460.00
3136G4FY4	2372	99	Fair Value	11/08/2019	1,994,260.00	0.00	0.00	0.00	0.00	1,040.00	1,995,300.00
3136G4DZ3	2370	99	Fair Value	10/25/2019	1,994,440.00	0.00	0.00	0.00	0.00	1,240.00	1,995,680.00
3136G4MA8	2379	99	Fair Value	02/26/2020	1,995,360.00	0.00	0.00	0.00	0.00	20.00	1,995,380.00
3136G33N3	2366	99	Fair Value	08/28/2019	1,996,440.00	0.00	0.00	0.00	0.00	2,020.00	1,998,460.00
3136G33N3	2365	99	Fair Value	08/28/2019	2,700,185.10	0.00	0.00	0.00	0.00	2,732.05	2,702,917.15
3135G0S53	2377	99	Fair Value	01/27/2020	1,994,880.00	0.00	0.00	0.00	0.00	-40.00	1,994,840.00
3136G4JU8	2375	99	Fair Value	12/30/2019	1,995,640.00	0.00	0.00	0.00	0.00	380.00	1,996,020.00
3136G33N3	2364	99	Fair Value	08/28/2019	1,028,166.60	0.00	0.00	0.00	0.00	1,040.30	1,029,206.90
3136G4DR1	2373	99	Fair Value	10/17/2019	1,993,540.00	0.00	0.00	0.00	0.00	1,580.00	1,995,120.00
3130AABM9	2374	99	Fair Value	12/27/2019	1,993,200.00	0.00	0.00	0.00	0.00	1,840.00	1,995,040.00
3130A9NJ6	2371	99	Fair Value	10/11/2019	1,995,000.00	0.00	0.00	0.00	0.00	1,440.00	1,996,440.00
3130ADC26	2382	99	Fair Value	01/29/2021	1,998,140.00	0.00	0.00	0.00	0.00	-4,760.00	1,993,380.00
PETTY CASH	9003	99	Amortized		2,950.00	0.00	0.00	0.00	0.00	0.00	2,950.00
UNION MONEY	9002	99	Amortized		0.00	49,500.44	2,065,000.12	2,104,500.44	0.00	0.00	10,000.12
RESERVE-10 BABS	9011	99	Amortized		0.00	43,335.76	80.01	0.00	0.00	0.00	43,415.77
LAIF	9001	99	Fair Value		26,529,081.31	0.00	2,509,027.43	5,800,000.00	0.00	-5,633.45	23,232,475.29
UNION OPERATING	9004	99	Amortized		1,085,840.20	0.00	1,553,211.80	665,638.73	0.00	0.00	1,973,413.27
RESERVE-10 COPS	9010	99	Amortized		0.00	16,259.56	30.03	0.00	0.00	0.00	16,289.59
PAYROLL	9005	99	Amortized		0.00	28,249.67	0.00	0.00	0.00	0.00	28,249.67
LAIF 2018	9015	99	Fair Value		15,326,190.39	0.00	106,860.76	1,000,000.00	0.00	-1,528.87	14,431,522.28
UBNA-FLEX ACCT	9014	99	Amortized		0.00	54,926.28	0.00	7,803.54	0.00	0.00	47,122.74
3133EGJR7	2361	99	Fair Value	07/05/2019	1,999,740.00	0.00	0.00	2,000,000.00	0.00	260.00	0.00
3133EGWF8	2369	99	Fair Value	10/03/2019	1,996,080.00	0.00	0.00	0.00	0.00	600.00	1,996,680.00
SD COUNTY POOL	9007	99	Fair Value		281,000.00	0.00	1,856.17	0.00	0.00	141.83	283,000.00
Subtotal					74,895,673.60	192,271.71	6,236,068.32	11,577,942.71	0.00	651.86	69,746,722.78
Total					74,895,673.60	192,271.71	6,236,068.32	11,577,942.71	0.00	651.86	69,746,722.78

Portfolio OTAY  
NLI AP  
GD (PRF GD) 7.1.1  
Report Ver. 7.3.5

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**Month End  
Activity Report  
Sorted By Issuer  
July 1, 2019 - July 31, 2019**

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
<b>Issuer: STATE OF CALIFORNIA</b>									
<b>BOND PROCEEDS (LAIF)</b>									
LAIF 2018	9015	STATE OF CALIFORNIA			2.379		106,860.76	1,000,000.00	
		<b>Subtotal and Balance</b>		<b>15,300,000.00</b>			<b>106,860.76</b>	<b>1,000,000.00</b>	<b>14,406,860.76</b>
<b>Union Bank</b>									
UNION MONEY	9002	STATE OF CALIFORNIA			0.010		2,114,500.56	2,104,500.44	
UNION OPERATING	9004	STATE OF CALIFORNIA			1.000		1,553,211.80	665,638.73	
PAYROLL	9005	STATE OF CALIFORNIA					28,249.67	0.00	
RESERVE-10 COPS	9010	STATE OF CALIFORNIA			0.010		16,289.59	0.00	
RESERVE-10 BABS	9011	STATE OF CALIFORNIA			0.010		43,415.77	0.00	
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA					54,926.28	7,803.54	
		<b>Subtotal and Balance</b>		<b>1,088,790.20</b>			<b>3,810,593.67</b>	<b>2,777,942.71</b>	<b>2,121,441.16</b>
<b>Local Agency Investment Fund (LAIF)</b>									
LAIF	9001	STATE OF CALIFORNIA			2.379		2,509,027.43	5,800,000.00	
		<b>Subtotal and Balance</b>		<b>26,483,746.70</b>			<b>2,509,027.43</b>	<b>5,800,000.00</b>	<b>23,192,774.13</b>
		<b>Issuer Subtotal</b>	<b>56.957%</b>	<b>42,872,536.90</b>			<b>6,426,481.86</b>	<b>9,577,942.71</b>	<b>39,721,076.05</b>
<b>Issuer: Federal Farm Credit Bank</b>									
<b>Federal Agency Issues- Callable</b>									
313EGJR7	2361	Federal Farm Credit Bank			1.020	07/05/2019	0.00	2,000,000.00	
		<b>Subtotal and Balance</b>		<b>4,000,000.00</b>			<b>0.00</b>	<b>2,000,000.00</b>	<b>2,000,000.00</b>
		<b>Issuer Subtotal</b>	<b>2.868%</b>	<b>4,000,000.00</b>			<b>0.00</b>	<b>2,000,000.00</b>	<b>2,000,000.00</b>
<b>Issuer: Federal Home Loan Bank</b>									
<b>Federal Agency Issues- Callable</b>									
		<b>Subtotal and Balance</b>		<b>6,000,000.00</b>					<b>6,000,000.00</b>

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Portfolio OTAY  
NLI AP  
DA (PRF\_DA) 7.2.0  
Report Ver. 7.3.5

Month End  
Activity Report  
July 1, 2019 - July 31, 2019

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
		Issuer Subtotal	8.804%	6,000,000.00			0.00	0.00	6,000,000.00
<b>Issuer: Federal Home Loan Mortgage</b>									
<b>Federal Agency Issues- Callable</b>									
		Subtotal and Balance		2,000,000.00					2,000,000.00
		Issuer Subtotal	2.868%	2,000,000.00			0.00	0.00	2,000,000.00
<b>Issuer: Federal National Mortgage Assoc</b>									
<b>Federal Agency Issues- Callable</b>									
		Subtotal and Balance		19,735,000.00					19,735,000.00
		Issuer Subtotal	28.298%	19,735,000.00			0.00	0.00	19,735,000.00
<b>Issuer: San Diego County</b>									
<b>San Diego County Pool</b>									
SD COUNTY POOL	9007	San Diego County			2.318		1,858.17	0.00	
		Subtotal and Balance		281,036.36			1,858.17	0.00	282,894.53
		Issuer Subtotal	0.406%	281,036.36			1,858.17	0.00	282,894.53
		Total	100.000%	74,888,573.26			6,428,340.03	11,577,942.71	69,738,970.58

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Portfolio OTAY  
NLI AP  
DA (PRE\_DA) 7.2.0  
Report Ver. 7.3.5

**Month End**  
**Duration Report**  
**Sorted by Investment Type - Investment Type**  
**Through 07/31/2019**

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
3136G33N3	2364	99	Federal National Mortgage Assoc	Fair	1,030,000.00	1,030,000.00	1,029,206.90	1.125000	1.110	1.280	08/28/2019	0.073
3136G33N3	2365	99	Federal National Mortgage Assoc	Fair	2,705,000.00	2,705,000.00	2,702,917.15	1.125000	1.110	1.280	08/28/2019	0.073
3136G33N3	2366	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,998,460.00	1.125000	1.110	1.280	08/28/2019	0.073
3136G34J6	2367	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,998,460.00	1.125000	1.110	1.280	08/28/2019	0.073
3133EGWFF8	2369	99	Federal Farm Credit Bank	Fair	2,000,000.00	2,000,000.00	1,996,680.00	1.170000	1.154	1.504	10/03/2019	0.172
3136G4DZ3	2370	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,995,680.00	1.200000	1.184	1.636	10/25/2019	0.232
3130A9NJ6	2371	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,996,440.00	1.200000	1.183	1.559	10/11/2019	0.194
3136G4FY4	2372	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,995,300.00	1.250000	1.233	1.724	11/08/2019	0.271
3136G4DR1	2373	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,995,120.00	1.100000	1.085	1.592	10/17/2019	0.210
3130AABM9	2374	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,995,040.00	1.450000	1.430	1.951	12/27/2019	0.405
3136G4J08	2375	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,996,020.00	1.580000	1.558	1.982	12/30/2019	0.413
3135G0S53	2377	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,994,840.00	1.700000	1.677	2.222	01/27/2020	0.490
3136G4MA8	2379	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,995,380.00	1.700000	1.677	2.107	02/28/2020	0.564
3134GB4S8	2381	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	1,995,360.00	2.000000	1.973	2.205	09/28/2020	1.131
3130ADC26	2382	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,993,380.00	2.200000	2.170	2.427	01/29/2021	1.460
LAIF 2018	9015	99	STATE OF CALIFORNIA	Fair	14,406,860.76	14,406,860.76	14,431,522.28	2.379000	2.346	2.379		0.000
LAIF	9001	99	STATE OF CALIFORNIA	Fair	23,192,774.13	23,192,774.13	23,232,475.29	2.379000	2.346	2.379		0.000
SD COUNTY	9007	99	San Diego County	Fair	282,894.53	282,894.53	283,000.00	2.318000	2.286	2.318		0.000
				<b>Report Total</b>	<b>67,617,529.42</b>	<b>67,617,529.42</b>	<b>67,625,281.62</b>			<b>2.098</b>		<b>0.171</b>

**Month End**  
**Interest Earnings**  
**Sorted by Fund - Fund**  
**July 1, 2019 - July 31, 2019**  
**Yield on Beginning Book Value**

Adjusted Interest Earnings												
CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Ending Book Value	Maturity Date	Current Annualized Rate	Annualized Yield	Adjusted Interest Earnings		
										Interest Earned	Amortization/ Accretion	
Fund: Treasury Fund												
3134GB4S8	2381	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	09/28/2020	2.000	1.962	3,333.34	0.00	3,333.34
3136G34U6	2367	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	08/28/2019	1.125	1.104	1,875.00	0.00	1,875.00
3136G4FY4	2372	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	11/08/2019	1.250	1.226	2,083.33	0.00	2,083.33
3136G4DZ3	2370	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	10/25/2019	1.200	1.177	2,000.00	0.00	2,000.00
3136G4MA8	2379	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	02/28/2020	1.700	1.668	2,833.33	0.00	2,833.33
3136G33N3	2366	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	08/28/2019	1.125	1.104	1,875.00	0.00	1,875.00
3136G33N3	2365	99	MC1	2,705,000.00	2,705,000.00	2,705,000.00	08/28/2019	1.125	1.104	2,535.93	0.00	2,535.93
3135G5S53	2377	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	01/27/2020	1.700	1.668	2,833.34	0.00	2,833.34
3136G4JU8	2375	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/30/2019	1.580	1.550	2,633.33	0.00	2,633.33
3136G33N3	2364	99	MC1	1,030,000.00	1,030,000.00	1,030,000.00	08/28/2019	1.125	1.104	965.62	0.00	965.62
3136G4DR1	2373	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	10/17/2019	1.100	1.079	1,833.34	0.00	1,833.34
3130AABM9	2374	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/27/2019	1.450	1.423	2,416.67	0.00	2,416.67
3130A9NJ6	2371	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	10/11/2019	1.200	1.177	2,000.00	0.00	2,000.00
3130ADC26	2382	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	01/29/2021	2.200	2.159	3,666.66	0.00	3,666.66
UNION MONEY	9002	99	PA1	10,000.12	0.00	10,000.12		0.010	0.003	0.12	0.00	0.12
RESERVE-10 BABS	9011	99	PA1	43,415.77	0.00	43,415.77		0.010	0.010	0.37	0.00	0.37
LAIF	9001	99	LA1	23,192,774.13	26,483,746.70	23,192,774.13		2.379	2.311	51,982.75	0.00	51,982.75
UNION OPERATING	9004	99	PA1	1,973,413.27	1,085,840.20	1,973,413.27		1.000	2.409	2,222.03	0.00	2,222.03
RESERVE-10 COPS	9010	99	PA1	16,289.59	0.00	16,289.59		0.010	0.010	0.14	0.00	0.14
LAIF 2018	9015	99	LA2	14,406,860.76	15,300,000.00	14,406,860.76		2.379	2.243	29,142.20	0.00	29,142.20
3133EGJR7	2361	99	MC1	0.00	2,000,000.00	0.00	07/05/2019	1.020	1.034	226.67	0.00	226.67
3133EGWF8	2369	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	10/03/2019	1.170	1.148	1,950.00	0.00	1,950.00
SD COUNTY POOL	9007	99	LA3	282,894.53	281,036.36	282,894.53		2.318	2.330	556.04	0.00	556.04
Subtotal				69,660,648.17	74,885,623.26	69,660,648.17			1.912	118,965.21	0.00	118,965.21
Total				69,660,648.17	74,885,623.26	69,660,648.17			1.912	118,965.21	0.00	118,965.21

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Portfolio OTAY  
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IE (PRF\_IE) 7.2.0  
Report Ver: 7.3.5

**Vallecitos Water District  
Investment Report for August 2019**

VALLECITOS WATER DISTRICT  
INVESTMENT REPORT FOR AUGUST 2019

Attached is a detailed list of investments for all District funds that are not needed to meet current obligations. In accordance with Government Code Section 53646, the information is presented to the Board on a monthly basis and includes a breakdown by fund, financial institution, settlement and maturity date, yield, and investment amount. In addition, the report indicates the various percentages of investments in each type of institution.

The process and the presentation of the information to the Board are in compliance with requirements outlined in the District Investment Policy adopted on an annual basis. In addition to the investment portfolio, there are sufficient funds in the Operating Account to meet District obligations for the next 30 days. Maturity dates on investments are structured to meet the future financial obligations of the District (i.e., bond payments and construction projections). In that regard, the District will be able to meet expenditure requirements for the next six months without a need to liquidate an investment earlier than scheduled maturity dates.

Investment activity for the month of August follows:

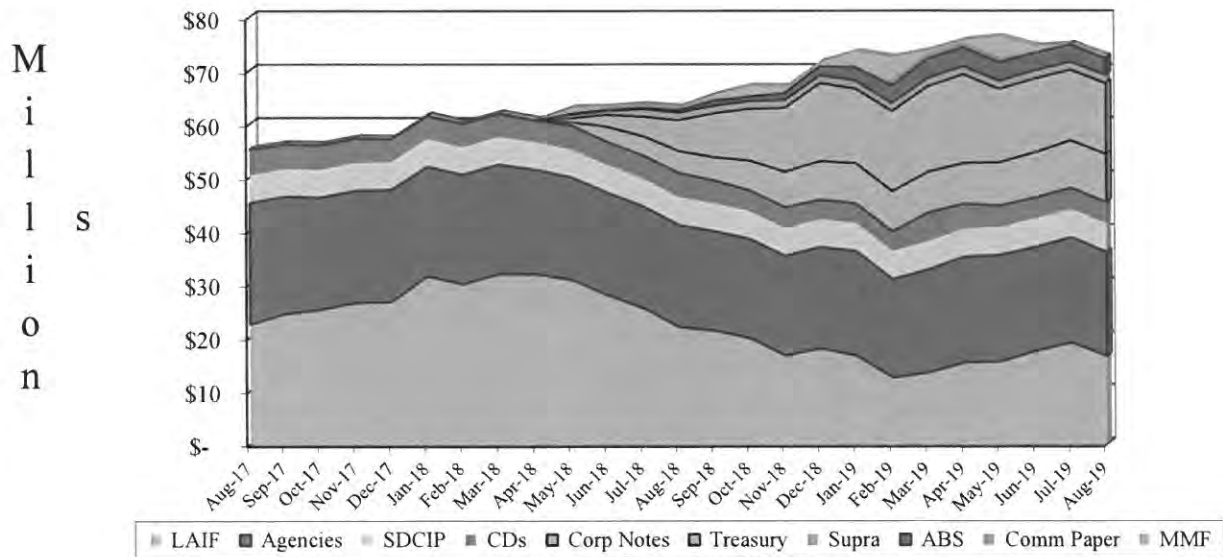
<u>Date</u>	<u>Activity</u>	<u>Investment</u>	<u>Amount</u>	<u>Maturity</u>	<u>Yield</u>
08/01/19	Withdrawal	LAIF	(2,500,000)	Open	2.35%
08/06/19	Deposit	LAIF	600,000	Open	2.35%
08/12/19	Deposit	LAIF	900,000	Open	2.35%
08/15/19	Withdrawal	LAIF	(2,700,000)	Open	2.35%
08/15/19	Sold	TOAT 2017-B	(30,400)	10/15/21	1.82%
08/15/19	Sold	TAOT 2017-B	(31,802)	07/15/21	1.60%
08/15/19	Sold	JDOT 2018-B	(24,431)	04/15/21	2.83%
08/19/19	Sold	HAROT 2017-3	(24,645)	09/20/21	1.79%
08/20/19	Deposit	LAIF	650,000	Open	2.35%
08/22/19	Full Call	FHLMC	(750,000)	11/22/19	1.00%
08/26/19	Deposit	LAIF	500,000	Open	2.35%
08/26/19	Full Call	FHLMC	(514,000)	02/26/21	1.00%
08/29/19	Purchased	Federal Farm Credit Banks	1,004,700	07/31/19	1.60%
Change in investments during the month			<u>\$ (2,920,577)</u>		

	<u>Current</u>
Weighted average annual yield for total Vallecitos investments	2.370%
Weighted average days to maturity	412

The State Treasurer's Office provides fair market values of LAIF quarterly on their web site. The most recent valuation, which is used on this report, is as of June 30, 2019. The San Diego County Treasurer provides the fair values for the County investment pool. The most recent values and returns, which are used for this report, are for July 31, 2019. Fair values for federal agency obligations and corporate notes are provided by Union Bank trust account reporting

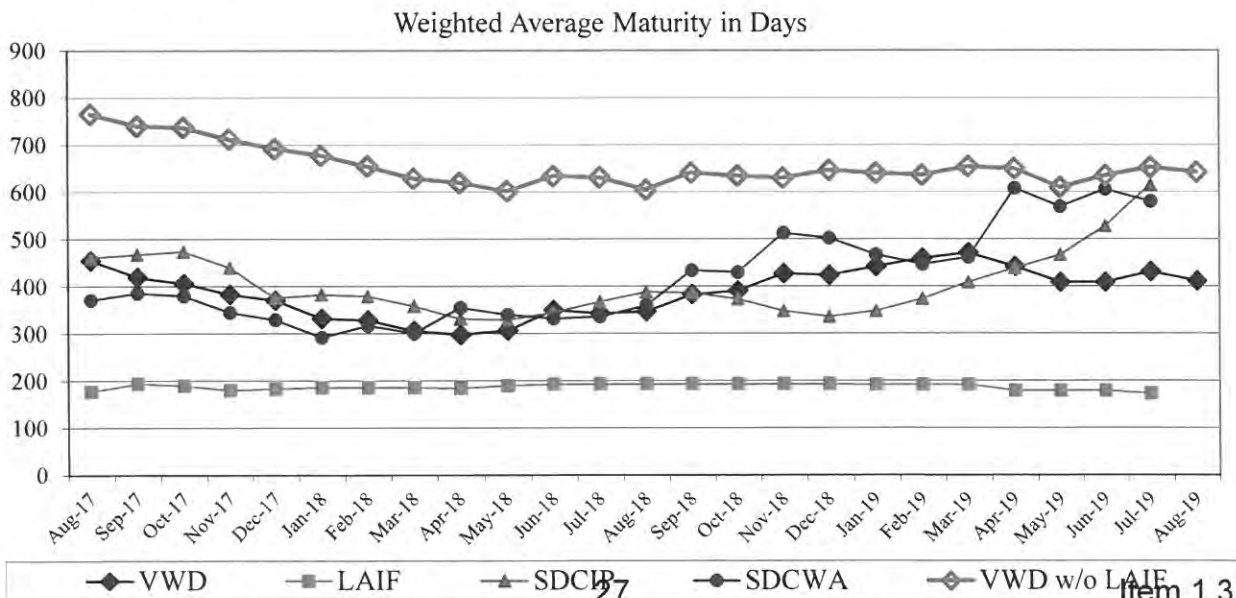
## Safety

Criteria for selecting investments and the absolute order of priority are safety, liquidity and yield. To meet the objective of safety and avert credit risk, the District acquires only those investments permitted by the Board adopted investment policy and within the limits established by the policy. Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The District also limits risk by investing in a range of investments to ensure diversification as indicated in the graph below.



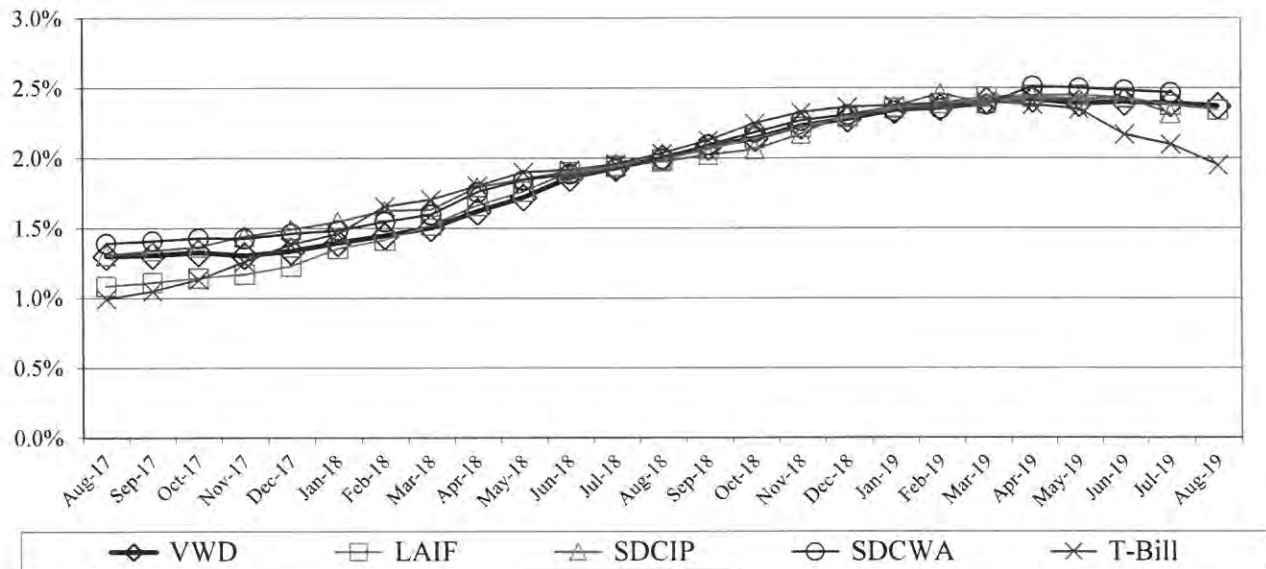
## Liquidity

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District averts interest rate risk by limiting terms of investments in accordance with the Investment Policy. Maturity in days is a measure of liquidity. The next graph compares the District's liquidity to other managed portfolios. The District's liquidity is graphed with and without LAIF. With LAIF the District is in fact very liquid with \$16.4 million available the same day. But for comparative purposes LAIF is eliminated from the District's portfolio and shown separately.



### Yield

The next graph compares the District's effective yield to LAIF, SDCIP, San Diego County Water Authority (SDCWA), and the average 91-day Treasury bill rate.



### Investment/Debt Management

On March 7, 2018 the District entered into a contract with Chandler Asset Management to provide professional investment management and advisory services. Chandler manages the District's investments in accordance with the District's policy of safety, liquidity, and yield and continues to maintain investments of varying types within limits allowed by the investment policy (100% in federal agency obligations, 100% in LAIF, 100% in other local government investment pools, 25% in FDIC-backed corporate notes, 25% in commercial paper, 20% in certificates of deposit). Chandler's portfolio summary is attached.

## Portfolio Summary

As of August 31, 2019



## PORTFOLIO CHARACTERISTICS

Average Modified Duration	1.13
Average Coupon	2.16%
Average Purchase YTM	2.37%
Average Market YTM	1.93%
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	1.37 yrs
Average Life	1.23 yrs

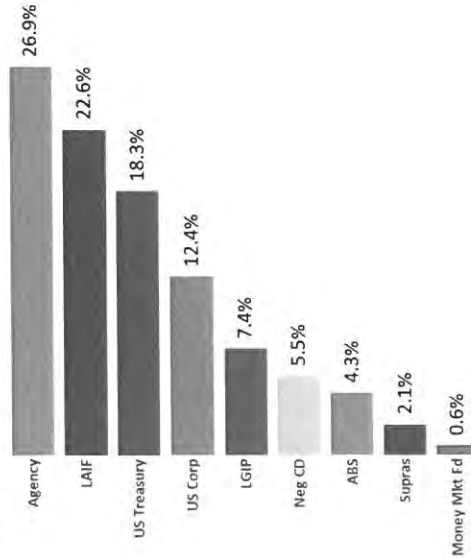
## ACCOUNT SUMMARY

	Beg. Values as of 7/31/19	End Values as of 8/31/19
Market Value	74,845,145	72,717,892
Accrued Interest	280,362	323,222
<b>Total Market Value</b>	<b>75,125,506</b>	<b>73,041,114</b>
Income Earned	145,825	133,579
Cont./WWD		
Par	74,689,654	72,264,326
Book Value	74,439,659	72,031,378
Cost Value	74,309,702	71,890,206

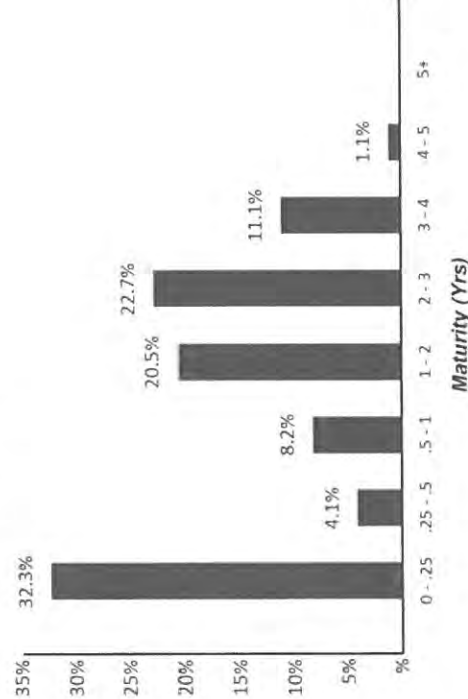
## TOP ISSUERS

Local Agency Investment Fund	22.6%
Government of United States	18.3%
Federal Farm Credit Bank	8.2%
County of San Diego Pooled Inve	7.4%
Federal National Mortgage Assoc	7.2%
Federal Home Loan Bank	7.0%
Federal Home Loan Mortgage Corp	4.5%
Honda ABS	1.5%
<b>Total</b>	<b>76.6%</b>

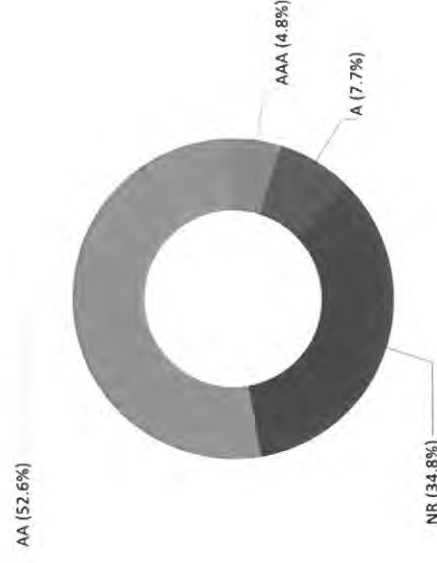
## SECTOR ALLOCATION



## MATURITY DISTRIBUTION



## CREDIT QUALITY (S&amp;P)





CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>ABS</b>									
47788EAB4	John Deere Owner Trust 2018-B A2 2.83% Due 4/15/2021	187,443.80	01/29/2019 2.95%	187,282.72 187,363.26	100.17 2.24%	187,765.80 235.76	0.26% 402.54	Aaa / NR AAA	1.62 0.28
89190BAD0	Toyota Auto Receivables Owner 2017-B A3 1.76% Due 7/15/2021	303,885.28	09/26/2018 2.78%	300,336.00 301,510.98	99.88 2.04%	303,519.40 237.71	0.42% 2,008.42	Aaa / AAA NR	1.87 0.45
43814PAC4	Honda Auto Receivables Owner T 17-3 A3 1.79% Due 9/20/2021	288,896.23	12/11/2018 2.73%	285,149.60 286,119.58	99.86 2.04%	288,493.17 186.74	0.40% 2,373.59	NR / AAA AAA	2.06 0.56
43814WAB1	HAROT 2019-1 A2 2.75% Due 9/20/2021	455,000.00	02/19/2019 2.77%	454,970.70 454,976.52	100.55 2.01%	457,492.95 451.84	0.63% 2,516.43	NR / AAA AAA	2.06 0.73
47788BAD6	John Deere Owner Trust 2017-B A3 1.82% Due 10/15/2021	351,588.27	11/14/2018 3.14%	346,740.19 348,057.01	99.83 2.18%	350,974.27 284.40	0.48% 2,917.26	Aaa / NR AAA	2.13 0.49
89239AAB9	Toyota Auto Receivables 2019-A A2A 2.83% Due 10/15/2021	375,000.00	02/05/2019 2.85%	374,965.95 374,972.93	100.44 1.95%	376,641.38 471.67	0.52% 1,668.45	Aaa / AAA NR	2.13 0.49
47789JAB2	John Deere Owner Trust 2019-A A2 2.85% Due 12/15/2021	360,000.00	03/05/2019 2.87%	359,983.58 359,986.38	100.52 2.00%	361,857.24 456.00	0.50% 1,870.86	Aaa / NR AAA	2.29 0.60
43814UAG4	Honda Auto Receivables 2018-2 A3 3.01% Due 5/18/2022	105,000.00	05/22/2018 3.03%	104,997.71 104,998.44	101.33 1.91%	106,399.23 114.13	0.15% 1,400.79	NR / AAA AAA	2.72 1.18
43815HAC1	Honda Auto Receivables Owner 2018-3 A3 2.95% Due 8/22/2022	205,000.00	08/21/2018 2.98%	204,971.87 204,979.00	101.47 1.81%	208,009.81 167.99	0.29% 3,030.81	Aaa / NR AAA	2.98 1.27
65478WAE5	Nissan Auto Receivables Owner 2016-C A4 1.38% Due 1/17/2023	500,000.00	01/24/2019 2.95%	489,531.25 491,813.04	99.45 2.11%	497,266.00 306.67	0.68% 5,452.96	Aaa / NR AAA	3.38 0.75
<b>Total ABS</b>		<b>3,131,813.58</b>	<b>2.89%</b>	<b>3,108,929.57</b> <b>3,114,777.14</b>	<b>2.04%</b>	<b>3,138,419.25</b> <b>2,912.91</b>	<b>4.30%</b> <b>23,642.11</b>	<b>Aaa / AAA</b> <b>AAA</b>	<b>2.35</b> <b>0.64</b>

## AGENCY

3137EADM8	FHLMC Note 1.25% Due 10/2/2019	500,000.00	09/25/2015 1.32%	498,665.00 499,971.81	99.93 2.03%	499,660.00 2,586.81	0.69% (311.81)	Aaa / AA+ AAA	0.09 0.09
3130A9UP4	FHLB Callable Note Cont 4/28/2017 1.19% Due 10/28/2019	500,000.00	10/28/2016 1.19%	500,000.00 500,000.00	99.87 2.01%	499,349.00 2,032.92	0.69% (651.00)	Aaa / AA+ NR	0.16 0.16
336G3VH5	FNMA Callable Note Qtrly 12/30/2016 1.35% Due 12/30/2019	500,000.00	06/30/2016 1.35%	500,000.00 500,000.00	99.80 1.96%	498,980.50 1,143.75	0.68% (1,019.50)	Aaa / AA+ AAA	0.33 0.33

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Item 1.3

## Vallecitos Water District Consolidated Account

## Holdings Report

As of August 31, 2019

Account #10594



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>AGENCY</b>									
3135G0Q63	FNMA Callable Note Qtrly 3/30/2017 1.3% Due 3/30/2020	500,000.00	10/19/2016 1.30%	500,000.00 500,000.00	99.62 1.96%	498,099.50 2,726.39	0.69% (1,900.50)	Aaa / AA+ AAA	0.58 0.57
3130ABAY2	FHLB Callable Note Cont 7/28/2017 1.67% Due 4/28/2020	750,000.00	04/28/2017 1.67%	750,000.00 750,000.00	99.86 1.89%	748,917.75 4,279.38	1.03% (1,082.25)	Aaa / AA+ NR	0.66 0.33
3136G3NZ4	FNMA Callable Note Qtrly 11/29/2016 1.5% Due 5/29/2020	750,000.00	05/27/2016 1.50%	750,000.00 750,000.00	99.72 1.88%	747,903.75 2,875.00	1.03% (2,096.25)	Aaa / AA+ AAA	0.75 0.73
3130A8M67	FHLB Callable Note Cont 7/13/2017 1.2% Due 7/13/2020	500,000.00	11/22/2016 1.60%	492,970.00 498,328.46	99.36 1.95%	496,807.00 800.00	0.68% (1,521.46)	Aaa / AA+ NR	0.87 0.86
3135G0N66	FNMA Callable Note Qtrly 2/24/2017 1.4% Due 8/24/2020	1,000,000.00	08/24/2016 1.40%	1,000,000.00 1,000,000.00	99.87 1.53%	998,747.00 272.22	1.37% (1,253.00)	Aaa / AA+ AAA	0.98 0.97
3133EGC94	FFCB Callable Note Cont 2/2/2017 1.38% Due 11/2/2020	500,000.00	11/04/2016 1.40%	499,600.00 499,882.66	99.40 1.90%	496,992.50 2,280.83	0.68% (2,890.16)	Aaa / AA+ AAA	1.18 0.78
3133EGR49	FFCB Callable Note Cont 12/7/2017 1.77% Due 12/7/2020	250,000.00	12/07/2016 1.83%	249,437.50 249,821.74	100.00 1.77%	250,001.00 1,032.50	0.34% 179.26	Aaa / AA+ AAA	1.27 0.54
3134GBT40	FHLMC Callable Note Qtrly 9/22/2017 2.1% Due 12/22/2020	750,000.00	06/27/2017 2.10%	750,000.00 750,000.00	100.03 1.49%	750,234.00 3,016.67	1.03% 234.00	Aaa / AA+ AAA	1.31 0.06
3136G4GA5	FNMA Callable Note Qtrly 4/28/2017 1.4% Due 1/28/2021	500,000.00	10/28/2016 1.40%	500,000.00 500,000.00	99.36 1.87%	496,779.50 641.67	0.68% (3,220.50)	Aaa / AA+ AAA	1.41 1.00
3133EFC54	FFCB Callable Note Cont 2/17/2017 1.62% Due 2/17/2021	150,000.00	11/18/2016 1.67%	149,667.00 149,885.21	100.00 1.62%	150,000.00 94.50	0.21% 114.79	Aaa / AA+ AAA	1.47 0.73
3130A7ES0	FHLB Callable Note Qtrly 6/22/2016 2% Due 3/22/2021	275,000.00	04/06/2017 2.11%	274,381.25 274,756.95	100.02 1.63%	275,045.10 2,427.26	0.38% 288.15	Aaa / AA+ NR	1.56 0.06
3133EFZ91	FFCB Callable Note Cont 4/12/2017 1.62% Due 4/12/2021	750,000.00	04/12/2016 1.62%	749,925.00 749,975.81	99.55 1.90%	746,637.00 4,691.25	1.03% (3,338.81)	Aaa / AA+ AAA	1.62 0.74
3133EHHM8	FFCB Callable Note Cont 8/3/2017 1.99% Due 5/3/2021	750,000.00	05/03/2017 1.99%	750,000.00 750,000.00	100.00 1.99%	750,007.50 4,892.08	1.03% 7.50	Aaa / AA+ AAA	1.67 0.48
3136G3A70	FNMA Callable Note Qtrly 1/27/2017 1.5% Due 7/27/2021	500,000.00	07/27/2016 1.50%	500,000.00 500,000.00	99.36 1.84%	496,782.00 708.33	0.68% (3,218.00)	Aaa / AA+ AAA	1.91 1.17
3134G95L7	FHLMC Callable Note Qtrly 11/25/2016 1.6% Due 8/25/2021	1,000,000.00	08/25/2016 1.60%	1,000,000.00 1,000,000.00	99.13 2.05%	991,310.00 266.67	1.36% (8,690.00)	Aaa / AA+ AAA	1.99 1.32
3130A9F89	FHLB Callable Note Qtrly 12/30/2016 1.625% Due 9/30/2021	1,000,000.00	09/30/2016 1.63%	1,000,000.00 1,000,000.00	99.99 1.63%	999,913.00 6,815.97	1.38% (87.00)	Aaa / AA+ NR	2.08 0.98

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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>AGENCY</b>									
3136G4GF4	FNMA Callable Note Qtrly 4/28/2017 1.55% Due 10/28/2021	1,000,000.00	10/31/2016 1.55%	1,000,000.00 1,000,000.00	99.96 1.57%	999,623.00 5,295.83	1.38% (377.00)	Aaa / AA+ AAA	2.16 1.20
3134GAYX6	FHLMC Callable Note Qtrly 5/26/2017 1.875% Due 11/26/2021	1,000,000.00	11/30/2016 1.88%	1,000,000.00 1,000,000.00	100.05 1.65%	1,000,499.00 4,947.92	1.38% 499.00	Aaa / AA+ AAA	2.24 0.96
3133EJ3B3	FFCB Note 2.8% Due 12/17/2021	1,000,000.00	12/26/2018 2.70%	1,002,780.00 1,002,145.16	102.77 1.57%	1,027,662.00 5,755.56	1.41% 25,516.84	Aaa / AA+ AAA	2.30 2.21
3135G0U92	FNMA Note 2.625% Due 1/11/2022	500,000.00	03/05/2019 2.60%	500,350.00 500,289.88	102.54 1.53%	512,698.00 1,822.92	0.70% 12,408.12	Aaa / AA+ AAA	2.37 2.28
3133EKBV7	FFCB Note 2.55% Due 3/1/2022	750,000.00	02/27/2019 2.55%	750,075.00 750,062.41	102.43 1.56%	768,214.50 9,562.50	1.06% 18,152.09	Aaa / AA+ AAA	2.50 2.39
313378WG2	FHLB Note 2.5% Due 3/11/2022	500,000.00	04/08/2019 2.36%	501,945.00 501,680.68	102.49 1.49%	512,455.50 5,902.78	0.71% 10,774.82	Aaa / AA+ NR	2.53 2.42
313383WD9	FHLB Note 3.125% Due 9/9/2022	500,000.00	01/30/2019 2.68%	507,580.00 506,354.08	104.70 1.53%	523,500.00 7,465.28	0.73% 17,145.92	Aaa / AA+ AAA	3.03 2.85
3130AFE78	FHLB Note 3% Due 12/9/2022	1,000,000.00	01/25/2019 2.71%	1,010,700.00 1,009,062.01	104.74 1.51%	1,047,397.00 6,833.33	1.44% 38,334.99	Aaa / AA+ AAA	3.28 3.10
3133EKZK5	FFCB Note 1.6% Due 8/14/2023	1,000,000.00	08/28/2019 1.48%	1,004,700.00 1,004,690.25	100.42 1.49%	1,004,174.00 755.56	1.38% (516.25)	Aaa / AA+ AAA	3.96 3.82
3133EKMx1	FFCB Note 2.23% Due 2/23/2024	750,000.00	07/30/2019 1.91%	760,425.00 760,225.00	103.27 1.47%	774,488.25 371.67	1.06% 14,263.25	Aaa / AA+ AAA	4.48 4.26
<b>Total Agency</b>		<b>19,425,000.00</b>	<b>1.83%</b>	<b>19,453,200.75</b> <b>19,457,132.11</b>	<b>1.71%</b>	<b>19,562,877.35</b> <b>92,297.55</b>	<b>26.91%</b> <b>105,745.24</b>	<b>Aaa / AA+ AAA</b>	<b>1.91</b> <b>1.45</b>
<b>LAIF</b>									
90LAIF\$00	Local Agency Investment Fund State Pool	16,403,680.65	Various 2.33%	16,403,680.65 16,403,680.65	1.00 2.33%	16,403,680.65 71,811.97	22.56% 0.00	NR / NR NR	0.00 0.00
<b>Total LAIF</b>		<b>16,403,680.65</b>	<b>2.33%</b>	<b>16,403,680.65</b> <b>16,403,680.65</b>	<b>2.33%</b>	<b>16,403,680.65</b> <b>71,811.97</b>	<b>22.56%</b> <b>0.00</b>	<b>NR / NR NR</b>	<b>0.00</b> <b>0.00</b>



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>LOCAL GOV INVESTMENT POOL</b>									
90SDCP\$00	County of San Diego Pooled Investment Pool	5,382,000.00	Various 2.31%	5,382,000.00 5,382,000.00	1.00 2.31%	5,382,000.00 0.00	7.37% 0.00	NR / NR AAA	0.00 0.00
<b>Total Local Gov Investment Pool</b>		<b>5,382,000.00</b>	<b>2.31%</b>	<b>5,382,000.00</b> <b>5,382,000.00</b>	<b>2.31%</b>	<b>5,382,000.00</b> <b>0.00</b>	<b>7.37%</b> <b>0.00</b>	<b>NR / NR</b> <b>AAA</b>	<b>0.00</b> <b>0.00</b>
<b>MONEY MARKET FUND FI</b>									
261908206	Dreyfus Treasury Money Market Fund	473,832.02	Various 1.69%	473,832.02 473,832.02	1.00 1.69%	473,832.02 0.00	0.65% 0.00	Aaa / AAA NR	0.00 0.00
<b>Total Money Market Fund FI</b>		<b>473,832.02</b>	<b>1.69%</b>	<b>473,832.02</b> <b>473,832.02</b>	<b>1.69%</b>	<b>473,832.02</b> <b>0.00</b>	<b>0.65%</b> <b>0.00</b>	<b>Aaa / AAA</b> <b>NR</b>	<b>0.00</b> <b>0.00</b>
<b>NEGOTIABLE CD</b>									
06740KJ17	Barclays Bank Delaware Negotiable CD 1.9% Due 9/16/2019	245,000.00	09/16/2015 1.90%	245,000.00 245,000.00	100.00 1.82%	245,006.62 2,155.33	0.34% 6.62	NR / NR NR	0.04 0.04
06417G5R5	Bank of Nova Scotia Yankee CD 2.61% Due 12/17/2019	1,000,000.00	03/25/2019 2.61%	999,994.51 999,997.79	100.00 2.61%	999,997.79 11,600.00	1.38% 0.00	P-1 / A-1 F-1+	0.30 0.29
06370RVP1	Bank of Montreal Chicago Yankee CD 2.69% Due 3/5/2020	1,000,000.00	03/06/2019 2.69%	1,000,000.00 1,000,000.00	100.00 2.69%	1,000,000.00 13,375.28	1.39% 0.00	P-1 / A-1 F-1+	0.51 0.51
49306SXX7	Key Bank Negotiable CD 1.7% Due 3/9/2020	245,000.00	03/08/2017 1.70%	245,000.00 245,000.00	99.92 1.85%	244,807.68 2,019.74	0.34% (192.32)	NR / NR NR	0.52 0.51
40434AZ44	HSBC Bank USA NA Callable Neg. CD S/A 7/8/2018 1.4% Due 7/8/2020	245,000.00	09/16/2016 1.45%	244,510.00 244,890.45	99.68 1.78%	244,207.43 516.85	0.34% (683.02)	NR / NR NR	0.85 0.84
254672L89	Discover Bank Negotiable CD 1.5% Due 10/26/2020	245,000.00	10/26/2016 1.50%	245,000.00 245,000.00	99.45 1.98%	243,646.62 1,288.77	0.34% (1,353.38)	NR / NR NR	1.16 1.13
66476QBW7	Northern Nevada Bank Callable Neg CD Qtrly 6/29/18 1.85% Due 12/29/2020	245,000.00	06/29/2017 1.85%	245,000.00 245,000.00	99.99 1.86%	244,978.93 37.25	0.34% (21.07)	NR / NR NR	1.33 1.31
94986TXN2	Wells Fargo Callable NCD Qtrly 9/4/18 2.3% Due 3/4/2021	243,000.00	03/04/2016 2.29%	243,000.00 243,000.00	100.22 1.44%	243,545.78 2,763.88	0.34% 545.78	NR / NR NR	1.51 0.26

As of August 31, 2019

Account #10594



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Woody/S&P Fitch	Maturity Duration
<b>NEGOTIABLE CD</b>									
20033AQU3	Comenity Capital Bank Negotiable CD 1.65% Due 6/30/2021	245,000.00	06/30/2016 1.65%	245,000.00	99.67 1.83%	244,189.30 22.15	0.33% (810.70)	NR / NR NR	1.83 1.80
48126XAH8	JP Morgan Chase Bank NA Callable Neg. CD Qtrly 8/16/17 1.65% Due 8/16/2021	245,000.00	08/16/2016 1.65%	245,000.00 245,000.00	99.36 1.98%	243,442.54 177.21	0.33% (1,557.46)	NR / NR NR	1.96 1.92
<b>Total Negotiable CD</b>				<b>3,957,504.51 3,957,888.24</b>	<b>2.20% 2.24%</b>	<b>3,953,822.69 33,956.46</b>	<b>5.46% (4,065.55)</b>	<b>Aaa / AA AAA</b>	<b>0.77 0.68</b>
<b>SUPRANATIONAL</b>									
4581X0CD8	Inter-American Dev Bank Note 2.125% Due 11/9/2020	750,000.00	05/22/2018 2.81%	737,865.00 744,134.75	100.47 1.72%	753,540.00 4,958.33	1.04% 9,405.25	Aaa / AAA AAA	1.19 1.16
459058GH0	Intl. Bank Recon & Development Note 2.75% Due 7/23/2021	750,000.00	07/24/2018 2.86%	747,607.50 748,487.45	102.19 1.57%	766,408.50 2,177.08	1.05% 17,921.05	Aaa / AAA NR	1.90 1.84
<b>Total Supranational</b>				<b>1,485,472.50 1,492,622.20</b>	<b>2.84% 1.65%</b>	<b>1,519,948.50 7,135.41</b>	<b>2.09% 27,326.30</b>	<b>Aaa / AAA AAA</b>	<b>1.55 1.50</b>
<b>US CORPORATE</b>									
40428HPV8	HSBC USA Inc Note 2.75% Due 8/7/2020	250,000.00	10/10/2018 3.26%	247,772.50 248,857.78	100.63 2.06%	251,585.50 458.33	0.35% 2,727.72	A2 / A AA-	0.94 0.92
00440EAT4	Chubb INA Holdings Inc Callable Note Cont 10/3/2020 2.3% Due 11/3/2020	500,000.00	09/27/2018 3.21%	490,920.00 494,901.41	100.39 1.93%	501,960.00 3,769.44	0.69% 7,058.59	A3 / A A	1.18 1.07
459200JF9	IBM Corp Note 2.25% Due 2/19/2021	500,000.00	06/26/2018 3.07%	489,640.00 494,246.83	100.38 1.98%	501,920.50 375.00	0.69% 7,673.67	A2 / A NR	1.47 1.44
69371RN93	Paccar Financial Corp Note 2.8% Due 3/1/2021	300,000.00	07/23/2018 3.12%	297,585.00 298,609.47	101.30 1.92%	303,904.80 4,200.00	0.42% 5,295.33	A1 / A+ NR	1.50 1.45
06406FAA1	Bank of NY Mellon Corp Callable Note Cont 03/15/2021 2.5% Due 4/15/2021	500,000.00	08/24/2018 3.05%	493,125.00 495,764.83	100.85 1.93%	504,240.00 4,722.22	0.70% 8,475.17	A1 / A AA-	1.62 1.49
369550BE7	General Dynamics Corp Note 3% Due 5/11/2021	350,000.00	06/28/2018 3.08%	349,247.50 349,555.83	101.92 1.84%	356,709.15 3,208.33	0.49% 7,153.32	A2 / A+ NR	1.70 1.64
127477AV5	State Street Bank Note 1.95% Due 5/19/2021	500,000.00	10/12/2018 3.30%	483,360.00 488,988.75	100.00 1.95%	499,988.00 2,762.50	0.69% 10,999.25	A1 / A AA-	1.72 1.67



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>US CORPORATE</b>									
808513AW5	Charles Schwab Corp Callable Note Cont 4/21/2021 3.25% Due 5/21/2021	320,000.00	Various 3.09%	321,372.10 320,776.98	102.22 1.86%	327,109.76 2,888.88	0.45% 6,332.78	A2 / A A	1.72 1.58
931142EJ8	Wal-Mart Stores Note 3.125% Due 6/23/2021	290,000.00	06/20/2018 3.13%	289,985.50 289,991.22	102.44 1.75%	297,082.09 1,711.81	0.41% 7,090.87	Aa2 / AA AA	1.81 1.75
02665WBG5	American Honda Finance Note 1.7% Due 9/9/2021	500,000.00	07/20/2018 3.19%	478,045.00 485,805.12	99.57 1.92%	497,869.00 4,061.11	0.69% 12,063.88	A2 / A NR	2.03 1.96
89233P5F9	Toyota Motor Credit Corp Note 3.4% Due 9/15/2021	500,000.00	05/31/2018 3.03%	505,785.00 503,594.52	102.91 1.94%	514,534.50 7,838.89	0.72% 10,939.98	Aa3 / AA- A+	2.04 1.94
24422ETL3	John Deere Capital Corp Note 2.65% Due 1/6/2022	500,000.00	Various 3.29%	489,627.50 492,941.56	101.90 1.82%	509,493.00 2,024.30	0.70% 16,551.44	A2 / A A	2.35 2.26
74005PBA1	Praxair Callable Note Cont 11/15/2021 2.45% Due 2/15/2022	300,000.00	06/27/2018 3.15%	292,848.00 295,160.14	101.31 1.84%	303,918.90 326.67	0.42% 8,758.76	A2 / A NR	2.46 2.14
037833CO1	Apple Inc Callable Note Cont 4/11/22 2.3% Due 5/11/2022	500,000.00	10/30/2018 3.30%	483,395.00 487,317.24	101.35 1.77%	506,745.50 3,513.89	0.70% 19,428.26	Aa1 / AA+ NR	2.70 2.51
68389XB80	Oracle Corp Callable Note Cont 3/15/2022 2.5% Due 5/15/2022	500,000.00	Various 3.28%	486,304.00 490,207.68	101.48 1.90%	507,383.50 3,680.56	0.70% 17,175.82	A1 / A+ A	2.71 2.44
084664BT7	Berkshire Hathaway Note 3% Due 5/15/2022	500,000.00	12/11/2018 3.31%	495,015.00 496,060.69	103.38 1.72%	516,875.00 4,416.67	0.71% 20,814.31	Aa2 / AA A+	2.71 2.58
09247XA10	Blackrock Inc Note 3.375% Due 6/1/2022	500,000.00	11/28/2018 3.36%	500,215.00 500,168.77	104.41 1.72%	522,065.50 4,218.75	0.72% 21,896.73	Aa3 / AA- NR	2.75 2.61
90331HNL3	US Bank NA Callable Note Cont 12/23/22 2.85% Due 1/23/2023	480,000.00	07/22/2019 2.24%	489,580.80 489,281.40	103.00 1.91%	494,395.68 1,444.00	0.68% 5,114.28	A1 / AA- AA-	3.40 3.15
69353RFL7	PNC Bank Callable Note Cont 5/9/2023 3.5% Due 6/8/2023	500,000.00	06/11/2019 2.44%	519,580.00 518,481.54	105.48 1.95%	527,395.00 4,034.72	0.73% 8,913.46	A2 / A NR	3.77 3.44
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023 3.4% Due 6/26/2023	500,000.00	05/21/2019 2.65%	514,115.00 513,141.22	105.86 1.77%	529,307.50 3,069.44	0.73% 16,166.28	Aa2 / AA AA	3.82 3.50
<b>Total US Corporate</b>		<b>8,790,000.00</b>	<b>3.07%</b>	<b>8,717,517.90</b> <b>8,753,852.98</b>	<b>1.87%</b>	<b>8,974,482.88</b> <b>62,725.51</b>	<b>12.37%</b> <b>220,629.90</b>	<b>A1 / A+</b> <b>A+</b>	<b>2.30</b> <b>2.16</b>



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
9128283S7	US Treasury Note 2% Due 1/31/2020	750,000.00	08/24/2018 2.57%	744,082.03 748,276.76	100.02 1.95%	750,146.25 1,304.35	1.03% 1,869.49	Aaa / AA+ AAA	0.42 0.41
9128283Y4	US Treasury Note 2.25% Due 2/29/2020	750,000.00	06/25/2018 2.51%	746,835.94 749,065.75	100.16 1.93%	751,171.50 46.36	1.03% 2,105.75	Aaa / AA+ AAA	0.50 0.50
912828XH8	US Treasury Note 1.625% Due 6/30/2020	750,000.00	05/31/2018 2.43%	737,753.91 745,124.09	99.83 1.83%	748,710.75 2,086.45	1.03% 3,586.66	Aaa / AA+ AAA	0.83 0.82
912828L65	US Treasury Note 1.375% Due 9/30/2020	750,000.00	06/27/2018 2.53%	731,044.92 740,924.54	99.58 1.77%	746,835.75 4,339.14	1.03% 5,911.21	Aaa / AA+ AAA	1.08 1.06
912828WC0	US Treasury Note 1.75% Due 10/31/2020	750,000.00	07/20/2018 2.64%	735,292.97 742,460.66	100.02 1.74%	750,117.00 4,422.55	1.03% 7,656.34	Aaa / AA+ AAA	1.17 1.14
912828A42	US Treasury Note 2% Due 11/30/2020	750,000.00	11/28/2018 2.85%	737,695.31 742,334.78	100.35 1.71%	752,637.00 3,811.48	1.04% 10,302.22	Aaa / AA+ AAA	1.25 1.22
912828N89	US Treasury Note 1.375% Due 1/31/2021	750,000.00	10/30/2018 2.86%	725,859.38 734,805.78	99.59 1.67%	746,923.50 896.74	1.02% 12,117.72	Aaa / AA+ AAA	1.42 1.39
912828U81	US Treasury Note 2% Due 12/31/2021	750,000.00	11/08/2018 3.05%	726,650.39 732,670.85	101.15 1.50%	758,613.00 2,567.93	1.04% 25,942.15	Aaa / AA+ AAA	2.34 2.27
912828W55	US Treasury Note 1.875% Due 2/28/2022	1,000,000.00	01/30/2019 2.56%	979,921.88 983,726.72	100.98 1.48%	1,009,766.00 51.51	1.38% 26,039.28	Aaa / AA+ AAA	2.50 2.44
912828W89	US Treasury Note 1.875% Due 3/31/2022	750,000.00	09/27/2018 2.92%	724,013.67 730,875.69	101.04 1.46%	757,793.25 5,917.01	1.05% 26,917.56	Aaa / AA+ AAA	2.58 2.50
912828XR6	US Treasury Note 1.75% Due 5/31/2022	750,000.00	09/24/2018 2.93%	719,208.98 727,021.28	100.79 1.46%	755,918.25 3,335.04	1.04% 28,896.97	Aaa / AA+ AAA	2.75 2.67
912828XW5	US Treasury Note 1.75% Due 6/30/2022	350,000.00	09/07/2018 2.80%	336,792.97 340,177.93	100.88 1.43%	353,062.50 1,048.57	0.48% 12,884.57	Aaa / AA+ AAA	2.83 2.75
9128282P4	US Treasury Note 1.875% Due 7/31/2022	1,000,000.00	12/28/2018 2.53%	977,617.19 981,792.58	101.23 1.44%	1,012,266.00 1,630.43	1.39% 30,473.42	Aaa / AA+ AAA	2.92 2.83
912828L24	US Treasury Note 1.875% Due 8/31/2022	750,000.00	09/20/2018 2.94%	720,439.45 727,521.67	101.28 1.44%	759,609.00 38.63	1.04% 32,087.33	Aaa / AA+ AAA	3.00 2.91
9128282W9	US Treasury Note 1.875% Due 9/30/2022	1,000,000.00	03/19/2019 2.43%	981,406.25 983,784.52	101.35 1.43%	1,013,516.00 7,889.34	1.40% 29,731.48	Aaa / AA+ AAA	3.08 2.97
9128284D9	US Treasury Note 2.5% Due 3/31/2023	1,000,000.00	02/21/2019 2.51%	999,414.06 999,488.77	103.74 1.43%	1,037,383.00 10,519.13	1.43% 37,894.23	Aaa / AA+ AAA	3.58 3.39



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
<b>US TREASURY</b>									
912828R69	US Treasury Note 1.625% Due 5/31/2023	600,000.00	04/11/2019 2.30%	584,039.06 585,540.02	100.73 1.43%	604,359.60 2,477.46	0.83% 18,819.58	Aaa / AA+ AAA	3.75 3.61
<b>Total US Treasury</b>		<b>13,200,000.00</b>	<b>2.66%</b>	<b>12,908,068.36 12,995,592.39</b>	<b>1.59%</b>	<b>13,308,828.35 52,382.12</b>	<b>18.29% 313,235.96</b>	<b>Aaa / AA+ AAA</b>	<b>2.16 2.09</b>
<b>TOTAL PORTFOLIO</b>									
		<b>72,264,326.25</b>	<b>2.37%</b>	<b>71,890,206.26 72,031,377.73</b>	<b>1.93%</b>	<b>72,717,891.69 323,221.93</b>	<b>100.00% 686,513.96</b>	<b>Aa1 / AA+ AAA</b>	<b>1.37 1.13</b>
<b>TOTAL MARKET VALUE PLUS ACCRUED</b>		<b>73,041,113.62</b>							



## Santa Fe Irrigation District

### QUARTERLY TREASURER'S REPORT

September 30, 2019

Board of Directors  
Santa Fe Irrigation District

The Santa Fe Irrigation District's ("District") investments are currently held in three separate investment pools that meet or exceed state and the District's Investment Policy ("Policy") guidelines, are professionally managed at little cost, and are liquid enough to provide any immediate cash needs while balancing investment returns. Appendix A to this report outlines the District investment(s) summary and performance detail.

These investment pools, their respective ratings and liquidity are as follows:

1. The State of California Local Agency Investment Fund (LAIF). LAIF has not requested a rating from a credit agency. District funds are available to us in one working day by electronic transfer. Disclosure associated with LAIF transactions and additional detail are outlined in Appendix B.
2. The California Asset Management Program (CAMP). The pool is rated AAAm\* by Standard & Poor's. District funds are available to us in one working day by electronic transfer. Disclosure associated with CAMP transactions and additional detail are outlined in Appendix C.
3. The San Diego County Pooled Money Fund (SDCPMF). The pool is rated AAAsf / S1\* by Fitch Ratings. District funds are available to us in two working days by electronic transfer. Disclosure associated with LAIF transactions and additional detail are outlined in Appendix D.

There is a five-year quarterly summary of the District's investment portfolio included as Appendix E. Though the District does not currently have any direct investments, staff will continue to review the District's Policy, investments, and objectives in direct consultation with the Board of Directors.

Albert C. Lau, P.E., General Manager

\* AAA is the highest rating given to investments by Standard & Poor's and represents 'extremely strong protection against losses from credit defaults' (S1 = AAA short term investment). The 'f' subscript identifies a fixed-income fund and the 'm' subscript identifies a money market fund.

**Santa Fe Irrigation District  
Investment Report  
for Month Ending September 30, 2019**



## APPENDIX A

**Santa Fe Irrigation District**  
**Quarterly Treasurer's Report**  
**September 30, 2019**

	Settlement Date	Date of Maturity	Current Rating	Par Value	Book Value	Market Value <sup>1</sup>	Coupon Rate	Yield to Maturity	% of Market Value
<b>Cash &amp; Cash Equivalents at Reporting Date</b>									
Local Agency Investment Fund (LAIF)			N/A		21,699,720	21,736,865	2.341%		81.0%
California Asset Management Program (CAMP)			AAAm		701,490	701,490	2.120%		2.6%
San Diego Co Pooled Money Fund (SDCPMF)			AAAF/S1		4,391,129	4,398,493	2.240%		16.4%
Total Cash & Equivalents					<u>\$ 26,792,339</u>	<u>\$ 26,836,848</u>	<u>2.319%</u> <sup>2</sup>		
<b>Total Funds</b>					<u>\$ 26,792,339</u>	<u>\$ 26,836,848</u>			100.0%
Weighted Average Final Maturity					210 days				

**Securities Matured/Called/Sold During the Quarter:**

None.

**Securities Purchased During the Quarter:**

None.

**Current Securities Holdings At Reporting Date**

None.

<sup>1</sup> Source of data for LAIF, CAMP, & County Pool are based on most recent data available from those organizations.

<sup>2</sup> Weighted average yield. LAIF: annualized monthly yield. CAMP: annualized 7 day yield. and County Pool: annualized monthly book value yield



## **APPENDIX B**

California State Treasurer  
**Fiona Ma, CPA**



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

October 07, 2019

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

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SANTA FE IRRIGATION DISTRICT

TREASURER  
P.O. BOX 409  
RANCHO SANTA FE, CA 92067

[Tran Type](#)  
[Definitions](#)

**Account Number:** 90-37-017

September 2019 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
9/23/2019	9/23/2019	RD	1617867	SETH GATES	1,000,000.00

**Account Summary**

Total Deposit:	1,000,000.00	Beginning Balance:	20,699,719.69
Total Withdrawal:	0.00	Ending Balance:	21,699,719.69



# CALIFORNIA STATE TREASURER FIONA MA, CPA



## PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
08/31/19	2.32	2.36	180
09/01/19	2.32	2.36	180
09/02/19	2.32	2.36	180
09/03/19	2.31	2.36	179
09/04/19	2.31	2.36	178
09/05/19	2.31	2.36	178
09/06/19	2.30	2.36	179
09/07/19	2.30	2.36	179
09/08/19	2.30	2.36	179
09/09/19	2.31	2.35	177
09/10/19	2.30	2.35	176
09/11/19	2.30	2.35	176
09/12/19	2.29	2.35	179
09/13/19	2.29	2.35	179
09/14/19	2.29	2.35	179
09/15/19	2.29	2.35	179
09/16/19	2.28	2.35	182
09/17/19	2.27	2.35	188
09/18/19	2.27	2.35	187
09/19/19	2.27	2.35	186
09/20/19	2.26	2.35	185
09/21/19	2.26	2.34	185
09/22/19	2.26	2.34	185
09/23/19	2.26	2.34	186
09/24/19	2.26	2.34	185
09/25/19	2.25	2.34	184
09/26/19	2.25	2.34	186
09/27/19	2.25	2.34	187
09/28/19	2.25	2.34	187
09/29/19	2.25	2.34	187
09/30/19	2.25	2.34	185

\*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

## LAIF Performance Report

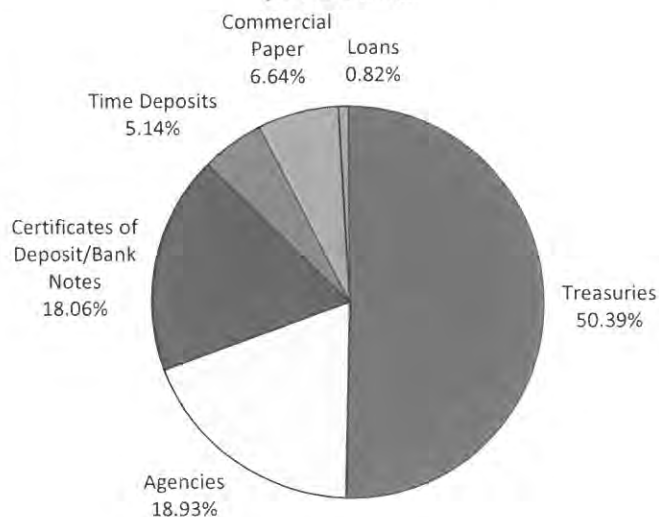
Quarter Ending 06/30/19

Apportionment Rate: 2.57  
 Earnings Ratio: .00007028813234525  
 Fair Value Factor: 1.001711790  
 Daily: 2.39%  
 Quarter to Date: 2.44%  
 Average Life: 173

### PMIA Average Monthly Effective Yields

Aug 2019 2.341  
 July 2019 2.379  
 June 2019 2.428

## Pooled Money Investment Account Portfolio Composition 08/31/19 \$94.8 billion



Percentages may not total 100% due to rounding

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1)

Based on data available as of 10/02/2019





Customer Service  
PO Box 11813  
Harrisburg, PA 17108-1813

## SANTA FE IRRIGATION DISTRICT

## ACCOUNT STATEMENT

For the Month Ending  
**September 30, 2019**

### Client Management Team

**Jeremy King**  
Key Account Manager  
213 Market Street  
Harrisburg, PA 17101-2141  
1-800-729-7665  
kingj@pfm.com

**Rachael Miller**  
Client Consultant  
213 Market Street  
Harrisburg, PA 17101-2141  
1-800-729-7665  
millerr@pfm.com

**Shelly Ilgenfritz**  
Client Consultant  
213 Market Street  
Harrisburg, PA 17101.2141  
1-800-729-7665  
ilgenfritzs@pfm.com

### Contents

Cover/Disclosures  
Summary Statement  
Individual Accounts

### Accounts included in Statement

607-00      GENERAL FUND

### Important Messages

CAMP will be closed on 10/14/2019 for Columbus Day.  
CAMP will be closed on 11/11/2019 for Veterans Day.

SANTA FE IRRIGATION DISTRICT  
MR. SETH GATES  
PO BOX 409  
RANCHO SANTA FE, CA 92067

**Online Access**      [www.camponline.com](http://www.camponline.com)

**Customer Service**      1-800-729-7665



## Important Disclosures

This statement is for general information purposes only and is not intended to provide specific advice or recommendations. PFM Asset Management LLC ("PFM") is an investment advisor registered with the Securities and Exchange Commission, and is required to maintain a written disclosure statement of our background and business experience. If you would like to receive a copy of our current disclosure statement, please contact Service Operations at the address below.

**Proxy Voting** PFM does not normally receive proxies to vote on behalf of its clients. However, it does on occasion receive consent requests. In the event a consent request is received the portfolio manager contacts the client and then proceeds according to their instructions. PFM's Proxy Voting Policy is available upon request by contacting Service Operations at the address below.

**Questions About an Account** PFM's monthly statement is intended to detail our investment advisory activity as well as the activity of any accounts held by clients in pools that are managed by PFM. The custodian bank maintains the control of assets and executes (i.e., settles) all investment transactions. The custodian statement is the official record of security and cash holdings and transactions. PFM recognizes that clients may use these reports to facilitate record keeping and that the custodian bank statement and the PFM statement should be reconciled and differences resolved. Many custodians use a settlement date basis which may result in the need to reconcile due to a timing difference.

**Account Control** PFM does not have the authority to withdraw funds from or deposit funds to the custodian. Our clients retain responsibility for their internal accounting policies; implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions. **Market Value** Generally, PFM's market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services or Bloomberg. Where prices are not available from generally recognized sources the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFM believes the prices to be reliable, the values of the securities do not always represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for money market and TERM funds is contained in the appropriate fund information statement.

**Amortized Cost** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straightline basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.

## Important Disclosures

**Tax Reporting** Cost data and realized gains / losses are provided for informational purposes only. Please review for accuracy and consult your tax advisor to determine the tax consequences of your security transactions. PFM does not report such information to the IRS or other taxing authorities and is not responsible for the accuracy of such information that may be required to be reported to federal, state or other taxing authorities.

**Financial Situation** In order to better serve you, PFM should be promptly notified of any material change in your investment objective or financial situation.

**Callable Securities** Securities subject to redemption prior to maturity may be redeemed in whole or in part before maturity, which could affect the yield represented.

**Portfolio** The securities in this portfolio, including shares of mutual funds, are not guaranteed or otherwise protected by PFM, the FDIC (except for certain non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested. Actual settlement values, accrued interest, and amortized cost amounts may vary for securities subject to an adjustable interest rate or subject to principal paydowns. Any changes to the values shown may be reflected within the next monthly statement's beginning values.

**Rating Information** provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed. Shares of some money market and TERM funds are marketed through representatives of PFM's wholly owned subsidiary, PFM Fund Distributors, Inc. PFM Fund Distributors, Inc. is registered with the SEC as a

broker/dealer and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking Board ("MSRB"). You may reach the FINRA by calling the FINRA Regulator Public Disclosure Hotline at 1-888-289-9999 or at the FINRA Regulation Internet website address [www.nasd.com](http://www.nasd.com). A brochure describing the FINRA Regulation Public Disclosure Program is also available from the FINRA upon request.

### Key Terms and Definitions

**Dividends** on money market funds consist of interest earned, plus any discount ratably amortized to the date of maturity, plus all realized gains and losses on the sale of securities prior to maturity, less ratably amortization of any premium and all accrued expenses to the fund. Dividends are accrued daily and may be paid either monthly or quarterly. The monthly earnings on this statement represent the estimated dividend accrued for the month for any program that distributes earnings on a quarterly basis. There is no guarantee that the estimated amount will be paid on the actual distribution date.

**Current Yield** is the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical fund account with a balance of one share over the seven-day base period including the statement date, expressed as a percentage of the value of one share (normally \$1.00 per share) at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by

365 and dividing the result by 7. The yields quoted should not be considered a representation of the yield of the fund in the future, since the yield is not fixed.

**Average maturity** represents the average maturity of all securities and investments of a portfolio, determined by multiplying the par or principal value of each security or investment by its maturity (days or years), summing the products, and dividing the sum by the total principal value of the portfolio. The stated maturity date of mortgage backed or callable securities are used in this statement. However the actual maturity of these securities could vary depending on the level or prepayments on the underlying mortgages or whether a callable security has or is still able to be called.

**Monthly distribution yield** represents the net change in the value of one share (normally \$1.00 per share) resulting from all dividends declared during the month by a fund expressed as a percentage of the value of one share at the beginning of the month. This resulting net change is then annualized by multiplying it by 365 and dividing it by the number of calendar days in the month.

**YTM at Cost** The yield to maturity at cost is the expected rate of return, based on the original cost, the annual interest receipts, maturity value and the time period from purchase date to maturity, stated as a percentage, on an annualized basis.

**YTM at Market** The yield to maturity at market is the rate of return, based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.

**Managed Account A** portfolio of investments managed discretely by PFM according to the client's specific investment policy and requirements. The investments are directly owned by the client and held by the client's custodian.

**Unsettled Trade A** trade which has been executed however the final consummation of the security transaction and payment has not yet taken place.

Please review the detail pages of this statement carefully. If you think your statement is wrong, missing account information, or if you need more information about a transaction, please contact PFM within 60 days of receipt. If you have other concerns or questions regarding your account you should contact a member of your client management team or PFM Service Operations at the address below.

PFM Asset Management LLC  
Attn: Service Operations  
213 Market Street  
Harrisburg, PA 17101



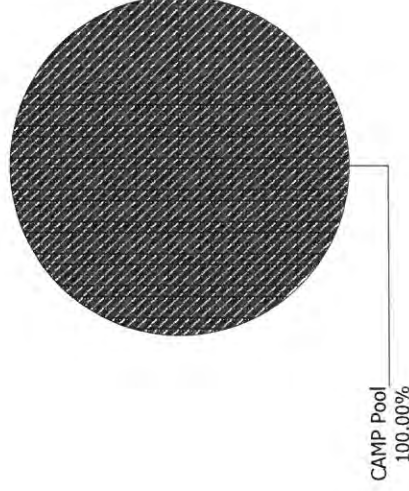
## Account Statement - Transaction Summary

For the Month Ending September 30, 2019

SANTA FE IRRIGATION DISTRICT - GENERAL FUND - 607-00

CAMP Pool	
Opening Market Value	700,212.02
Purchases	1,278.01
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$701,490.03</b>
Cash Dividends and Income	1,278.01

Asset Summary		
	September 30, 2019	August 31, 2019
CAMP Pool	701,490.03	700,212.02
<b>Total</b>	<b>\$701,490.03</b>	<b>\$700,212.02</b>
Asset Allocation		





## Account Statement

For the Month Ending **September 30, 2019**

### SANTA FE IRRIGATION DISTRICT - GENERAL FUND - 607-00

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>CAMP Pool</b>					
<b>Opening Balance</b>					<b>700,212.02</b>
09/30/19	10/01/19	Accrual Income Div Reinvestment - Distributions	1.00	1,278.01	701,490.03
<b>Closing Balance</b>					<b>701,490.03</b>

	Month of September	Fiscal YTD January-September
<b>Opening Balance</b>	700,212.02	688,607.02
<b>Purchases</b>	1,278.01	12,883.01
<b>Redemptions (Excl. Checks)</b>	0.00	0.00
<b>Check Disbursements</b>	0.00	0.00
<b>Closing Balance</b>	<b>701,490.03</b>	<b>701,490.03</b>
<b>Cash Dividends and Income</b>	1,278.01	12,883.01

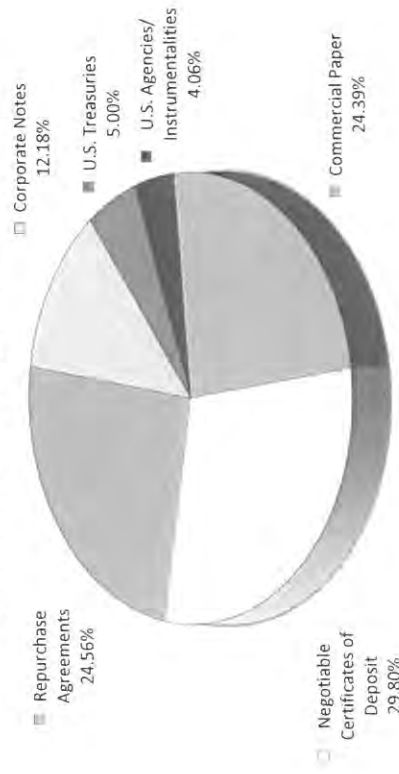
**Closing Balance** 701,490.03  
**Average Monthly Balance** 700,254.62  
**Monthly Distribution Yield** 2.22%



# Cash Reserve Portfolio Characteristics as of September 30, 2019

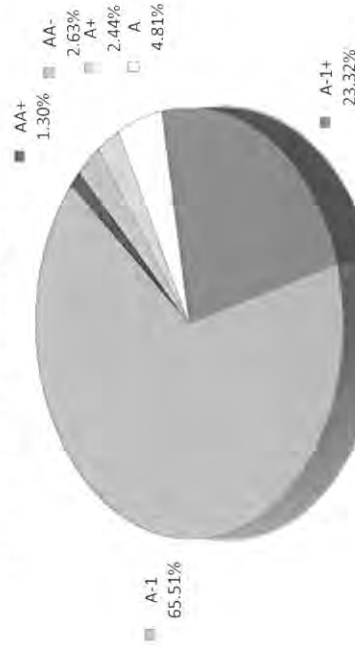
Total Fund Net Assets <sup>1</sup>	\$5,022,976,657	Weighted Average Maturity	45 Days
Current 7-Day Yield <sup>2</sup>	2.12%	Net Asset Value per Share	\$1.00
S&P Rating <sup>3</sup>	AAAm		

## Portfolio Sector Composition



Percentages may not total to 100% due to rounding.

## Portfolio Credit Quality Distribution\*\*



\*\* Ratings by Standard & Poor's. Percentages may not total 100% due to rounding.

1. Total fund net assets, portfolio holdings valued at amortized cost, trade date based.

2. As of September 30, 2019, the current seven-day yield of the CAMP Cash Reserve Portfolio may, from time to time, be quoted in reports, literature and advertisements published by the Trust. The current seven-day yield, also known as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. Past performance is not indicative of future results and yields may vary.

3. Standard & Poor's fund ratings are based on analysis of credit quality, market price exposure, and management. According to Standard & Poor's rating criteria, the AAAm rating signifies excellent safety of investment principal and a superior capacity to maintain a \$1.00 per share net asset value. However, it should be understood that the rating is not a "market" rating nor a recommendation to buy, hold or sell the securities. For a full description on rating methodology, visit Standard & Poor's website ([http://www.standardandpoors.com/en\\_US/web/guest/home](http://www.standardandpoors.com/en_US/web/guest/home)).

This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the Trust's investment objectives, risks, charges and expenses before investing in the Trust. This and other information about the Trust is available in the Trust's current Information Statement, which should be read carefully before investing. A copy of the Trust's Information Statement may be obtained by calling 1-800-729-7665 or is available on the Trust's website at [www.camponline.com](http://www.camponline.com). While the Trust seeks to maintain a stable net asset value of \$1.00 per share, it is possible to lose money investing in the Trust. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Trust are distributed by **PFM Fund Distributors, Inc.**, member Financial Industry Regulatory Authority (FINRA) ([www.finra.org](http://www.finra.org)) and Securities Investor Protection Corporation (SIPC) ([www.sipc.org](http://www.sipc.org)). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.



COSD

Trial Balance - Total Currency

Report Date: 05-OCT-2019 01:40

Period: SEP-19

Page: 1 of 1

Currency: USD

Balance Type: Year to Date

FUND Range: 44063 to 44063

Ledger: COSD

FUND: 44063 SANTA FE IRRIGATION DIST INVESTMENT

ACCOUNT	Description	Beginning Balance	Debits	Credits	Ending Balance
10100	CASH IN TREASURY	4,343,606.47	68,615.87	21,093.21	4,391,129.13
10750	DUE FROM / DUE TO - INTEREST AP	26,429.45	21,093.21	47,522.66	0.00
10755	DUE FROM / DUE TO - INT APPRINM	21,093.21	0.00	21,093.21	0.00
34100	FUND BALANCE AVAILABLE - ACTUAL	(4,391,129.13)	0.00	0.00	(4,391,129.13)
		0.00	89,709.08	89,709.08	0.00



# COUNTY OF SAN DIEGO INVESTMENT POOL **TREASURY INVESTMENT RESULTS**

**AUG  
2019**

# SUMMARY PORTFOLIO STATISTICS

## County of San Diego Pooled Money Fund

As of August 31, 2019

Investment Type	Par Value	Book Value	Market Value	% of Portfolio	Market Price	WAM	YTM	Accrued Interest	Unrealized Gain/Loss
Asset Backed Securities	802,436,035	802,312,760	809,948,880	9.29	100.936	1171	2.46	1,075,389	7,636,120
Commercial Paper Disc	1,321,000,000	1,318,481,856	1,318,585,320	15.26	99.817	29	2.41	-	103,465
Federal Agency	2,890,746,000	2,893,341,749	2,906,394,254	33.50	100.541	918	1.98	14,191,668	13,052,505
Medium-Term Notes	780,154,000	781,520,878	788,928,286	9.05	101.128	769	2.54	3,552,623	7,407,408
Negotiable CDs	1,212,000,000	1,212,000,680	1,214,564,360	14.03	100.212	125	2.67	15,209,101	2,563,680
Supranationals	1,058,250,000	1,059,562,523	1,076,027,900	12.27	101.680	964	2.15	6,390,640	16,465,377
Treasury Coupon Securities	443,000,000	442,311,033	445,912,050	5.12	100.667	804	1.71	1,639,020	3,601,017
Money Market Accounts	102,400,000	102,400,000	102,400,000	1.19	100.000	1	2.03	226,678	-
Bank Deposit*	18,578,293	18,578,293	18,578,293	0.22	100.000	1	2.00	8,493	-
Sweep Fund	7,299,067	7,299,067	7,299,067	0.08	100.000	1	1.57	8,790	-
<b>Totals for August 2019</b>	<b>8,635,863,395</b>	<b>8,637,808,837</b>	<b>8,688,638,410</b>	<b>100.00</b>	<b>100.615</b>	<b>667</b>	<b>2.25</b>	<b>42,302,401</b>	<b>50,829,572</b>
<b>Totals for July 2019</b>	<b>9,359,145,813</b>	<b>9,357,451,826</b>	<b>9,373,134,575</b>	<b>100.00</b>	<b>100.152</b>	<b>615</b>	<b>2.31</b>	<b>45,586,333</b>	<b>15,682,749</b>
<b>Change from Prior Month</b>	<b>(723,282,418)</b>	<b>(719,642,989)</b>	<b>(684,496,165)</b>		<b>0.463</b>	<b>52</b>	<b>-0.06</b>	<b>(3,283,931)</b>	<b>35,146,823</b>

Portfolio Effective Duration 1.15 years

Return Information	Fiscal Year To			Calendar Year	
	Monthly Return	Annualized	Date Return	To Date Return	Annualized
Book Value	0.190%	2.240%	0.388%	1.597%	2.398%

### Notes

Yield to maturity (YTM) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

Weighted Average Maturity (WAM) is average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio.

Fields for the portfolio are aggregated based on the book value of each security.

Monthly Investment Returns are reported gross of fees. Administration fees since fiscal year 17-18 have averaged approximately 7 basis points per annum.

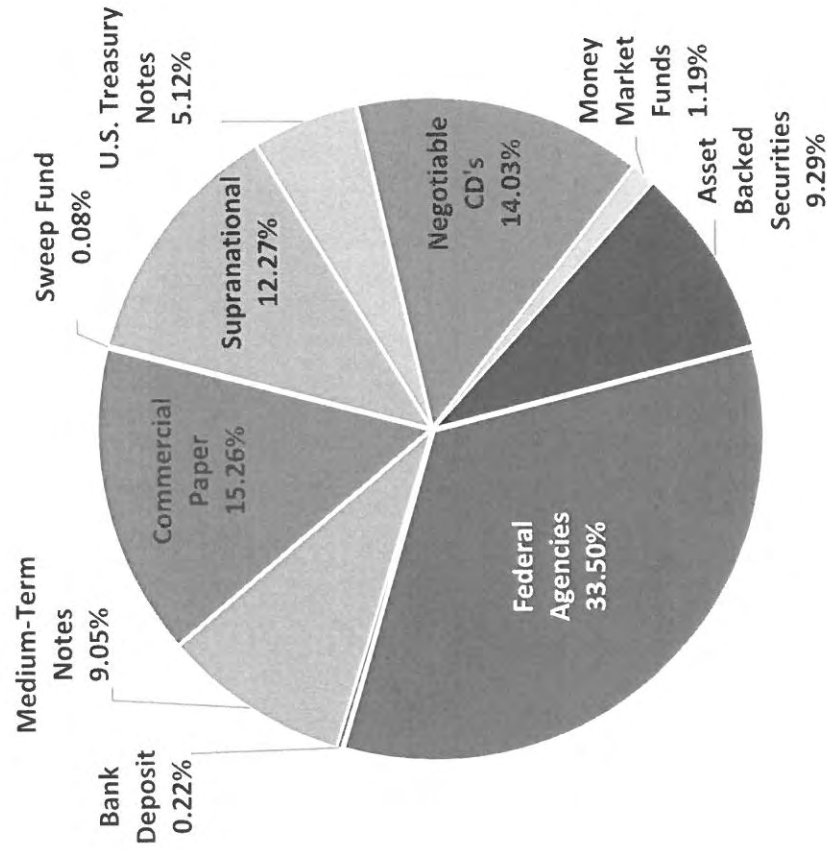
Bank Deposit balance includes \$10mm in transit.

\*\*All investments held during the month of August 2019 were in compliance with the Investment Policy dated January 1, 2019.

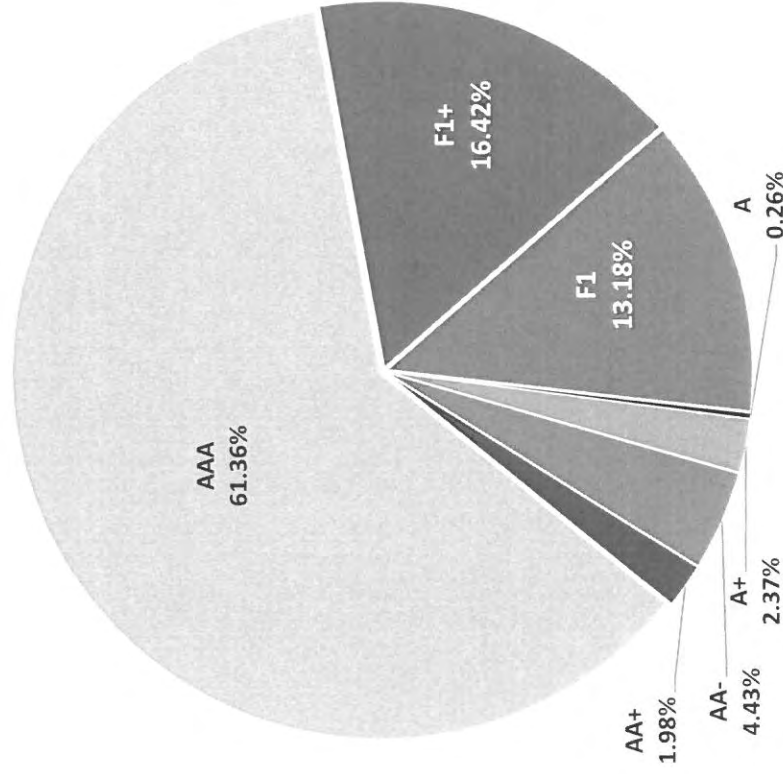
# INVESTMENT FUND OVERVIEW

As of August 31, 2019

## Asset Allocation

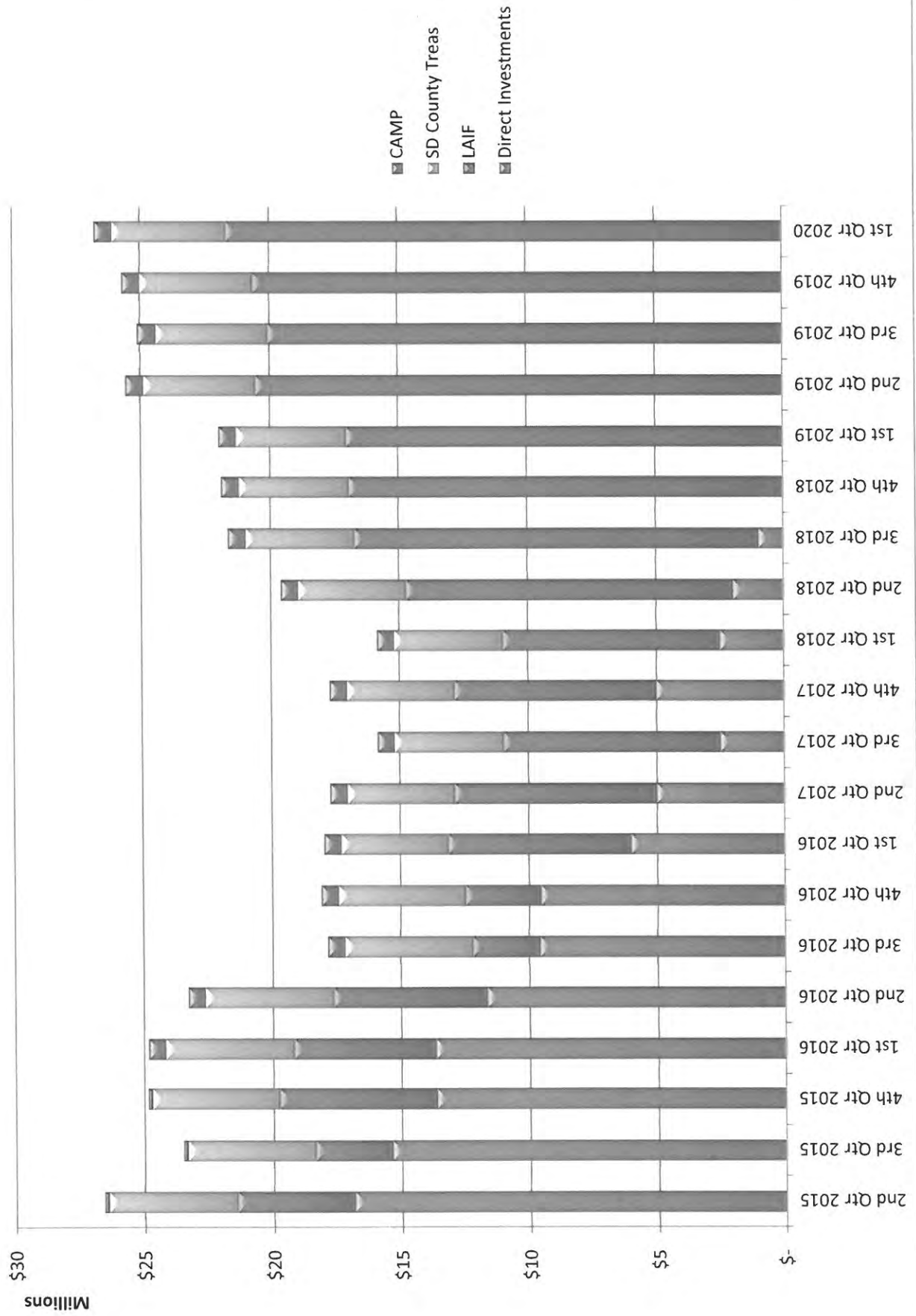


## Credit Quality





## SFID 5-Year Investment Portfolio





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Fallbrook, California  
92028-2232  
[www.fpud.com](http://www.fpud.com)

(760) 728-1125

Board of Directors

Dave Baxter  
*Division 1*

Ken Endter  
*Division 2*

Jennifer DeMeo  
*Division 3*

Don McDougal  
*Division 4*

Charley Wolk  
*Division 5*

Staff

Jack Bebee  
*General Manager*

David Shank  
*Assistant General Manager/  
Chief Financial Officer*

Mary Lou West  
*Secretary*

General Counsel

Paula de Sousa Mills  
*Best Best & Krieger*

October 31, 2019

Beverly Bowen  
2317 Aqua Hill Road  
Fallbrook, CA 92028

Dear Beverly,

Thank you for taking the time to come to the board of directors meeting earlier this week to express your concerns with the activity of the cell site providers at on Rattlesnake Reservoir.

Please rest assured, we have contacted the providers to make sure they are aware of how important it is to respect the nearby neighbors and limit impacts. We have also advised them that if we experience ongoing issues or complaints from our customers, we will take corrective action, up to terminating their lease. Further, we will work with them to make sure they limit their access to normal working hours unless there is an emergency, in which case they would notify neighbors in advance when any substantial activity will occur.

If you have any issues that arise that need immediate attention after-hours, our on-call service through our main office phone line at 760-728-1125 should be the quickest, most responsive avenue for getting the problem resolved. If you are unable to get a response, you can reach me directly at [jackb@fpud.com](mailto:jackb@fpud.com) and I can help address the issue.

Thank you again for bringing these issues to our attention. We are working on minimizing the impacts of the cell service providers to the surrounding neighbors. Thanks for coming and talking to us.

Best,

A handwritten signature in blue ink, appearing to read 'Jack Bebee', is written over a light blue circular background.

Jack Bebee  
General Manager

## **Attachment B**

**RESOLUTION NO. 4970**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
FALLBROOK PUBLIC UTILITY DISTRICT APPROVING AND  
ESTABLISHING THE DISTRICT'S FISCAL YEAR 2019-20 BUDGET  
FOR OPERATIONS, MAINTENANCE, WATER PURCHASES, CAPITAL  
IMPROVEMENTS, EQUIPMENT, AND DEBT SERVICE AND  
APPROPRIATING \$65,718,090 CONSISTENT WITH THE APPROVED  
BUDGET**

\* \* \* \* \*

**WHEREAS**, the Fiscal Policy and Insurance Committee has reviewed and considered the Recommended Fiscal Year 2019-20 Budget during publicly noticed meetings on April 29, 2018 and May 23, 2018; and

**WHEREAS**, the Board has reviewed and considered the Recommended Fiscal Year 2019-20 Budget during a publicly noticed meeting on June 17, 2019.

**NOW, THEREFORE, BE IT RESOLVED BY** the Board of Directors of the Fallbrook Public Utility District as follows:

1. The District's Fiscal Year 2019-20 Budget, as presented to the Board of Directors at the publicly noticed meeting on June 17, 2019, is hereby approved.
2. Expenditure under the District's approved Fiscal Year 2019-20 Budget is hereby appropriated as follows:

For administration, operations,  
and maintenance:..... \$13,259,902

For water purchases: ..... \$15,987,885

For PAYGO capital improvements,  
and equipment: ..... \$ 6,529,933

For Santa Margarita Conjunctive Use Project  
capital improvements: ..... \$27,179,100

For Revenue Bonds, State Revolving Fund,  
and interest and principal: ..... \$ 2,761,270

TOTAL ..... \$65,718,090

3. Expenditure of appropriated funds shall be consistent with the approved Budget. Except as provided in this Resolution, no increases or decreases to the Budget shall occur except upon prior approval by the Board.
4. Notwithstanding the total appropriations, set forth herein, the General Manager is authorized subject only to the total appropriations to exceed the expenditure amount designated in the approved Budget for water purchases to meet the District's water demands.
5. The annual Liquidity Fund Level target for Fiscal Year 2019-20 is kept at the current level of \$3.7 million and no draws from the District's long-term investment portfolio is planned.
6. No draws from the District's long-term investments are planned, and any unanticipated draws will go to the Board for approval.

**PASSED AND ADOPTED** by the Board of Directors of the Fallbrook Public Utility District at a regular meeting of the Board held on the 17<sup>th</sup> day of June, 2019, by the following vote:

AYES:	Directors DeMeo, Endter, Gebhart, McDougal, and Wolk
NOES:	None
ABSTAIN:	None
ABSENT:	None

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors

## **Article 15. Budget and Fund Management**

### **Sec. 15.1 District's Annual Budget.**

Preparation of the District Budget is directed by the Assistant General Manager/CFO. Working with the Fiscal Policy and Insurance Committee the General Managers develops annual financial goals and objectives for the budget in February. A first preliminary Budget is presented to the Committee/Board of Directors and public in April and a second preliminary Budget in May. The final Budget is presented in June for adoption, along with a resolution adopting a tax rate for Bonded Indebtedness.

The budgeting process is intended to create a transparent process that enables the Board of Directors to estimate the Districts revenues and expenses including employee compensation arising from negotiations and changes in other costs of operations.

#### **15.1.1 Annual Budget Resolution.**

The Board shall approve an annual budget resolution that establishes the total appropriation for the fiscal year based on the following budget categories:

1. Administration, operations, and maintenance
2. Water purchases and contingencies
3. Capital improvements and equipment
4. Revenue Bonds, State Revolving Fund, interest, and principal
5. Established annual Liquidity Fund level

In addition, the budget resolution shall identify any anticipated net withdrawal of District reserves for the Fiscal Year. Any unanticipated net withdrawal of District reserves shall be a separate board action. Any withdrawal of funds from long-term investments, as shown in the District's Treasurer's Report, shall require prior Board approval.

Any spending above the established appropriations or additional withdrawal of reserves shall require Board approval. As part of the annual budget process, the Board will review and approve the District's liquidity fund level.

### **Sec. 15.2 Treasurer's Fund.**

The Treasurer's Fund is established primarily to account for all District cash and investments and also to record detailed accounting for fringe benefits. Revenues are obtained from a budgeted mark-up on District labor. Revenue and Expense accounts in this fund are closed to the Utility fund annually.

### **Sec. 15.3 General Fund.**

The General Fund shall consist of accounts for property tax revenues and appropriations to other funds as determined by the Board.

### **Sec. 15.4 Utility Funds.**

The Utility Funds consists of three separate funds reflecting the operating departments of Water, Wastewater and Recycled Water. The funds reflect the revenues from water sales, monthly service charges and other recurring fees and all expenses, including Operating and Maintenance (O&M) and General & Administrative (G&A).