



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

AGENDA

WEDNESDAY, NOVEMBER 10, 2021  
12:30 P.M.

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

**THIS MEETING WILL BE HELD PURSUANT TO GOVERNMENT CODE SECTION 54953(e)(1)(A), WHICH WAIVES CERTAIN BROWN ACT TELECONFERENCING REQUIREMENTS DURING A PROCLAIMED STATE OF EMERGENCY WHEN STATE OR LOCAL OFFICIALS HAVE IMPOSED OR RECOMMENDED MEASURES TO PROMOTE SOCIAL DISTANCING, AND ALLOWS SOME OR ALL OF THE MEMBERS OF THE FISCAL POLICY & INSURANCE COMMITTEE TO ATTEND THIS MEETING TELEPHONICALLY OR VIA VIDEO CONFERENCE. MEMBERS OF THE PUBLIC WHO DO NOT WISH TO ATTEND IN PERSON ARE ENCOURAGED TO PARTICIPATE IN THE MEETING VIA WEB CONFERENCE USING THE BELOW CALL-IN AND WEBLINK INFORMATION. MEMBERS OF THE PUBLIC MAY ALSO PARTICIPATE IN THIS MEETING BY ATTENDING IN PERSON AT THE DISTRICT OFFICE LOCATED AT 990 E. MISSION RD., FALLBROOK, CA 92028.**

**Join Zoom Meeting**

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**PUBLIC COMMENTS:** Members of the public may submit public comments and comments on agenda items in one of the following ways:

**SUBMIT COMMENTS BEFORE THE MEETING:**

- By emailing to our Board Secretary at [leckert@fpud.com](mailto:leckert@fpud.com)
- By mailing to the District Offices at 990 E. Mission Rd., Fallbrook, CA 92028
- By depositing them in the District’s Payment Drop Box located at 990 E. Mission Rd., Fallbrook, CA 92028

All comments submitted before the meeting by whatever means must be received at least 1 hour in advance of the meeting. All comments will be read to the Board during the appropriate portion of the meeting. Please keep any written comments to 3 minutes.

**REMOTELY MAKE COMMENTS DURING THE MEETING:** The Board President will inquire prior to Board discussion if there are any comments from the public on each item.

- Via Zoom Webinar go to the “Participants List,” hover over your name and click on “raise hand.” This will notify the moderator that you wish to speak during oral communication or during a specific item on the agenda.
- Via phone, you can raise your hand by pressing \*9 to notify the moderator that you wish to speak during the current item.

**MAKE IN-PERSON COMMENTS DURING THE MEETING:** The Board President will inquire prior to Board discussion if there are any comments from the public on each item, at which time members of the public attending in person may make comments.

**THESE PUBLIC COMMENT PROCEDURES SUPERSEDE THE DISTRICT’S STANDARD PUBLIC COMMENT POLICIES AND PROCEDURES TO THE CONTRARY.**

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

**I. PRELIMINARY FUNCTIONS**

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

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

A. REVIEW OF DISTRICT'S DRAFT FISCAL YEAR 2020-21 ANNUAL  
COMPREHENSIVE FINANCIAL REPORT

B. ADDITIONAL LEGAL DAMAGES AND INTEREST PAYMENT RECEIVED  
FROM THE SAN DIEGO COUNTY WATER AUTHORITY (SDCWA)

C. CALENDAR YEAR 2022 RATES AND CHARGES

D. RATE STUDY UPDATE

**III. ADJOURNMENT OF MEETING**

\* \* \* \* \*

**DECLARATION OF POSTING**

I, Lauren Eckert, Executive Assistant/Board Secretary 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, Lauren Eckert, further declare under penalty of perjury and under the laws of the State of California that the foregoing is true and correct.

November 3, 2021  
Dated / Fallbrook, CA

/s/ Lauren Eckert  
Executive Assistant/Board Secretary

**M E M O**

**TO:** Fiscal Policy and Insurance (FP&I) Committee  
**FROM:** Dave Shank, Assistant General Manager/CFO  
**DATE:** November 10, 2021  
**SUBJECT:** Review of District's Draft Fiscal Year 2020-21 Annual Comprehensive Financial Report

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Purpose

Provide the Committee with a revised Draft Fiscal Year 2020-21 Annual Comprehensive Financial Report (ACFR).

Summary

The revised Draft ACFR is attached for review. The only notable change in this draft from the one issued at the October 27<sup>th</sup> Committee meeting is the inclusion of segment data for the District's wastewater operations. The District's issuance of public debt secured by the wastewater fund triggered some additional financial disclosures requirements. These requirements are intended to provide investors and rating agencies with data on the District's wastewater financial performance. The segment data included in the ACFR can be found starting on page 59. Unless another meeting is requested this will be the final meeting to discuss the ACFR prior to Board review and approval.

Recommended Action

Request that the Committee recommend to the Board that the revised Draft Fiscal Year 2020-21 Annual Comprehensive Financial Report be approved.



# Fallbrook Public Utility District

**A Special District in the State of California**



**Annual Comprehensive Financial Report  
For the Fiscal Year Ending June 30, 2021**



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# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

*Fiscal Year ending June 30, 2021*

## **Current Board of Directors:**

District #1 - Dave Baxter, Vice-President

District #2 - Ken Endter

District #3 - Jennifer DeMeo, President

District #4 - Don McDougal

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 Jodi Brown, Mick Cothran, Joye Johnson, Annalece Bokma, Kelly Laughlin and Veronica Tamzil for their support in preparing this document.

Fallbrook Public Utility District  
990 East Mission Road  
Fallbrook, CA 92028  
(760) 728-1125  
[www.fpud.com](http://www.fpud.com)



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Front Cover: Rattlesnake Tank is painted every year, a tradition that started with the local high school



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# **INTRODUCTORY SECTION**



November XX, 2021

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*

Lauren Eckert  
*Executive Assistant/  
Board Secretary*

General Counsel

Paula de Sousa  
*Best Best & Krieger*

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the Fallbrook Public Utility District (District) for the fiscal year ended June 30, 2021. 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 ACFR is being produced as part of management's continued 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.

CliftonLarsonAllen, LLP, Certified Public Accountants, have issued an unmodified opinion on the Fallbrook Public Utility District's financial statements for the year ended June 30, 2021. 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

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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 (SDCWA) 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 (MWD). 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, MWD 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 SDCWA 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

In the past, the District imported 99% of its potable water from the SDCWA with the remaining 1% coming from a local well. Looking forward, with the Santa Margarita Groundwater Treatment Plant (SMGTP) expected to be operational by the end of fiscal year 2022, a significant amount of the District's water supply will be provided through its Santa Margarita River Water Rights. While only a partial year of deliveries are expected in fiscal year 2022 from SMGTP, this new local supply is expected to reduce the average annual amount of water purchased from SDCWA by 40% or more and change the District's cost structure. The District's cost to treat and deliver its local water supply is expected to be less than the current cost of purchasing the same amount of water from SDCWA. With a local supply available, the District's rate payers are not only saving on the cost of water but also limiting the impact of future SDCWA rate increases.

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 has nearly completed an Advanced Metering Infrastructure (AMI) system upgrade that will enable real-time meter reading and provide customers with real-time water use. The District has 4 connections to the imported water system, three of the four are directed connected to MWD owned pipelines and the fourth which is currently not in use is connected to SDCWA's pipeline.

The District's five-year average annual water sales is 8,263 acre-feet. Residential and commercial customers represent 64% of sales, and agricultural customers make up the remaining 36%. 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 being driven by the economics of agriculture production and the fact that high wholesale water costs make only limited crops profitable. The District's agricultural water sales have reduced from 7,000 acre-feet in Fiscal Year 2008 to 2,474 in Fiscal Year 2021 or down 65%.

### 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 12-mile ocean outfall line.

### Recycled Water System

The District's recycled water system includes 10.5 miles of buried pipe. Currently the District has 30 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.

To help new users tap into the expanding recycled water system, the District secured funding from the Department of Water Resources through the Prop. 84 grant program. In 2014, the District held a workshop to assist growers with planning, getting permits, purchasing new equipment and receiving grant funds. Assisting growers through the entire process has helped bring new recycled customers online. The project included expanding the recycled water distribution system in order to add new large water users.

The District has received grant funding to explore development of a joint Indirect Potable Reuse Project with Camp Pendleton Marine Corps Base. The pilot project is planned to be operating during the first part of FY 2021-22.

## 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 06/30/2021):

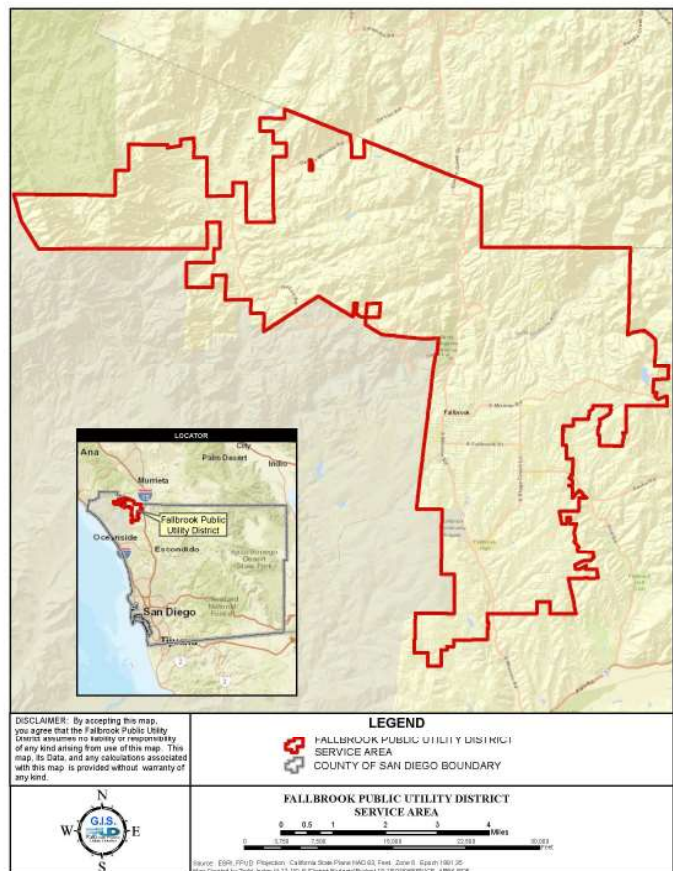
- District #1 - Dave Baxter, Vice-President**
- District #2 - Ken Endter**
- District #3 - Jennifer DeMeo, President**
- District #4 - Don McDougal**
- District #5 - Charley Wolk**

## 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 2020 population is estimated to be 34,432 with 11,074 households. Fallbrook’s population has remained relatively unchanged over the past several years.

The median household income in Fallbrook was \$63,244, which is less than the state median of \$75,235 and slightly higher than the national average of \$62,843. 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 4.1 million residents in 2050, up from 3.4 million in 2020. 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

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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

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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, 2021, the trust held \$10.1 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 and securing the most cost effective source of imported water.

**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

### Overcoming Challenges

This year the pandemic continued to challenge both the District and the World's ability to adapt to a rapidly changing operational environment. The District's ability to adapt business practices to effectively manage changes in operations required by the pandemic speak directly to management's efforts to both enhance and modernize the District's operations. The integration of the District's information management systems have allowed Customer Service to work remotely and have access to all the information they need. In addition, the new web based maintenance management system has cut the District's Customer Service response time by more than half and enabled operators to respond to service issues in real time out in the field. The range of convenient payment options like PayNearMe and credit cards available continues to provide customers best in class flexibility in payment options. This ensured cash and other payments could be made even with the offices closed.

### Water Affordability

The District has been faced in the past with escalating wholesale water costs driven by major infrastructure investments by the SDCWA in supply reliability. The SDCWA water purchase costs represent approximately 40% of the District's water enterprise operating costs. With SDCWA facing operational challenges from declining water demands and the additional costs from the potential construction of a more than \$4 billion dollar pipeline to the All-American Canal, the District is facing significant water cost increases from SDCWA. To address this, the District has initiated a process to change its water wholesaler to Eastern Municipal Water District (EMWD). This change would reduce the District's cost of water by approximately 30% and not impact water reliability. The significant cost savings that would result from this change would help make the District's water more affordable for the community and help revitalize the region's agricultural industry.

In addition to the regional investments in San Diego County water supplies, there is a significant proposed statewide water project to fix the Bay-Delta State Water Project, also known as the WaterFix, which delivers our key water supplies from Northern California. While the impact of the WaterFix on the cost of water is not known, the original cost in 2017 was expected to be just over \$16 billion. Since this cost is to be recovered on water rates, the project will cause an ongoing increase to wholesale water costs. With the additional increases in water costs due to WaterFix on the horizon, local water supply development, which will reduce our dependence on costly imported water, is another way to mitigate continued wholesale water rate increases.

Having recently settled over 66 years of water rights litigation with Camp Pendleton Marine Corps Base, the Santa Margarita River Conjunctive Use Project (SMRCUP) has secured a local water supply for the District. This major achievement will provide all future District ratepayers long-term rate relief from increasing water costs at the local wholesale and State levels. The settlement has allowed the District to

#### 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 Fiscal Year ending June 30, 2022.



quickly move forward with the construction of the SMGTP. This project is currently under construction and is scheduled to begin producing water by the end of calendar year 2021. The District has secured local supply development incentives from the Metropolitan Water District that will offset some of the projects operating costs and make the supply cheaper than water purchased from SDCWA.

## 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 been made, but this is a long-term program to meet the future replacement needs.

## Continuous Improvement

We understand that this pandemic has added an additional financial burden to our ratepayers, many of whom were already struggling with the increasing cost of water. This year the District was able to leverage all of the hard work done to enhance its financial management and reporting practices into rate payer savings by securing a strong credit rating and executing a public debt offering to refinance a wastewater loan. By securing an A+ rating from Standard and Poor's (S&P), the District saved wastewater rate payers \$1.6 million on a present value basis or an average of \$115,000 per year. The District also secured grant funding for the construction and operation of four Tesla battery power storage facilities worth \$4.6 million, which will save the District an estimated \$100,000 a year on power costs.

The District realizes that while small, savings like these add up and help lessen the financial burden our ratepayers face. The District is also advocating at the State and local level for rate payer assistance programs and applying for funding where available.

The District's organizational chart is shown on the page 9.

## 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.



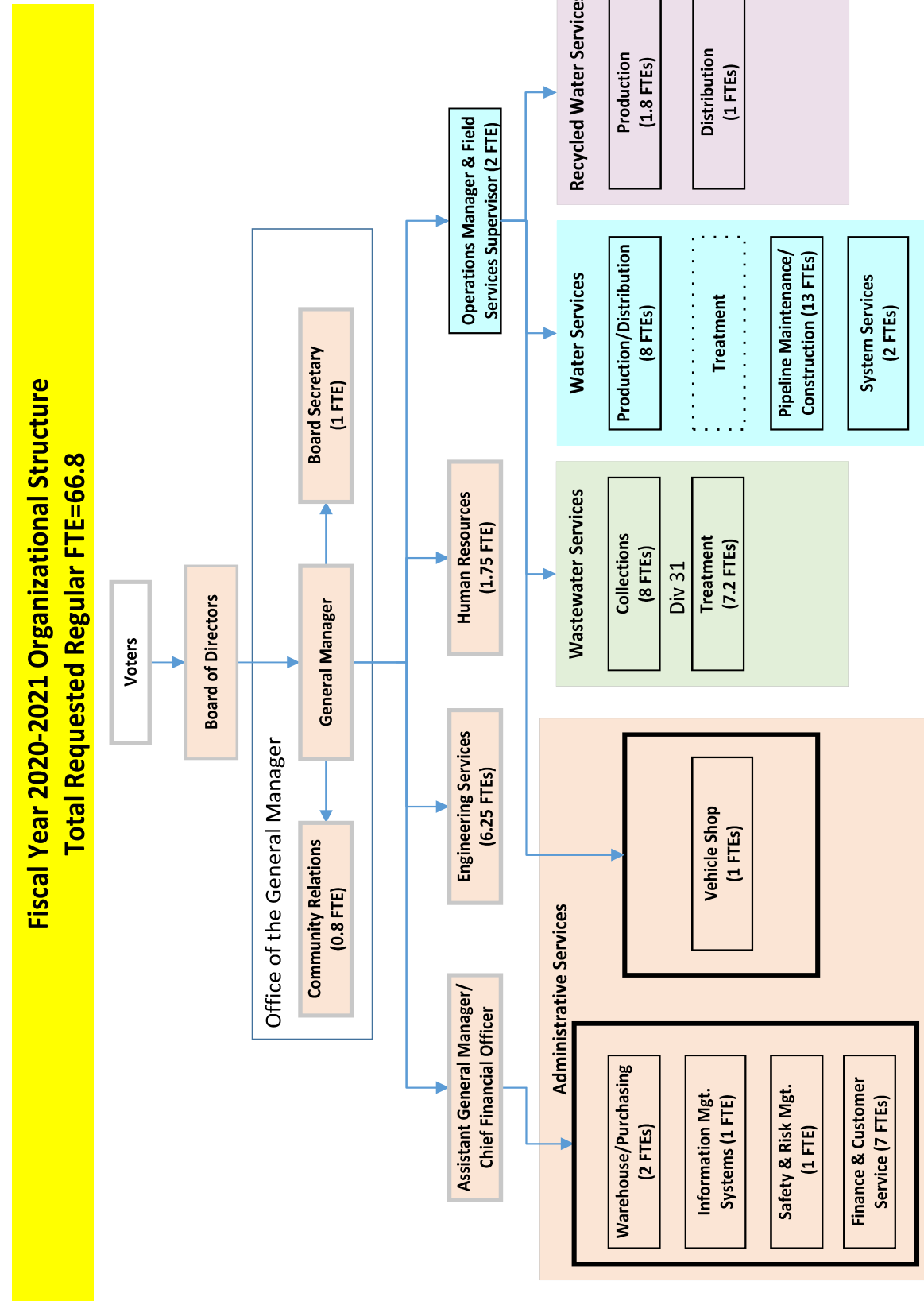
Jack Bebee  
General Manager



David Shank  
Assistant General Manager/CFO



Fiscal Year Organizational Structure (Total FTE 66.8)



FTE = Full-Time Equivalent  
 Future Division excluded from FTE count

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**Certificate of Achievement for Excellence in Financial Reporting**

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Presented to

**Fallbrook Public Utility District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morrill*

Executive Director/CEO

# FINANCIAL SECTION

# PLACEHOLDER FOR AUDITOR'S LETTER

# PLACEHOLDER FOR AUDITOR'S LETTER



# PLACEHOLDER FOR AUDITOR'S LETTER

## 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, 2020. Management's Discussion and Analysis (MD&A) are broken into the following sections:

- Financial Statement Overview
- Financial Highlights & Analysis
- Capital Assets
- Debt Management

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.

### Financial Highlights

This year the District's net financial position increased 5.2% from the June 30, 2020 balance of \$98,704,754 to a June 30, 2021 balance of \$103,822,139. The District's total assets increased to \$215,257,936, which is a 13.5% increase from last year. The increase in District's assets is being driven by the construction of a water treatment plant, which is part of the District's Santa Margarita Conjunctive Use Project (SMRCUP). The treatment plant construction is being funded by a State Revolving Fund (SRF) Loan. Liabilities increased to \$114,189,577 by 22.6% from year ending June 30, 2020 due to the new SRF Loan funding the SMRCUP water treatment plant and construction related payments. Of the District's assets, 79.7% are related to infrastructure, which is the largest class of assets.

The District’s operating loss decreased from \$4,303,252 in fiscal year ending June 30, 2020 to \$1,421,584 in fiscal year ending June 30, 2021. Overall the District’s operating revenues increased 12.4% or from \$28,931,007 to \$32,511,601 in fiscal years ending June 30, 2020 and 2021, respectively. After net non-operating revenues and capital contributions the District’s fiscal year ending June 30, 2021 change in net position was \$5,117,385. During the past year, the District made contributions to the Pension and OPEB 115 Trust that when combined with investment earnings bring the trust balance from \$7,852,396 fiscal year ending June 30, 2020 to \$10,076,659 fiscal year ending June 30, 2021.

**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.

**Condensed Statements of Net Position**

	For the Year Ended June 30, 2021	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019
<b>Assets</b>			
Unrestricted Current Assets	\$ 30,554,990	\$ 37,944,043	\$ 21,737,022
OPEB and Restricted Assets	13,056,070	10,556,480	9,752,965
Capital Assets, net	171,646,876	141,112,251	113,599,777
<b>Total Assets</b>	<b>215,257,936</b>	<b>189,612,774</b>	<b>145,089,764</b>
<b>Deferred Outflows of Resources</b>	<b>3,093,115</b>	<b>3,235,682</b>	<b>3,419,768</b>
<b>Liabilities</b>			
Current liabilities	11,318,938	21,205,499	5,825,259
Noncurrent liabilities including Retention Payable	102,870,639	71,922,788	45,425,373
<b>Total Liabilities</b>	<b>114,189,577</b>	<b>93,128,287</b>	<b>51,250,632</b>
<b>Deferred Inflows of Resources</b>	<b>339,335</b>	<b>1,015,415</b>	<b>1,190,472</b>
<b>Net Position</b>			
Net Investment in Capital Assets	83,368,399	82,199,752	81,264,522
Restricted	10,340,855	10,188,202	9,477,694
Unrestricted	10,112,885	6,316,800	6,465,333
<b>Total Net Position</b>	<b>\$ 103,822,139</b>	<b>\$ 98,704,754</b>	<b>\$ 97,207,549</b>

### Fiscal year 2021 compared to Fiscal Year 2020

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 Ocean Outfall. Capital assets increased to \$171,646,876 in fiscal year ending June 30, 2021.

Current assets decreased by \$7,389,053 from fiscal year ending June 30, 2020. The decrease is primarily driven by a reduction in Loan proceeds receivable related to SMRCUP. At year-end, the trust offsetting the District's OPEB and pension liabilities held \$10,076,659, \$1,266,271 for OPEB and \$8,810,388 for pensions. The OPEB assets are reported in this report as a Fiduciary Fund in compliance with GASB 75.

Net capital assets increased \$30,534,625 in fiscal year ending June 30, 2021. District wide depreciation in fiscal year ending June 30, 2021 was \$6,773,273. The increase in net capital assets indicates that the District's capital investments in system assets during fiscal year ending June 30, 2021 greatly outpaced the rate of asset depreciation, largely due to the construction of SMGTP.

Current liabilities decreased by \$9,886,561 from fiscal year ending June 30, 2020. The driver behind the decrease in current liabilities was corresponding decrease in accounts payable, which is related to SMGTP construction related outflows.

The District's total net position increased by \$5,117,385 primarily attributable to the \$8,156,584 in nonoperating revenue, which is predominantly made up of property taxes and capital improvement charges, and investment income and includes a one time payment from SDCWA related to Rate litigation. These, along with offsetting nonoperating expenses of \$1,665,457, compensated for the operating loss of \$1,421,584.

### Fiscal year 2020 compared to Fiscal Year 2019

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 Ocean Outfall. Capital assets increased to \$141,112,251 in fiscal year ending June 30, 2020. In fiscal year ending June 30, 2020, the District spent \$27,331,718 million on the construction of a \$62.9 million dollar water treatment plant. This investment in District assets is driving the increase in capital assets.

Current assets increased by \$16,207,021 million from fiscal year ending June 30, 2019. The increase is primarily driven by \$15,412,415 in loan proceeds receivable, which are pending SMRCUP water treatment plant project reimbursements from the SRF Loan program. The loan proceeds receivable is included in Other Receivables in the financial statements. At year-end, the trust offsetting the District's OPEB and pension liabilities held \$7,852,396, \$1,040,486 for OPEB and \$6,811,910, for pensions. The OPEB assets are reported in this report as a Fiduciary Fund in compliance with GASB 75.

Net capital assets increased \$27,512,474 in fiscal year ending June 30, 2020, as restated. District wide depreciation in fiscal year ending June 30, 2020 was \$6,637,996. The increase in net capital assets indicates that the District's capital investments in system assets during fiscal year ending June 30, 2020

greatly outpaced the rate of asset depreciation.

Current liabilities increased by \$15,380,240 from fiscal year ending June 30, 2019. The driver behind the increase in current liabilities was corresponding increase in accounts payable, which is related to SMRCUP water treatment plant construction related outflows.

The District’s total net position increased by \$1,497,205 primarily attributable to the \$6,369,624 in nonoperating revenue, which is predominantly made up of property taxes and capital improvement charges, and investment income. These along with offsetting nonoperating expenses of \$941,674, compensated for the operating loss of \$4,303,252.

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

	For the Year Ended June 30, 2021	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019
Operating revenues	\$ 32,511,601	\$ 28,931,007	\$ 26,944,550
Operating expenses	33,933,185	33,234,259	31,708,417
Operating loss	(1,421,584)	(4,303,252)	(4,763,867)
Non-Operating revenue, net	6,491,127	5,427,950	14,675,198
Change in net position before capital contributions	5,069,543	1,124,698	9,911,331
Capital Contributions	47,842	372,507	73,789
Change in net position	5,117,385	1,497,205	9,985,120
Net Position - beginning	98,704,754	97,207,549	86,083,307
Prior Period Adjustments	-	-	1,139,122
Net position - end of year	<u>\$ 103,822,139</u>	<u>\$ 98,704,754</u>	<u>\$ 97,207,549</u>

**Fiscal year 2021 compared to Fiscal Year 2020**

Fiscal year ending June 30, 2021 water revenues were up 15.9% or \$3,488,780 from fiscal year ending June 30, 2020. Wastewater revenues were up 1.1% from fiscal year ending June 30, 2020 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, 2021 net position. The District’s net position increased by \$5,117,385 during fiscal year ending June 30, 2021.

Operating revenue increased \$3,580,594 primarily due to water sales of 8,242 AF in fiscal year ending June 30, 2021 compared to 7,305 during fiscal year ending June 30, 2020. Recycled water sales were flat at 557 AF as compared to 560 AF in fiscal year ending June 30, 2020. Wastewater revenues increased by \$28,858 versus fiscal year ending June 30, 2020. Operating revenues included potable water and recycled sales, monthly District water and wastewater operations charges and pass-through charges from the SDCWA.

Operating expenses increased by \$698,926 versus fiscal year ending June 30, 2020. The increase in operating expense was driven by a \$1,292,902 increase in the cost of water from fiscal year ending June 30, 2021. Depreciation expense increased by \$135,277 from fiscal year ending June 30, 2020 while other operating costs increased by \$563,649. The operating expenses increase also included 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 \$1,421,584 when netted against combined nonoperating revenues and expenses of \$6,491,127 results in a \$5,069,543 increase in net position before capital contributions. The District's nonoperating revenues come from six primary sources, property taxes in the amount of \$2,340,185, water and wastewater capital improvement charges in the amount of \$2,604,061, investment income in the amount of \$1,543,078, water availability charges in the amount of \$208,842, connection fees in the amount of \$149,650 and the Federal Interest Rates Subsidy Payments of \$112,207.

### Fiscal year 2020 compared to Fiscal Year 2019

Fiscal year ending June 30, 2020 water sales revenues were up 7.1% or \$1,458,446 from fiscal year ending June 30, 2019 due to increased rates. Wastewater revenues were up 8.5% from fiscal year ending June 30, 2019 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, 2020 net position. The District's restated net position increased by \$2,636,327 during fiscal year ending June 30, 2020.

Operating revenue increased \$1,986,457 due to rate increases and higher billable flows. Recycled water sales were flat at 560 AF as compared to 562 AF in fiscal year ending June 30, 2019. Wastewater revenues increased by \$467,648 versus fiscal year ending June 30, 2019. Operating revenues included potable water and recycled sales, monthly District water and wastewater operations charges and pass-through charges from the SDCWA.

Operating expenses increased by \$1,525,842 versus fiscal year ending June 30, 2019. The increase in operating expense was driven by a \$718,419 increase in water operations and a \$418,655 increase in wastewater operations from fiscal year ending June 30, 2019. Depreciation expense increased by \$479,407 from fiscal year ending June 30, 2019 while other operating costs increased by \$1,046,435. The operating increase also included 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 \$4,303,252 when netted against combined nonoperating revenues and expenses of \$5,427,950 results in a \$1,124,698 increase in net position before capital contributions. The District's nonoperating revenues come from six primary sources, property taxes in the amount of \$2,205,975, water and wastewater capital improvement charges in the amount of \$2,559,135, investment income in the amount of \$920,135, water availability charges in the amount of \$204,418, connection fees in the amount of \$107,107 and the Federal Interest Rates Subsidy Payments of \$123,762.

Supplemental information for each of the three operations divisions can be found on page 67 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, 2021, the District replaced 5,960 feet of pipe and 85 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. Last year the District completed and capitalized its Santa Margarita Water Rights capital project. This multi-decade project resulted in perpetual rights to Santa Margarita River water. This local supply will provide water to future generations to come. This year, the District began construction of the SMRCUP water treatment plant, which when completed will provide the District’s ratepayers with a local water supply, which is not only reliable but also affordable. The water treatment plant will treat the District’s share of the Santa Margarita River water.

June 30, 2021, the District has the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Completion Date
Gum Tree Pipeline Replacement	\$ 470,000	1/21/2022
Ross Lake PRS	60,000	8/30/2021
Toyon Pump Station	100,000	12/15/2022
Santa Margarita Conjunctive Use Project (SMRCUP)	8,450,000	12/31/2021
Water Supply Reliability Project	500,000	10/31/2022
Recycled Air/Vac and Drain Replacement	50,000	3/31/2022
Overland Trail Lift Station Rehabilitation	125,000	12/31/2021

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, 2021, the District had \$89.1 million of long-term debt outstanding. \$2.8 million of this debt is attributable to the wastewater Qualified Energy Conservation Bonds (QECCB) solar loan, which qualifies for Federal Interest Rate Subsidy payments. The loan was originally for \$7.2 million. An additional \$3.5 million of indebtedness is attributable to the Red Mountain Filtration Plant SRF loan, which was originally for \$6.16 million. \$19.9 million of indebtedness is attributable to the District’s Waste Water Revenue Refunding Bonds, which refunded the District’s Wastewater Treatment Plant SRF loan, which was originally for \$29.6 million. Of the approved \$62.9 SRF loan for the SMRCUP water treatment plant, only \$58.5 million had been drawn at the end of fiscal year ending June 30, 2021. Scheduled debt service payments (principal and interest) on this loan commence once the project is completed, which is anticipated to occur in the fall of 2021. During construction, the District only pays interest on the balance of loan proceeds received. During the year ending June 30, 2021 \$1.9 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

**FALLBROOK PUBLIC UTILITY DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 10,275,808	\$ 8,137,414
Investments	6,019,693	7,831,917
Receivables - Water Sales and Services	5,063,293	4,478,619
Accrued Interest Receivable	22,998	64,434
Property Taxes Receivable	58,525	10,160
Other Receivables	7,170,247	15,519,773
Inventory	1,861,925	1,845,755
Prepaid Expenses and Other Deposits	82,501	55,971
Restricted Assets		
Cash and Cash Equivalents	9,494,809	7,496,954
Investments	3,561,261	3,059,526
Total Current Assets	43,611,060	48,500,523
<b>NONCURRENT ASSETS</b>		
Capital Assets		
Capital Assets, Not Being Depreciated	75,045,121	42,118,554
Capital Assets Being Depreciated, Net	96,601,755	98,993,697
Total Capital Assets, Net	171,646,876	141,112,251
Total Noncurrent Assets	171,646,876	141,112,251
 Total Assets	 215,257,936	 189,612,774
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts From Pension	2,744,892	3,004,079
Deferred Amounts From OPEB	348,223	231,603
Total Deferred Outflows of Resources	\$ 3,093,115	\$ 3,235,682

See accompanying Notes to Basic Financial Statements.

**FALLBROOK PUBLIC UTILITY DISTRICT  
STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2021  
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	2021	2020
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 8,203,459	\$ 18,213,752
Accrued Wages	167,285	208,653
Construction and Other Deposits	12,056	14,884
Accrued Interest Payable	582,359	258,156
Retention Payable	245,627	27,771
Compensated Absences, Current Portion	569,086	560,892
Current Portion of Other Long-Term Debt	1,784,693	1,949,162
Total Current Liabilities	11,564,565	21,233,270
<b>NONCURRENT LIABILITIES</b>		
Health Retirement Account Liability	351,250	351,796
Net OPEB Liability	205,001	109,213
Net Pension Liability	14,721,348	13,629,333
Compensated Absences, Net of Current Portion	853,629	841,338
Long-Term Debt - Net of Current Portion	86,493,784	56,963,337
Total Noncurrent Liabilities	102,625,012	71,895,017
Total Liabilities	114,189,577	93,128,287
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts From Pension	265,130	915,032
Deferred Amounts From OPEB	74,205	100,383
Total Deferred Inflows of Resources	339,335	1,015,415
<b>NET POSITION</b>		
Net Investment In Capital Assets	83,368,399	82,199,752
Restricted for:		
1958 Annex Projects	1,213,780	1,213,780
Debt Service	316,687	2,162,512
Pension	8,810,388	6,811,910
Unrestricted	10,112,885	6,316,800
Total Net Position	\$ 103,822,139	\$ 98,704,754

See accompanying Notes to Basic Financial Statements.

**FALLBROOK PUBLIC UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2021**  
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	2021	2020
<b>OPERATING REVENUES</b>		
Water	\$ 25,429,014	\$ 21,940,234
Recycled Water	1,088,163	1,059,305
Wastewater	5,994,424	5,931,468
Other		
Total Operating Revenues	32,511,601	28,931,007
<b>OPERATING EXPENSES</b>		
Cost of Water	13,955,908	12,663,006
Water Operations	7,366,600	7,970,479
Recycled Water Operations	441,490	497,444
Wastewater Operations	5,395,914	5,465,334
Operating Expenses Before Depreciation	27,159,912	26,596,263
Operating Income Before Depreciation	5,351,689	2,334,744
Depreciation	6,773,273	6,637,996
Total Operating Expenses Including Depreciation	12,124,962	9,015,740
Operating Loss	(1,421,584)	(4,303,252)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Property Taxes	2,340,185	2,205,975
Capital Improvements Charges	2,604,061	2,559,135
Investment Income	1,543,078	920,135
Water Availability Charges	208,842	204,418
Lease Revenue	251,047	249,092
Intergovernmental Revenue - Federal Interest Rate Subsidy	112,207	123,762
Connection Fees	149,650	107,107
SDCWA Rate Refund	909,413	-
Net Gain (Loss) on Disposal of Capital Assets	38,100	(31,450)
Interest Expense	(1,665,457)	(910,224)
Total Nonoperating Revenues (Expenses)	6,491,127	5,427,950
Changes In Net Position Before Capital Contributions	5,069,543	1,124,698
Capital Contributions	47,842	372,507
<b>CHANGE IN NET POSITION</b>	5,117,385	1,497,205
Net Position - Beginning of Year, As Originally Stated	98,704,754	96,068,427
Prior Period Adjustment	-	1,139,122
Net Position - Beginning of Year, As Restated	98,704,754	97,207,549
<b>NET POSITION - END OF YEAR</b>	\$ 103,822,139	\$ 98,704,754

See accompanying Notes to Basic Financial Statements.

**FALLBROOK PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021  
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 31,846,269	\$ 28,461,877
Lease Revenues Collected	251,047	249,092
Payments for Water	(13,775,839)	(12,513,388)
Payments for Services and Supplies	(3,685,249)	(3,846,281)
Payments for Employee Wages, Benefits and Related Costs	(8,967,158)	(8,854,503)
Net Cash Provided by Operating Activities	<u>5,669,070</u>	<u>3,496,797</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property Taxes	<u>2,291,820</u>	<u>2,208,185</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,291,820</u>	<u>2,208,185</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(47,196,825)	(17,662,519)
Proceeds From Sales of Capital Assets	38,100	-
Proceeds of Issuance of Debt	63,273,926	11,919,303
Principal Payments on Long-Term Debt	(25,477,764)	(1,893,596)
Interest Paid	(1,341,254)	(869,963)
Intergovernmental Revenue - Federal Interest Rate Subsidy	112,207	123,762
Capital Improvement Charges and Connection Fees	2,753,711	2,666,242
Proceeds from SDCWA Rate Rebate	909,413	-
Water Availability Charges	208,842	204,418
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,719,644)</u>	<u>(5,512,353)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,049,897)	(4,536,297)
Sales Of Investments	2,127,109	8,684,567
Interest Received	1,817,791	602,596
Net Cash Provided (Used) by Investing Activities	<u>2,895,003</u>	<u>4,750,866</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,136,249	4,943,495
Cash and Cash Equivalents - Beginning of Year	<u>15,634,368</u>	<u>10,690,773</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 19,770,617</u>	<u>\$ 15,634,268</u>
<b>Financial Statement Presentation</b>		
Cash and Cash Equivalents	\$ 10,275,808	\$ 8,137,414
Cash and Cash Equivalents - Restricted Assets	9,494,809	7,496,954
Total Cash and Cash Equivalents	<u>\$ 19,770,617</u>	<u>\$ 15,634,368</u>

See accompanying Notes to Basic Financial Statements.

**FALLBROOK PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021  
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2020)**

	2021	2020
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (1,421,584)	\$ (4,303,252)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided by Operating Activities:		
Depreciation	6,773,273	6,637,996
Lease Revenues Collected	251,047	249,092
(Increase) Decrease in:		
Receivables	(665,332)	(469,130)
Inventory	(16,170)	(5,760)
Prepaid Expenses And Other Deposits	(26,530)	(12,578)
Deferred Outflows of Resources	142,567	184,086
Increase (Decrease) in:		
Accounts Payable	141,505	338,608
Accrued Wages	(41,368)	(39,241)
HRA Liability	(546)	93,375
Net OPEB Obligation	95,788	(25,864)
Net Pension Liability	1,092,015	1,087,404
Compensated Absences	20,485	(62,882)
Deferred Inflows of Resources	(676,080)	(60,206)
Deferred Revenue	-	(114,851)
Net Cash Provided by Operating Activities	5,669,070	\$ 3,496,797
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Change in Fair Value of Investments	\$ (233,277)	\$ 334,417
Capital Assets Contributed	\$ 47,842	\$ 73,789

See accompanying Notes to Basic Financial Statements.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 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**

**Proprietary Fund**

The District's activities are reported in an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to business enterprises, where the intent of providing goods and services to the general public on a continuing basis is financed or recovered primarily through user charges.

The basic financial statements are prepared using the *economic resource measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with the District's activities are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when the liability is incurred regardless of the timing of cash flow.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

**Proprietary Fund (Continued)**

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, delivering water, and collecting, treating and disposing of wastewater in connection with the District's principal ongoing operations. The District's principal operating revenues 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 non-operating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

**Net Position**

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.



FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

**Net Position (Continued)**

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.”

**C. New Accounting Pronouncements:**

Current Year Standards:

**GASB 84** – In January 2017, GASB issued Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The District adopted this standard in the current fiscal year. Implementation of GASB 84 removed the previously reported OPEB trust that no longer qualifies as a fiduciary fund of the District.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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 other post-employment benefits 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.
- Deferred outflow related to other post-employment benefits 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.
- 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 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.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

**D. Deferred Outflows/Inflows of Resources: (Continued)**

- 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 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.

**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.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investment Valuation

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

**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. As a result, the District does not record an allowance for doubtful accounts.

**H. Inventory**

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.

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 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 June30, 2021, were as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
\$ 1,402,230	\$ 624,273	\$ (603,789)	\$ 1,422,714	\$ 569,086

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Pensions**

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

**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.

**NOTE 2 CASH AND INVESTMENTS**

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

Current Assets:	
Cash and Cash Equivalents	\$ 10,275,808
Restricted Cash and Cash Equivalents	9,494,809
Investments	6,019,693
Restricted Investments	3,561,261
Total Cash and Investments	<u>\$ 29,351,571</u>

Cash and Investments Consist of the following:

Cash on Hand	\$ 1,150
Deposits with Financial Institutions	5,323,055
Investments	24,027,366
Total Cash and Investments	<u>\$ 29,351,571</u>



**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)****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%	No Limitation	A
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%	No Limitation	AA

**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.



FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

**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, 2021.

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)	\$ 3,850,844	\$ 3,850,844	\$ -	\$ -	\$ -
California Asset Management Program (CAMP)	1,815,365	1,815,365	-	-	-
Asset Backed Securities	308,175	-	101,391	206,784	-
Medium-Term Notes	2,455,216	661,061	469,425	1,324,730	-
U.S. Treasury Securities	6,676,110	2,397,703	1,675,961	2,602,446	-
Federal Agency Collateralized Mortgage Obligations	111,268	-	-	111,268	-
PARS Pooled Trust - Pension Trust	8,810,388	8,810,388	-	-	-
<b>Total</b>	<b>\$ 24,027,366</b>	<b>\$ 17,535,361</b>	<b>\$ 2,246,777</b>	<b>\$ 4,245,228</b>	<b>\$ -</b>

**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, 2021.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

Investment Type	Total	Minimum Legal Rating*	Ratings as of Year End				
			Exempt from Disclosure	AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	\$ 3,850,844	Exempt	\$ -	\$ -	\$ -	\$ -	\$ 3,850,844
California Asset Management Program (CAMP)	1,815,365	AAA	-	1,815,365	-	-	-
Asset Backed Securities	308,175	A	-	308,175	-	-	-
Medium-Term Notes	2,455,216	A	-	-	-	2,455,216	-
U.S. Treasury Securities	6,676,110	Exempt	6,676,110	-	-	-	-
Federal Agency Collateralized Mortgage Obligations	111,268	AA	-	111,268	-	-	-
PARS Pooled Trust - Pension Trust	8,810,388	Exempt	-	-	-	-	8,810,388
<b>Total</b>	<b>\$ 24,027,366</b>		<b>\$ 6,676,110</b>	<b>\$ 2,234,808</b>	<b>\$ -</b>	<b>\$ 2,455,216</b>	<b>\$ 12,661,232</b>

\* 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, 2021.

**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, 2021, \$4,329,806 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**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.

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.

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

**Fair Value Measurements (Continued)**

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	June 30, 2020
Investments by Fair Value Level				
Asset Backed Securities	\$ -	\$ 308,175	\$ -	\$ 308,175
Medium-Term Notes	-	2,455,216	-	2,455,216
U.S. Treasury Securities	-	6,676,110	-	6,676,110
Federal Agency Collateralized Mortgage Obligations	-	111,268	-	111,268
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 9,550,769</u>	<u>\$ -</u>	<u>\$ 9,550,769</u>
Investments Measured at Cost or Net Asset Value (NAV)				
Local Agency Investment Fund (LAIF)				3,850,844
California Asset Management Program (CAMP)				1,815,365
PARS Pooled Trust - Pension Trust				8,810,388
Total Investments at Cost or Net Asset Value (NAV)				<u>14,476,597</u>
Total Investments				<u>\$ 24,027,366</u>

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FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 3 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2021, were as follows:

	Balance June 30, 2020	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2021
<b>Capital Assets, Not Being Depreciated:</b>					
Land and Property Rights-Water	\$ 11,704,070	\$ -	\$ -	\$ -	\$ 11,704,070
Land and Property Rights-Wastewater	1,128,164	-	-	-	1,128,164
Construction In Progress	29,286,320	37,154,851	-	(4,222,413)	62,218,758
Total Capital Assets, Not Being Depreciated	42,118,554	37,154,851	-	(4,222,413)	75,050,992
<b>Capital Assets, Being Depreciated:</b>					
Water Operations:					
Impounding Dam	31,579,387	-	-	680,802	32,260,189
Distribution System	54,199,172	-	-	2,401,793	56,600,965
Buildings and Structures	5,417,849	-	-	307,843	5,725,692
Equipment	10,216,400	158,919	(152,897)	214,815	10,437,237
Total Water Operations	101,412,808	158,919	(152,897)	3,605,253	105,024,083
Wastewater Operations:					
Collection System	13,324,119	-	-	185,309	13,509,428
Treatment And Disposal Facilities	60,328,560	-	-	416,643	60,745,203
Equipment	857,476	-	-	15,208	872,684
Total Wastewater Operations	74,510,155	-	-	617,160	75,127,315
Recycle Operations:					
Distribution System	4,661,974	-	-	-	4,661,974
Total Recycle Operations	4,661,974	-	-	-	4,661,974
Total Capital Assets Being Depreciated	180,584,937	158,919	(152,897)	4,222,413	184,813,372
Less Accumulated Depreciation	(81,591,240)	(6,773,273)	152,897	-	(88,211,616)
Total Capital Assets Being Depreciated, Net	98,993,697	(6,614,354)	-	4,222,413	96,601,756
Total Capital Assets, Net	\$ 141,112,251	\$ 30,540,497	\$ -	\$ -	\$ 171,652,748

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 4 LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2021 were as follows:

	Balance June 30, 2020	Additions	Deletions	Non-Cash Transactions	Balance June 30, 2021	Due Within One Year
Red Mountain State Revolving Fund Loan	\$ 3,771,920	\$ -	\$ (300,807)	\$ -	\$ 3,471,113	\$ 308,589
Qualified Energy Conservation Revenue Bonds	3,140,391	-	(345,316)	-	2,795,075	366,104
Clean Water State Revolving Fund Loan	24,668,470	-	(24,668,470)	-	-	-
State Water Resources Control Board Loan	27,331,718	31,157,410	-	-	58,489,128	-
2021 Wastewater Revenue Refunding Bonds Series A	-	14,845,000	-	-	14,845,000	-
2021 Wastewater Revenue Refunding Bonds Series B	-	5,035,000	-	-	5,035,000	1,110,000
Unamortized Premium on 2021 Revenue Bonds	-	3,806,332	-	(163,171)	3,643,161	-
<b>Total Long-Term Debt</b>	<b>\$ 58,912,499</b>	<b>\$ 54,843,742</b>	<b>\$ (25,314,593)</b>	<b>\$ (163,171)</b>	<b>\$ 88,278,477</b>	<b>\$ 1,784,693</b>

**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 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>
2022	\$ 308,589	\$ 87,261	\$ 395,850
2023	316,573	79,277	395,850
2024	324,764	71,087	395,851
2025	333,166	62,685	395,851
2026	341,786	54,065	395,851
2027-2031	1,846,235	133,019	1,979,254
Total	<b>\$ 3,471,113</b>	<b>\$ 487,394</b>	<b>\$ 3,958,507</b>

**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.

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 4 LONG TERM DEBT (CONTINUED)**

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>
2022	\$ 366,104	\$ 155,208	\$ 521,312
2023	387,783	133,883	521,666
2024	410,387	111,302	521,689
2025	433,953	87,409	521,362
2026	458,515	62,150	520,665
2027-2028	738,333	42,761	781,094
Total	<u>\$ 2,795,075</u>	<u>\$ 592,713</u>	<u>\$ 3,387,788</u>

**2021 Wastewater Revenue Refunding Bonds**

On January 27, 2021, the District issued Wastewater Revenue Refunding Bonds, Series 2021A in the amount of \$14,845,000 and Series 2021B in the amount of \$5,035,000 for the purpose of refunding \$24,668,470 of the outstanding balance of the funds borrowed from the California State Water Resources Control Board in November 2012 and again in September 2013 for the purpose of assisting the District in funding costs associated with the Fallbrook Wastewater Treatment Plan I Rehabilitation project which was completed in May 2016. The 2021A bonds were issued with an original issue premium of \$3,806,332, which will be amortized over the life of the bonds. The Series 2021A bonds mature annually from September 1, 2025 to September 1, 2035 with an interest rate of 4%. The Series 2021B bonds mature annually from September 1, 2021 to September 2025 with interest rates between .297% and 1.012%. The Series 2021A bonds maturing on or after September 1, 2032 are subject to option redemption. The Series 2021B bonds are not subject to option redemption.

The District has pledged all of the Net System Revenues derived from the operation of its wastewater systems for the debt service payment of the bond. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each fiscal year which are sufficient to yield Net Revenues which are at least equal to 100% of all operation and maintenance costs and all payments required to be payable from gross revenues and 120% of principal and interest of the bonds and any parity debt for each fiscal year.

The district refunded funds borrowed from the California State Water Resources Control Board to reduce its total debt service payments over 16 years by \$3,518,472 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,575,777.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 4 LONG TERM DEBT (CONTINUED)**

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>
2022	\$ 1,110,000	\$ 619,884	\$ 1,729,884
2023	1,115,000	616,022	1,731,022
2024	1,120,000	610,746	1,730,746
2025	1,130,000	603,575	1,733,575
2026	1,145,000	584,934	1,729,934
2027-2031	6,420,000	2,230,600	8,650,600
2032-2036	7,840,000	809,000	8,649,000
Total	<u>\$ 19,880,000</u>	<u>\$ 6,074,761</u>	<u>\$ 25,954,761</u>

**State Water Resources Control Board Loan**

On August 28, 2019, the District entered into a loan agreement with the State Water Resources Control Board (SWRCB) with a principal amount of \$53,334,000 and an interest of 1.9%. On January 31, 2020, the District entered into an amended loan agreement increasing the principal amount to \$62,935,855 and annual debt service payments of \$2,771,216. The proceeds from the loan are funding construction of the District's Santa Margarita Conjunctive Use Project water treatment plant. The new treatment plant will treat locally supplied water taken from the Santa Margarita River Basin in accordance with District's water rights. With the project under currently construction, only interest payments on the amount drawn are due to SMRCB. Debt service payments are due March 1 of each year and full debt service payments are expected to begin 2023. The loan's term is 30-years and the final payment will be made 3/1/2052.



FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 5 INVENTORY**

Inventory at June 30, 2021 consisted of the following:

Water Inventory	\$ 923,275
Materials Inventory	938,650
Total	\$ 1,861,925

**NOTE 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).

**A. General Information about the Pension Plan (Continued)**

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 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.

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
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The Plans' provisions and benefits in effect at June 30, 2020 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	2.0% to 2.5%	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

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FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 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.

Supplemental Plan Funding

In Fiscal year ended June 30, 2017, the District entered into a Section 115 Trust (Trust) agreement with the Public Agency Retirement Services (PARS), as the trust administrator and U.S. Bank National Association (US Bank) as the trustee. The Trust funds are available to the District to pay for pension related expenditures or reduce pension liabilities. On June 30, 2021, the market value of the funds held in the trust account was \$8,810,388. When evaluating the District’s pension funding level these funds should be taken into account.

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

As of June 30, 2021, 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>\$ 14,721,348</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, 2020, 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, 2020 rolled forward to June 30, 2021 using standard update procedures. The District’ 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.

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 6 PENSION PLANS (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The Fallbrook Public Utility District’s proportionate share of the net pension liability as of the measurement dates ended June 30, 2019 and 2020 was as follows:

	Miscellaneous
Proportion - June 30, 2019	0.34035%
Proportion - June 30, 2020	0.34901%
Change - Increase (Decrease)	0.00866%

For the year ended June 30, 2021, the District recognized pension expense of \$2,250,233. At June 30, 2021, 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	\$ 1,548,933	\$ -
Differences Between Actual and Expected Experience	758,638	-
Change in Assumptions	-	104,999
Change In Employer’s Proportion and Differences Between The Employer’s Contributions And The Employer’s Proportionate Share of Contributions	-	160,131
Net Differences Between Projected and Actual Earnings on Plan Investments	437,321	-
Total	<u>\$ 2,744,892</u>	<u>\$ 265,130</u>

\$1,548,933 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, 2021. 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
2022	\$ 45,248
2023	360,362
2024	315,462
2025	209,757
2026	-
Thereafter	-
Total	<u>\$ 930,829</u>

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 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, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures to roll forward the total pension liability to June 30, 2020. The total pension liability was based on the following:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

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.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 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 (Continued)

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.

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 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	\$ 21,844,846
Current Discount Rate	7.15%
Net Pension Liability	\$ 14,721,348
1% Increase	8.15%
Net Pension Liability	\$ 8,835,427

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, 2021, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The District administers its Public Agencies Post-Employment Health Care Plan (OPEB Plan), an agent multiple-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.

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Plan Description (Continued)**

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, 2021 is \$351,250. The District will pay for half (50%) of the retired employee’s monthly premium.

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. The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. On June 30, 2021, the PARS OPEB account’s market value was \$1,266,271.

**Employees Covered**

As of the June 30, 2020 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	62
Total	72

**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, 2020, the District made \$55,556 in payments made outside of the trust.

**Net OPEB Liability**

The District’s net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.



FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Actuarial Methods and Assumptions**

The total OPEB liability as of June 30, 2020 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, 2020
Measurement Date	June 30, 2020
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 reRurn, Net of Plan Investment Expense	6.00%
Healthcare Cost Trend Rates	5.50 percent for 2020-2023; 5.20 percent for 2024-2069; and decreasing 4.00 percent for 2070 and later years. Medicare: 3.50 percent for all years.
Mortality	Postretirement Mortality Rates for Public Agency Miscellaneous from 2017 CalPERS Experience Study.

**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.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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 6.0%;
- 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	Strategic Allocation	Real Rate of Return
Cash	0 - 20%	0%
Fixed Income	50%	1.5%
Equity	50%	4.4%

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 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, 2019	\$ 1,115,862	\$ 1,006,649	\$ 109,213
Changes in the Year:			
Service Cost **	58,287	-	58,287
Interest on the Total OPEB Liability	67,499	-	67,499
Differences between actual and actual experience	95,306	-	95,306
Changes in assumptions	8,321	-	8,321
Contribution - Employer	-	99,787	(99,787)
Net Investment Income	-	39,017	(39,017)
Administrative Expenses	-	(5,179)	5,179
Benefit Payments	(99,787)	(99,787)	-
Net Changes	129,626	33,838	95,788
Balance at June 30, 2020	\$ 1,245,488	\$ 1,040,487	\$ 205,001

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

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)****Change of Assumptions**

From the June 30, 2018 to the June 30, 2020 Valuation, the healthcare trend rate assumptions decreased by .5% (from 6% to 5.5%).

**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.

**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	\$ 289,393	\$ 205,001	\$ 127,662

**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 (4.50% decreasing to 3.00%) or 1 percentage point higher (6.50% decreasing to 5.00%), than the current healthcare cost trend rates:

	1% Decrease (4.50 percent for 2020- 2023, 4.20 percent for 2024-2069, and 3.00 percent for 2070+;2.50% at Medicare ages)	Current Healthcare Cost Trend Rates (5.50 percent for 2020- 2023, 5.20 percent for 2024-2069, and 4.00 percent for 2070+;3.50% at Medicare ages)	1% Increase (6.50 percent for 2020- 2023, 6.20 percent for 2024-2069, and 5.00 percent for 2070+;4.50% at Medicare ages)
Net OPEB Liability	\$ 109,969	\$ 205,001	\$ 313,792

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$87,392. At June 30, 2021, 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	\$ 134,400	\$ -
Differences Between Actual and Expected Experience	191,518	-
Change in Assumptions	7,268	(74,205)
Differences Between Projected and Actual Earnings	15,037	-
Total	<u>\$ 348,223</u>	<u>\$ (74,205)</u>

\$74,205 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, 2021.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 22,007
2023	23,846
2024	25,437
2025	25,835
2026	17,569
Thereafter	24,924

**Payable to the OPEB Plan**

At June 30, 2021, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 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), which arranges for and provides for various insurance programs 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.

At June 30, 2021, the District participated in ACWA/JPIA as follows:

Liability – General, Auto & Public Officials Errors & Omissions – ACWA/JPIA pools for the first \$5 million and purchases excess coverage up to \$55 million per occurrence, except terrorism \$5 million, subsidence \$35 million, lead \$35 million, and mold \$35 million.

Cyber Liability – Insured through Indian Harbor Insurance Company, with coverage limits of \$5 million per claim and \$5 million in the aggregate.

Property Program – ACWA/JPIA pools for the first \$100,000 and purchases excess coverage up to \$500 million, except for Boiler & Machinery \$100 million per occurrence, Earthquake \$2,500,000 program aggregate and Flood \$25 million. Deductibles are \$10,000 for real and personal property, \$10,000 for mobile equipment, licensed vehicles/trailers, \$25,000 for boiler and machinery, except \$50,000 if Turbine or Power Generation equipment, 5% of total insurable values for earthquake and \$100,000 for flood.

Crime Program – coverage limit of \$100,000 per loss, with a \$1,000 deductible.

Worker's Compensation and Employer's Liability Program – Worker's Compensation coverage limit up to California Statutory Limits. Employer's Liability coverage limit \$4 million program aggregate.

Dam Failure Liability – For Red Mountain Dam. Coverage limit of \$4 million 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.

FALLBROOK PUBLIC UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

At June 30, 2021, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Completion Date
Gum Tree Pipeline	\$ 470,000	January 2022
Overland Trail Lift Station Rehabilitation	125,000	December 2021
Recycled Air Vac	50,000	March 2022
Ross Lake PRS	60,000	August 2021
Toyon Pump Station	100,000	December 2022
SMRCUP	8,450,000	December 2021
Water Supply Reliability Project	500,000	October 2021

**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.

**COVID-19**

On January 30, 2020 the World Health Organization (WHO) announced a global health emergency based on an outbreak of a new strain of coronavirus (the COVID-19 outbreak) and the risks that are posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District's financial condition, liquidity, operations, and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the District's results of future operations and financial position in fiscal year 2021.

**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 SEGMENT INFORMATION**

The District reports one overall activity on its financial statements, however the District's identifiable activities include water services, recycled water services and wastewater services. On January 11, 2021 The District issued Wastewater Revenue Refunding Bonds (see note 4). The District has pledged all of the Net System Revenues derived from the operation of its wastewater systems for the debt service payment of the bond. For the purposes of reporting below the wastewater activity has been identified as a segment.

**Condensed Statement of Net Position**

Current Assets	\$ 4,126,346
Capital Assets	47,308,394
Other Assets and Deferred Outflows of Resources	897,003
Total Assets and Deferred Outflows of Resources	<u>52,331,743</u>
Current Liabilities	871,814
Long Term Debt	26,318,237
Net Pension and OPEB Liabilities	4,328,642
Deferred Inflows of Resources	98,407
Total Liabilities and Deferred Inflows of Resources	<u>31,617,100</u>
Net Investment in Capital Assets	20,990,157
Unrestricted	(275,514)
Net Position	<u>\$ 20,714,643</u>



**FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10 SEGMENT INFORMATION (CONTINUED)****Condensed Statement of Revenues, Expenses and Changes in Net Position**

Operating Revenues	
Wastewater Sales	\$ 5,994,424
Total Operating Revenues	<u>5,994,424</u>
Operating Expenses	
Operations and Maintenance	3,188,427
Administrative and General	2,207,487
Depreciation Expenses	2,832,969
Total Operating Expenses	<u>8,228,883</u>
Non operating Revenues (Expenses) and Transfers	
Property Taxes	1,069,872
Capital improvement Charges	1,171,245
Investment Income	71,912
Other Revenues	151,786
Interest Expense	(902,557)
Transfers	455,452
Total Nonoperating Revenues (Expenses) and Transfers	<u>2,017,710</u>
Changes in Net Position	(216,749)
Net Position, Beginning of Year	<u>20,931,392</u>
Net Position, End of Year	<u>\$ 20,714,643</u>

**Condensed Statement of Cash Flows**

Cash Flows from Operating Activities	\$ 1,225,091
Cash Flows from Noncapital Financing Activities	1,069,872
Cash Flows from Capital and Related Financing Activities	(3,911,349)
Cash Flows from Investing Activities	<u>71,914</u>
Net Increase (decrease) in Cash and Cash Equivalents	(1,544,472)
Cash and Cash Equivalents, Beginning of Year	<u>4,839,266</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,294,794</u>

\* Investment income excludes the mark-to-market investment gain and investment earnings on the District's 115 Trust.

FALLBROOK PUBLIC UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 11 SUBSEQUENT EVENTS**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through **November XX, 2021**, the date the financial statements were available to be issued.

DRAFT For Review Only

**FALLBROOK PUBLIC UTILITY DISTRICT  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
 DEFINED BENEFIT PENSION PLANS  
 FOR THE LAST TEN FISCAL YEARS\***

Schedule of the Proportionate Share of the Net Pension Liability  
 For the Last Ten Fiscal Years\*

	2021	2020	2019	2018	2017	2016
<b>Classic &amp; PEPR Miscellaneous Plan</b>						
Plan's Proportion of the Net Pension Liability	0.34901%	0.13301%	0.13015%	0.12853%	0.12729%	0.12295%
Plan's Proportionate Share of the Net Pension Liability	\$ 14,721,348	\$ 13,629,333	\$ 12,541,929	\$ 12,746,294	\$ 11,014,856	\$ 8,439,096
Covered Payroll	\$ 5,448,979	\$ 5,179,369	\$ 5,216,869	\$ 5,271,090	\$ 4,743,986	\$ 4,753,842
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	270.17%	263.15%	240.41%	241.82%	232.19%	177.52%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.50%	75.26%	75.26%	73.31%	74.06%	78.40%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 1,733,944	\$ 1,640,356	\$ 1,410,070	\$ 1,335,205	\$ 1,234,176	\$ 1,177,856

**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 expenses. 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 was net 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.

From fiscal year June 30, 2019 to June 30, 2020  
 There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021  
 There were no changes in assumptions.

**FALLBROOK PUBLIC UTILITY DISTRICT  
SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLANS  
FOR THE LAST TEN FISCAL YEARS\***

	2021	2020	2019	2018	2017	2016
Contribution Deficiency (Excess)	\$ 1,548,933	\$ 1,407,555	\$ 1,224,180	\$ 1,081,154	\$ 968,372	\$ 870,680
Contributions in relation to the actuarially determined contributions	<u>1,548,933</u>	<u>1,407,555</u>	<u>1,224,180</u>	<u>1,081,154</u>	<u>968,372</u>	<u>870,680</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 5,394,615	\$ 5,448,979	\$ 5,179,369	\$ 5,216,869	\$ 5,271,090	\$ 4,743,986
Contributions as a Percentage of Covered Payroll	28.71%	25.83%	23.64%	20.72%	18.37%	18.35%

*Notes to Schedule:*

Valuation Date	6/30/2019	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>						
Actuarial Cost Method	Entry age**					
Amortization Method	Level percentage of payroll, closed**					
Asset Valuation Method	Market Value***					
Inflation	2.50%**					
Salary Increases	Depending on age, service, and type of employment**					
Investment Rate of Return	7.15%, 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 Board.**					

- \* - Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.
- \*\* - The valuations for June 30, 2012 through June 30, 2019 (applicable to fiscal years ended June 30, 2015 through June 30, 2021) 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).

**FALLBROOK PUBLIC UTILITY DISTRICT  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
FOR THE LAST TEN FISCAL YEARS\***

Fiscal Year End	6/30/2021	6/30/2020	6/30/2019
Measurement Date	6/30/2020	6/30/2019	6/30/2018
<b>Total OPEB Liability:</b>			
Service Cost	\$ 58,287	\$ 57,291	\$ 63,116
Interest on Total OPEB Liability	67,499	62,409	39,301
Difference Between Expected and Actual Experience	95,306	-	178,893
Changes of Assumptions	8,321	-	(122,601)
Benefit Payments, Including Refunds of	(99,787)	(86,699)	(115,569)
Net Change in Total OPEB Liability	129,626	33,001	43,140
Total OPEB Liability - Beginning of Year	1,115,862	1,082,861	1,039,721
Total OPEB Liability - End of Year (a)	1,245,488	1,115,862	1,082,861
<b>Plan Fiduciary Net Position:</b>			
Contributions - Employer	99,787	86,699	268,569
Net Investment Income	39,016	61,267	40,802
Administrative Expenses	(5,179)	(2,402)	(1,970)
Benefit Payments	(99,787)	(86,699)	(115,569)
Net Change in Plan Fiduciary Net Position	33,837	58,865	191,832
Plan Fiduciary Net Position - Beginning of Year	1,006,649	947,784	755,952
Plan Fiduciary Net Position - End of Year (b)	1,040,486	1,006,649	947,784
Net OPEB Liability - Ending (a)-(b)	\$ 205,002	\$ 109,213	\$ 135,077
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	83.54%	90.21%	87.53%
Covered - Employee Payroll	\$ 5,448,979	\$ 5,179,369	\$ 5,216,869
Net OPEB Liability as Percentage of Covered - Employee Payroll	3.76%	2.11%	2.59%

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 four years are shown.

**FALLBROOK PUBLIC UTILITY DISTRICT  
SCHEDULE OF CONTRIBUTIONS – OPEB  
FOR THE LAST TEN FISCAL YEARS\***

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Actuarially Determined Contribution	\$ 73,456	\$ 66,239	\$ 72,529
Contributions in Relation to the Actuarially Determined Contributions	<u>(134,400)</u>	<u>(99,786)</u>	<u>(67,197)</u>
Contribution Deficiency (Excess)	<u>\$ (60,944)</u>	<u>\$ (33,547)</u>	<u>\$ 5,332</u>
Covered- Employee Payroll	\$ 5,394,615	\$ 5,448,979	\$ 5,179,369
Contributions as a Percentage of Covered-Employee Payroll	1.36%	1.22%	1.40%

Notes to Schedule:

Valuation Date	6/30/2020	6/30/2018	6/30/2018
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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	6.00%
Healthcare Cost Trend Rate	5.50% for 2020-2023; 5.20% for 2024-69; 4.00% for 2070; and later years. Medicare years.
Mortality	Preretirement mortality rates for Public Agency Miscellaneous from 2017 CalPER Study.

\* Fiscal year 2018 was the first year of implementation; therefore, four 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  
SCHEDULE OF OPERATING INCOME AND EXPENSES**

**YEAR ENDED JUNE 30, 2021**

	Water	Recycled Water	Wastewater	Total
<b>Operating Revenues:</b>				
Water Sales	\$ 25,429,014	\$ -	\$ -	\$ 25,429,014
Recycled Water Sales	-	1,088,163	-	1,088,163
Wastewater Sales	-	-	5,994,424	5,994,424
Total Operating Revenues	<u>25,429,014</u>	<u>1,088,163</u>	<u>5,994,424</u>	<u>32,511,601</u>
<b>Operating Expenses:</b>				
Cost of Water Sold	13,955,908	-	-	13,955,908
Operations and Maintenance	3,330,054	378,419	3,188,426	6,896,899
Customer Accounts	-	-	-	-
Administrative and General Expenses	4,036,548	63,071	2,207,486	6,307,105
Total Operating Expenses				
Before Depreciation	21,322,510	441,490	5,395,912	27,159,912
Depreciation Expense	3,879,882	60,422	2,832,969	6,773,273
Total Operating Expenses	<u>25,202,392</u>	<u>501,912</u>	<u>8,228,881</u>	<u>33,933,185</u>
Operating Income (Loss)	<u>\$ 226,622</u>	<u>\$ 586,251</u>	<u>\$ (2,234,457)</u>	<u>\$ (1,421,584)</u>

**YEAR ENDED JUNE 30, 2020**

	Water	Recycled Water	Wastewater	Total
<b>Operating Revenues:</b>				
Water Sales	\$ 21,940,234	\$ -	\$ -	\$ 21,940,234
Recycled Water Sales	-	1,059,305	-	1,059,305
Wastewater Sales	-	-	5,931,468	5,931,468
Total Operating Revenues	<u>21,940,234</u>	<u>1,059,305</u>	<u>5,931,468</u>	<u>28,931,007</u>
<b>Operating Expenses:</b>				
Cost of Water Sold	12,663,006	-	-	12,663,006
Operations and Maintenance	3,984,938	433,945	3,286,965	7,705,848
Administrative and General Expenses	3,985,541	63,499	2,178,369	6,227,409
Total Operating Expenses				
Before Depreciation	20,633,485	497,444	5,465,334	26,596,263
Depreciation Expense	3,759,996	60,201	2,817,799	6,637,996
Total Operating Expenses	<u>24,393,481</u>	<u>557,645</u>	<u>8,283,133</u>	<u>33,234,259</u>
Operating Income (Loss)	<u>\$ (2,453,247)</u>	<u>\$ 501,660</u>	<u>\$ (2,351,665)</u>	<u>\$ (4,303,252)</u>

# STATISTICAL SECTION

**Financial Position ..... 69-71**

These tables show the District’s financial position over the reporting period.

**District Operations ..... 72-86**

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

**Debt Capacity ..... 86-87**

These tables show the District’s debt capacity and ability to meet its debt service coverage requirements.

**Demographic and Economic Information ..... 88**

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.



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Table #1 - Net Positions

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
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	81,264,522	9,477,694	6,465,333	97,207,549
2020	82,199,752	10,188,202	6,316,800	98,704,754
2021	83,368,399	10,340,855	10,112,885	103,822,139

Source: Fallbrook Public Utility District

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

	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
<b>Changes in Net Position:</b>			
Operating Revenues (See Schedule 2)	\$ 23,661,715	\$ 27,582,160	\$ 28,955,183
Operating Expenses (See Schedule 3)	(26,140,572)	(28,007,733)	(33,062,764)
Other Operating Revenues	279,560	439,560	681,876
<b>Operating Income (loss)</b>	<b>\$ (2,199,297)</b>	<b>\$ 13,987</b>	<b>\$ (3,425,705)</b>
<b>Non-Operating Revenues (expenses)</b>			
Property Taxes Ad-Valorem	\$ 1,552,911	\$ 1,582,219	\$ 1,623,510
Capital Improvement Charges	414,910	1,252,501	1,981,822
California Solar Initiative Rebate	534,835	779,786	843,714
Investment income	87,217	30,507	209,175
Water Availability Charges	200,906	201,037	200,779
Lease Revenue	177,095	181,100	183,641
Intergovernmental Revenue - Federal Interest Subsidy	-	-	-
Connection Fees	190,932	247,607	118,581
Federal Grants	-	-	-
SDCWA Rate Refund	-	-	-
Gain (Loss) on disposal of capital assets	29,976	3,550	-
Other Non-Operating Revenues	79,285	77,458	140,396
Other Non-Operating Expenses	(294,462)	(291,721)	(344,730)
<b>Total Non-Operating Revenues(expenses), net</b>	<b>\$ 2,973,605</b>	<b>\$ 4,064,044</b>	<b>\$ 4,956,888</b>
<b>Net income Before Capital Contributions</b>	<b>\$ 774,308</b>	<b>\$ 4,078,031</b>	<b>\$ 1,531,183</b>
Capital Contributions	273,825	595,205	76,746
Capital Grant - Proposition 50	338,331	-	828,598 <sup>(1)</sup>
Capital Grant - Proposition 84	-	-	-
Extraordinary Items	-	-	-
<b>Changes in Net Position</b>	<b>\$ 1,386,464</b>	<b>\$ 4,673,236</b>	<b>\$ 2,436,527</b>
<b>Net Position</b>			
<b>Beginning, as restated</b>	<b>\$ 70,773,038</b>	<b>\$ 72,159,502</b>	<b>\$ 76,678,353</b>
Adjustments to restate balance	-	(154,385)	-
<b>Ending, as restated</b>	<b>\$ 72,159,502</b>	<b>\$ 76,678,353</b>	<b>\$ 79,114,880</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

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

Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
\$ 27,483,881 (28,604,249)	\$ 25,356,017 (27,144,267)	\$ 27,256,065 (29,890,177)	\$ 29,882,022 (33,319,799)	\$ 26,944,550 (31,708,417)	\$ 28,931,007 (33,234,259)	\$ 32,511,601 (33,933,185)
-	-	-	-	-	-	-
<b>\$ (1,120,368)</b>	<b>\$ (1,788,250)</b>	<b>\$ (2,634,112)</b>	<b>\$ (3,437,777)</b>	<b>\$ (4,763,867)</b>	<b>\$ (4,303,252)</b>	<b>\$ (1,421,584)</b>
\$ 1,719,296 2,134,025 729,519 141,433 200,810 185,770 206,584 208,521 - - (444,252) 162,913 (847,725)	\$ 1,815,734 2,224,529 740,125 324,126 200,808 185,220 185,040 131,894 - - (551,281) 91,361 (916,212)	\$ 1,889,808 2,283,558 234,930 63,861 200,730 166,012 238,765 238,124 - - - 32,729 (1,174,011)	\$ 1,984,543 2,476,452 - 18,188 229,400 178,602 145,338 411,774 - - (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)	\$ 2,205,975 2,559,135 - 920,135 204,418 249,092 123,762 107,107 - - (31,450) - (910,224)	\$ 2,340,185 2,604,061 - 1,543,078 208,842 251,047 112,207 149,650 - 909,413 38,100 - (1,665,457)
<b>\$ 4,396,894</b>	<b>\$ 4,431,344</b>	<b>\$ 4,174,506</b>	<b>\$ 4,211,886</b>	<b>\$ 14,675,198</b>	<b>\$ 5,427,950</b>	<b>\$ 6,491,127</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>	<b>\$ 1,124,698</b>	<b>\$ 5,069,543</b>
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 - - -	372,507 - - -	47,842 - - -
<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>\$ 1,497,205</b>	<b>\$ 5,117,385</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> 1,139,122	<b>\$ 97,207,549</b> -	<b>\$ 98,704,754</b> -
<b>\$ 75,034,991</b>	<b>\$ 79,309,852</b>	<b>\$ 85,168,437</b>	<b>\$ 86,083,307</b>	<b>\$ 97,207,549</b>	<b>\$ 98,704,754</b>	<b>\$ 103,822,139</b>

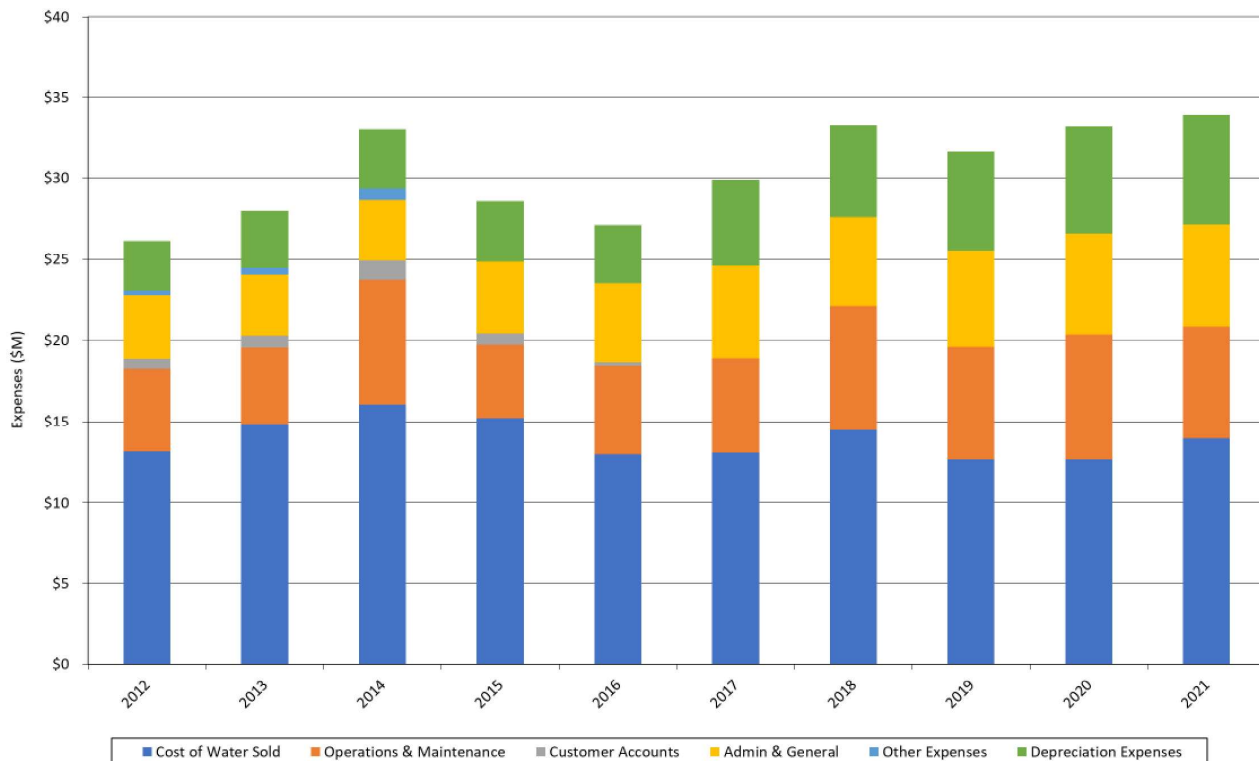
**Table #3 - Operating Expenses by Activity (Last Ten Fiscal Years)**

Fiscal Year	Water				
	Cost of Water Sold	Operations & Maintenance	Customer Accounts	Admin & General <sup>(1)</sup>	Other Expenses
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	203,260	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
2020	12,663,006	3,984,938	N/A	3,985,541	N/A
2021	13,955,908	3,330,054	N/A	4,036,548	N/A

Note: (1) - General and administration costs are allocated as follows: 64% water, 35% wastewater, and 1% recycled water.

Source: Fallbrook Public Utility District

**Chart #1 - Operating Expenses by Activity**



Source: Fallbrook Public Utility District

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

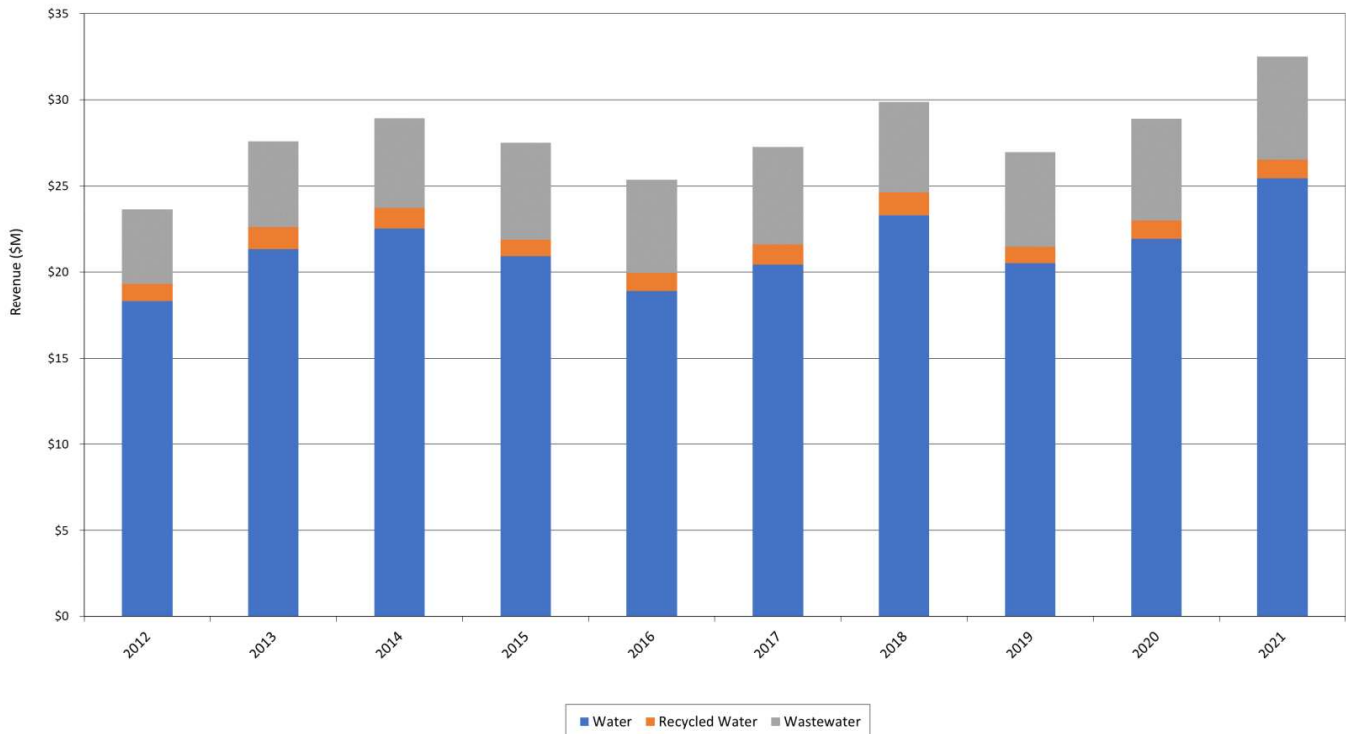
Recycled				Wastewater			Depreciation Expenses	Total Operating Expenses
Cost of Water Sold	Operations & Maintenance	Admin & General <sup>(1)</sup>	Other Expenses	Operations & Maintenance	Admin & General <sup>(1)</sup>	Other Expenses		
\$ 492,962	\$ 53,275	\$ 156,733	\$ 79,560	\$ 2,494,189	\$ 1,606,509	\$ 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	N/A	2,296,712	1,763,527	N/A	3,776,494	28,604,249
146,128	N/A	242,623	N/A	2,709,284	2,038,033	N/A	3,640,118	27,144,267
N/A	622,997	346,173	N/A	2,173,738	2,392,389	N/A	5,294,310	29,890,177
N/A	693,972	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
N/A	433,945	63,499	N/A	3,286,965	2,178,369	N/A	6,637,996	33,234,259
N/A	378,419	63,071	N/A	3,188,426	2,207,486	N/A	6,773,273	33,933,185

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	
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	26,944,550
2020	14,040,914	6,782,468	1,116,852	949,040	51,745	58,520	5,924,878	6,590	28,931,007
2021	17,115,866	7,237,052	1,076,096	1,029,394	53,769	5,000	5,993,042	1,382	32,511,601

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
2012	\$ 3.51	\$ 4.04	\$ 4.45	\$ 3.51	\$ 4.04	\$ 4.04	\$ 2.81	\$ 3.45
2013	3.86	4.44	4.89	3.86	4.44	4.44	3.05	3.86
2014	4.03	4.64	5.11	4.03	4.64	4.64	3.14	4.06
2015	4.19	4.61	5.08	4.19	4.61	4.61	3.14	4.06
2016	4.38	4.82	5.31	4.38	4.82	4.82	3.18	4.28
2017	5.21	5.74	6.32	5.21	5.74	5.74	3.65	4.97
2018	5.62	5.71	6.95	5.79	5.79	5.70	4.17	4.83
2019	5.96	6.05	7.37	6.14	6.14	6.04	4.42	5.12
2020	6.44	6.53	7.96	6.63	6.63	6.52	4.77	5.53
2021	6.83	6.92	8.44	7.03	7.03	6.91	5.06	5.86

\*Kgal = 1,000 gal

Note: (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	¾" Meter	1" Meter	1½" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
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	1,240.26	*Variable
2020	50.49	77.08	143.51	223.25	435.86	675.05	1,339.48	*Variable
2021	53.52	81.70	152.12	236.65	462.01	715.55	1419.85	*Variable

\* Standby rates are based on meter size

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	¾" Meter	1" Meter	1½" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
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	57.62	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	1,240.26	*Variable
2020	50.49	77.08	143.51	223.25	435.86	675.05	1,339.48	*Variable
2021	53.52	81.70	152.12	236.65	462.01	715.55	1,419.85	*Variable

\* Standby rates are based on meter size

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

Source: Fallbrook Public Utility District

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

Fiscal Year	¾" Meter	1" Meter	1½" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
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
2020	9.47	15.78	31.56	50.49	100.98	157.79	315.57	*Variable
2021	9.77	16.27	32.55	52.07	104.14	162.72	325.43	*Variable

\* Standby rates are based on meter size

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

Source: Fallbrook Public Utility District

**Table #9 - Sewer Rates by Customer Class (2012 - 2021)**

	2012	2013	2014	2015	2016	2017	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021 <sup>(1)</sup>
<b>Fixed Rates (by meter size) (\$/month)</b>										
3/4"	\$ 12.15	\$ 12.69	\$ 13.19	\$14.10	\$ 14.23	\$ 16.12	B Y EDU \$9.28/ EDU	B Y EDU \$9.70/ EDU	B Y EDU \$10.14/ EDU	B Y EDU \$10.60/ EDU
1"	18.33	19.23	19.95	21.23	21.55	24.01				
1 1/2"	33.79	35.59	36.86	39.06	39.86	43.75				
2"	52.35	55.23	57.15	60.46	61.84	67.42				
3"	95.63	101.03	104.49	110.38	113.14	122.67				
4"	157.48	166.47	172.12	181.70	186.36	201.60				
6"	312.08	330.06	341.20	359.99	369.49	398.91				
<b>Billable Flow Rates <sup>(2)</sup> (\$/Kgal)</b>										
Single Family Residence, Ag Domestic, Multi - Family	\$ 6.72	\$ 7.64	\$ 7.64	\$ 7.64	\$ 8.21	\$ 8.77	\$ 9.44	\$ 9.86	\$ 10.32	\$ 10.79
Low -Strength Commercial, Schools, Churches	10.09	11.54	11.54	11.54	12.35	13.27	9.37	9.79	10.25	10.72
Medium Strength Commercial	10.09	11.54	11.54	11.54	12.35	13.27	11.57	12.09	12.65	13.22
High Strength Commercial	16.83	19.35	19.35	19.35	20.63	22.28	14.44	15.09	15.77	16.48

Notes:

(1) - Rates switched from fiscal year to calendar year January 1, 2018.

(2) - Billable flow rates are calculated based upon water usage adjusted for outdoor use.

Source: Fallbrook Public Utility District

**Table #10 - Monthly Sewer Capital Improvement Charge (CIC) (\$/month)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Per EDU	N/A	\$ 8.00	\$ 10.00	\$ 10.44	\$ 10.70	\$ 10.84	\$ 11.16	\$ 11.53	\$ 11.62	\$ 11.63

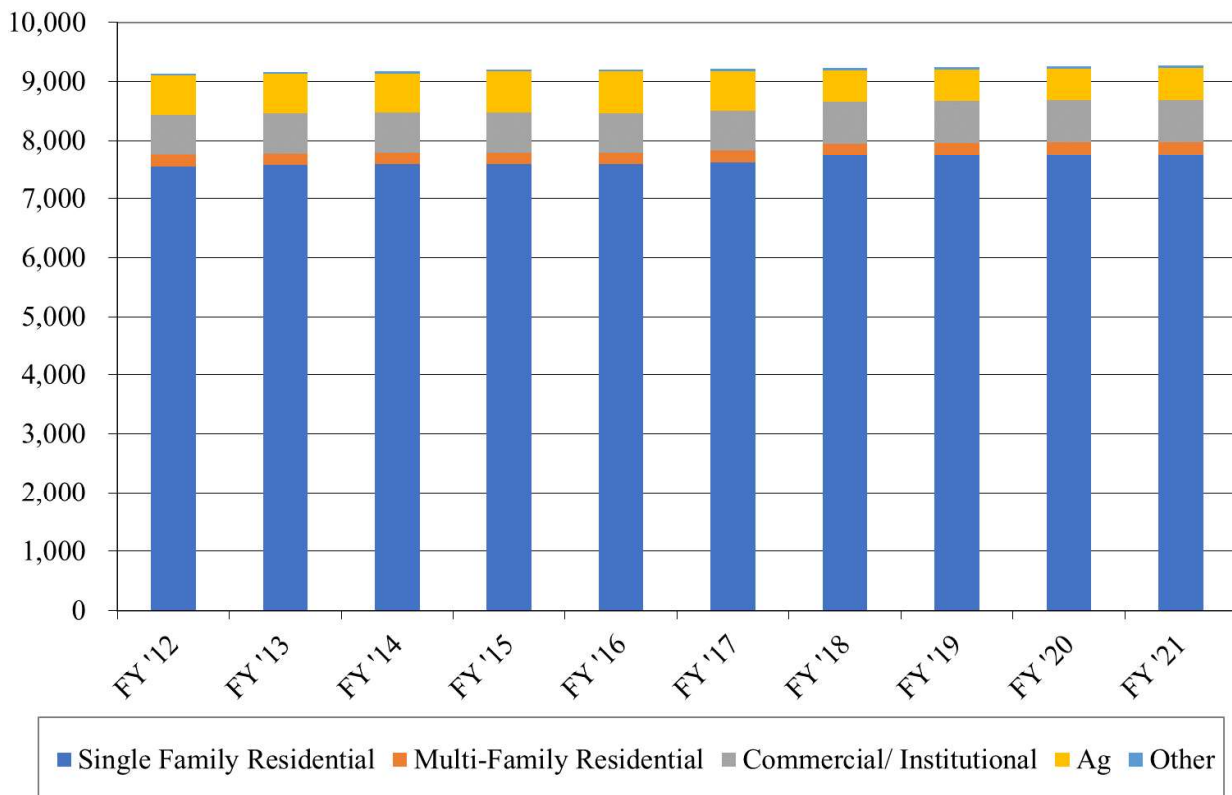
Source: Fallbrook Public Utility District

Table #11 - Number of Water Customers by Type

As of June 30	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Ag	Other	Total
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
2020	7,755	216	712	535	41	9,259
2021	7,757	218	711	543	41	9,270

Source: Fallbrook Public Utility District

Chart #3 - Number of Water Customers by Type



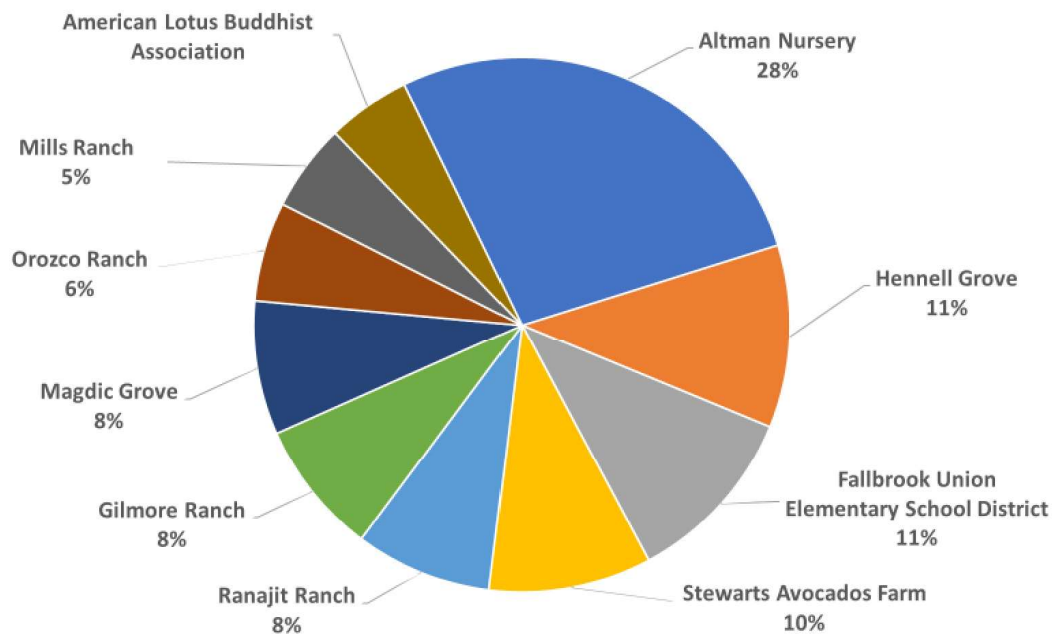
Source: Fallbrook Public Utility District

Table #12 - Top Ten Water Customers

Fiscal Year 2012			Fiscal Year 2021		
Customer	Annual Usage (Kgal)	Percent of Total	Customer	Annual Usage (Kgal)	Percent of Total
Ross Ranch	109,434	2.97%	Altman Nursery	74,659	2.78%
Chandler Ranch	91,859	2.49%	Hennell Grove	30,033	1.12%
Lilac 124 Inc	71,821	1.95%	Fallbrook Union Elementary School District	29,830	1.11%
Color Spot Nursery	40,725	1.11%	Stewarts Avocados Farm	26,709	1.00%
Eco Farms	40,721	1.11%	Ranjit Ranch	22,469	0.84%
Serafina Holdings	27,528	0.75%	Gilmore Ranch	22,215	0.83%
Magdic Grove	27,376	0.74%	Magdic Grove	22,074	0.82%
Sparrow Hawk Ranch	26,160	0.71%	Orozco Ranch	16,315	0.61%
Hennell Grove	25,154	0.68%	Mills Ranch	14,414	0.54%
Brown Ranch	23,884	0.65%	American Lotus Buddhist Association	13,701	0.51%
<b>Total Top 10 Customers</b>	<b>484,662</b>	<b>13.16%</b>	<b>Total Top 10 Customers</b>	<b>272,419</b>	<b>10.16%</b>
<b>Total All Other Water Customers</b>	<b>3,198,937</b>	<b>86.84%</b>	<b>Total All Other Water Customers</b>	<b>2,409,106</b>	<b>89.84%</b>
<b>Total Water Consumed</b>	<b>3,683,599</b>	<b>100.00%</b>	<b>Total Water Consumed</b>	<b>2,681,525</b>	<b>100.00%</b>

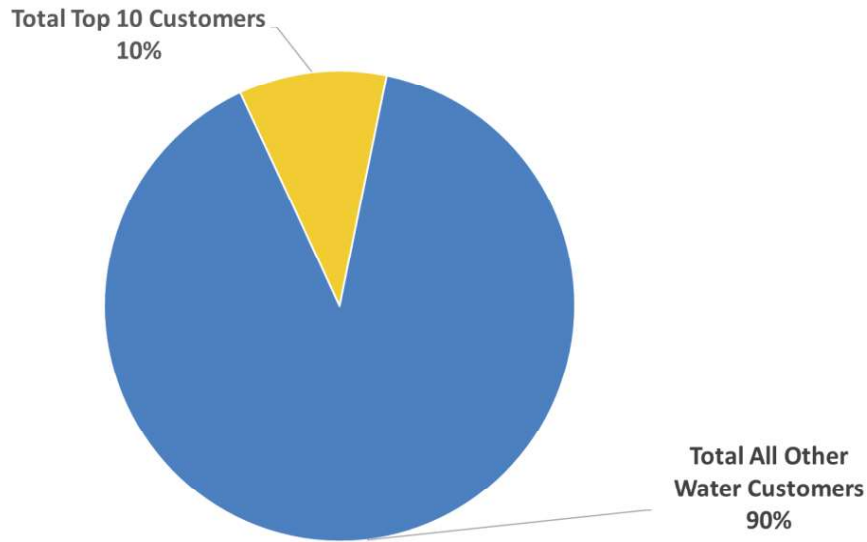
Source: Fallbrook Public Utility District

Chart #4 - Top Ten Water Customers and their Relative Consumption Fiscal Year 2021



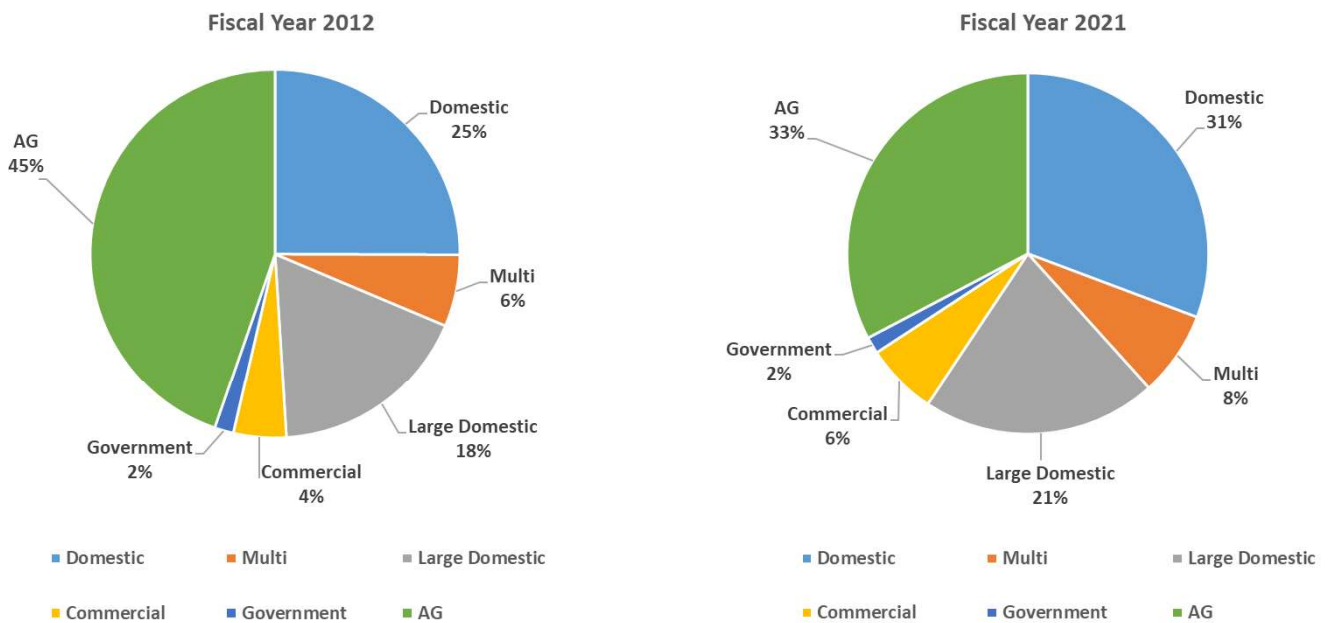
Source: Fallbrook Public Utility District

Chart #5 - Total Water Consumed Fiscal Year 2021



Source: Fallbrook Public Utility District

Chart #6 - Breakdown of Water Sales by Customer Class for Fiscal Year 2012 vs Fiscal Year 2021



Source: Fallbrook Public Utility District

**Table #13 - Water System**

Fiscal Year	Miles of Water Mains	Service Connections	Annual Production (G)	Average Daily Production (gpd)
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
2020	269.36	9,262	2,602,343,841	7,129,709
2021	270.44	9,275	2,905,874,048	7,961,299

Source: Fallbrook Public Utility District

**Table #14 - Water System Total Production<sup>(1)</sup>**

Fiscal Year	Total Used/Prod. (AF)	HCF
2012	12,892.60	5,616,016.56
2013	12,764.30	5,560,129.08
2014	12,822.40	5,585,437.44
2015	10,211.00	4,447,911.60
2016	9,930.80	4,325,856.48
2017	9,559.40	4,164,074.64
2018	10,090.30	4,395,334.68
2019	8,238.60	3,588,734.16
2020	7,986.30	3,478,832.28
2021	8,917.80	3,884,593.68

Note: (1) - Total Production before system losses.

Source: Fallbrook Public Utility District

**Table #15 - Sewer System**

Fiscal Year	Miles of Sewer Lines	Service Connections	Annual Sewerage (G)	Daily Sewerage (GD)
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	556,424,471.00	1,524,450.00
2020	79.14	5,011	551,861,979.40	1,511,950.63
2021	79.14	5,029	551,882,461.86	1,512,006.74

Source: Fallbrook Public Utility District

**Table #16 - Sewer System Influent Flow**

Fiscal Year	Total Used/Prod. (AF)
2012	1,968.83
2013	1,883.86
2014	1,873.30
2015	1,997.62
2016	1,639.42
2017	1,706.45
2018	1,592.26
2019	1,707.60
2020	1,693.60
2021	1,693.70

Source: Fallbrook Public Utility District

**Table #17 - Recycled Water System**

Fiscal Year	Miles of Recycled Pipes	Service Connections	Used Annual Recycled Water (AF) <sup>(1)</sup>	Daily Usage (MGD)
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
2020	10.53	30	559.89	0.5
2021	10.53	30	556.54	0.5

Note: (1) - Includes water not billed at full rate  
 Source: Fallbrook Public Utility District

**Table #18 - Recycled Water System Production**

Fiscal Year	Total Prod./Disposed (AF)
2012	1,871.49
2013	1,712.16
2014	1,658.86
2015	1,724.80
2016	1,534.02
2017	1,556.36
2018	1,492.51
2019	1,617.50
2020	1,656.50
2021	1,619.20

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 #19- Annual RW Production and WRP Influent Flow**

	Recycled Water (Acre-Feet)				WRP Influent Flow (Acre-Ft)
	Annual Production	Daily Average Production	Total Used Production	Total Disposed	
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	1,617.50	4.43	562.70	1,054.80	1,707.60
2020	1,656.50	4.54	559.90	1,096.60	1,693.60
2021	1,619.20	4.44	556.50	1,062.70	1,693.70

Source: Fallbrook Public Utility District

**Table #20 - Full Time Equivalent (FTE) Employees by Function**

Fiscal Year	Water Services	Wastewater Services	Recycled Water Services	General & Administrative	Total FTE Employees
2012	23	14	5	2 .8	71.8
2013	22	14	6	.8	70.8
2014	21	13	6	2 .8	67.8
2015	21	13	5	2 .8	67.8
2016	20	13	5	2 .8	66.8
2017	23	12	5	2 .8	67.8
2018	24	15.2	2.8	25.8	67.8
2019	24	15.2	2.8	25.8	67.8
2020	25	15.2	2.8	24.8	67.8
2021	25	15.2	2.8	23.8	66.8

Source: Fallbrook Public Utility District

**Table #21 -Assessed Valuation of Taxable Property**

Fiscal Year	Secured				Unsecured		Total Assessed Value
	Water		Sewer		Water	Sewer	
	Local Assessed	State Assessed	Local Assessed	State Assessed			
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	5,998,169,752
2019	3,895,955,738	-	2,337,209,037	-	41,211,234	35,075,356	6,309,451,365
2020	4,078,331,287	-	2,463,512,540	-	41,515,562	35,305,514	6,618,664,903
2021	4,268,726,975	-	2,583,369,560	-	42,961,480	37,819,020	6,932,877,035

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

**Table #22 -Property Tax**

Fiscal Year	Current Year Levy <sup>(1)</sup>			Revenues Collected <sup>(2)</sup>			Uncollected Collected			Percent Uncollected
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total	
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%
2020	1,169,224	1,079,727	2,248,951	1,154,850	1,066,408	2,221,258	14,374	13,319	27,693	1.2%
2021	1,221,575	1,131,688	2,353,264	1,205,539	1,116,772	2,322,312	16,036	14,916	30,952	1.3%

Notes:

(1) - Total levy including penalties before administrative fees.

(2) - Amount before administrative and other fees deducted.

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

**Table #23 -Top 10 Taxpayers in Improvement District "S"**

Rank	Property Owner	Primary Land Use	FY 2020-21 Assessed Value	% of Total Assessed Value
1	Fallbrook GR F2 LLC	Shopping Center	\$ 24,249,581	0.93%
2	Albertsons LLC	Supermarket	20,271,577	0.78%
3	Americare Health & Retirement LLC	Assisted Living Facility	19,604,487	0.75%
4	Pine View Preservation LP	Apartments	16,000,000	0.62%
5	CPI/GV Crestview Estates Owner LLC	Mobile Home Park	14,280,000	0.55%
6	Efren R. Cota Ltd.	Apartments	13,246,530	0.51%
7	Axelgaard Manufacturing Co. Ltd.	Industrial	12,969,989	0.50%
8	Sheryl A. Hailey	Residential Properties	12,948,177	0.50%
9	Fallbrook Medical Arts LLC	Medical Offices	11,284,353	0.43%
10	Hampton Family Trust	Residential Properties	10,198,336	0.39%
Total Top Ten Taxpayers			155,053,030	5.97%
Total 2020-21 Local Assessed Value			2,597,985,251	100%

Source: California Municipal Statistics

**Table #24 -Pledged-Revenue Debt Service Coverage Ratio**

Fiscal Year	Total Operating Revenues	Total Operating Expenses <sup>(1)</sup>	Non-Operating Revenue <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service	Coverage Ratio	Required Coverage Level
2012	\$ 23,661,715	\$ 23,061,268	\$ 3,268,067	\$ 3,868,514	\$ 1,567,663	2.47	1.20
2013	27,582,160	24,448,790	4,355,765	7,489,135	1,490,434	5.02	1.20
2014	28,955,183	29,357,533	5,301,618	4,899,268	1,414,198	3.46	1.20
2015	27,483,881	25,591,207	5,482,287	7,374,961	1,319,031	5.59	1.20
2016	25,356,017	24,281,233	5,898,837	6,973,621	1,302,876	5.35	1.20
2017	27,256,065	25,384,395	5,348,517	7,220,187	2,756,731	2.62	1.20
2018	29,882,022	27,626,075	5,170,901	7,426,848	2,758,501	2.69	1.20
2019	26,944,550	25,549,828	<sup>(3)</sup> 6,246,867	6,731,623	2,760,019	2.44	1.20
2020	28,931,007	26,596,263	6,338,174	7,762,694	2,761,290	2.81	1.20
2021	32,511,601	27,159,912	8,156,584	11,842,816	3,101,093	3.82	1.20

Source: Fallbrook Public Utility District

Notes:

(1) - Excludes depreciation

(2) - Excludes debt interest expenses

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

**Table #25 Computation of Direct and Overlapping Debt (As of 06/30/2021)**

**2020-21 Assessed Valuation: \$4,311,688,455**

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt (6/30/21)	% Applicable <sup>(1)</sup>	District's Share of Debt (6/30/21)
Metropolitan Water District	\$ 26,830,000	0.132%	\$ 35,416
Palomar Community College District	650,751,375	3.194	20,784,999
Bonsall Unified School District	9,282,673	0.496	46,042
Fallbrook Union High School District	19,800,000	63.632	12,599,136
Fallbrook Union School District	14,694,476	67.425	9,907,750
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 43,373,343</b>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	\$ 211,585,000	0.736%	\$ 1,557,266
San Diego County Pension Obligation Bonds	400,125,000	0.736	2,944,920
San Diego County Superintendent of Schools Certificates of Participation	8,585,000	0.736	63,186
Palomar Community College District Certificates of Participation	1,560,000	3.194	49,826
Bonsall Unified School District Certificates of Participation	6,850,000	0.496	33,976
<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>\$ 4,649,174</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$ 0</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$ 48,022,517</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$ 48,022,517 <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 2020-21 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.01%
<b>Total Direct Debt</b>	<b>0.00%</b>
Combined Total Debt	1.11%

Source: California Municipal Statistics Inc.

**Table #26 - San Diego County Principal Employers**

Fiscal Year 2012			Fiscal Year 2020 <sup>(1)</sup>		
Employer Name	Number of Employees	% of Total County Employment	Employer Name	Number of Employees	% of Total County Employment
Federal Government	45,500	3.14%	Naval Base San Diego	41,111	2.89%
State of California	42,900	2.96%	University of California, San Diego	40,088	2.82%
University of California, San Diego	27,391	1.89%	Sharp Healthcare	19,148	1.35%
County of San Diego	15,687	1.08%	County of San Diego	17,929	1.26%
Sharp Healthcare	15,231	1.05%	San Diego Unified School District	14,020	0.99%
San Diego Unified School District	14,603	1.01%	Scripps Health	13,254	0.93%
Scripps Health	14,097	0.97%	City of San Diego	11,598	0.82%
Qualcomm Inc.	11,400	0.79%	Qualcomm Inc.	11,050	0.78%
City of San Diego	10,057	0.69%	Kaiser Permanente	9,653	0.68%
Kaiser Permanente	7,731	0.53%	San Diego Community College District	6,804	0.48%
Total Top Ten County Employers	204,597	14.10%	Total Top Ten County Employers	184,655	13.00%
All Other County Employers	1,246,003	85.90%	All Other County Employers	1,235,745	87.00%
Total County Employment	1,450,600	100.00%	Total County Employment	1,420,400	100.00%

Sources: San Diego Business Journal; California Labor Market Info; Avenu Insights and Analytics, LLC

Note: (1) Data for FY 2021 not available as of publication date. Data shown is for the most recently available version.

**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>(1) (2)</sup>	Per Capita Personal Income <sup>(3)</sup>	Unemployment Rate <sup>(4)</sup>	Total Estimated Personal Income		
2012	\$ 152,008	\$ 1,263,686	\$ 1,415,694	32,236	\$ 48,315	9.5%	\$ 1,557,500,647	\$ 44	0.1%
2013	77,090	13,165,083	13,242,173	32,366	49,525	8.2%	1,602,918,338	409	0.8%
2014	-	21,810,892	21,810,892	32,496	52,214	6.5%	1,696,737,036	671	1.3%
2015	-	32,389,288	32,389,288	32,626	54,822	5.3%	1,788,640,712	993	1.8%
2016	-	38,841,278	38,841,278	32,757	56,506	4.9%	1,850,987,403	1,186	2.1%
2017	-	37,101,306	37,101,306	32,889	58,380	4.2%	1,920,054,916	1,128	1.9%
2018	-	35,314,028	35,314,028	33,021	61,147	3.7%	2,019,135,087	1,069	1.7%
2019	-	33,474,377	33,474,377	33,153	63,729	3.7%	2,112,807,537	1,010	1.6%
2020	-	<sup>(5)</sup> 58,912,499	58,912,499	34,432	66,278	13.5%	2,282,089,605	1,711	2.6%
2021	-	<sup>(6)</sup> 88,278,477	88,278,477	34,570	68,929	7.0%	2,382,866,682	2,554	3.7%

Sources:

(1) - Fallbrook Public Utility District

(2) - <https://datasurfer.sandag.org/>

(3) - U.S. Department of Commerce, Bureau of Economic Analysis, and Federal Reserve Bank of St. Louis (FRED)

(4) - U.S. Bureau of Labor Statistics, June 2021 unemployment rate

Notes:

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

(2) - Historic population estimated based upon a 0.4% growth rate and the 2020 population estimate of 34,432 calculated by FPUD GIS staff.

(3) - Per capita personal income for the San Diego County Region.

(4) - June 2021 unemployment rate.

(5) - Includes \$27.3 million in construction expenses/withdrawals.

(6) - Includes \$58.5 million in construction expenses/withdrawals.

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**M E M O**

**TO:** Fiscal Policy and Insurance (FP&I) Committee  
**FROM:** Dave Shank, Assistant General Manager/CFO  
**DATE:** November 10, 2021  
**SUBJECT:** Additional Legal Damages and Interest Payment received from the San Diego County Water Authority (SDCWA)

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Purpose

Discussion on allocation of additional funds received from SDCWA related to legal damages and interest payments they received from the Metropolitan Water District (MWD).

Summary

SDCWA has number of rate cases filed against MWD. The part of the rate case from 2011 – 2014 was settled relative to Water Stewardship Rate (WSR) charges on water SDCWA received from the Imperial Irrigation District (IID) in early 2021. The delivery of the IID water from the Colorado River was established as part of the Quantification Settlement Agreement (QSA). The courts determined that the WSR should not have been charged on these deliveries. The first distribution to the District was \$909,412.67. SDCWA has reached settlement with MWD on the WSR charges on the IID water for the years 2015-2017. The settlement results in the District receiving a second distribution of \$625,250.63. This brings the total refund distribution amount to \$1,534,663.30.

In April 2021, per the Board's request, the Committee met and reviewed three different potential uses of the funds. The Committee's primary goal was to maximize the short and long term benefits of the funds to District rate payers. The three options considered were:

1. Reduce CY 2023 rate and charge increase
2. Enhance District Reserves – Adding to water reserve levels
3. Reduce loan amount for the Santa Margarita Conjunctive Use Project (SMCUP).

At that time, the Committee selected Option 3 as the best choice. While the funds from the second distribution have not yet been received, staff wanted to start the dialog about the best use of the funds.

Recommended Action

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