



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

AGENDA

PURSUANT TO WAIVERS TO CERTAIN BROWN ACT PROVISIONS UNDER EXECUTIVE ORDERS ISSUED BY GOVERNOR NEWSOM RELATED TO THE COVID-19 STATE OF EMERGENCY, THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE USING THE BELOW INFORMATION, AND THERE WILL BE NO PHYSICAL LOCATION FROM WHICH MEMBERS OF THE PUBLIC MAY PARTICIPATE.

INSTEAD MEMBERS OF THE PUBLIC ARE ENCOURAGED TO PARTICIPATE IN THE COMMITTEE MEETING VIA TELECONFERENCE USING THE BELOW CALL-IN AND WEBLINK INFORMATION

MEMBERS OF THE PUBLIC MAY ALSO SUBMIT PUBLIC COMMENTS AND COMMENTS ON AGENDA ITEMS IN ADVANCE IN ONE OF THE FOLLOWING WAYS:

- **BY EMAILING TO OUR BOARD SECRETARY AT 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 BY WHAT EVER MEANS MUST BE RECEIVED AT LEAST ONE 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. THESE PUBLIC COMMENT PROCEDURES SUPERSEDE THE DISTRICT’S STANDARD PUBLIC COMMENT POLICIES AND PROCEDURES TO THE CONTRARY.

**AUDIO CALL-IN +1 (408) 418-9388
ACCESS CODE 126 930 9590
AUDIO PASSWORD 57644793**

<https://fallbrookpublicutilitydistrict.my.webex.com/fallbrookpublicutilitydistrict.my/j.php?MTID=m4fd2cd59a50c33a3af4521c419eec42c>

**WEDNESDAY, OCTOBER 28, 2020
1:00 P.M.**

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

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

II. ACTION / DISCUSSION ----- (ITEMS A – F)

- A. REVIEW OF DRAFT FINANCIAL STATEMENTS AND NOTES
- B. OUTLINE THE PROCESS FOR SETTING CY 2021 RATES AND CHARGES
- C. DISCUSS THE FINANCIAL PLAN UPDATE
- D. UPDATE ON POTENTIAL DEBT REFUNDING
- E. REVIEW OPEB TRUST INVESTMENT STRATEGY
- F. QUARTERLY INVESTMENT PORTFOLIO PERFORMANCE REVIEW

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.

October 22, 2020
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

MEMO

TO: Fiscal Policy and Insurance Committee
FROM: David Shank, Assistant General Manager/CFO
DATE: October 28, 2020
SUBJECT: Review of Draft Financial Statements and Notes

Purpose

Review the District's Draft Financial Statements and Notes for Fiscal Year ending June 30, 2020, Attachment A. These are the core elements of the District's Comprehensive Annual Financial Report (CAFR). This is the third year that the District will prepare a CAFR. In prior years, the District prepared and issued an Annual Financial Report (AFR). As part of the District's continuous improvement efforts, staff have implemented the best management practice of issuing a CAFR. The CAFR provides all of the information provided in prior AFRs but includes additional components designed to enhance both transparency and financial data.

Two notable additions are:

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

The preliminary schedule for completing this year's CAFR is as follows:

- November – Review draft CAFR with Committee incorporate comments and prepare final draft for Board review.
- December – Present CAFR to the Board for approval.

It should be noted that, for the second time, the District's CAFR for Fiscal Year ending June 30, 2019 received the Governmental Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. Receipt of this award demarks a notable achievement for the District and demonstrates significant improvements to the District's public financial disclosure.

Summary

The District's draft basic financial statements and notes attached were prepared by White, Nelson, Diehl, Evans, LLP's, the District's independent auditor. The basic financial statements and notes provide detailed information on the District's financial position for Fiscal Year ending June 30, 2020.

David Forman, the engagement Partner, will be present at the Committee meeting to review the statements and his findings. At the meeting, the findings report will be reviewed and discussed in detail.

Recommended Action

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

Attachment A

INDEPENDENT AUDITORS' REPORT

Board of Directors
Fallbrook Public Utility District
Fallbrook, California

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Fallbrook Public Utility District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fallbrook Public Utility District as of June 30, 2020, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in notes 3 and 10 to the financial statements, the District restated net position at June 30, 2019 in the amount of \$1,139,122 to correct an overstatement of accumulated depreciation in prior years. Our opinions are not modified with respect to these matters.

Other Matters

Prior-Year Comparative Information

The statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements as of and for the year ended June 30, 2019, from which such summarized information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Proportionate Share of the Net Pension Liability - Defined Benefit Pension Plans, Schedule of Contributions - Defined Benefit Pension Plans, Schedule of Changes in the Net OPEB Liability and Related Ratios, and Schedule of Contributions - OPEB, identified as Required Supplementary Information (RSI) in the accompanying Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Schedule of Operating Income and Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Income and Expenses is fairly stated, in all material

respects, in relation to the basic financial statements as a whole

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

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November , 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carlsbad, California
November XX, 2020

2nd Draft - For Review Only

FALLBROOK PUBLIC UTILITY DISTRICTSTATEMENT OF NET POSITION
June 30, 2020
(with prior year data for comparison only)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 8,137,414	\$ 3,997,334
Investments (Note 2)	7,831,917	11,647,359
Receivables - water sales and services	4,478,619	4,029,630
Accrued interest receivable	64,434	79,724
Property taxes receivable	10,160	12,370
Other receivables (Note 4)	15,519,773	87,217
Inventory (Note 5)	1,845,755	1,839,995
Prepaid expenses and other deposits	55,971	43,393
Restricted Assets		
Cash and cash equivalents	7,496,954	6,693,439
Investments	3,059,526	3,059,526
Total current assets	<u>48,500,523</u>	<u>31,489,987</u>
Noncurrent Assets		
Capital assets (Note 3)		
Capital assets, not being depreciated	42,118,554	14,145,536
Capital assets being depreciated, net	98,993,697	99,454,241
Total capital assets, net	<u>141,112,251</u>	<u>113,599,777</u>
Total noncurrent assets	<u>141,112,251</u>	<u>113,599,777</u>
Total assets	<u>189,612,774</u>	<u>145,089,764</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from Pension (Note 6)	3,004,079	3,197,216
Deferred amounts from OPEB (Note 7)	231,603	222,552
Total Deferred Outflows of Resources	<u>\$ 3,235,682</u>	<u>\$ 3,419,768</u>

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

(continued)

FALLBROOK PUBLIC UTILITY DISTRICTSTATEMENT OF NET POSITION (CONTINUED)
June 30, 2020
(with prior year data for comparison only)

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 18,213,752	\$ 2,871,022
Accrued wages	208,653	247,894
Construction and other deposits	14,884	8,908
Accrued interest payable	258,156	217,795
Compensated absences, current portion (Note 1)	560,892	586,045
Current portion of other long-term debt (Note 4)	1,949,162	1,893,596
Total current liabilities	<u>21,205,499</u>	<u>5,825,260</u>
Noncurrent Liabilities		
Health retirement account liability	351,796	258,421
Net OPEB liability (Note 7)	109,213	135,077
Net pension liability (Note 6)	13,629,333	12,541,929
Retention payable	27,771	30,098
Compensated absences, net of current portion (Note 1)	841,338	879,067
Long-term debt - net of current portion (Note 4)	56,963,337	31,580,781
Total Noncurrent Liabilities	<u>71,922,788</u>	<u>45,425,373</u>
Total Liabilities	<u>93,128,287</u>	<u>51,250,633</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts from Pension (Note 6)	915,032	957,275
Deferred amounts from OPEB (Note 7)	100,383	118,346
Deferred revenue	-	114,851
Total Deferred Inflows of Resources	<u>1,015,415</u>	<u>1,190,472</u>
NET POSITION		
Net investment in capital assets	82,199,752	80,125,400
Restricted for:		
1958 Annex projects	1,213,780	1,213,780
Debt service	2,162,512	2,162,451
Pension	6,811,910	6,101,463
Unrestricted	6,316,800	6,465,333
Total Net Position	<u>\$ 98,704,754</u>	<u>\$ 96,068,427</u>

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

FALLBROOK PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2020

(with prior year data for comparison only)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Water	\$ 21,940,234	\$ 20,481,788
Recycled water	1,059,305	998,942
Wastewater	5,931,468	5,463,820
Total operating revenues	<u>28,931,007</u>	<u>26,944,550</u>
OPERATING EXPENSES		
Cost of water	12,663,006	12,650,795
Water operations	7,970,479	7,252,060
Recycled water operations	497,444	600,294
Wastewater operations	5,465,334	5,046,679
Operating expenses before depreciation	26,596,263	25,549,828
Operating income before depreciation	2,334,744	1,394,722
Depreciation	6,637,996	6,158,589
Operating loss	<u>(4,303,252)</u>	<u>(4,763,867)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	2,205,975	2,106,034
Capital improvements charges	2,559,135	2,505,876
Investment income	920,135	915,275
Water availability charges	204,418	204,359
Lease revenue	249,092	199,433
Intergovernmental revenue - federal interest rate subsidy	123,762	134,924
Connection fees	107,107	180,966
Net gain (loss) on disposal of capital assets	(31,450)	9,338,297
Interest expense	(910,224)	(909,966)
Total nonoperating revenues (expenses)	<u>5,427,950</u>	<u>14,675,198</u>
Changes in net position before capital contributions	1,124,698	9,911,331
Capital contributions	372,507	73,789
Change in net position	<u>1,497,205</u>	<u>9,985,120</u>
Net position, beginning of year, as originally stated	96,068,427	86,083,307
Prior period adjustment	1,139,122	-
Net position - beginning of year, as restated	<u>97,207,549</u>	<u>86,083,307</u>
Net position - end of year	<u>\$ 98,704,754</u>	<u>\$ 96,068,427</u>

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

FALLBROOK PUBLIC UTILITY DISTRICTSTATEMENT OF CASH FLOWS
For the year ended June 30, 2020
(with prior year data for comparison only)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 28,461,877	\$ 26,957,492
Lease revenues collected	249,092	199,433
Payments for water	(12,513,388)	(13,239,336)
Payments for services and supplies	(3,846,281)	(5,099,812)
Payments for employee wages, benefits and related costs	(8,854,503)	(7,046,803)
Net cash provided by operating activities	<u>3,496,797</u>	<u>1,770,974</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	<u>2,208,185</u>	<u>2,102,847</u>
Net cash provided by noncapital financing activities	<u>2,208,185</u>	<u>2,102,847</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(17,662,519)	(5,977,474)
Proceeds from sales of capital assets	-	9,975,952
Proceeds of Issuance of Debt	11,919,303	-
Principal payments on long-term debt	(1,893,596)	(1,839,651)
Interest paid	(869,863)	(922,536)
Intergovernmental revenue - federal interest rate subsidy	123,762	134,924
Capital improvement charges and connection fees	2,666,242	2,742,322
Water availability charges	<u>204,418</u>	<u>204,359</u>
Net cash provided (used) by capital and related financing activities	<u>(5,512,253)</u>	<u>4,317,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,536,297)	(5,416,513)
Sales of investments	8,684,567	3,135,714
Interest received	<u>602,596</u>	<u>580,308</u>
Net cash provided (used) by investing activities	<u>4,750,866</u>	<u>(1,700,491)</u>
Net change in cash and cash equivalents	4,943,595	6,491,226
Cash and cash equivalents - beginning	<u>10,690,773</u>	<u>4,199,547</u>
Cash and cash equivalents - ending	<u>\$ 15,634,368</u>	<u>\$ 10,690,773</u>
Financial Statement Presentation		
Cash and cash equivalents	\$ 8,137,414	\$ 3,997,334
Cash and cash equivalents - Restricted Assets	<u>7,496,954</u>	<u>6,693,439</u>
Total Cash and cash equivalents	<u>\$ 15,634,368</u>	<u>\$ 10,690,773</u>

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

(Continued)

STATEMENT OF CASH FLOWS (CONTINUED)
 For the year ended June 30, 2020
 (with prior year data for comparison only)

	2020	2019
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating loss	\$ (4,303,252)	\$ (4,763,867)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	6,637,996	6,158,589
Lease revenues collected	249,092	199,433
(Increase) Decrease in:		
Receivables	(469,130)	12,942
Inventory	(5,760)	145,478
Prepaid expenses and other deposits	(12,578)	19,207
Deferred outflows of resources	184,086	594,399
Increase (decrease) in:		
Accounts payable	338,608	(722,062)
Accrued wages	(39,241)	(49,918)
HRA liability	93,375	17,607
Net OPEB obligation	(25,864)	(148,692)
Net pension liability	1,087,404	(204,365)
Compensated absences	(62,882)	172,987
Deferred inflows of resources	(60,206)	224,385
Deferred revenue	(114,851)	114,851
Net cash provided by operating activities	\$ 3,496,797	\$ 1,770,974
 Noncash investing and capital and related financing activities		
Change in fair value of investments	\$ 332,828	\$ 334,417
Capital assets contributed	\$ 311,842	\$ 73,789

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

STATEMENT OF FIDUCIARY NET POSITION - OPEB TRUST FUND
June 30, 2020
(with prior year data for comparison only)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and Cash Equivalents	\$ 1,040,486	\$ 1,006,649
Net Position		
Restricted for other postemployment benefits	<u>\$ 1,040,486</u>	<u>\$ 1,006,649</u>

2nd Draft - For Review Only

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

FALLBROOK PUBLIC UTILITY DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - OPEB TRUST FUND
For the year ended June 30, 2020
(with prior year data for comparison only)

	<u>2020</u>	<u>2019</u>
Additions		
Employer contributions	\$ -	\$ -
Investment income	36,239	61,267
Total additions	<u>36,239</u>	<u>61,267</u>
Deductions		
Administration	<u>2,402</u>	<u>2,402</u>
Change in net position	<u>33,837</u>	<u>58,865</u>
Net position - beginning of year	<u>1,006,649</u>	<u>947,784</u>
Net position - end of year	<u>\$ 1,040,486</u>	<u>\$ 1,006,649</u>

2nd Draft - For Review Only

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Fiduciary Fund

Fiduciary fund financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. The District's other post-employment benefit (OPEB) trust fund is accounted for using the economic resources measurement focus and accrual basis of accounting. The OPEB trust fund accounts for the activities of the City's plan for post-retirement medical benefits.

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.

Unrestricted Net Position

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. New Accounting Pronouncements:

Current Year Standards:

- GASB 95 – The Governmental Accounting Standards Board issued Statement No. 95, “*Postponement of the Effective Dates of Certain Authority Guidance*” to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

Pending Accounting Standards:

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

- GASB 84 – In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, “*Fiduciary Activities*”. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.
- GASB 87 – In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, “*Leases*”. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
- GASB 92 – In January 2020, the Governmental Accounting Standards Board issued Statement No. 92, “*Omnibus 2020*”. The requirements of this Statement are effective for fiscal years beginning after June 15, 2020.
- GASB 97 – In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*” The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

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 pensions resulting from the changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Deferred Outflows/Inflows of Resources: (continued)

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash, Cash Equivalents and Investments

Cash and cash equivalents

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

State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment Valuation

Investments 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	20 to 50 years
Buildings and structures	45 years
Equipment	3 to 10 years

l. Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Changes in compensated absences for the year ended June 30, 2020, were as follows:

Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
\$ 1,465,112	\$ 662,635	\$ (725,517)	\$ 1,402,230	\$ 560,892

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.

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.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2020 are classified in the accompanying financial statements as follows:

Current Assets:	
Cash and cash equivalents	\$ 8,137,414
Restricted cash and cash equivalents	7,496,954
Investments	7,831,917
Restricted investments	3,059,526
Cash and cash equivalents with OPEB trust*	1,040,486
	<hr/>
Total cash and investments	<u>\$ 27,566,297</u>

Cash and investments consist of the following:

Cash on hand	\$ 1,150
Deposits with financial institutions	2,601,552
Investments	24,963,595
	<hr/>
Total cash and investments	<u>\$ 27,566,297</u>

*Reported on statement of fiduciary assets and liabilities.

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Quality Requirements (S & P Rating)
U.S. Treasury Obligations	5 Years	No Limitation	No Limitation	No Limitation
Federal Agencies	5 Years	No Limitation	75%	No Limitation
State Obligations	5 Years	25%	5%	A/A-1
Supranationals	5 Years	30%	No Limitation	AA
Banker's Acceptances	180 Days	25%	5%	A-1
Commercial Paper	270 Days	25%	10%	A-1
Negotiable Certificates of Deposit	5 Years	30%	5%	A/A-1

2. CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements:

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

Disclosures Relating to Interest Rate Risk:

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2020.

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)	\$ 3,676,617	\$ 3,676,617	\$ -	\$ -	\$ -
California Asset Management Program (CAMP)	2,562,569	2,562,569	-	-	-
Asset Backed Securities	775,403	-	97,598	677,805	-
Medium-Term Notes	3,641,149	964,064	813,525	1,863,560	-
Municipal Bonds	172,844	-	172,844	-	-
Negotiable Certificates of Deposit	281,991	281,991	-	-	-
U.S. Treasury Securities	5,886,114	102,125	2,435,356	3,348,633	-
Federal Agency Collateralized Mortgage Obligations	114,512	-	-	114,512	-
PARS Pooled Trust - Pension Trust	6,811,910	6,811,910	-	-	-
PARS Pooled Trust - OPEB Trust	1,040,486	1,040,486	-	-	-
Total	\$ 24,963,595	\$ 15,439,762	\$ 3,519,323	\$ 6,004,510	\$ -

2. CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Standard & Poor's (S&P) rating for each investment type at June 30, 2020.

Investment Type	Total	Minimum Legal Rating*	Ratings as of Year End				
			Exempt from Disclosure	AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	\$ 3,676,617	Exempt	\$ -	\$ -	\$ -	\$ -	\$ 3,676,617
California Asset Management Program (CAMP)	2,562,569	AAA	-	2,562,569	-	-	-
Asset Backed Securities	775,403	A	-	775,403	-	-	-
Medium-Term Notes	3,641,149	A	-	-	-	3,641,149	-
Municipal Bonds	172,844	A/A-1	-	-	172,844	-	-
Negotiable Certificates of Deposit	281,991	A/A-1	-	-	281,991	-	-
U.S. Treasury Securities	5,886,114	Exempt	5,886,114	-	-	-	-
Federal Agency Collateralized Mortgage Obligations	114,512	AA	-	-	114,512	-	-
PARS Pooled Trust - Pension Trust	6,811,910	Exempt	-	-	-	-	6,811,910
PARS Pooled Trust - OPEB Trust	1,040,486	Exempt	-	-	-	-	1,040,486
Total	\$ 24,963,595		\$ 5,886,114	\$ 3,337,972	\$ 569,347	\$ 3,641,149	\$ 11,529,013

* 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, 2020.

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2020, \$1,554,442 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

Fair Value Measurements:

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

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

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

2. CASH AND INVESTMENTS (Continued)

Fair Value Measurements (Continued)

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

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	June 30, 2020
Investments by Fair Value Level				
Asset Backed Securities	\$ -	\$ 775,403	\$ -	\$ 775,403
Medium-Term Notes	-	3,641,149	-	3,641,149
Municipal Bonds	-	172,844	-	172,844
Negotiable Certificates of Deposit	-	281,991	-	281,991
U.S. Treasury Securities	-	5,886,114	-	5,886,114
Federal Agency Collateralized Mortgage Obligations	-	114,512	-	114,512
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 10,872,013</u>	<u>\$ -</u>	<u>10,872,013</u>
Investments measured at Cost or Net Asset Value (NAV)				
Local Agency Investment Fund (LAIF)				3,676,617
California Asset Management Program (CAMP)				2,562,569
PARS Pooled Trust - Pension Trust				6,811,910
PARS Pooled Trust - OPEB Trust				1,040,486
Total Investments at Cost or Net Asset Value (NAV)				<u>14,091,582</u>
Total Investments				<u>\$ 24,963,595</u>

3. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2020, were as follows:

(As Restated) Balance June 30, 2019	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2020
\$ 11,704,070	\$ -	\$ -	\$ -	\$ 11,704,070
1,128,164	-	-	-	1,128,164
1,313,302	32,150,949	-	(4,177,931)	29,286,320
<u>14,145,536</u>	<u>32,150,949</u>	<u>-</u>	<u>(4,177,931)</u>	<u>42,118,554</u>
30,584,347	-	-	995,040	31,579,387
52,015,901	-	-	2,183,271	54,199,172
4,958,831	-	-	459,018	5,417,849
10,357,488	458,579	(752,771)	153,104	10,216,400
<u>97,916,567</u>	<u>458,579</u>	<u>(752,771)</u>	<u>3,790,433</u>	<u>101,412,808</u>
12,747,135	311,842	-	265,142	13,324,119
60,220,650	-	-	107,910	60,328,560
872,789	123,561	(144,446)	5,572	857,476
<u>73,840,574</u>	<u>435,403</u>	<u>(144,446)</u>	<u>378,624</u>	<u>74,510,155</u>
4,653,100	-	-	8,874	4,661,974
<u>4,653,100</u>	<u>-</u>	<u>-</u>	<u>8,874</u>	<u>4,661,974</u>
176,410,241	893,982	(897,217)	4,177,931	180,584,937
(75,816,878)	(6,637,996)	863,634	-	(81,591,240)
100,593,363	(5,744,014)	(33,583)	4,177,931	98,993,697
<u>\$ 114,738,899</u>	<u>\$ 26,406,935</u>	<u>\$ (33,583)</u>	<u>\$ -</u>	<u>\$ 141,112,251</u>

The June 30, 2019 balance is restated to account for the effect of the prior period adjustment. See Note 10.

4. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2020 were as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Red Mountain State Revolving Fund Loan	\$ 4,065,140	\$ -	\$ (293,220)	\$ 3,771,920	\$ 300,807
Qualified Energy Conservation Revenue Bonds	3,465,777	-	(325,386)	3,140,391	345,316
Clean Water State Revolving Fund Loan	25,943,460	-	(1,274,990)	24,668,470	1,303,039
State Water Resources Control Board Loan	-	27,331,718	-	27,331,718	-
Total Long-Term Debt	<u>\$ 33,474,377</u>	<u>\$ 27,331,718</u>	<u>\$ (1,893,596)</u>	<u>\$ 58,912,499</u>	<u>\$ 1,949,162</u>

4. LONG TERM DEBT (Continued)

Red Mountain State Revolving Fund Loan

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 300,807	\$ 95,044	\$ 395,851
2022	308,589	87,262	395,851
2023	316,573	79,278	395,851
2024	324,764	71,087	395,851
2025	333,166	62,685	395,851
2026-2030	1,799,673	179,580	1,979,253
2031	388,348	7,504	395,852
Total	<u>\$ 3,771,920</u>	<u>\$ 582,440</u>	<u>\$ 4,354,360</u>

Qualified Energy Conservation Bonds (QECCB) Solar Loan

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 345,316	\$ 56,446	\$ 401,762
2022	366,104	49,969	416,073
2023	387,783	43,104	430,887
2024	410,388	35,834	446,222
2025	433,953	28,142	462,095
2026-2028	1,196,847	33,776	1,230,623
Total	<u>\$ 3,140,391</u>	<u>\$ 247,271</u>	<u>\$ 3,387,662</u>

4. LONG TERM DEBT (Continued)

Clean Water State Revolving Fund Loan

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,303,039	\$ 542,707	\$ 1,845,746
2022	1,331,706	514,040	1,845,746
2023	1,361,004	484,742	1,845,746
2024	1,390,946	454,800	1,845,746
2025	1,421,547	424,199	1,845,746
2026-2030	7,590,833	1,637,895	9,228,728
2031-2035	8,463,382	765,347	9,228,729
2036	1,806,013	39,732	1,845,745
Total	<u>\$ 24,668,470</u>	<u>\$ 4,863,462</u>	<u>\$ 29,531,932</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.

5. INVENTORY

Inventory at June 30, 2020 consisted of the following:

Water inventory	\$ 668,781
Materials inventory	<u>1,176,974</u>
	<u>\$ 1,845,755</u>

6. PENSION PLANS

a. General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2019 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

6. PENSION PLANS (Continued)

a. General Information about the Pension Plan (Continued)

Contributions

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

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

As of June 30, 2020, 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>\$ 13,629,333</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, 2019, 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, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Fallbrook Public Utility District's proportionate share of the net pension liability as of the measurement dates ended June 30, 2018 and 2019 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.33279%
Proportion - June 30, 2019	0.34035%
Change - Increase (Decrease)	0.00756%

6. PENSION PLANS (Continued)

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

For the year ended June 30, 2020, the District recognized pension expense of \$2,645,853. At June 30, 2020, 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	\$ 1,407,555	\$ -
Differences between actual and expected experience	946,614	73,343
Change in assumptions	649,910	230,388
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	238,282
Net differences between projected and actual earnings on plan investments	-	373,019
Total	<u>\$ 3,004,079</u>	<u>\$ 915,032</u>

\$1,407,555 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
2021	\$ 788,163
2022	(232,142)
2023	77,321
2024	48,150
2025	-
Thereafter	-

6. PENSION PLANS (Continued)

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

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following:

Valuation Date	<u>Miscellaneous</u>
Measurement Date	June 30, 2018
Actuarial Cost Method	June 30, 2019
	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.

6. PENSION PLANS (Continued)

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

Long-term Expected Rate of Return

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

In determining the long term expected rate of return, CalPERS took into account both short term and long term market return expectations as well as the expected pension fund cash flows. Using funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short term and long term returns. The expected rate of return was then set equal to the rounded single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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

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

Discount Rate

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

6. PENSION PLANS (Continued)

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

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

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

	<u>Miscellaneous Plan</u>
1% Decrease	6.15%
Net Pension Liability	\$ 20,787,184
Current Discount Rate	7.15%
Net Pension Liability	\$ 13,629,333
1% Increase	8.15%
Net Pension Liability	\$ 7,721,033

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan:

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

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description:

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

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, 2020 is \$351,796. 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.

Employees Covered

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

	<u>Number of Participants</u>
Inactive employees currently receiving benefits	10
Participating Active Employees	63
Total	<u>73</u>

Contributions

The District has historically funded the plan on a pay-as-you-go basis. Plan members are not required to contribute to the OPEB Plan. For the fiscal year ended June 30, 2019, the District made \$42,356 in payments made outside of the trust.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.00%
Projected Salary Increase	3.0% per year
Expected long term investment rate of return, net of plan investment expense	6.00%
Healthcare Cost Trend Rates	5.90 percent for 2019; 5.80 percent for 2020; 5.70 percent for 2021; and decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2028 and later years
Mortality	Based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Investment Policy

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

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

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

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>
Cash	0-20%
Fixed Income	40% - 60%
Equity	40% - 60%

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, 2018	\$ 1,082,861	\$ 947,784	\$ 135,077
Changes in the Year:			
Service cost **	57,291	-	57,291
Interest on the total OPEB liability	62,409	-	62,409
Contribution - employer	-	86,699	(86,699)
Net investment income	-	61,267	(61,267)
Administrative expenses	-	(2,402)	2,402
Benefit payments	(86,699)	(86,699)	-
Net Changes	33,001	58,865	(25,864)
Balance at June 30, 2019	\$ 1,115,862	\$ 1,006,649	\$ 109,213

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

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Change of Assumptions

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

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

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

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	\$ 189,321	\$ 109,213	\$ 35,552

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 (4.90% decreasing to 4.00%) or 1 percentage point higher (6.90% decreasing to 6.00%), than the current healthcare cost trend rates:

	1% Decrease (4.90% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (5.90% decreasing to 5.00%)	1% Increase (6.90% decreasing to 6.00%)
Net OPEB Liability	\$ 8,316	\$ 109,213	\$ 224,811

7. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$66,409. At June 30, 2020, 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	\$ 99,786	\$ -
Differences between actual and expected experience	131,817	-
Change in assumptions	-	(90,337)
Differences between projected and actual earnings	-	(10,046)
Total	<u>\$ 231,603</u>	<u>\$ (100,383)</u>

\$99,786 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:

Year Ending June 30,	Amount
2021	\$ 3,576
2022	3,578
2023	5,417
2024	7,008
2025	7,406
Thereafter	4,449

Payable to the OPEB Plan

At June 30, 2020, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

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, 2020, 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 \$30 million, lead \$30 million, and mold \$35 million.

Cyber Liability – Insured through Indian Harbor Insurance Company, with coverage limits of \$3 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 \$5 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.

9. COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2020, the District had the following commitments with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Completion Date</u>
Overland Trail Lift Station Rehabilitation	\$ 2,200,000	February 2021
SMRCUP	\$ 31,900,000	December 2021
Winterhaven Pipeline Replacement	\$ 250,000	September 2021
Water Supply Reliability Project	\$ 350,000	October 2021
EAM Implementation	\$ 35,000	June 2021

9. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

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

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.

10. PRIOR PERIOD ADJUSTMENT

During fiscal year ended June 30, 2020, the District found that three capital assets had been incorrectly depreciated in prior years. This led to an overstatement of accumulated depreciation and an understatement of Net Position in the amount of \$1,139,122. Beginning capital asset balances on Note 3 have been restated to reflect the adjustment to beginning accumulated depreciation.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through **November XX, 2020**, the date the financial statements were available to be issued.

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

For the Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Classic & PEPRM Miscellaneous Plan						
Plan's Proportion of the Net Pension Liability	0.13301%	0.13015%	0.12853%	0.12729%	0.12295%	0.11351%
Plan's Proportionate Share of the Net Pension Liability	\$ 13,629,333	\$ 12,541,929	\$ 12,746,294	\$ 11,014,856	\$ 8,439,096	\$ 6,888,388
Covered Payroll	\$ 5,179,369	\$ 5,216,869	\$ 5,271,090	\$ 4,743,986	\$ 4,753,842	\$ 4,683,594
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	263.15%	240.41%	241.82%	232.19%	177.52%	147.07%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	75.26%	73.31%	74.06%	78.40%	83.21%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 1,640,356	\$ 1,410,070	\$ 1,335,205	\$ 1,234,176	\$ 1,177,856	\$ 1,014,669

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

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

There were no changes in assumptions.

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

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

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

There were no changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020

There were no changes in assumptions.

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

2. SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLANS

For the Last Ten Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 1,407,555	\$ 1,224,180	\$ 1,081,154	\$ 968,372	\$ 870,680	\$ 756,872
Contributions in relation to the actuarially determined contributions	<u>1,407,555</u>	<u>1,224,180</u>	<u>1,081,154</u>	<u>968,372</u>	<u>870,680</u>	<u>756,872</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,448,979	\$ 5,179,369	\$ 5,216,869	\$ 5,271,090	\$ 4,743,986	\$ 4,753,842
Contributions as a percentage of covered payroll	25.83%	23.64%	20.72%	18.37%	18.35%	15.92%

Notes to Schedule:

Valuation Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

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

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

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

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

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

For the Last Ten Fiscal Years*

Fiscal year end	6/30/2020	6/30/2019	6/30/2018
Measurement date	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:			
Service cost	\$ 57,291	\$ 63,116	\$ 61,278
Interest on total OPEB liability	62,409	39,301	38,242
Difference between expected and actual experience	-	178,893	-
Changes of assumptions	-	(122,601)	-
Benefit payments, including refunds of	(86,699)	(115,569)	(31,396)
Net Change in Total OPEB Liability	33,001	43,140	68,124
Total OPEB Liability - Beginning of Year	1,082,861	1,039,721	971,597
Total OPEB Liability - End of Year (a)	1,115,862	1,082,861	1,039,721
Plan Fiduciary Net Position:			
Contributions - employer	86,699	268,569	767,396
Net investment income	61,267	40,802	20,571
Administrative expenses	(2,402)	(1,970)	(619)
Benefit payments	(86,699)	(115,569)	(31,396)
Net Change in Plan Fiduciary Net Position	58,865	191,832	755,952
Plan Fiduciary Net Position - Beginning of Year	947,784	755,952	-
Plan Fiduciary Net Position - End of Year (b)	1,006,649	947,784	755,952
Net OPEB Liability - Ending (a)-(b)	\$ 109,213	\$ 135,077	\$ 283,769
Plan fiduciary net position as a percentage of the total OPEB liability	90.21%	87.53%	72.71%
Covered- employee payroll	\$ 5,179,369	\$ 5,216,869	\$ 5,684,049
Net OPEB liability as percentage of covered - employee payroll	2.11%	2.59%	4.99%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

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

4. SCHEDULE OF CONTRIBUTIONS - OPEB

For the Last Ten Fiscal Years*

	6/30/2020	6/30/2019	6/30/2018
Actuarially determined contribution	\$ 66,239	\$ 72,529	\$ 74,065
Contributions in relation to the actuarially determined contributions	<u>(99,786)</u>	<u>(67,197)</u>	<u>(202,055)</u>
Contribution deficiency (excess)	<u>\$ (33,547)</u>	<u>\$ 5,332</u>	<u>\$ (127,990)</u>
Covered- employee payroll	\$ 5,448,979	\$ 5,179,369	\$ 5,216,869
Contributions as a percentage of covered-employee payroll	1.22%	1.40%	1.42%

Notes to Schedule:

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

Actuarial Cost Method Entry age actuarial cost method **

Discount Rate 6%

Projected Salary increases 3.0% Per Year

Expected long term investment rate of return, net of plan investment expenses. 6.00%

Healthcare Cost Trend Rate 5.90 percent for 2019; 5.80 percent for 2020; 5.70 percent for 2021; and decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2028 and later years

Mortality Based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

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

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

SCHEDULE OF OPERATING INCOME AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Water	Recycled water	Wastewater	Total
Operating Revenues:				
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>
Operating Expenses:				
Cost of Water Sold	12,663,006	-	-	12,663,006
Operations and Maintenance	4,162,558	445,971	3,375,112	7,983,641
Administrative and General Expenses	3,807,921	51,473	2,090,222	5,949,616
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>

2nd Draft - For Review Only

M E M O

TO: Fiscal Policy and Insurance (FP&I) Committee
FROM: David Shank, Assistant General Manager/CFO
DATE: October 28, 2020
SUBJECT: Outline the Process for Setting CY 2021 Rates and Charges

Purpose

Provide the Committee with a detailed outline of the CY 2021 rate setting process. It should be noted that the Financial Plan Update is also under way. While there are commonalities between the two efforts, the CY 2021 rate and charge process is focused determining rates and charges for CY 2021. The Financial Plan Update has a longer time horizon and is focused on the impact of changing wholesale water providers.

Summary

This December the Board will be setting calendar year 2021 rates and charges. Staff are working on updating fiscal year 2020 data and the projection data in the District's financial model. This is done to ensure the Committee is reviewing the most up to date financial data available. It is these data that will be used to set the rates and charges for CY 2021. The preliminary schedule is as follows:

- Week of November 9th – Review updated financial projections for Fiscal Year 2021 and impact of CY 2021 rate increases
- Week of November 16th – Provide additional updates on financial projections if needed.
- December 7th Board Meeting – Presentation of Committee's recommended rate and charge increases.
- January/February – Implementation of rate and charge increases.

Recommended Action

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

MEMO

TO: Fiscal Policy and Insurance (FP&I) Committee
FROM: David Shank, Assistant General Manager/CFO
DATE: October 28, 2020
SUBJECT: Discuss the Financial Plan Update

Purpose

As the District moves forward with switching its wholesale water provider from the San Diego County Water Authority (SDCWA) to Eastern Municipal Water District (EMWD), it is important to update the District’s Financial Plan (Plan) to reflect this change.

Summary

As staff updates the District’s Plan, key financial assumptions of the Plan will be reviewed. In a prior meeting, the Committee reviewed the long-term average water sales forecast and projected wholesale water costs. The next step is to review of the projected water treatment costs for the Santa Margarita Conjunctive Use Project Water Treatment Plant, review the District’s current CIP and review the District’s operating expenditure projections. Next month the updated Plan projections will be available to quantify the savings that will result from changing the District’s wholesale water provider.

Recommended Action

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

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M E M O

TO: Fiscal Policy and Insurance (FP&I) Committee
FROM: David Shank, Assistant General Manager/CFO
DATE: October 28, 2020
SUBJECT: Review OPEB Trust Investment Strategy

Purpose

Review the investment strategy of the District's Other Post-Employment Benefits (OPEB) 115 Trust. These funds are administered by PARS and invested in a HighMark Capital Management funds.

Summary

The District's OPEB liability funding level is near the target of 90%. With the targeted funding level achieved, a review of the investment strategy is warranted. The current fund strategy is the Moderately Conservative Strategy, which is a mix of equity and fixed income with a small allocation to cash (See Attachment A for details). PARS offers a variety of HighMark Capital Management investment strategies. These strategies offer more and less risk and a commensurate level of potential investment returns. Attachment A has all the strategies offered by PARS/HighMark Capital Management and a description of each strategy.

With funding for the District's OPEB liability near the targeted 90% level, a change to a more conservative strategy focused on capital preservation could limit volatility in the level of funding going forward. However, a more conservative strategy would limit the potential appreciation of the funds and the potential for funds to be available for withdrawal. Fund withdrawals can be used to pay for the District's share of retiree healthcare costs and/or the payment of the healthcare implicit subsidy for retirees. The implicit subsidy is the estimated increase in the District's health care premiums due to the inclusion of retirees in the pool of insured employees.

Recommended Action

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

Attachment A

PARS DIVERSIFIED PORTFOLIOS CONSERVATIVE

Q2 2020

WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

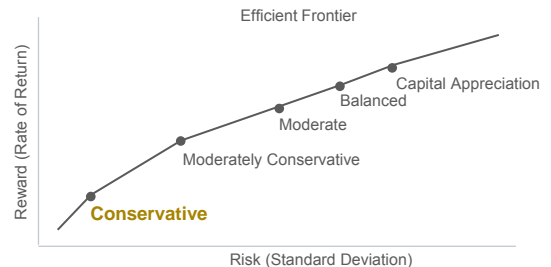
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.



ASSET ALLOCATION — CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	5 – 20%	15%	15%
Fixed Income	60 – 95%	80%	81%
Cash	0 – 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

Current Quarter*	7.21%
Blended Benchmark*,**	4.99%
Year To Date*	2.61%
Blended Benchmark*,**	2.98%
1 Year	5.78%
Blended Benchmark**	6.19%
3 Year	4.93%
Blended Benchmark**	4.87%
5 Year	4.41%
Blended Benchmark**	4.22%
10 Year	4.75%
Blended Benchmark**	4.26%

Index Plus Composite (Passive)

Current Quarter*	5.60%
Blended Benchmark*,**	4.99%
Year To Date*	3.74%
Blended Benchmark*,**	2.98%
1 Year	7.00%
Blended Benchmark**	6.19%
3 Year	5.05%
Blended Benchmark**	4.87%
5 Year	4.32%
Blended Benchmark**	4.22%
10 Year	4.49%
Blended Benchmark**	4.26%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 - Present: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM (net), 2% MSCI EAFE (net), 52.25% BBG Barclays US Agg, 25.75% ICE BofA 1-3 Yr US Corp/Gov't, 2% ICE BofA US High Yield Master II, 0.5% Wilshire REIT, and 5% FTSE 1 Mth T-Bill. From 4/1/2007 - 9/30/2012, the blended benchmark was 12% S&P 500; 1% Russell 2000, 2% MSCI EAFE (net), 40% ICE BofA 1-3 Year Corp./Gov't, 40% BBG Barclays US Agg, 5% FTSE 1 Mth T-Bill. Prior to April 2007: the blended benchmark was 15% S&P 500, 40% ICE BofA 1-3Yr Corp/Gov, 40% BBG Barclays US Agg, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

2008	-9.04%
2009	15.59%
2010	8.68%
2011	2.19%
2012	8.45%
2013	3.69%
2014	3.88%
2015	0.29%
2016	4.18%
2017	6.73%
2018	-1.35%
2019	11.05%

Index Plus Composite (Passive)

2008	-6.70%
2009	10.49%
2010	7.67%
2011	3.70%
2012	6.22%
2013	3.40%
2014	4.32%
2015	0.06%
2016	3.75%
2017	5.52%
2018	-1.09%
2019	10.37%

PORTFOLIO FACTS

HighMark Plus (Active)

Composite Inception Date	07/2004
No of Holdings in Portfolio	19

Index Plus (Passive)

Composite Inception Date	07/2004
No of Holdings in Portfolio	12

HOLDINGS

HighMark Plus (Active)

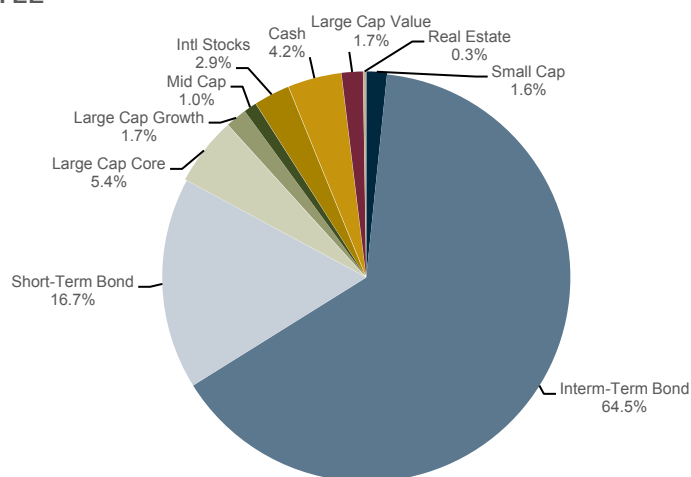
Columbia Contrarian Core I3
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 iShares S&P 500 Value ETF
 Harbor Capital Appreciation - Retirement
 T. Rowe Price Growth Stock - I
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 Undiscovered Managers Behavioral Value-R6
 Victory RS Small Cap Growth - R6
 DFA Large Cap International Portfolio
 Dodge & Cox International Stock
 MFS International Growth - R6
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return Fund - Inst
 PGIM Total Return Bond - R6
 DoubleLine Core Fixed Income - I
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500 Value ETF
 iShares S&P 500 Growth ETF
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 iShares Russell 2000 Value ETF
 iShares Russell 2000 Growth ETF
 iShares MSCI EAFE ETF
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 iShares Core U.S. Aggregate
 First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark Capital Advisors (HCA) with full investment authority according to the PARS Conservative active and passive objectives.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

HIGHMARK CAPITAL MANAGEMENT

350 California Street
 Suite 1600
 San Francisco, CA 94104
 800-582-4734

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has 100 years (including predecessor organizations) of institutional money management experience with \$8.6 billion in assets under management and \$8.1 billion in assets under advisement*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
 Investment Experience: since 1994
 HighMark Tenure: since 1997
 Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager
 Investment Experience: since 2004
 HighMark Tenure: since 2014
 Education: BA, Colgate University

J. Keith Stribling, CFA®

Senior Portfolio Manager
 Investment Experience: since 1985
 HighMark Tenure: since 1995
 Education: BA, Stetson University

Christiane Tsuda

Senior Portfolio Manager
 Investment Experience: since 1987
 HighMark Tenure: since 2010
 Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®

Senior Portfolio Manager
 Investment Experience: since 1987
 HighMark Tenure: since 2007
 Education: BA, University of California, Santa Barbara

Randy Yurchak, CFA®

Senior Portfolio Manager
 Investment Experience: since 2002
 HighMark Tenure: since 2017
 Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 17
 Average Years of Experience: 26
 Average Tenure (Years): 14

Manager Review Group

Number of Members: 7
 Average Years of Experience: 17
 Average Tenure (Years): 8

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFG Union Bank, N.A.

PARS DIVERSIFIED PORTFOLIOS
MODERATELY CONSERVATIVE

Q2 2020

WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

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Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

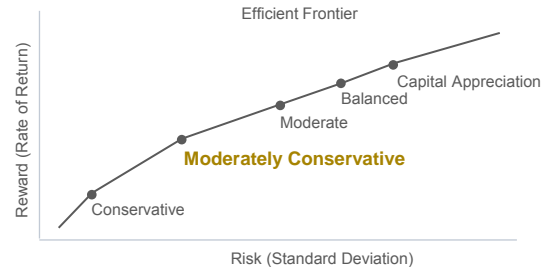
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Risk Management

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INVESTMENT OBJECTIVE

To provide current income, with capital appreciation as a secondary objective. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.



ASSET ALLOCATION — MODERATELY CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	20 - 40%	30%	29%
Fixed Income	50 - 80%	65%	67%
Cash	0 - 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
Current Quarter*	9.68%	Current Quarter*	7.78%
Blended Benchmark**, **	7.73%	Blended Benchmark**, **	7.73%
Year To Date*	0.85%	Year To Date*	1.80%
Blended Benchmark**, **	1.56%	Blended Benchmark**, **	1.56%
1 Year	4.87%	1 Year	6.05%
Blended Benchmark**	5.87%	Blended Benchmark**	5.87%
3 Year	5.22%	3 Year	5.41%
Blended Benchmark**	5.52%	Blended Benchmark**	5.52%
5 Year	4.90%	5 Year	4.98%
Blended Benchmark**	5.07%	Blended Benchmark**	5.07%
10 Year	5.97%	10 Year	5.80%
Blended Benchmark**	5.79%	Blended Benchmark**	5.79%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 - Present: 15.5% S&P500, 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM (net), 4% MSCI EAFE (net), 49.25% BBG Barclays US Agg, 14% ICE BofA 1-3 Yr US Corp/Gov't, 1.75% ICE BofA US High Yield Master II, 1% Wilshire REIT, and 5% FTSE 1 Mth T-Bill. From 4/1/2007 - 9/30/2012: the blended benchmark was 25% S&P 500; 1.5% Russell 2000, 3.5% MSCI EAFE (net), 25% ICE BofA 1-3 Year Corp./Gov't, 40% BBG Barclays US Agg, 5% FTSE 1 Mth T-Bill. Prior to April 2007, the blended benchmark was 30% S&P 500, 25% ICE BofA 1-3Yr Corp/Gov't, 40% BBG Barclays US Agg, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
2008	-15.37%	2008	-12.40%
2009	18.71%	2009	11.92%
2010	10.46%	2010	9.72%
2011	1.75%	2011	3.24%
2012	10.88%	2012	8.24%
2013	7.30%	2013	6.78%
2014	4.41%	2014	5.40%
2015	0.32%	2015	-0.18%
2016	4.94%	2016	5.42%
2017	9.56%	2017	8.08%
2018	-2.60%	2018	-2.33%
2019	13.73%	2019	13.53%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Composite Inception Date	08/2004	Composite Inception Date	05/2005
No of Holdings in Portfolio	19	No of Holdings in Portfolio	12

HOLDINGS

HighMark Plus (Active)

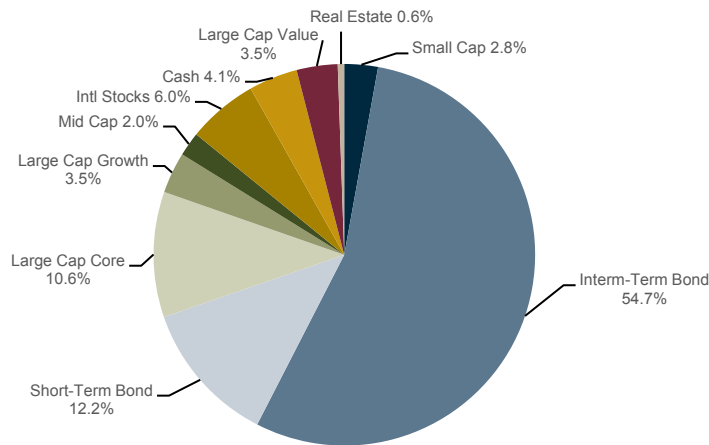
Columbia Contrarian Core I3
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 iShares S&P 500 Value ETF
 Harbor Capital Appreciation - Retirement
 T. Rowe Price Growth Stock - I
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 Undiscovered Managers Behavioral Value-R6
 Victory RS Small Cap Growth - R6
 DFA Large Cap International Portfolio
 Dodge & Cox International Stock
 MFS International Growth - R6
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return Fund - Inst
 PGIM Total Return Bond - R6
 DoubleLine Core Fixed Income - I
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500 Value ETF
 iShares S&P 500 Growth ETF
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 iShares Russell 2000 Value ETF
 iShares Russell 2000 Growth ETF
 iShares MSCI EAFE ETF
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 iShares Core U.S. Aggregate
 First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



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Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

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HIGHMARK CAPITAL MANAGEMENT

350 California Street
 Suite 1600
 San Francisco, CA 94104
 800-582-4734

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has 100 years (including predecessor organizations) of institutional money management experience with \$8.6 billion in assets under management and \$8.1 billion in assets under advisement*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
 Investment Experience: since 1994
 HighMark Tenure: since 1997
 Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager
 Investment Experience: since 2004
 HighMark Tenure: since 2014
 Education: BA, Colgate University

J. Keith Stribling, CFA®

Senior Portfolio Manager
 Investment Experience: since 1985
 HighMark Tenure: since 1995
 Education: BA, Stetson University

Christiane Tsuda

Senior Portfolio Manager
 Investment Experience: since 1987
 HighMark Tenure: since 2010
 Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®

Senior Portfolio Manager
 Investment Experience: since 1987
 HighMark Tenure: since 2007
 Education: BA, University of California, Santa Barbara

Randy Yurchak, CFA®

Senior Portfolio Manager
 Investment Experience: since 2002
 HighMark Tenure: since 2017
 Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 17
 Average Years of Experience: 26
 Average Tenure (Years): 14

Manager Review Group

Number of Members: 7
 Average Years of Experience: 17
 Average Tenure (Years): 8

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFU Union Bank, N.A.

PARS DIVERSIFIED PORTFOLIOS
MODERATE

Q2 2020

WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

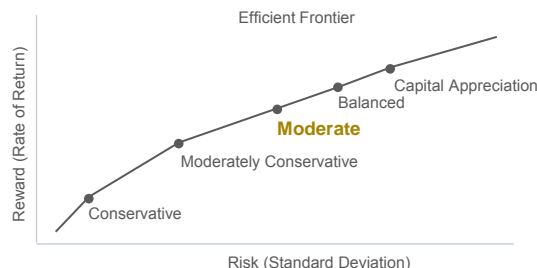
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



ASSET ALLOCATION — MODERATE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	40 - 60%	50%	48%
Fixed Income	40 - 60%	45%	48%
Cash	0 - 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

Current Quarter*	12.73%
Blended Benchmark*,**	11.27%
Year To Date*	-1.32%
Blended Benchmark*,**	-0.85%
1 Year	3.96%
Blended Benchmark**	4.75%
3 Year	5.77%
Blended Benchmark**	6.03%
5 Year	5.67%
Blended Benchmark**	5.91%
10 Year	7.48%
Blended Benchmark**	7.59%

Index Plus Composite (Passive)

Current Quarter*	10.92%
Blended Benchmark*,**	11.27%
Year To Date*	-0.94%
Blended Benchmark*,**	-0.85%
1 Year	4.54%
Blended Benchmark**	4.75%
3 Year	5.69%
Blended Benchmark**	6.03%
5 Year	5.60%
Blended Benchmark**	5.91%
10 Year	7.39%
Blended Benchmark**	7.59%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 – Present: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM (net), 6% MSCI EAFE (net), 33.50% BBG Barclays US Agg, 10% ICE BofA 1-3 Yr US Corp/Govt, 1.50% ICE BofA US High Yield Master II, 1.75% Wilshire REIT, and 5% FTSE 1 Mth T-Bill. From 4/1/2007 – 9/30/2012: the blended benchmark was 43% S&P 500; 2% Russell 2000, 5% MSCI EAFE (net), 15% ICE BofA 1-3 Year Corp./Govt, 30% BBG Barclays US Agg, 5% FTSE 1 Mth T-Bill. Prior to April 2007: the blended benchmark was 50% S&P 500, 15% ICE BofA 1-3Yr Corp/Govt, 30% BBG Barclays US Agg, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)

2008	-22.88%
2009	21.47%
2010	12.42%
2011	0.55%
2012	12.25%
2013	13.06%
2014	4.84%
2015	0.14%
2016	6.45%
2017	13.19%
2018	-4.03%
2019	17.71%

Index Plus Composite (Passive)

2008	-18.14%
2009	16.05%
2010	11.77%
2011	2.29%
2012	10.91%
2013	12.79%
2014	5.72%
2015	-0.52%
2016	7.23%
2017	11.59%
2018	-4.03%
2019	17.52%

PORTFOLIO FACTS

HighMark Plus (Active)

Composite Inception Date	10/2004
No of Holdings in Portfolio	19

Index Plus (Passive)

Composite Inception Date	05/2006
No of Holdings in Portfolio	12

HOLDINGS

HighMark Plus (Active)

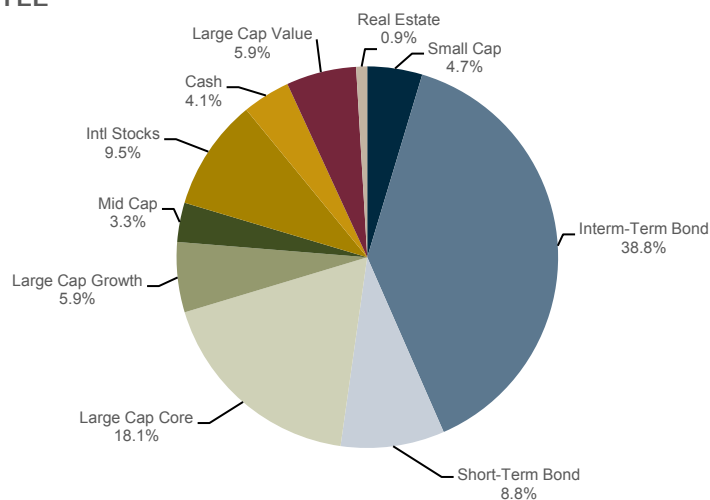
Columbia Contrarian Core I3
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 iShares S&P 500 Value ETF
 Harbor Capital Appreciation - Retirement
 T. Rowe Price Growth Stock - I
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 Undiscovered Managers Behavioral Value-R6
 Victory RS Small Cap Growth - R6
 DFA Large Cap International Portfolio
 Dodge & Cox International Stock
 MFS International Growth - R6
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return Fund - Inst
 PGIM Total Return Bond - R6
 DoubleLine Core Fixed Income - I
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500 Value ETF
 iShares S&P 500 Growth ETF
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 iShares Russell 2000 Value ETF
 iShares Russell 2000 Growth ETF
 iShares MSCI EAFE ETF
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 iShares Core U.S. Aggregate
 First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderate active and passive objectives.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

HIGHMARK CAPITAL MANAGEMENT

350 California Street
 Suite 1600
 San Francisco, CA 94104
 800-582-4734

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 Average Years of Experience: 26
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PARS DIVERSIFIED PORTFOLIOS
BALANCED

Q2 2020

WHY THE PARS DIVERSIFIED BALANCED PORTFOLIO?

Comprehensive Investment Solution

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Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

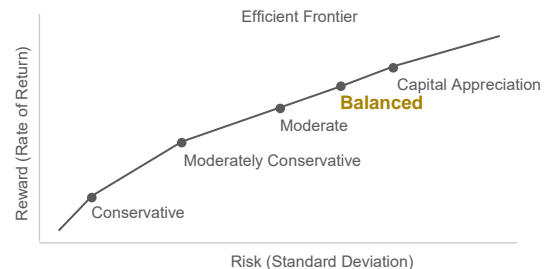
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return.



ASSET ALLOCATION — BALANCED PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	50 – 70%	60%	58%
Fixed Income	30 – 50%	35%	38%
Cash	0 – 20%	5%	4%

ANNUALIZED TOTAL RETURNS

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
Current Quarter*	14.40%	Current Quarter*	12.53%
Blended Benchmark*, **	13.11%	Blended Benchmark*, **	13.11%
Year To Date*	-2.36%	Year To Date*	-2.24%
Blended Benchmark*, **	-2.02%	Blended Benchmark*, **	-2.02%
1 Year	3.51%	1 Year	3.90%
Blended Benchmark**	4.23%	Blended Benchmark**	4.23%
3 Year	6.07%	3 Year	5.79%
Blended Benchmark**	6.28%	Blended Benchmark**	6.28%
5 Year	6.01%	5 Year	5.90%
Blended Benchmark**	6.33%	Blended Benchmark**	6.33%
10 Year	8.24%	10 Year	8.10%
Blended Benchmark**	8.52%	Blended Benchmark**	8.52%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: From 10/1/2012 – Present: 32% S&P500, 6% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM (net), 7% MSCI EAFE (net), 27% BBG Barclays US Agg, 6.75% ICE BofA 1-3 Yr US Corp/Gov't, 1.25% ICE BofA US High Yield Master II, 2% Wilshire REIT, and 5% FTSE 1 Mth T-Bill. From 4/1/2007 – 9/30/2012: the blended benchmark was 51% S&P 500, 3% Russell 2000, 6% MSCI EAFE (net), 5% ICE BofA 1-3 Year Corp./Gov't, 30% BBG Barclays US Agg, 5% FTSE 1 Mth T-Bill. Prior to April 2007: the blended benchmark was 60% S&P 500, 5% ICE BofA 1-3 Yr Corp/Gov't, 30% BBG Barclays US Agg, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS

(Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus Composite (Active)		Index Plus Composite (Passive)	
2008	-25.72%	2008	-23.22%
2009	21.36%	2009	17.62%
2010	14.11%	2010	12.76%
2011	-0.46%	2011	1.60%
2012	13.25%	2012	11.93%
2013	16.61%	2013	15.63%
2014	4.70%	2014	6.08%
2015	0.04%	2015	-0.81%
2016	6.81%	2016	8.25%
2017	15.46%	2017	13.39%
2018	-4.88%	2018	-5.05%
2019	19.85%	2019	19.59%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Composite Inception Date	10/2006	Composite Inception Date	10/2007
No of Holdings in Portfolio	19	No of Holdings in Portfolio	12

HOLDINGS

HighMark Plus (Active)

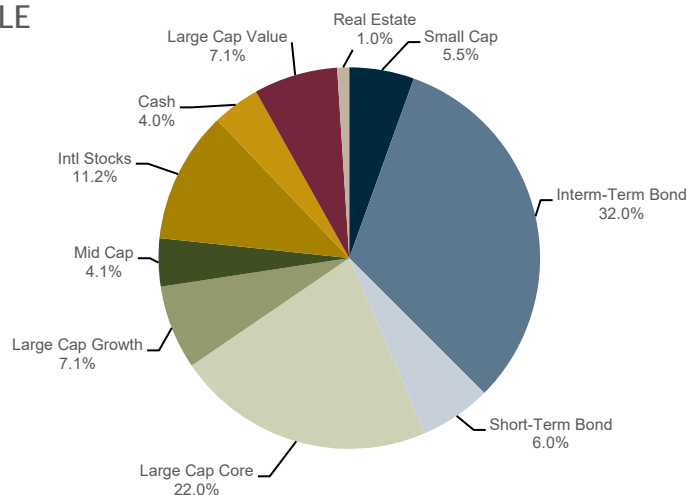
Columbia Contrarian Core I3
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 iShares S&P 500 Value ETF
 Harbor Capital Appreciation - Retirement
 T. Rowe Price Growth Stock - I
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 Undiscovered Managers Behavioral Value-R6
 Victory RS Small Cap Growth - R6
 DFA Large Cap International Portfolio
 Dodge & Cox International Stock
 MFS International Growth - R6
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
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 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
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 iShares S&P 500 Growth ETF
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 iShares Russell 2000 Value ETF
 iShares Russell 2000 Growth ETF
 iShares MSCI EAFE ETF
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 iShares Core U.S. Aggregate
 First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark Capital Advisors (HCA) with full investment authority according to the PARS Balanced active and passive objectives.

The composite name has been changed from PARS Balanced/Moderately Aggressive to PARS Balanced on 5/1/2013. The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

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HIGHMARK CAPITAL MANAGEMENT

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PARS DIVERSIFIED PORTFOLIOS
CAPITAL APPRECIATION

Q2 2020

WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

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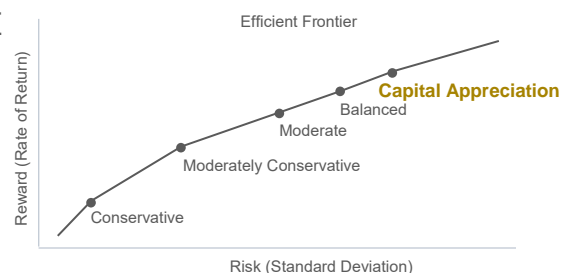
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The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide growth of principal. The major portion of the assets are invested in equity securities and market fluctuations are expected.



ASSET ALLOCATION — CAPITAL APPRECIATION PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	65 - 85%	75%	72%
Fixed Income	10 - 30%	20%	24%
Cash	0 - 20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Consolidated Composite

Current Quarter*	15.95%
Blended Benchmark*, **	15.76%
Year To Date*	-4.09%
Blended Benchmark*, **	-3.94%
1 Year	2.66%
Blended Benchmark**	3.18%
3 Year	6.26%
Blended Benchmark**	6.46%
5 Year	6.42%
Blended Benchmark**	6.77%
10 Year	9.06%
Blended Benchmark**	9.48%

* Returns less than one year are not annualized. **Breakdown for Blended Benchmark: 39.5% S&P500, 7.5% Russell Mid Cap, 10.5% Russell 2000, 5.25% MSCI EM (net), 10.25% MSCI EAFE (net), 16% BGC Barclays US Agg, 3% ICE BofA 1-3 Yr US Corp/Gov't, 1% ICE BofA US High Yield Master II, 2% Wilshire REIT, and 5% FTSE 1 Mth T-Bill.

ANNUAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

Consolidated Composite

2008	N/A
2009	23.77%
2010	12.95%
2011	-1.35%
2012	13.87%
2013	20.33%
2014	6.05%
2015	-0.27%
2016	8.81%
2017	16.72%
2018	-5.82%
2019	22.62%

PORTFOLIO FACTS

Consolidated Composite

Composite Inception Date	01/2009
No of Holdings in Portfolio	19

HOLDINGS

HighMark Plus (Active)

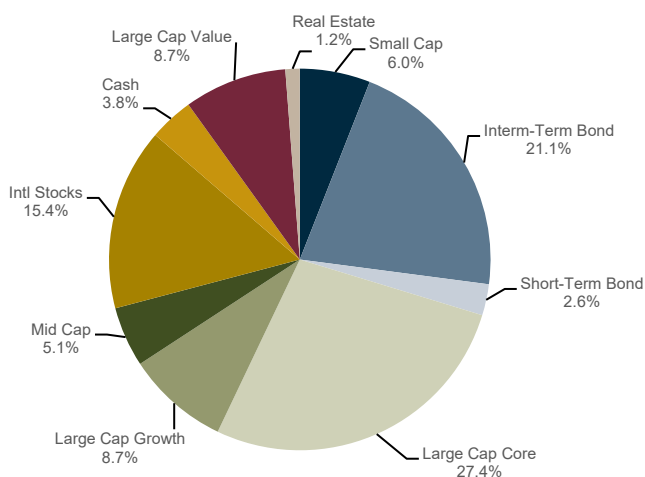
Columbia Contrarian Core I3
 Vanguard Growth & Income Adm
 Dodge & Cox Stock Fund
 iShares S&P 500 Value ETF
 Harbor Capital Appreciation – Retirement
 T. Rowe Price Growth Stock - I
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 Undiscovered Managers Behavioral Value-R6
 Victory RS Small Cap Growth - R6
 DFA Large Cap International Portfolio
 Dodge & Cox International Stock
 MFS International Growth - R6
 Hartford Schroders Emerging Markets Eq
 Vanguard Short-Term Invest-Grade Adm
 PIMCO Total Return Fund - Inst
 PGIM Total Return Bond - R6
 DoubleLine Core Fixed Income - I
 First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
 iShares S&P 500 Value ETF
 iShares S&P 500 Growth ETF
 iShares Russell Mid-Cap ETF
 Vanguard Real Estate ETF
 iShares Russell 2000 Value ETF
 iShares Russell 2000 Growth ETF
 iShares MSCI EAFE ETF
 Vanguard FTSE Emerging Markets ETF
 Vanguard Short-Term Invest-Grade Adm
 iShares Core U.S. Aggregate
 First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent a size-weighted composite of tax exempt accounts that meet the following criteria: Accounts are managed by HighMark Capital Advisors (HCA) with full investment authority according to the PARS Capital Appreciation active and passive objectives.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 0.36% paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio's returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a \$10 million initial value would grow to \$12.53 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Gross returns are presented before management and custodial fees but after all trading expenses and reflect the reinvestment of dividends and other income. A client's return will be reduced by the advisory fees and other expenses it may incur as a client. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The ICE BofA US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The ICE BofA 1-3 Year U.S. Corporate & Government Index tracks the bond performance of the ICE BofA U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged FTSE 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, and public and private retirement plans. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

HIGHMARK CAPITAL MANAGEMENT

350 California Street
 Suite 1600
 San Francisco, CA 94104
 800-582-4734

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has 100 years (including predecessor organizations) of institutional money management experience with \$8.6 billion in assets under management and \$8.1 billion in assets under advisement*. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
 Investment Experience: since 1994
 HighMark Tenure: since 1997
 Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager
 Investment Experience: since 2004
 HighMark Tenure: since 2014
 Education: BA, Colgate University

J. Keith Stribling, CFA®

Senior Portfolio Manager
 Investment Experience: since 1985
 HighMark Tenure: since 1995
 Education: BA, Stetson University

Christiane Tsuda

Senior Portfolio Manager
 Investment Experience: since 1987
 HighMark Tenure: since 2010
 Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®

Senior Portfolio Manager
 Investment Experience: since 1987
 HighMark Tenure: since 2007
 Education: BA, University of California, Santa Barbara

Randy Yurchak, CFA®

Senior Portfolio Manager
 Investment Experience: since 2002
 HighMark Tenure: since 2017
 Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 17
 Average Years of Experience: 26
 Average Tenure (Years): 14

Manager Review Group

Number of Members: 7
 Average Years of Experience: 17
 Average Tenure (Years): 8

*Assets under management ("AUM") include assets for which HighMark provides continuous and regular supervisory and management services. Assets under advisement ("AUA") include assets for which HighMark provides certain investment advisory services (including, but not limited to, investment research and strategies) for client assets of its parent company, MUFG Union Bank, N.A.



Fallbrook Public Utility District

Investment Performance Review For the Quarter Ended September 30, 2020

Client Management Team

Sarah Meacham, Managing Director
Richard Babbe, CCM, Senior Managing Consultant

PFM Asset Management LLC

601 South Figueroa, Suite 4500
Los Angeles, CA 90017
213-489-4075

213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

Key Themes

Economic Conditions:

- While the actions by the federal reserve and the federal government helped stabilize the economy and the financial markets, we are unlikely to see a sustained economic recovery until there is a resolution with the underlying health crisis.
- Following the plunge in the U.S. Treasury yield curve during the first quarter, yields were relatively stable over the second and third quarter.
- Yield spreads on all other asset classes stabilized after retracing significantly from March's wide levels as unprecedented fiscal and monetary stimulus helped support the economy and financial markets.
- Increasing COVID case numbers and stalled stimulus progress has led to greater economic uncertainty entering the fourth quarter.

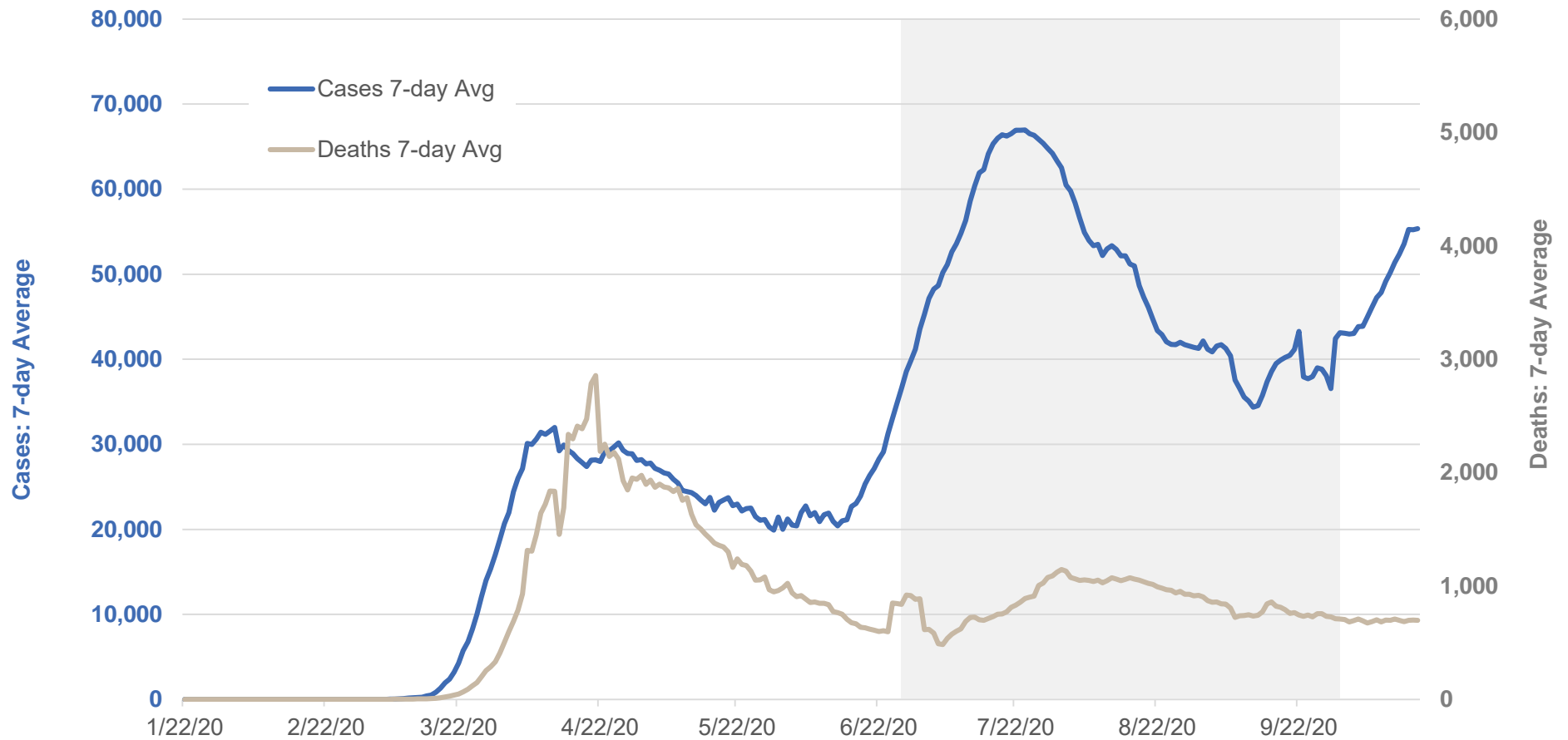
Strategy Considerations:

- Interest rates are expected to remain low for an extended period. The economic forecasts from federal reserve's September meeting suggest that the federal funds target rate will remain at its current level at least until the end of 2023.
- The yields on pooled investments have lagged current interest rates levels providing an attractive investment alternative to longer-term investments. However, yields on these investment pools are continuing to fall as they adjust to current interest rate levels. Over time, this will change the relative value of pool and individual investments.
- The portfolio's current investments have performed well. We will continue to work with the District to evaluate its investment options in what will remain a challenging interest rate environment.

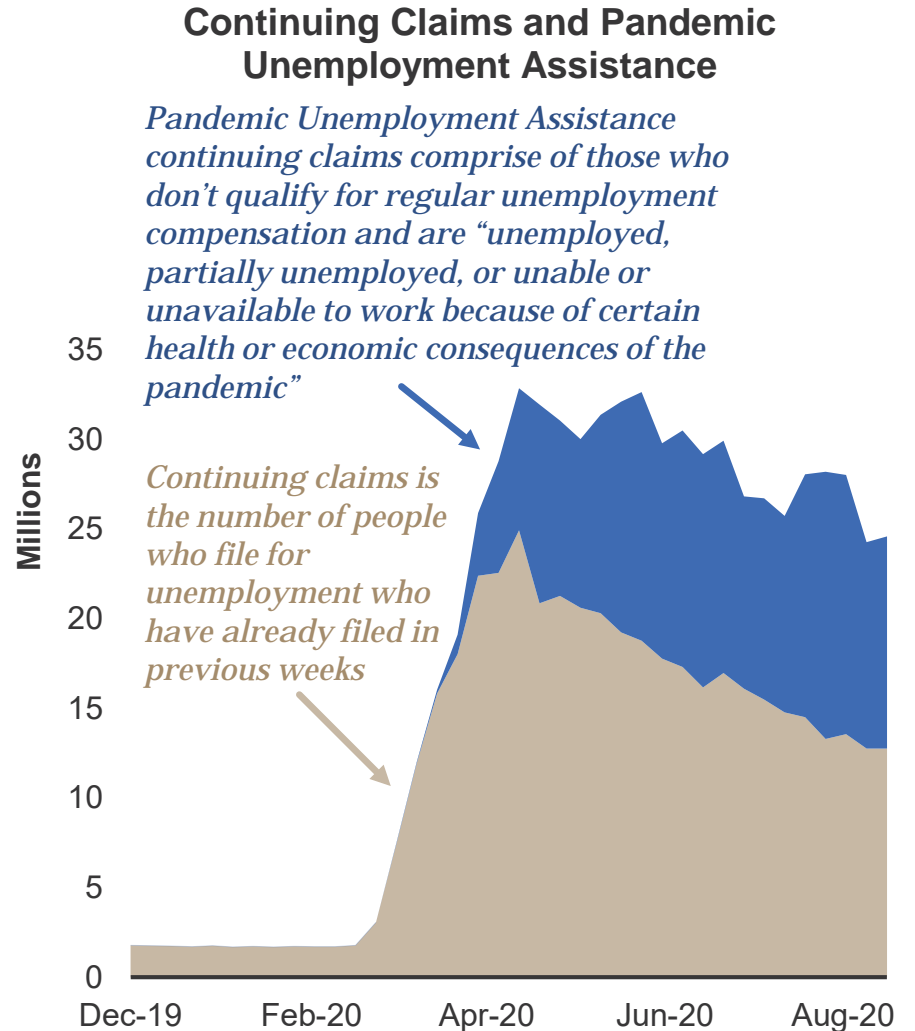
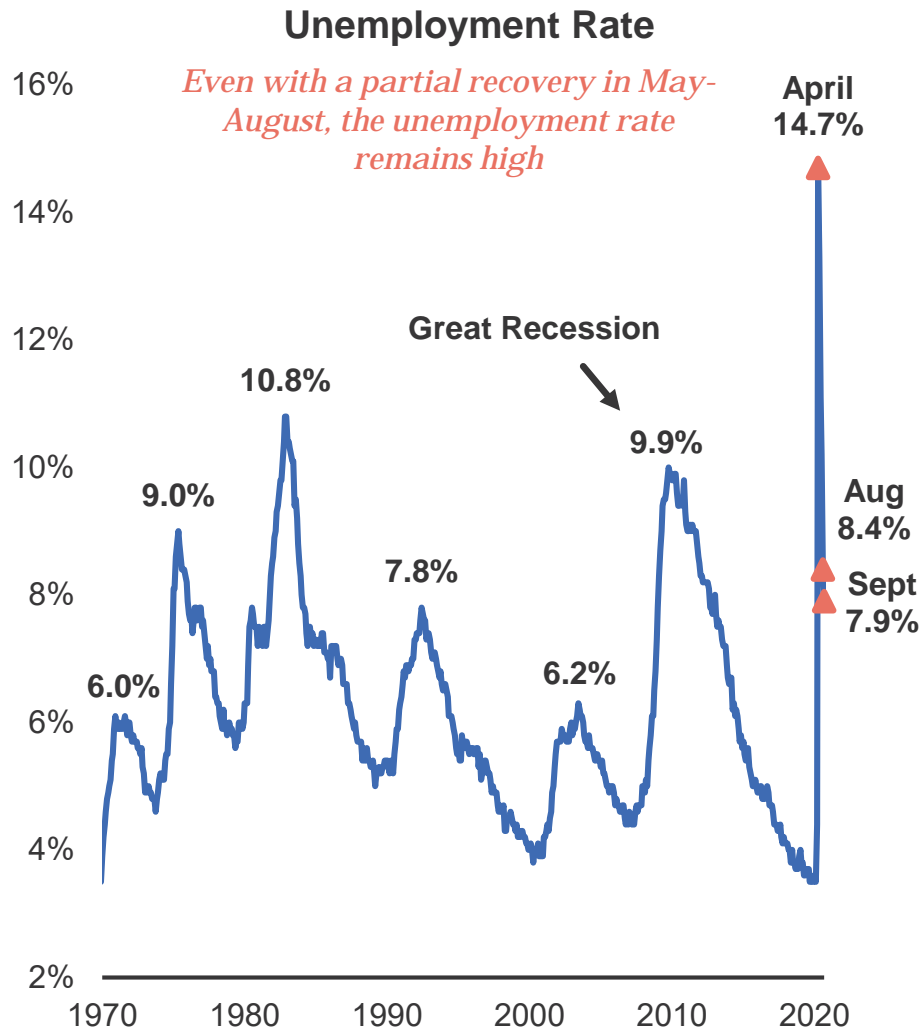
Market Update

COVID Trends

COVID 7-day Averages
January 22, 2020 – October 18, 2020



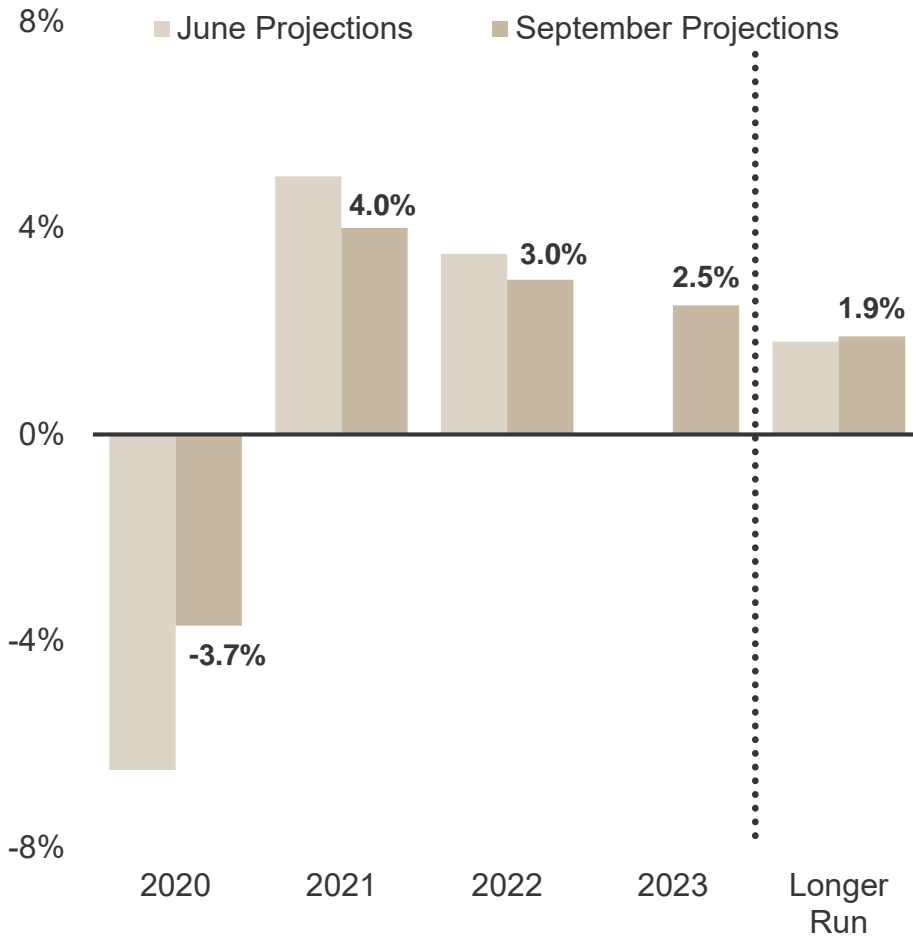
Achieving Pre-Pandemic Employment Levels May Be Challenging



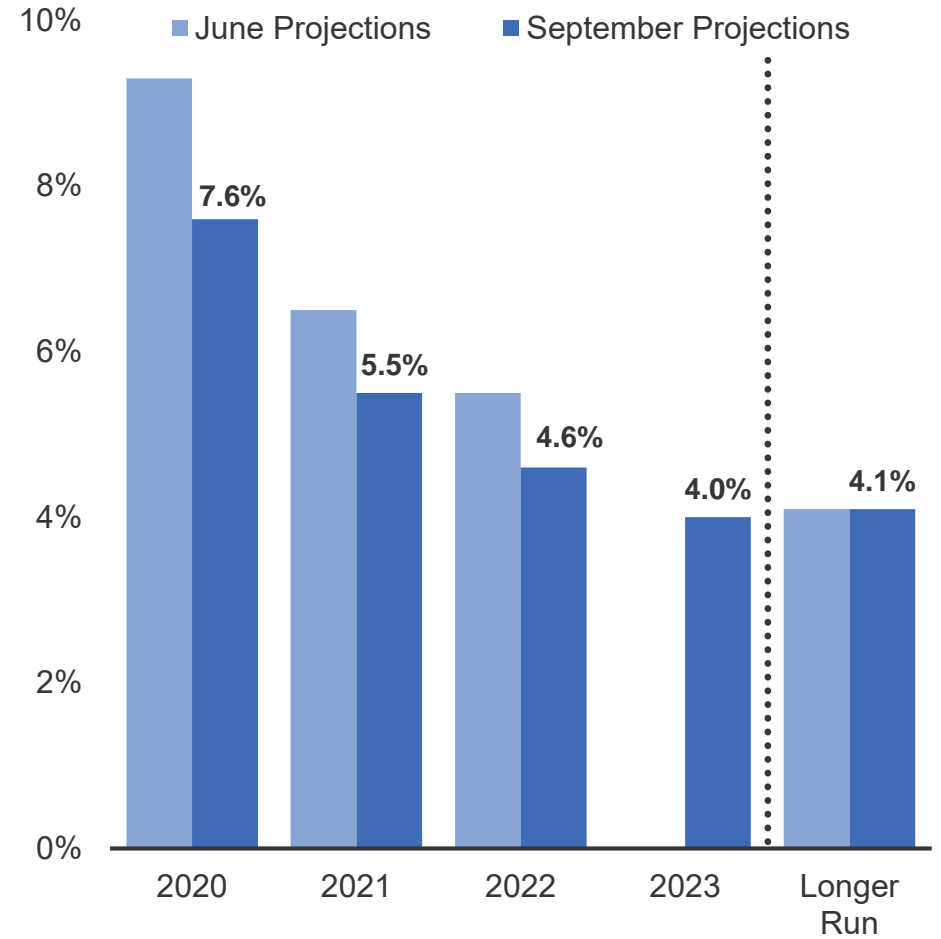
Source: Bloomberg as of 9/30/2020. Data is seasonally adjusted. Source (quote): Department of Labor.

The Fed's Updated Economic Projections Pull Improvement Forward

Change in Real GDP



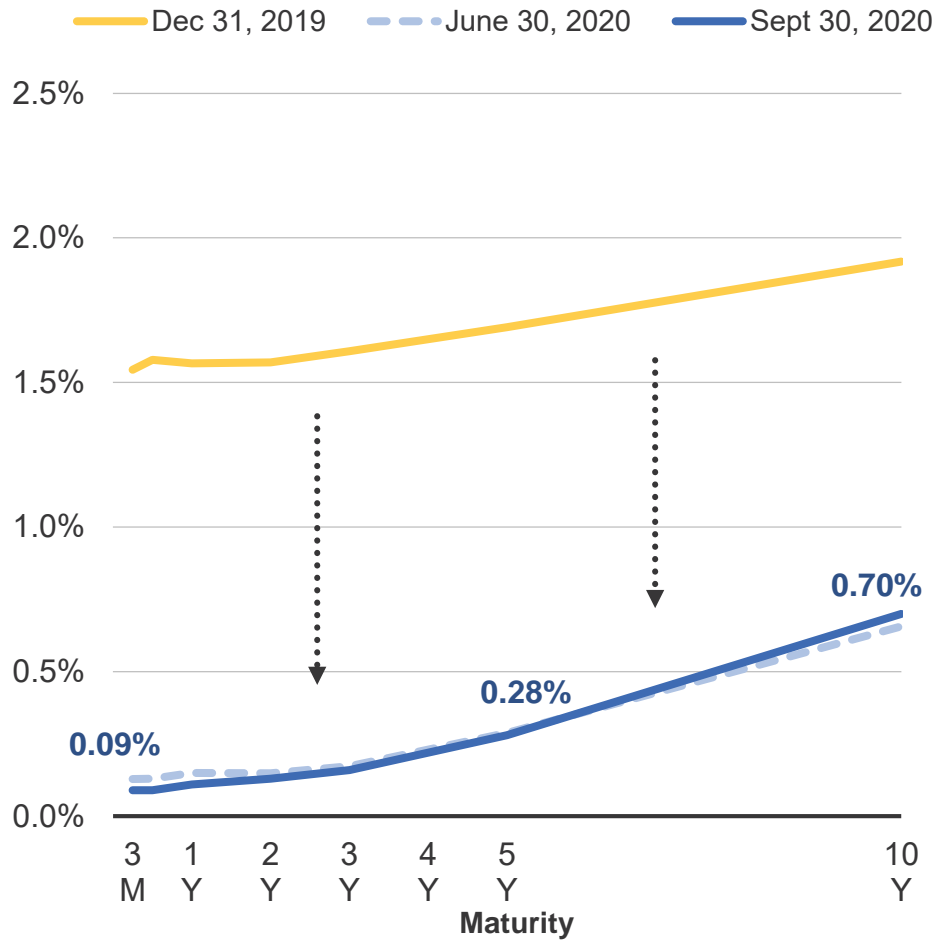
Unemployment Rate



Source: Federal Reserve, economic projections as of June and September 2020.

Interest Rates Remain Stable Near Historic Lows

US Treasury Yield Curve



3-Year Treasury Yield

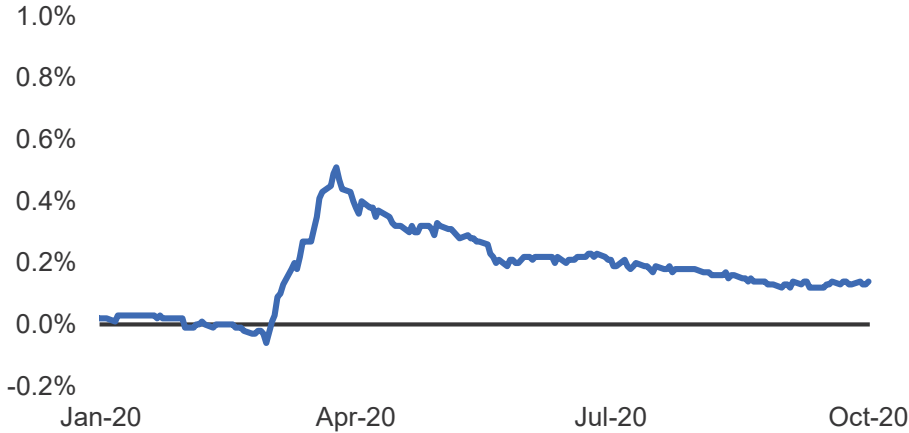


Source: Bloomberg as of 10/2/2020.

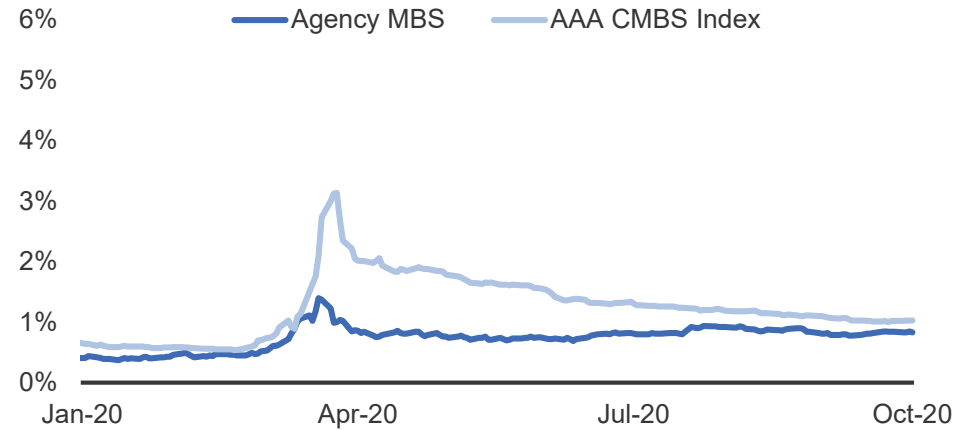
Yield Spreads Narrow Further in the Third Quarter

1-5 Year Indices

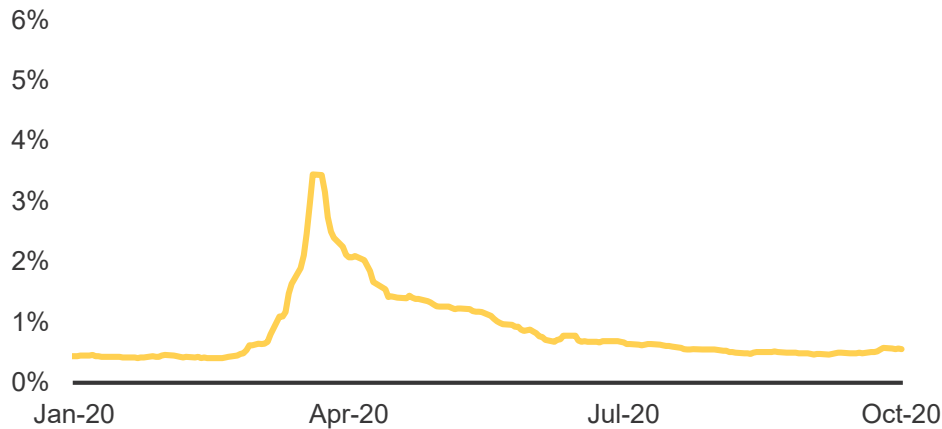
Federal Agency Yield Spreads



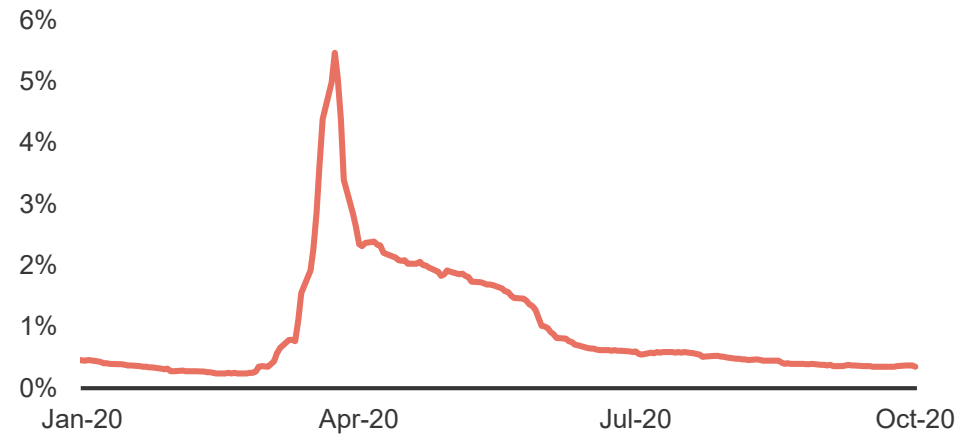
Mortgage-Backed Securities Yield Spreads



Corporate Notes A-AAA Yield Spreads



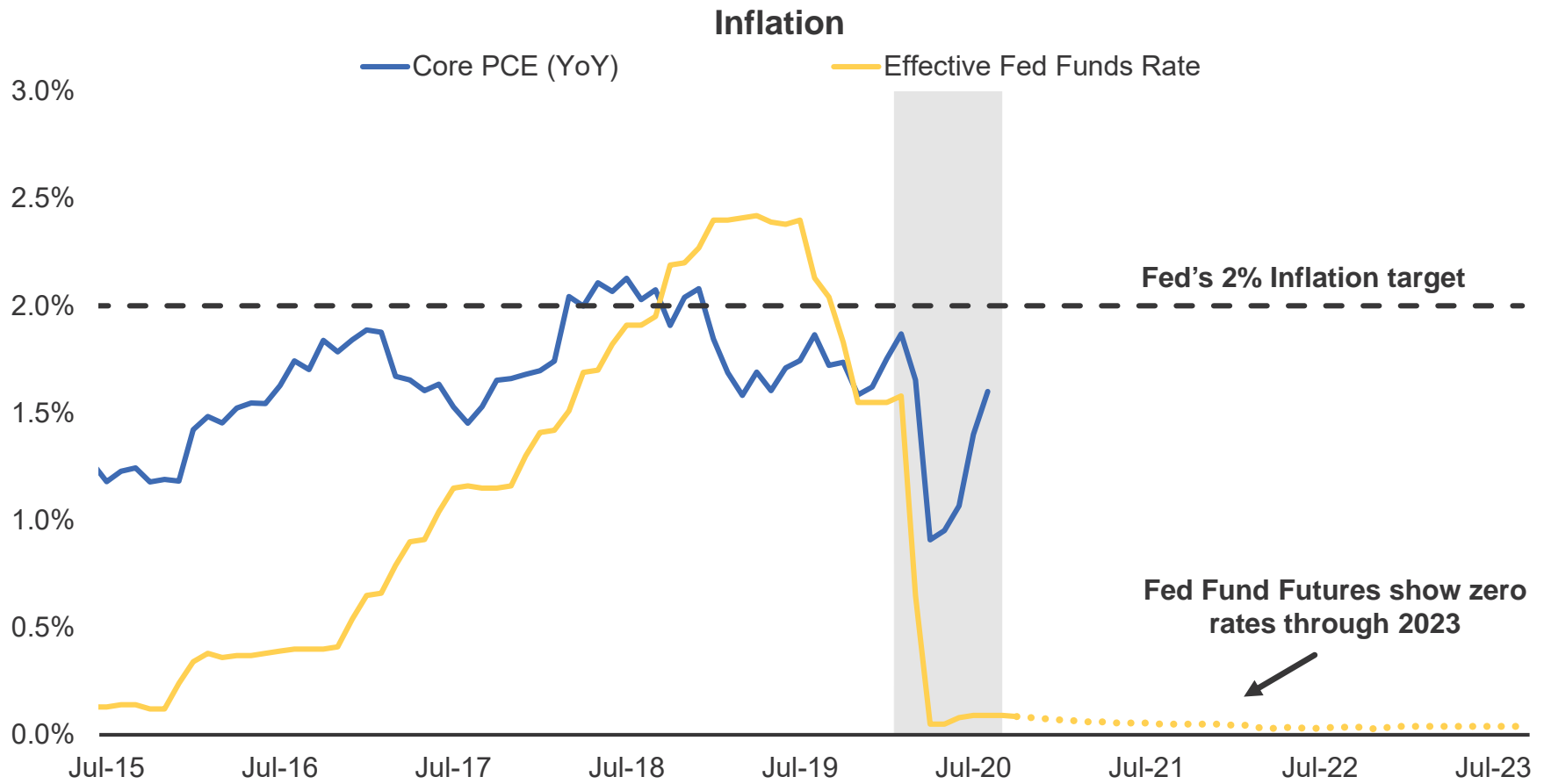
Asset-Backed Securities Yield Spreads



Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess, and PFM as of 10/2/2020. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

Federal Reserve's New Inflation Policy Means Rates May Be Lower for Longer

"...the Committee seeks to achieve inflation that averages 2 percent over time... following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time."



Source: Federal Reserve as of 8/27/2020 (quote); Bloomberg as of 10/2/2020 (chart). Fed Funds Futures projections as of 10/5/2020.

Investment Strategy & Portfolio Review

Sector Allocation & Compliances

- The portfolio is in compliance with the District's Investment Policy and the California Government Code.

Security Type	Market Value as of 9/30/20	% of Portfolio	% Change vs. 6/30/20	Permitted by Policy	In Compliance
U.S. Treasury	\$5,866,142	52.1%	-0.3%	100%	✓
Agency CMOs	\$113,342	1.0%	0.0%	100%	✓
Municipal Obligations	\$172,033	1.5%	0.0%	25%	✓
Asset-Backed Securities	\$735,318	6.5%	-0.4%	20%	✓
Negotiable CDs	\$280,689	2.5%	0.0%	30%	✓
Corporate Notes	\$3,526,565	31.3%	-1.1%	30%	✓
Securities Sub-Total	\$10,694,089	95.0%			
Accrued Interest	\$51,464				
Securities Total	\$10,745,553				
Money Market Fund	\$566,317	5.0%	1.8%	20%	✓
Total Investments	\$11,311,870	100.0%			

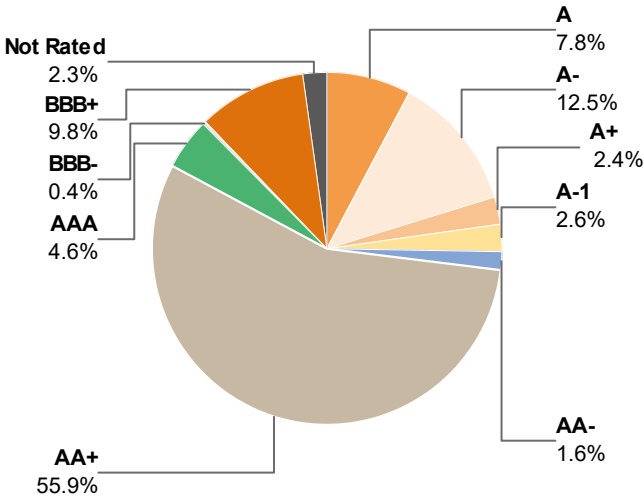
Market values for PFM managed investments, excluding accrued interest. Detail may not add to total due to rounding. Current Investment Policy as of February 2019.

Portfolio Statistics

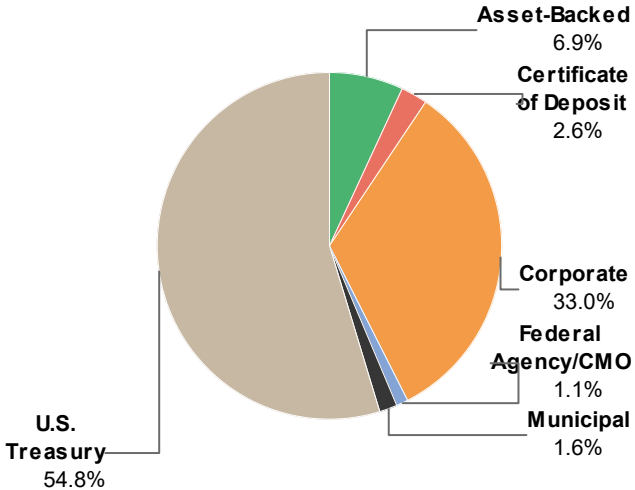
As of September 30, 2020

Par Value:	\$10,317,662
Total Market Value:	\$11,311,870
Security Market Value:	\$10,694,089
Accrued Interest:	\$51,464
Cash:	\$566,317
Amortized Cost:	\$10,324,310
Yield at Market:	0.45%
Yield at Cost:	2.21%
Effective Duration:	1.91 Years
Average Maturity:	2.09 Years
Average Credit: *	AA

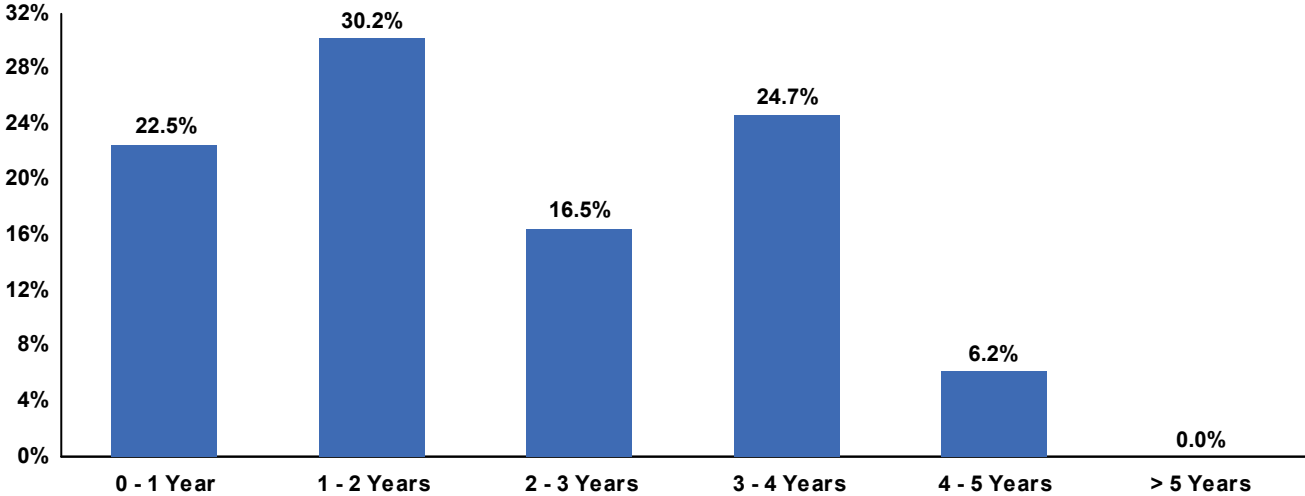
Credit Quality (S&P Ratings)**



Sector Allocation



Maturity Distribution

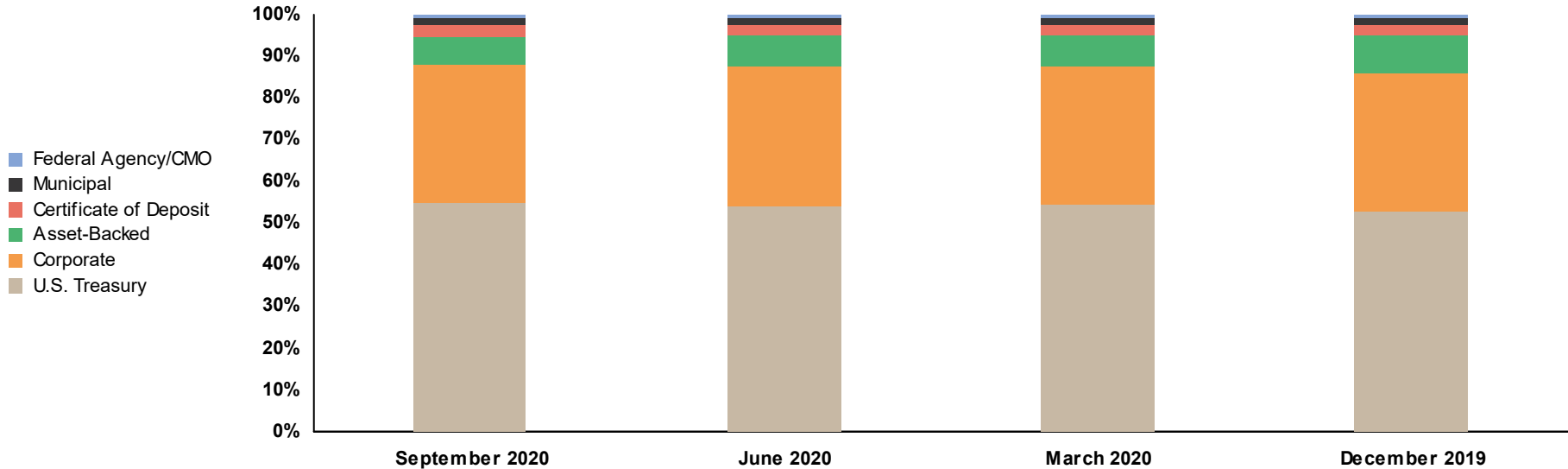


* An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

**Securities held in the District's Portfolio are in compliance with the rating requirements of the California Government Code and the District's Investment Policy, as of February 2019..

Sector Allocation

Sector	September 30, 2020		June 30, 2020		March 31, 2020		December 31, 2019	
	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total	MV (\$MM)	% of Total
U.S. Treasury	5.9	54.8%	5.9	54.2%	5.9	54.6%	5.7	52.9%
Corporate	3.5	33.0%	3.6	33.5%	3.5	32.7%	3.6	33.0%
Asset-Backed	0.7	6.9%	0.8	7.1%	0.8	7.4%	1.0	8.9%
Certificate of Deposit	0.3	2.6%	0.3	2.6%	0.3	2.6%	0.3	2.6%
Municipal	0.2	1.6%	0.2	1.6%	0.2	1.6%	0.2	1.6%
Federal Agency/CMO	0.1	1.1%	0.1	1.0%	0.1	1.1%	0.1	1.0%
Total	\$10.7	100.0%	\$10.9	100.0%	\$10.8	100.0%	\$10.8	100.0%

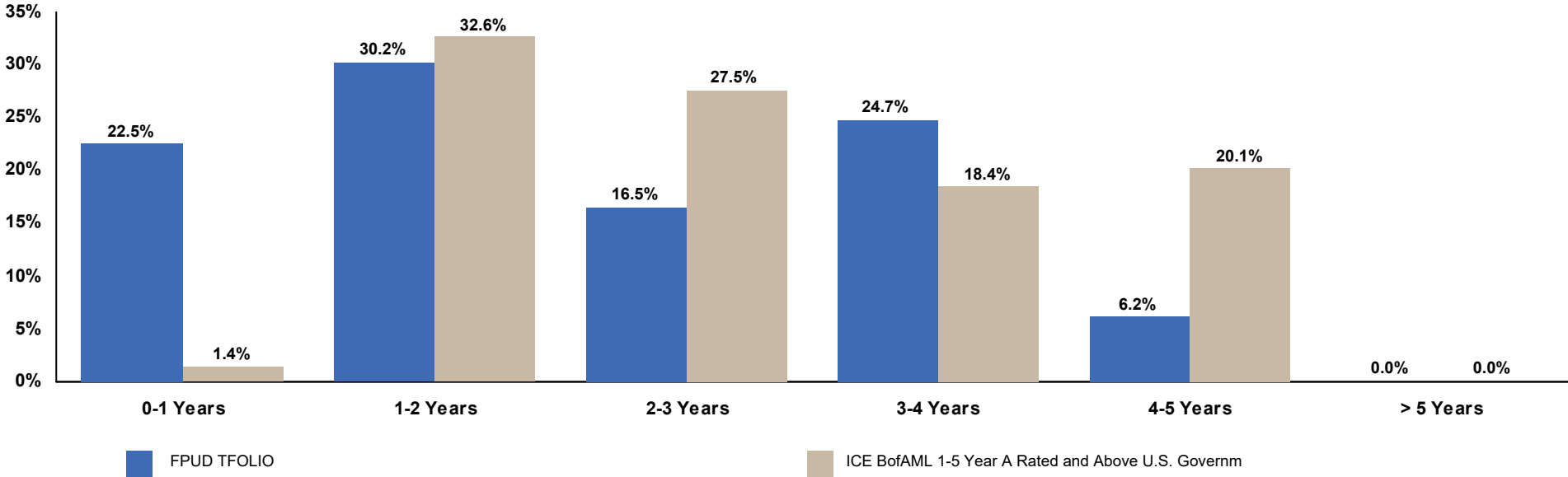


Detail may not add to total due to rounding.

Maturity Distribution

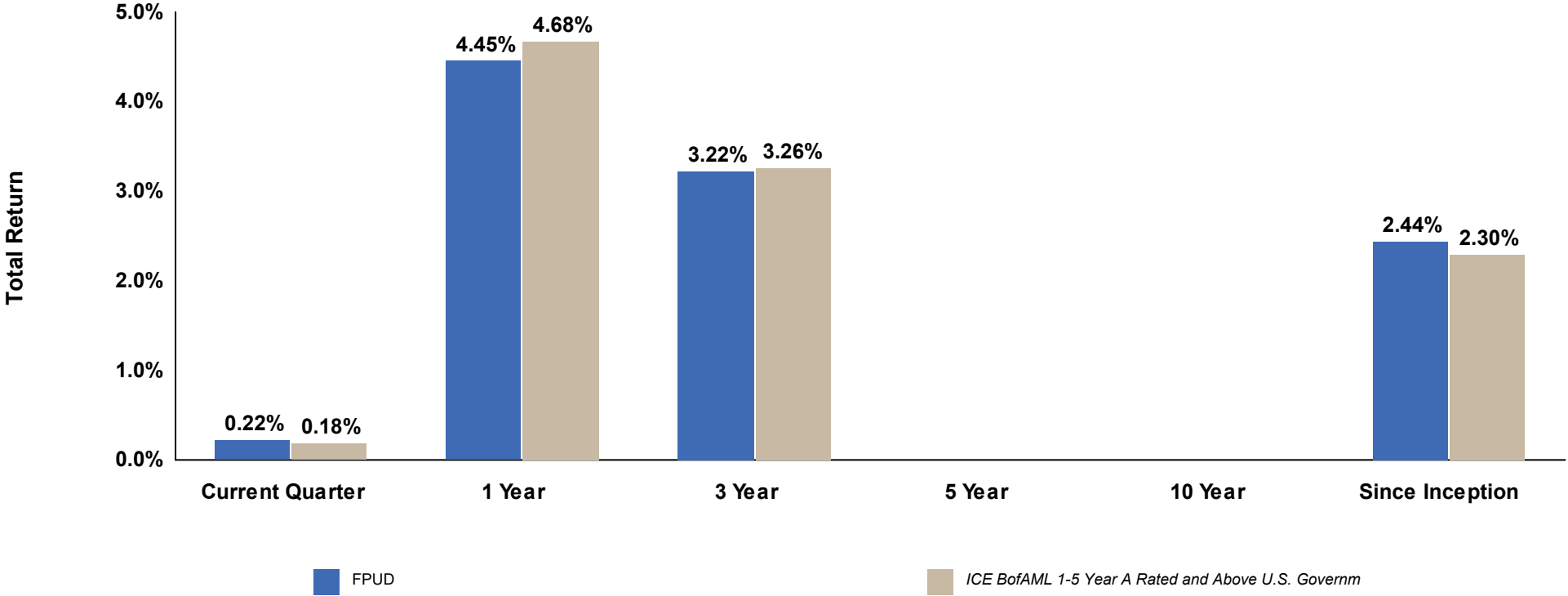
As of September 30, 2020

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
FPUD	0.45%	2.09 yrs	22.5%	30.2%	16.5%	24.7%	6.2%	0.0%
ICE BofAML 1-5 Year A Rated and Above U.S. Governm	0.23%	2.77 yrs	1.4%	32.6%	27.5%	18.4%	20.1%	0.0%



Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Current Quarter	Annualized Return				Since Inception (06/30/16) **
			1 Year	3 Year	5 Year	10 Year	
FPUD - INVESTMENT PORTFOLIO	1.91	0.22%	4.45%	3.22%	-	-	2.44%
ICE BofAML 1-5 Year A Rated and Above U.S. Governm	2.58	0.18%	4.68%	3.26%	-	-	2.30%
Difference		0.04%	-0.23%	-0.04%	-	-	0.14%



Portfolio performance is gross of fees unless otherwise indicated. **Since Inception performance is not shown for periods less than one year.

Portfolio Earnings
Quarter-Ended September 30, 2020

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (06/30/2020)	\$10,867,053.68	\$10,464,255.57
Net Purchases/Sales	(\$140,265.52)	(\$140,265.52)
Change in Value	(\$32,698.91)	\$319.98
Ending Value (09/30/2020)	\$10,694,089.25	\$10,324,310.03
Interest Earned	\$57,978.44	\$57,978.44
Portfolio Earnings	\$25,279.53	\$58,298.42

Issuer Distribution

Issuer Distribution
As of September 30, 2020

Issuer	Market Value (\$)	% of Portfolio
UNITED STATES TREASURY	5,866,142	54.9%
TRUIST FIN CORP	561,919	5.3%
MORGAN STANLEY	491,661	4.6%
THE BANK OF NEW YORK MELLON CORPORATION	373,519	3.5%
GOLDMAN SACHS GROUP INC	293,253	2.7%
CAPITAL ONE FINANCIAL CORP	292,824	2.7%
SWEDBANK AB	280,689	2.6%
BANK OF AMERICA CO	228,905	2.1%
CALIFORNIA ST	172,033	1.6%
CITIGROUP INC	159,463	1.5%
CHARLES SCHWAB	158,183	1.5%
US BANCORP	154,244	1.4%
THE WALT DISNEY CORPORATION	150,919	1.4%
ABBOTT LABORATORIES	146,822	1.4%
IBM CORP	141,147	1.3%
DISCOVER FINANCIAL SERVICES	123,993	1.2%
HONDA AUTO RECEIVABLES	118,675	1.1%
FREDDIE MAC	113,342	1.1%

Top 5 = 70.9%

Top 10 = 81.5%

Issuer	Market Value (\$)	% of Portfolio
UNITED PARCEL SERVICE INC	110,977	1.0%
AMERICAN EXPRESS CO	108,578	1.0%
PNC FINANCIAL SERVICES GROUP	106,008	1.0%
UNITEDHEALTH GROUP INC	105,832	1.0%
CATERPILLAR INC	102,430	1.0%
MERCEDES-BENZ AUTO LEASE TRUST	60,924	0.6%
NATIONAL RURAL UTILITIES CO FINANCE CORP	60,720	0.6%
GM FINANCIAL SECURITIZED TERM	51,098	0.5%
BOEING COMPANY	45,578	0.4%
JOHN DEERE OWNER TRUST	41,851	0.4%
CAPITAL ONE PRIME AUTO REC TRUST	40,902	0.4%
AMERICAN HONDA FINANCE	26,406	0.3%
ALLY AUTO RECEIVABLES TRUST	5,051	0.1%
Grand Total:	10,694,089	100.0%

Portfolio Transactions

Quarterly Portfolio Transactions

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield	Realized G/L (BV)
INTEREST	7/1/20	7/1/20	0.00	MONEY0002	MONEY MARKET FUND			20.89		
INTEREST	7/1/20	7/25/20	110,000.00	3137BM6P6	FHLMC SERIES K721 A2	3.09%	8/1/22	283.25		
INTEREST	7/15/20	7/15/20	15,601.23	47788CAC6	JDOT 2018-A A3	2.66%	4/15/22	34.58		
INTEREST	7/15/20	7/15/20	60,666.33	43814UAC3	HAROT 2018-1 A3	2.64%	2/15/22	133.47		
INTEREST	7/15/20	7/15/20	40,000.00	14042WAC4	COPAR 2019-1 A3	2.51%	11/15/23	83.67		
INTEREST	7/15/20	7/15/20	285,000.00	14041NFU0	COMET 2019-A2 A2	1.72%	8/15/24	408.50		
INTEREST	7/15/20	7/15/20	60,000.00	58769QAC5	MBALT 2019-B A3	2.00%	10/17/22	100.00		
INTEREST	7/15/20	7/15/20	30,000.00	477870AC3	JDOT 2019-B A3	2.21%	12/15/23	55.25		
INTEREST	7/15/20	7/15/20	120,000.00	254683CM5	DCENT 2019-A3 A	1.89%	10/15/24	189.00		
INTEREST	7/15/20	7/15/20	3,623.23	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	5.50		
INTEREST	7/15/20	7/15/20	17,036.81	02007FAC9	ALLY ABS 2017-4 A3	1.75%	12/15/21	24.85		
PAYDOWNS	7/15/20	7/15/20	6,512.45	43814UAC3	HAROT 2018-1 A3	2.64%	2/15/22	6,512.45		0.00
PAYDOWNS	7/15/20	7/15/20	847.30	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	847.30		0.00
PAYDOWNS	7/15/20	7/15/20	3,968.49	02007FAC9	ALLY ABS 2017-4 A3	1.75%	12/15/21	3,968.49		0.00
PAYDOWNS	7/15/20	7/15/20	1,611.67	47788CAC6	JDOT 2018-A A3	2.66%	4/15/22	1,611.67		0.00
INTEREST	7/16/20	7/16/20	50,000.00	36257PAD0	GM FINANCIAL SECURITIZED TERM	2.18%	4/16/24	90.83		
MATURITY	7/20/20	7/20/20	100,000.00	94106LBF5	WASTE MANAGEMENT INC CORP NOTES	2.95%	7/20/20	101,286.81		1,000.00
INTEREST	7/21/20	7/21/20	75,000.00	43815MAC0	HAROT 2019-2 A3	2.52%	6/21/23	157.50		
INTEREST	7/24/20	7/24/20	130,000.00	06051GEM7	BANK OF AMERICA CORP CORP NOTES	5.70%	1/24/22	3,705.00		
INTEREST	7/29/20	7/29/20	200,000.00	06406RAE7	BANK OF NY MELLON CORP NOTE	2.95%	1/29/23	2,950.00		

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield	Realized G/L (BV)
INTEREST	7/30/20	7/30/20	145,000.00	91159HHX1	US BANCORP	2.40%	7/30/24	1,740.00		
INTEREST	7/31/20	7/31/20	440,000.00	9128282P4	US TREASURY NOTES	1.87%	7/31/22	4,125.00		
INTEREST	7/31/20	7/31/20	200,000.00	912828Y87	UNITED STATES TREASURY NOTES	1.75%	7/31/24	1,750.00		
INTEREST	7/31/20	7/31/20	175,000.00	912828S76	US TREASURY NOTES	1.12%	7/31/21	984.38		
INTEREST	7/31/20	7/31/20	460,000.00	912828H86	US TREASURY NOTES	1.50%	1/31/22	3,450.00		
INTEREST	8/1/20	8/1/20	145,000.00	808513AY1	CHARLES SCHWAB CORP NOTES	3.55%	2/1/24	2,573.75		
INTEREST	8/1/20	8/1/20	45,000.00	097023CL7	BOEING CO NOTES	2.30%	8/1/21	517.50		
INTEREST	8/1/20	8/25/20	110,000.00	3137BM6P6	FHLMC SERIES K721 A2	3.09%	8/1/22	283.25		
INTEREST	8/3/20	8/3/20	0.00	MONEY0002	MONEY MARKET FUND			19.41		
INTEREST	8/5/20	8/5/20	140,000.00	44932HAG8	IBM CORP CORP NOTES	2.65%	2/5/21	1,855.00		
INTEREST	8/11/20	8/11/20	150,000.00	06406RAJ6	BANK OF NY MELLON CORP CORP NOTES	3.45%	8/11/23	2,587.50		
INTEREST	8/15/20	8/15/20	54,153.88	43814UAC3	HAROT 2018-1 A3	2.64%	2/15/22	119.14		
INTEREST	8/15/20	8/15/20	350,000.00	9128284W7	US TREASURY NOTES	2.75%	8/15/21	4,812.50		
INTEREST	8/15/20	8/15/20	30,000.00	477870AC3	JDOT 2019-B A3	2.21%	12/15/23	55.25		
INTEREST	8/15/20	8/15/20	2,775.93	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	4.21		
INTEREST	8/15/20	8/15/20	60,000.00	58769QAC5	MBALT 2019-B A3	2.00%	10/17/22	100.00		
INTEREST	8/15/20	8/15/20	13,068.32	02007FAC9	ALLY ABS 2017-4 A3	1.75%	12/15/21	19.06		
INTEREST	8/15/20	8/15/20	13,989.56	47788CAC6	JDOT 2018-A A3	2.66%	4/15/22	31.01		
INTEREST	8/15/20	8/15/20	285,000.00	14041NFU0	COMET 2019-A2 A2	1.72%	8/15/24	408.50		
INTEREST	8/15/20	8/15/20	40,000.00	14042WAC4	COPAR 2019-1 A3	2.51%	11/15/23	83.67		
INTEREST	8/15/20	8/15/20	120,000.00	254683CM5	DCENT 2019-A3 A	1.89%	10/15/24	189.00		
PAYDOWNS	8/15/20	8/15/20	2,032.25	47788CAC6	JDOT 2018-A A3	2.66%	4/15/22	2,032.25		0.00

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield	Realized G/L (BV)
PAYDOWNS	8/15/20	8/15/20	4,016.23	02007FAC9	ALLY ABS 2017-4 A3	1.75%	12/15/21	4,016.23		0.00
PAYDOWNS	8/15/20	8/15/20	1,079.19	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	1,079.19		0.00
PAYDOWNS	8/15/20	8/15/20	6,487.14	43814UAC3	HAROT 2018-1 A3	2.64%	2/15/22	6,487.14		0.00
INTEREST	8/16/20	8/16/20	50,000.00	36257PAD0	GM FINANCIAL SECURITIZED TERM	2.18%	4/16/24	90.83		
INTEREST	8/21/20	8/21/20	75,000.00	43815MAC0	HAROT 2019-2 A3	2.52%	6/21/23	157.50		
INTEREST	8/22/20	8/22/20	100,000.00	025816CC1	AMERICAN EXPRESS CO CORP NOTES	3.40%	2/22/24	1,700.00		
INTEREST	8/30/20	8/30/20	145,000.00	254687FK7	WALT DISNEY COMPANY/THE	1.75%	8/30/24	1,268.75		
INTEREST	9/1/20	9/1/20	150,000.00	172967GL9	CITIGROUP INC CORP NOTES	3.37%	3/1/23	2,531.25		
INTEREST	9/1/20	9/1/20	0.00	254687FK7	WALT DISNEY COMPANY/THE	1.75%	8/30/24	14.10		
INTEREST	9/1/20	9/1/20	0.00	MONEY0002	MONEY MARKET FUND			9.30		
INTEREST	9/1/20	9/25/20	110,000.00	3137BM6P6	FHLMC SERIES K721 A2	3.09%	8/1/22	283.25		
INTEREST	9/15/20	9/15/20	1,696.74	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	2.57		
INTEREST	9/15/20	9/15/20	11,957.31	47788CAC6	JDOT 2018-A A3	2.66%	4/15/22	26.51		
INTEREST	9/15/20	9/15/20	100,000.00	91324PCC4	UNITEDHEALTH GROUP INC CORP NOTES	2.87%	3/15/23	1,437.50		
INTEREST	9/15/20	9/15/20	60,000.00	63743HER9	NATIONAL RURAL UTIL COOP NOTE	2.90%	3/15/21	870.00		
INTEREST	9/15/20	9/15/20	60,000.00	58769QAC5	MBALT 2019-B A3	2.00%	10/17/22	100.00		
INTEREST	9/15/20	9/15/20	30,000.00	477870AC3	JDOT 2019-B A3	2.21%	12/15/23	55.25		
INTEREST	9/15/20	9/15/20	47,666.74	43814UAC3	HAROT 2018-1 A3	2.64%	2/15/22	104.87		
INTEREST	9/15/20	9/15/20	285,000.00	14041NFU0	COMET 2019-A2 A2	1.72%	8/15/24	408.50		
INTEREST	9/15/20	9/15/20	9,052.09	02007FAC9	ALLY ABS 2017-4 A3	1.75%	12/15/21	13.20		
INTEREST	9/15/20	9/15/20	120,000.00	254683CM5	DCENT 2019-A3 A	1.89%	10/15/24	189.00		
INTEREST	9/15/20	9/15/20	40,000.00	14042WAC4	COPAR 2019-1 A3	2.51%	11/15/23	83.67		

FPUD

Portfolio Activity

Tran. Type	Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield	Realized G/L (BV)
PAYDOWNS	9/15/20	9/15/20	838.95	47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	838.95		0.00
PAYDOWNS	9/15/20	9/15/20	1,727.05	47788CAC6	JDOT 2018-A A3	2.66%	4/15/22	1,727.05		0.00
PAYDOWNS	9/15/20	9/15/20	6,141.69	43814UAC3	HAROT 2018-1 A3	2.64%	2/15/22	6,141.69		0.00
PAYDOWNS	9/15/20	9/15/20	4,003.11	02007FAC9	ALLY ABS 2017-4 A3	1.75%	12/15/21	4,003.11		0.00
INTEREST	9/16/20	9/16/20	50,000.00	36257PAD0	GM FINANCIAL SECURITIZED TERM	2.18%	4/16/24	90.83		
INTEREST	9/21/20	9/21/20	75,000.00	43815MAC0	HAROT 2019-2 A3	2.52%	6/21/23	157.50		
INTEREST	9/30/20	9/30/20	750,000.00	912828Q29	US TREASURY NOTES	1.50%	3/31/23	5,625.00		
INTEREST	9/30/20	9/30/20	400,000.00	912828Y5	US TREASURY NOTES	2.12%	9/30/24	4,250.00		
INTEREST	9/30/20	9/30/20	145,000.00	912828W71	US TREASURY N/B	2.12%	3/31/24	1,540.63		
INTEREST	9/30/20	9/30/20	250,000.00	912828L57	US TREASURY NOTES	1.75%	9/30/22	2,187.50		
INTEREST	9/30/20	9/30/20	215,000.00	912828F21	US TREASURY NOTES	2.12%	9/30/21	2,284.38		
TOTALS								199,984.64		1,000.00

Portfolio Holdings

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 05/15/2018 2.625% 05/15/2021	9128284P2	100,000.00	AA+	Aaa	4/30/2019	5/3/2019	100,695.31	2.27	991.51	100,211.49	101,546.88
US TREASURY NOTES DTD 08/01/2016 1.125% 07/31/2021	912828S76	175,000.00	AA+	Aaa	5/8/2017	5/10/2017	170,016.60	1.83	331.69	174,021.41	176,449.21
US TREASURY NOTES DTD 08/15/2018 2.750% 08/15/2021	9128284W7	115,000.00	AA+	Aaa	9/18/2019	9/19/2019	117,169.73	1.74	403.91	115,991.34	117,623.44
US TREASURY NOTES DTD 08/15/2018 2.750% 08/15/2021	9128284W7	235,000.00	AA+	Aaa	4/30/2019	5/3/2019	237,551.95	2.26	825.37	235,971.88	240,360.94
US TREASURY NOTES DTD 09/30/2014 2.125% 09/30/2021	912828F21	215,000.00	AA+	Aaa	9/24/2019	9/25/2019	216,822.46	1.70	12.55	215,901.33	219,232.81
US TREASURY NOTES DTD 10/31/2016 1.250% 10/31/2021	912828T67	245,000.00	AA+	Aaa	8/30/2017	8/31/2017	241,152.73	1.64	1,281.59	244,001.53	247,947.64
US TREASURY NOTES DTD 10/31/2016 1.250% 10/31/2021	912828T67	190,000.00	AA+	Aaa	3/14/2017	3/16/2017	182,934.38	2.10	993.89	188,348.57	192,285.93
US TREASURY NOTES DTD 01/03/2017 2.000% 12/31/2021	912828U81	390,000.00	AA+	Aaa	6/26/2017	6/28/2017	394,737.89	1.72	1,971.20	391,311.77	399,018.75
US TREASURY NOTES DTD 02/02/2015 1.500% 01/31/2022	912828H86	460,000.00	AA+	Aaa	7/5/2017	7/7/2017	452,435.16	1.88	1,162.50	457,792.64	468,337.50
UNITED STATES TREASURY NOTES DTD 04/15/2019 2.250% 04/15/2022	9128286M7	120,000.00	AA+	Aaa	5/10/2019	5/14/2019	120,117.19	2.22	1,246.72	120,061.62	123,900.00
US TREASURY NOTES DTD 06/30/2017 1.750% 06/30/2022	912828XW5	235,000.00	AA+	Aaa	9/1/2017	9/7/2017	235,330.47	1.72	1,039.30	235,119.81	241,609.38
US TREASURY NOTES DTD 07/31/2017 1.875% 07/31/2022	9128282P4	245,000.00	AA+	Aaa	1/2/2018	1/4/2018	241,363.28	2.22	773.95	243,544.44	252,771.10
US TREASURY NOTES DTD 07/31/2017 1.875% 07/31/2022	9128282P4	100,000.00	AA+	Aaa	2/26/2018	2/28/2018	97,101.56	2.57	315.90	98,800.40	103,171.88
US TREASURY NOTES DTD 07/31/2017 1.875% 07/31/2022	9128282P4	95,000.00	AA+	Aaa	12/4/2017	12/6/2017	93,883.01	2.14	300.10	94,560.57	98,013.29
US TREASURY NOTES DTD 09/30/2015 1.750% 09/30/2022	912828L57	75,000.00	AA+	Aaa	12/4/2017	12/6/2017	73,628.91	2.15	3.61	74,431.77	77,414.06

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 09/30/2015 1.750% 09/30/2022	912828L57	175,000.00	AA+	Aaa	3/23/2018	3/26/2018	168,697.27	2.60	8.41	172,213.65	180,632.82
US TREASURY NOTES DTD 12/31/2015 2.125% 12/31/2022	912828N30	200,000.00	AA+	Aaa	7/3/2018	7/6/2018	194,929.69	2.73	1,074.05	197,460.20	208,875.00
US TREASURY NOTES DTD 03/31/2016 1.500% 03/31/2023	912828Q29	750,000.00	AA+	Aaa	4/30/2019	5/3/2019	728,642.58	2.27	30.91	736,374.92	775,195.35
US TREASURY NOTES DTD 10/31/2016 1.625% 10/31/2023	912828T91	400,000.00	AA+	Aaa	4/30/2019	5/3/2019	388,859.37	2.28	2,720.11	392,367.11	417,937.52
US TREASURY NOTES DTD 01/03/2017 2.250% 12/31/2023	912828V23	300,000.00	AA+	Aaa	4/30/2019	5/3/2019	299,578.12	2.28	1,705.84	299,706.20	320,156.25
US TREASURY N/B DTD 03/31/2017 2.125% 03/31/2024	912828W71	145,000.00	AA+	Aaa	4/30/2019	5/3/2019	143,912.50	2.29	8.46	144,225.90	154,787.50
US TREASURY N/B NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	100,000.00	AA+	Aaa	7/1/2019	7/3/2019	101,074.22	1.77	505.43	100,805.66	106,718.75
UNITED STATES TREASURY NOTES DTD 07/31/2019 1.750% 07/31/2024	912828Y87	200,000.00	AA+	Aaa	12/2/2019	12/4/2019	200,695.31	1.67	589.67	200,571.86	211,781.24
US TREASURY NOTES DTD 10/02/2017 2.125% 09/30/2024	912828Y5	400,000.00	AA+	Aaa	10/31/2019	11/4/2019	410,578.13	1.56	23.35	408,618.34	430,375.00
Security Type Sub-Total		5,665,000.00					5,611,907.82	2.04	18,320.02	5,642,414.41	5,866,142.24
Municipal Bond / Note											
CA ST TXBL GO BONDS DTD 04/25/2018 2.800% 04/01/2021	13063DGA0	170,000.00	AA-	Aa2	4/18/2018	4/25/2018	170,006.80	2.80	2,380.00	170,001.15	172,033.20
Security Type Sub-Total		170,000.00					170,006.80	2.80	2,380.00	170,001.15	172,033.20
Federal Agency Collateralized Mortgage Obligation											
FHLMC SERIES K721 A2 DTD 12/01/2015 3.090% 08/01/2022	3137BM6P6	110,000.00	AA+	Aaa	4/4/2018	4/9/2018	110,936.72	2.88	283.25	110,397.88	113,341.89

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Security Type Sub-Total		110,000.00					110,936.72	2.88	283.25	110,397.88	113,341.89
Corporate Note											
BANK OF AMERICA CORP (CALLED OMD 10/01/2 DTD 09/18/2017 2.328% 10/01/2020	06051GGS2	90,000.00	A-	A2	9/13/2017	9/18/2017	90,000.00	2.33	1,047.60	90,000.00	90,004.50
IBM CORP CORP NOTES DTD 02/06/2018 2.650% 02/05/2021	44932HAG8	140,000.00	A	A2	2/1/2018	2/6/2018	139,931.40	2.67	577.11	139,992.04	141,146.88
NATIONAL RURAL UTIL COOP NOTE DTD 02/26/2018 2.900% 03/15/2021	63743HER9	60,000.00	A	A2	2/21/2018	2/26/2018	59,933.40	2.94	77.33	59,990.13	60,720.48
UNITED PARCEL SERVICE CORPORATE BOND DTD 11/14/2017 2.050% 04/01/2021	911312BP0	110,000.00	A-	A2	11/9/2017	11/14/2017	109,826.20	2.10	1,127.50	109,973.35	110,976.91
MORGAN STANLEY CORP NOTES DTD 04/21/2016 2.500% 04/21/2021	61746BEA0	100,000.00	BBB+	A2	5/10/2016	5/13/2016	100,574.00	2.38	1,111.11	100,064.27	101,125.70
GOLDMAN SACHS GRP INC CORP NT (CALLABLE) DTD 04/25/2016 2.625% 04/25/2021	38141GVU5	290,000.00	BBB+	A3	8/10/2016	8/15/2016	296,693.20	2.11	3,298.75	290,695.97	293,252.64
BRANCH BANKING & TRUST (CALLABLE) NOTE DTD 05/10/2016 2.050% 05/10/2021	05531FAV5	250,000.00	A-	A3	5/10/2016	5/16/2016	249,835.00	2.06	2,007.29	249,979.96	252,171.75
BOEING CO NOTES DTD 07/31/2019 2.300% 08/01/2021	097023CL7	45,000.00	BBB-	Baa2	7/29/2019	7/31/2019	44,998.20	2.30	172.50	44,999.25	45,578.43
MORGAN STANLEY BONDS DTD 11/17/2016 2.625% 11/17/2021	61746BED4	220,000.00	BBB+	A2	2/1/2017	2/3/2017	216,755.00	2.96	2,149.58	219,235.16	225,504.40
BANK OF AMERICA CORP CORP NOTES DTD 01/24/2012 5.700% 01/24/2022	06051GEM7	130,000.00	A-	A2	9/1/2017	9/7/2017	147,414.80	2.46	1,379.08	135,224.44	138,900.97
BB&T CORP (CALLABLE) NOTES DTD 03/21/2017 2.750% 04/01/2022	05531FAX1	300,000.00	A-	A3	4/3/2017	4/6/2017	302,265.00	2.59	4,125.00	300,652.93	309,747.30
BANK OF NY MELLON CORP NOTE DTD 01/29/2018 2.950% 01/29/2023	06406RAE7	200,000.00	A	A1	5/31/2019	6/4/2019	202,200.00	2.63	1,016.11	201,400.75	210,638.80

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
CITIGROUP INC CORP NOTES DTD 02/20/2013 3.375% 03/01/2023	172967GL9	150,000.00	BBB+	A3	5/3/2019	5/7/2019	151,960.50	3.01	421.88	151,239.02	159,463.35
UNITEDHEALTH GROUP INC CORP NOTES DTD 02/28/2013 2.875% 03/15/2023	91324PCC4	100,000.00	A+	A3	11/20/2019	11/22/2019	102,556.00	2.07	127.78	101,892.16	105,832.30
BANK OF NY MELLON CORP CORP NOTES DTD 08/13/2018 3.450% 08/11/2023	06406RAJ6	150,000.00	A	A1	5/3/2019	5/7/2019	153,492.00	2.87	718.75	152,341.46	162,879.90
ABBOTT LABORATORIES CORP NOTES DTD 11/22/2016 3.400% 11/30/2023	002824BE9	135,000.00	A-	A3	5/10/2019	5/14/2019	138,384.45	2.81	1,542.75	137,314.12	146,822.36
CHARLES SCHWAB CORP NOTES DTD 10/31/2018 3.550% 02/01/2024	808513AY1	145,000.00	A	A2	5/3/2019	5/7/2019	149,856.05	2.79	857.92	148,416.91	158,182.82
AMERICAN EXPRESS CO CORP NOTES DTD 02/22/2019 3.400% 02/22/2024	025816CC1	100,000.00	BBB+	A3	7/10/2019	7/12/2019	104,008.00	2.47	368.33	102,945.38	108,578.40
MORGAN STANLEY CORP NOTES DTD 04/28/2014 3.875% 04/29/2024	61746BDQ6	150,000.00	BBB+	A2	7/19/2019	7/23/2019	158,779.50	2.56	2,454.17	156,582.11	165,030.90
CATERPILLAR FINL SERVICE CORP NOTES DTD 05/17/2019 2.850% 05/17/2024	14913Q2V0	95,000.00	A	A3	7/1/2019	7/3/2019	97,265.75	2.33	1,007.79	96,685.31	102,430.33
AMERICAN HONDA FINANCE CORP NOTE DTD 06/27/2019 2.400% 06/27/2024	02665WCZ2	25,000.00	A-	A3	7/12/2019	7/16/2019	24,871.50	2.51	156.67	24,902.99	26,405.53
US BANCORP DTD 07/29/2019 2.400% 07/30/2024	91159HHX1	145,000.00	A+	A1	7/30/2019	8/1/2019	144,870.95	2.42	589.67	144,901.14	154,244.04
WALT DISNEY COMPANY/THE DTD 09/06/2019 1.750% 08/30/2024	254687FK7	145,000.00	A-	A2	9/3/2019	9/6/2019	144,408.40	1.84	218.51	144,535.50	150,918.61
PNC BANK NA CORP NOTES DTD 11/01/2019 2.200% 11/01/2024	693475AY1	100,000.00	A-	A3	11/5/2019	11/8/2019	99,967.00	2.21	916.67	99,972.95	106,007.90

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Security Type Sub-Total		3,375,000.00					3,430,846.30	2.48	27,469.85	3,403,937.30	3,526,565.20
Certificate of Deposit											
SWEDBANK (NEW YORK) CERT DEPOS DTD 11/17/2017 2.270% 11/16/2020	87019U6D6	280,000.00	A-1	P-1	11/16/2017	11/17/2017	280,000.00	2.27	2,401.16	280,000.00	280,689.08
Security Type Sub-Total		280,000.00					280,000.00	2.27	2,401.16	280,000.00	280,689.08
Asset-Backed Security											
JOHN DEERE ABS 2017-B A3 DTD 07/15/2017 1.820% 10/15/2021	47788BAD6	857.79	NR	Aaa	7/11/2017	7/18/2017	857.72	1.82	0.69	857.77	857.80
ALLY ABS 2017-4 A3 DTD 08/23/2017 1.750% 12/15/2021	02007FAC9	5,048.98	AAA	NR	8/15/2017	8/23/2017	5,048.91	1.75	3.93	5,048.96	5,051.24
HAROT 2018-1 A3 DTD 02/28/2018 2.640% 02/15/2022	43814UAC3	41,525.05	AAA	Aaa	2/22/2018	2/28/2018	41,519.68	2.64	48.72	41,523.19	41,819.80
JDOT 2018-A A3 DTD 02/28/2018 2.660% 04/15/2022	47788CAC6	10,230.26	NR	Aaa	2/21/2018	2/28/2018	10,229.53	2.66	12.09	10,229.99	10,288.06
MBALT 2019-B A3 DTD 11/20/2019 2.000% 10/17/2022	58769QAC5	60,000.00	AAA	NR	11/13/2019	11/20/2019	59,990.46	2.01	53.33	59,993.30	60,923.60
HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	75,000.00	NR	Aaa	5/21/2019	5/29/2019	74,997.20	2.52	52.50	74,998.13	76,855.22
COPAR 2019-1 A3 DTD 05/30/2019 2.510% 11/15/2023	14042WAC4	40,000.00	AAA	Aaa	5/21/2019	5/30/2019	39,991.90	2.51	44.62	39,994.33	40,901.88
JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	30,000.00	NR	Aaa	7/16/2019	7/24/2019	29,993.63	2.22	29.47	29,995.36	30,705.49
GM FINANCIAL SECURITIZED TERM DTD 07/24/2019 2.180% 04/16/2024	36257PAD0	50,000.00	AAA	NR	7/16/2019	7/24/2019	49,993.91	2.18	45.42	49,995.44	51,097.85
COMET 2019-A2 A2 DTD 09/05/2019 1.720% 08/15/2024	14041NFU0	285,000.00	AAA	NR	8/28/2019	9/5/2019	284,928.24	1.73	217.87	284,943.82	292,824.08
DCENT 2019-A3 A DTD 10/31/2019 1.890% 10/15/2024	254683CM5	120,000.00	NR	Aaa	10/24/2019	10/31/2019	119,974.22	1.89	100.80	119,979.00	123,992.62

Managed Account Detail of Securities Held

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Security Type Sub-Total		717,662.08					717,525.40	2.02	609.44	717,559.29	735,317.64
Managed Account Sub Total		10,317,662.08					10,321,223.04	2.21	51,463.72	10,324,310.03	10,694,089.25
Securities Sub-Total		\$10,317,662.08					\$10,321,223.04	2.21%	\$51,463.72	\$10,324,310.03	\$10,694,089.25
Accrued Interest											\$51,463.72
Total Investments											\$10,745,552.97

Bolded items are forward settling trades.

Appendix

IMPORTANT DISCLOSURES

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

GLOSSARY

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount and expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.
- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

GLOSSARY

- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.