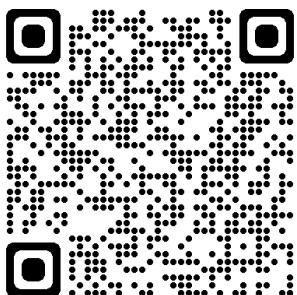




A Special District in the State of California

Annual Comprehensive Financial Report For the Fiscal Year Ending June 30, 2023



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A Special District within the State of California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year ending June 30, 2023

Current Board of Directors:

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

Prepared by District Management:

- General Manager - Jack Bebee
- Assistant General Manager/CFO - David Shank

Acknowledgment: District Management would like to thank Jodi Brown, Jason Jared, Aaron Cook, Jesse Perez, Mick Cothran, Joye Johnson, Annalece Bokma, Veronica Tamzil, Christi Ray, Todd Jester and Kelly Laughlin for their support in preparing this document.

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

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Front Cover: The Santa Margarita Groundwater Treatment Plant began operations last fiscal year.

INTRODUCTORY SECTION



November 15, 2023

Board of Directors
Fallbrook Public Utility District
990 East Mission Road
Fallbrook, California 92028

990 East Mission Road
Fallbrook, California
92028-2232
www.fpud.com
(760) 728-1125

To the Board of Directors and Citizens of Fallbrook:

Board of Directors

Dave Baxter
Division 1

Ken Endter
Division 2

Jennifer DeMeo
Division 3

Don McDougal
Division 4

Charley Wolk
Division 5

Staff

Jack Bebee
General Manager

David Shank
*Assistant General Manager/
Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
Board Secretary*

General Counsel

Paula de Sousa
Best Best & Krieger

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the Fallbrook Public Utility District (District) for the fiscal year ended June 30, 2023. The purpose of this report is to provide the Board, the public, and other interested parties, with reliable and transparent financial information about the District.

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

CliftonLarsonAllen, LLP, Certified Public Accountants, have issued an unmodified opinion on the Fallbrook Public Utility District’s financial statements for the year ended June 30, 2023. The independent auditors’ report is located at the front of the financial section of this report.

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

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



District Profile

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

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

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

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

Water System

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



Santa Margarita Groundwater Treatment Plant

The District's water distribution system is comprised of 270 miles of pipeline, 6,800 valves, an ultraviolet disinfection water treatment plant, nine steel reservoirs, a 300-million-gallon treated water reservoir, five pump stations and plans for a groundwater treatment plant. District staff operate the system, and conduct all system maintenance and repairs. The District has nearly completed an Advanced Metering Infrastructure (AMI) system upgrade that will enable real-time meter reading and provide customers with real-time water use. The District has 4 connections to the imported water system, three of the four are directly connected to MWD owned pipelines and the fourth, which is currently not in use, is connected to SDCWA's pipeline.



The District’s five-year average annual water sales is 7,383 acre-feet. Residential and commercial customers represent 71% of sales, and agricultural customers make up the remaining 29%. The District’s historic sales trend is down due to improved water efficiency for both residential and commercial indoor and outdoor use, combined with sharp decreases in agricultural water demands. The decrease in agricultural water demands is being driven by the economics of agriculture production and the fact that high wholesale water costs make only limited number of crops profitable. The District’s agricultural water sales have reduced from 7,000 acre-feet in Fiscal Year 2008 to 1,597 in Fiscal Year 2023 or down 77%.

Wastewater System

The District’s wastewater system is comprised of 79 miles of buried sewer lines and force mains, a 2.7 million gallon per day water reclamation plant, a 1-megawatt solar facility and a 12-mile ocean outfall line. The District’s wastewater system has 5,039 customers with an annual influent flow of 599 million gallons of wastewater. The District hauls approximately 300 dry tons of biosolids each year to various facilities for composting and land application.



Recycled Water System

The District’s recycled water system includes 10.5 miles of buried pipe. Currently the District has 30 recycled water connections, and delivers an average of 0.4 million gallons per day. The District provides recycled water for plant nurseries, sports fields, home owners’ associations, Fallbrook High School, and street medians. In 2023, the District completed an updated Recycled System Master Plan in which potential system expansions were identified and analyzed for targeted implementation. Over 600 acre feet per year of potable demand could be served with recycled water if all extensions were implemented. Funding for the most feasible expansions is being pursued through State and Federal resources. In addition, the District will coordinate outreach to assist irrigators with planning, permitting, purchasing new equipment and receiving grant funds. Assisting growers through the entire process will help bring new recycled customers online.

The District is exploring other projects to maximize the local beneficial use of recycled water, including the development of a joint Indirect Potable Reuse (IPR) Project with Camp Pendleton Marine Corps Base (CPEN) and the feasibility of building the infrastructure necessary for Direct Potable Reuse (DPR).



Governance and Organizational Structure

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

Elected District Officials (As of 06/30/2023):

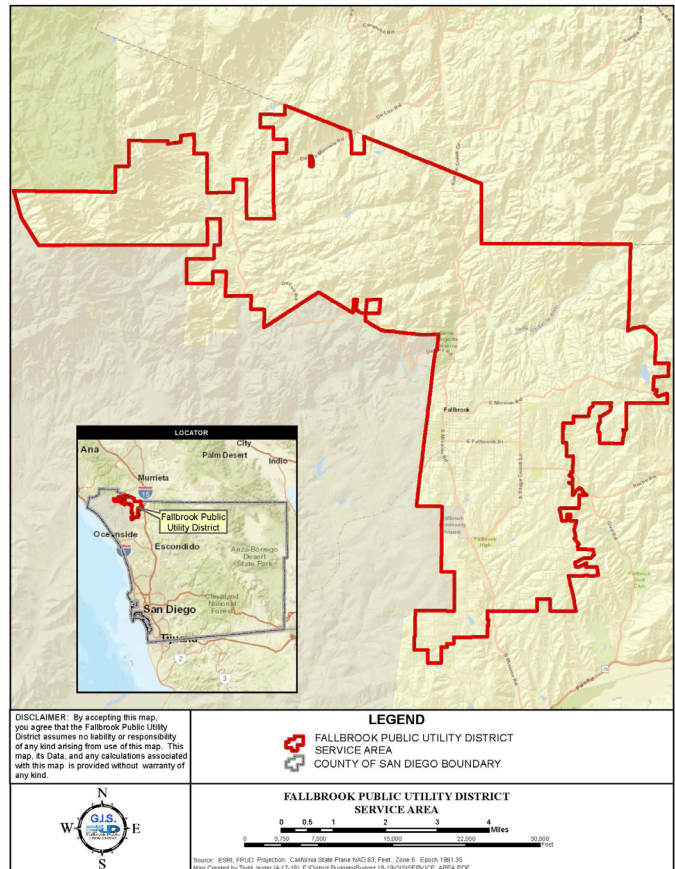
- District #1 - Dave Baxter**
- District #2 - Ken Endter**
- District #3 - Jennifer DeMeo, Vice-President**
- District #4 - Don McDougal**
- District #5 - Charley Wolk, President**

Service Area and Local Economy

San Diego County is the second-most populous county in the state and the fifth-most populous in the United States. The District is located in the north-east region of the county and is rural in character. The District’s service area and pipeline is shown in the accompanying maps. The District is bordered to the west by the Naval Weapons Station and U.S. Marine Corps Base Camp Pendleton, making the District’s service area a bedroom community for Camp Pendleton’s active military and civilian-service workers. The service area’s 2021 population is estimated to be 34,738 with 10,134 households. Fallbrook’s population has remained relatively unchanged over the past several years.

The median household income in Fallbrook was \$73,165, which is less than the state median of \$84,097 and slightly higher than the national average of \$69,021. Being only slightly higher than the national average is noteworthy since California is one of the most expensive states to live in.

The San Diego Association of Governments (SANDAG) projects that the County’s population will approach 3.7 million residents in 2050, up from 3.3 million in 2021. The District’s 2050 housing density is expected to increase slightly as housing demands increase. Employment is also expected to slightly increase by 2050.



Financial Policies

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

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

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

Long-Range Planning

The District engages in a wide range of long range planning activities. In 2022, the District completed the process of updating its 2017 financial plan. As part of the financial plan update, the District considered the economic benefits of detachment from San Diego County Water Authority (SDCWA) and annexing into Eastern Municipal Water District's (EMWD's) service area, established a rate and charge plan for each enterprise that ensured financial sustainability, and restructured rates and charges to better align level of service with cost of service. Each year a 10-year Capital Improvement Plan (CIP) is developed for water, recycled water and wastewater services' as part of the annual budget process. Other planning activities include establishing and funding a 115 Trust to offset the District's pension and Other Post Employment Benefits (OPEB) liabilities. On June 30, 2023, the trust held \$9.2 million in assets to offset in District's OPEB and Pension liabilities.

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

1 Strategic Focus Area | Water Supply

Need: The District is focused on managing its water supply mix to provide rate payers with reliable and affordable water.

Goal: Provide a reliable, cost-effective water supply through optimization of the District's local supply and securing wholesale water at a more reasonable cost.

Strategy: Maximize local water supplies from the Santa Margarita River water rights settlement. Evaluate further expansion of recycled water system to utilize available capacity and provide a local cost-effective drought proof supply to recycled water customers. Change the District's wholesale provider to provide immediate and substantial financial relief to the District's water customers.

2 Strategic Focus Area | Infrastructure

Need: The District was formed in 1922 and has aging infrastructure throughout its service area. Over the last few years, pipe failures have caused increased service disruptions and property damage. If not

addressed, these problems will increase significantly as the existing infrastructure reaches the end of its useful life.

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

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

#3 Strategic Focus Area | Efficiency

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

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

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

#4 Strategic Focus Area | Community

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

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

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

#5 Strategic Focus Area | Workforce

Need: Maintain a workforce of qualified and capable staff. Recruiting is challenging for qualified replacements with the necessary knowledge of water and wastewater operations, heavy construction, finance and engineering.

Goal: Develop a well trained and educated workforce that is capable of filling key positions to maintain the organization's resilience.

Strategy: Create an organization where many key positions are developed internally and a formal program exists to identify staff with management potential and provide necessary training. Establish a work environment and reputation in the industry that draws qualified candidates with external recruitments.



Major Initiatives

Implementing Change

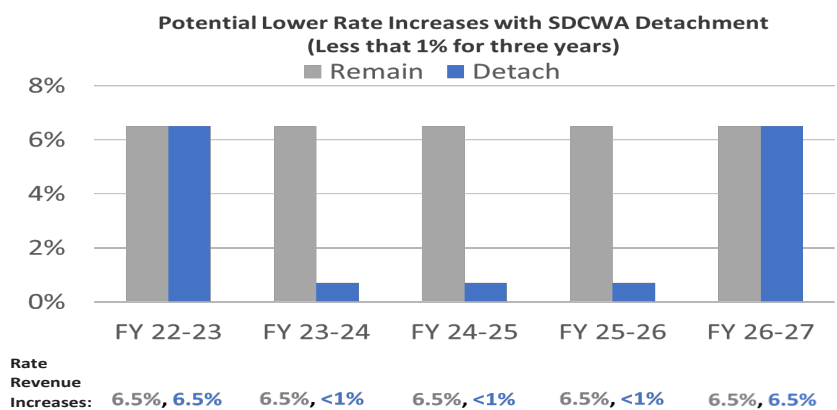
With the Santa Margarita Groundwater Treatment Plant (SMGTP) delivering treated Santa Margarita River water to ratepayers, the District has focused on optimizing operations to maximize the benefit of the SMGTP to rate payers. The seamless integrating of the SMGTP, an advanced water treatment facility, into system operations highlights the District’s extensive preparation and the outstanding work performance of District staff. Looking forward this local supply will be a cornerstone of the District’s water supply portfolio and provide future District ratepayers long-term rate relief from increasing water costs at the wholesale and State levels.

The addition of a water treatment plant to District operations resulted in a significant change to the District’s cost of service structure. To ensure the changes in cost structure were equitably integrated into rates and charges, the District completed a comprehensive cost of service study. After several public workshops were conducted and Board and stakeholder input reviewed, the cost of service study and a comprehensive financial plan was developed in 2022. The financial plan provides a detailed road map going forward that maintains the District’s fiscal sustainability for future generations.

Water Affordability

The District has faced a decade of escalating wholesale water costs driven by costly infrastructure investments by the San Diego County Water Authority (SDCWA) in supply reliability. This year SDCWA increased its treated water supply cost by 13%. With the City of San Diego (the City) driving SDCWA’s double digit increases, the cost of treated water has increased by more than 20% over the past two years. While the City’s local supplies will dramatically reduce its water purchases from SDCWA, the City continues to drive decisions to add of staff and invest in large scale capital projects that will continue to drive up SDCWA’s costs up for decades.

SDCWA Detachment Savings Analysis



The District is working to develop a 5-year plan for detachment or remaining with SDCWA

This year’s 13% increase highlights the operational challenges SDCWA is facing from both declining water demands and increasing operating and capital costs. With SDCWA’s fiscal sustainability in question, the District has initiated a process to change its water wholesaler to Eastern Municipal Water District (EMWD). This change would not only reduce the District’s cost of water by approximately 30% but also maintain a comparable level of water supply reliability. The significant cost savings that would result from this change would help make the District’s water more affordable for the community and help revitalize the region’s agricultural industry and local economy.

This year the District achieved the significant milestone of securing the Local Agency Formation Commission's (LAFCO) approval for detachment. The final step in the detachment process is a vote in November of 2023 of the District's service area for approval of the action. While the District faces stiff opposition from both SDCWA and the City, LAFCO saw the value to rate payers of detachment and the importance of the District to be choose its water supplier.

Asset Management

The District has implemented an asset management program that considers condition and consequence of failure when making asset renewal and replacement decisions. Our critical buried infrastructure, such as water mains, have an average service life of 80 to 100 years. In the past, the District's replacement cycle for buried assets was on a replacement cycle of 400 years. With this replacement cycle, the frequency of asset failures was expected to increase significantly over the near-term resulting in an increasing number of emergency water disruptions and property damage claims. In response, the District is proactively managing the renewal and rehabilitation program targeting prioritized assets and is on a path to drive the system service life down from 400 years to 100 years.

Continuous Improvement

This year the District added a series of Key Performance Indicators (KPIs) to its budget to facilitate operational improvements. Focused on core operational activities, the KPIs allow benchmarking against peer organizations and trending over time. Over time, the KPIs are expected to enable management to optimize operations and identify areas of potential improvement.

The District began an overhaul of its deferred compensation plans including the formation of a Fiduciary Committee to oversee the plans and a competitive solicitation of third party plan administrator. Establishing best in class deferred compensation plans is critical to the retirement planning of PEPPRA participants as these plans play a more significant role in retirement income planning. Through this process, the District was able to engage staff and reduce the administrative fees paid to the plan administrator by approximately 80%.

Looking Forward

The District is committed to advocating for its ratepayers and securing a reliable and affordable water supply. To this end, the District is focused on lowering its wholesale water costs by changing the District's wholesale water provider. While this effort will be politically challenging, it has the potential to provide our customers with immediate and substantial rate relief.

The District's organizational chart is shown on the page 10.



Acknowledgments

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



Jack Bebee
General Manager

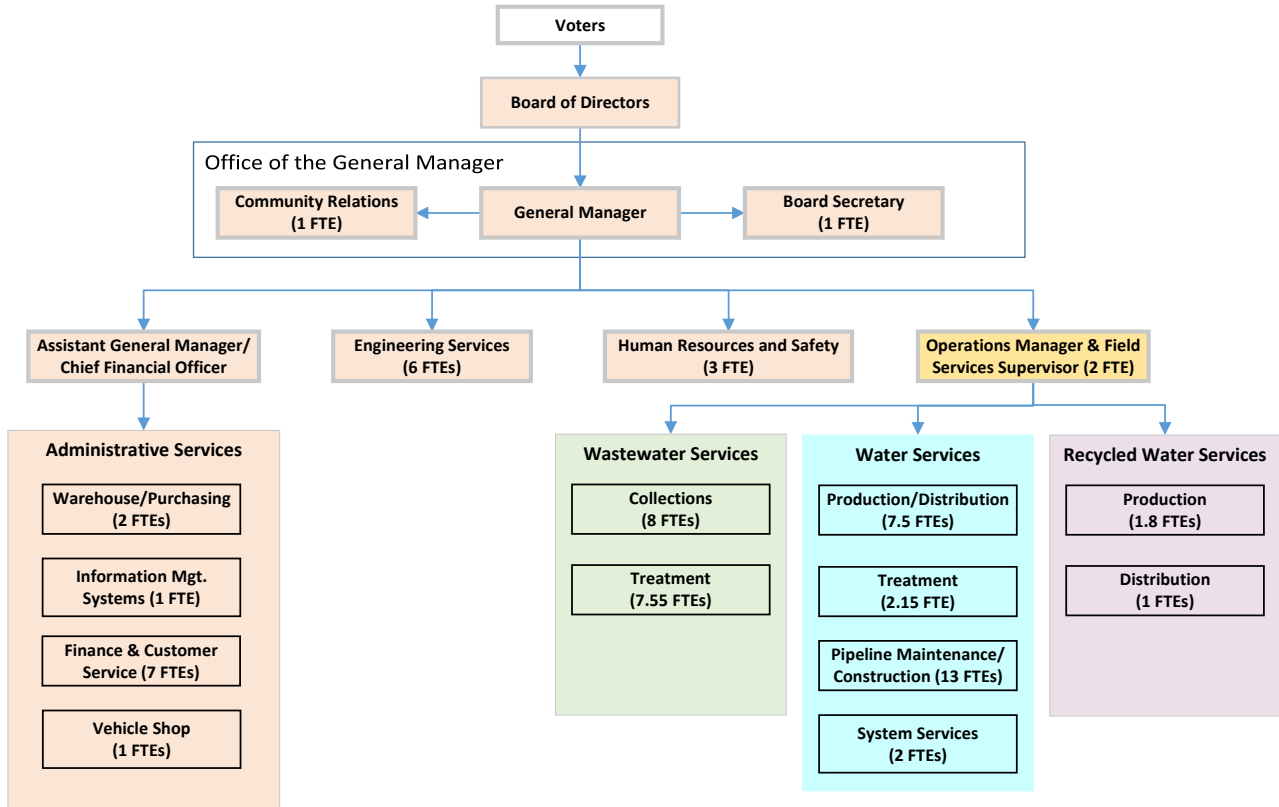


David Shank
Assistant General Manager/CFO



Fiscal Year Organizational Structure (Total FTE 69)

Fiscal Year 2022-2023 Organizational Structure
Total Requested Regular FTE=69



FTE = Full-Time Equivalent



Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

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Reporting

Presented to

**Fallbrook Public Utility District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Fallbrook Public Utility District
Fallbrook, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fallbrook Public Utility District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Fallbrook Public Utility District as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fallbrook Public Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://www.claglobal.com/disclaimer).

Board of Directors
Fallbrook Public Utility District

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fallbrook Public Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fallbrook Public Utility District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fallbrook Public Utility District's ability to continue as a going concern for a reasonable period of time.

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

Board of Directors
Fallbrook Public Utility District

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2022 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated November 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Fallbrook Public Utility District. The Schedule of Operating Income and Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, statistical section and Continuing Disclosure but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Board of Directors
Fallbrook Public Utility District

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
November 15, 2023

Management's Discussion and Analysis

This section of the Fallbrook Public Utility District's (District) annual financial report provides management's summary and analysis of the District's financial performance for fiscal year ending June 30, 2023. Management's Discussion and Analysis (MD&A) are broken into the following sections:

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

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

Financial Statement Overview

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

The Basic Financial Statements include the following:

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

Financial Highlights

This year the District's net financial position increased 5.4% from the June 30, 2022 balance of \$102,721,982 to the June 30, 2023 balance of \$108,297,538. The District's total assets decreased to \$216,752,080, which is a 0.9% decrease from last year. The decrease in District's assets is being driven by the depreciation of the District's fixed assets, which outweighed the District's addition of fixed assets. Liabilities increased to \$112,045,007 or 4.0% from year ending June 30, 2022 due to changes in the District's CalPERS net pension liability. The increase is related to the risk mitigation actions taken by CalPERS due to the above average investment returns in 2022. The increase in deferred outflows of Resources is driven by changes in the calculation of the pension liability. Of the District's assets, 80.5% are related to infrastructure, which is the largest class of assets.

The District's operating loss decreased from \$5,114,560 in fiscal year ending June 30, 2022 to \$1,335,588 in fiscal year ending June 30, 2023. The decrease was driven by a GASB 68 pension expense decrease of \$5,726,010 that was the result of changes in actuarial assumptions. Overall, the District's

operating revenues decreased 3.6% or from \$32,814,986 to \$31,629,493 in fiscal years ending June 30, 2022 and 2023, respectively. After net non-operating revenues and capital contributions, the District's fiscal year ending June 30, 2023 increase in net position was \$5,575,556. During the past year, the District made contributions to the Pension and OPEB 115 Trust that when combined with investment losses bring the trust balance from \$9,197,828 fiscal year ending June 30, 2022 to \$10,349,994 fiscal year ending June 30, 2023.

Financial Analysis

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

Fiscal year 2023 compared to Fiscal Year 2022

The largest and most significant portion of the District's net position is its investment in capital assets, which are used to provide services to its customers. Water assets include the pipeline distribution system, the dam and disinfection facility at the Red Mountain reservoir, an advanced reverse osmosis water treatment plant and other equipment and structures. Wastewater assets include the sewage collections system, wastewater treatment plant, solar generating plant and equipment. Capital assets decreased to \$174,509,824 in fiscal year ending June 30, 2023.

Current assets and liabilities remained flat from fiscal year ending June 30, 2022. At year-end, the trust offsetting the District's OPEB and pension liabilities held \$10,349,994, \$1,173,333 for OPEB and \$9,176,661 for pensions. The District implemented GASB 96 fiscal year ending June 30, 2023. The value of the District's subscription liability on June 30, 2023 was \$37,290.

Net capital assets decreased \$3,098,014 in fiscal year ending June 30, 2023. District wide depreciation in fiscal year ending June 30, 2023 was \$8,997,162. The decrease in net capital assets indicates that the District's capital investments in system assets during fiscal year ending June 30, 2023 were slightly outpaced by the rate of asset depreciation. This was due to a lower than expected level of capital project execution.

The District's total net position increased by \$5,575,556 primarily attributable to the \$8,358,223 in nonoperating revenue, which is predominantly made up of property taxes and capital improvement charges, and investment income. These along with offsetting nonoperating expenses of \$1,622,947, compensated for the operating loss of \$1,335,588.

Fiscal year 2022 compared to Fiscal Year 2021

The largest and most significant portion of the District's net position is its investment in capital assets, which are used to provide services to its customers. Water assets include the new groundwater treatment plant, the pipeline distribution system, the dam at the Red Mountain reservoir and equipment and structures. Wastewater assets include the sewage collections system, wastewater treatment plant, solar generating plant, equipment and ownership of the Ocean Outfall. Capital assets increased to \$177,607,838 in fiscal year ending June 30, 2022 from \$171,646,876 in fiscal year ending June 30, 2021. The increase in fiscal year ending June 30, 2022 was largely driven by the District's investment in the SMGTP.

Current assets decreased by \$1,746,904 million from fiscal year ending June 30, 2021. The decrease is primarily driven by a decrease in loan proceeds receivable, which are pending SMGTP project reimbursements from the SRF Loan program. The loan proceeds receivable is included in other receivables in the financial statements. The GASB 87 implementation in fiscal year ending June 30, 2022 mitigated the decrease in current assets and increased the District's deferred inflows by \$2,747,528. The deferred inflows increased by \$8,153,025 and \$101,000 due to the performance of the District's pension and OPEB plans. At year-end, the trust offsetting the District's OPEB and pension liabilities held \$9,197,828, \$1,097,214 for OPEB and \$8,100,614, for pensions.

Net capital assets increased \$5,960,962 in fiscal year ending June 30, 2022. District wide depreciation in fiscal year ending June 30, 2022 was \$7,067,780. The increase in net capital assets indicates that the District's capital investments in system assets during fiscal year ending June 30, 2022 outpaced the rate of asset depreciation.

Current liabilities decreased by \$3,826,346 from fiscal year ending June 30, 2021. The driver behind the decrease in current liabilities was a corresponding decrease in accounts payable, which is related to SMGTP project construction related outflows.

The District's total net position decreased by \$1,100,157 due to the mark-to-market losses on the District's investments and a spike in GASB 68 pension costs related to changes in CalPERS actuarially assumptions.

Condensed Statements of Net Position

	June 30, 2023	June 30, 2022	June 30, 2021
Assets			
Unrestricted Current Assets	\$ 26,256,133	\$ 26,273,471	\$ 30,554,990
OPEB and Restricted Assets	13,794,060	12,373,596	13,056,070
Capital Assets, net	174,509,824	177,607,838	171,646,876
Lease Receivable, Net of Current Portion	2,192,063	2,534,615	-
Total Assets	216,752,080	218,789,520	215,257,936
Deferred Outflows of Resources			
	7,638,677	3,020,909	3,093,115
Liabilities			
Current liabilities	7,445,302	7,512,861	11,318,938
Noncurrent liabilities including Retention Payable	104,599,705	100,234,698	102,870,639
Total Liabilities	112,045,007	107,747,559	114,189,577
Deferred Inflows of Resources			
	4,048,212	11,340,888	339,335
Net Position			
Net Investment in Capital Assets	84,709,855	84,830,631	83,368,399
Restricted	10,707,799	9,631,081	10,340,855
Unrestricted	12,879,884	8,260,270	10,112,885
Total Net Position	\$ 108,297,538	\$ 102,721,982	\$ 103,822,139

Statements of Revenues, Expenses and Changes in Net Position

	For the Year Ended June 30, 2023	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
Operating Revenues			
Water	\$ 23,467,210	\$ 25,245,783	\$ 25,429,014
Recycled Water	1,102,493	1,232,350	1,088,163
Wastewater	7,059,790	6,336,853	5,994,424
Total Operating Revenues	31,629,493	32,814,986	32,511,601
Operating Expenses			
Cost of Water	10,716,859	13,245,830	13,955,908
Water Operations	7,769,158	10,369,275	7,366,600
Recycled Water Operations	446,834	626,050	441,490
Wastewater Operations	5,035,068	6,620,611	5,395,914
Operating Expenses Before Depreciation	23,967,919	30,861,766	27,159,912
Operating Income Before Depreciation	7,661,574	1,953,220	5,351,689
Depreciation	8,997,162	7,067,780	6,773,273
Total Operating Expenses Including Depreciation Operating Loss	(1,335,588)	(5,114,560)	(1,421,584)
NonOperating Revenues (Expenses)			
Property Taxes	2,617,564	2,397,429	2,340,185
Capital Improvements Charges	2,838,696	2,650,202	2,604,061
Investment Income	932,974	(1,835,245)	1,543,078
Lease Interest Income	16,496	15,437	-
Water Availability Charges	200,107	202,234	208,842
MWD Local Resource Program	517,280	197,884	-
Lease Revenue	331,006	284,819	251,047
Intergovernmental Revenue-Federal Interest Rate Subsidy	86,153	99,240	112,207
Connection Fees	186,946	193,201	149,650
SDCWA Rate Refund	8,441	839,398	909,413
COVID Relief Grant	-	184,762	-
Water Supply Grant Funds	452,253	213,368	-
Net Gain (Loss) on Disposal of Capital Assets	170,307	36,543	38,100
Community Benefit Program Expense	(96)	-	-
Interest Expense	(1,622,851)	(1,524,767)	(1,665,457)
Total Non-Operating Revenues, Net	6,735,276	3,954,505	6,491,127
Change in Net Position Before Capital Contributions	5,399,688	(1,160,055)	5,069,543
Capital Contributions	175,868	59,898	47,842
Change in Net Position	5,575,556	(1,100,157)	5,117,385

Statements of Revenues, Expenses and Changes in Net Position, Cont.

Net Position - Beginning of Year, As Originally Stated	102,721,982	103,822,139	98,704,754
Prior Period Adjustments	-	-	-
Net Position - Beginning of Year, As Restated	102,721,982	103,822,139	98,704,754
Net position - End of Year	\$ 108,297,538	\$ 102,721,982	\$ 103,822,139

Fiscal year 2023 compared to Fiscal Year 2022

Fiscal year ending June 30, 2023 water revenues were down 7.0% or \$1,778,573 from fiscal year ending June 30, 2022 due to weather related reductions in water sales levels. Wastewater revenues were up 11.4% from fiscal year ending June 30, 2022 levels due to rate increases and higher billable flows. While the Statements of Net Position shows the District’s overall financial position, the Statements of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of the changes in the District’s fiscal year ending June 30, 2023 net position. The District’s net position increased by \$5,575,556 during fiscal year ending June 30, 2023.

Operating revenue decreased \$1,185,493 primarily due to water sales of 6,297 AF in fiscal year ending June 30, 2023 compared to 7,576 AF during fiscal year ending June 30, 2022. Recycled water sales trended with water sales and decreased to 494 AF as compared to 586 AF in fiscal year ending June 30, 2022. Wastewater revenues increased by \$722,937 from fiscal year ending June 30, 2022. Operating revenues included potable water and recycled sales, monthly District water and wastewater operations charges and pass-through charges from the SDCWA.

Operating expenses decreased by \$4,964,465 from fiscal year ending June 30, 2022. The decrease in operating expense was driven by a \$2,528,971 decrease in the cost of water from fiscal year ending June 30, 2022, due to less water being purchased from SDCWA. Depreciation expense increased by \$1,929,382 from fiscal year ending June 30, 2022 while other operating costs decreased by \$4,364,876. The District’s GASB 68 Pension Expense was a \$1,383,517 operating expense credit this year due to changes in the actuarial assumptions of the District’s pension obligation.

The District’s operating loss of \$1,335,588 when netted against combined nonoperating revenues and expenses of \$6,735,276 results in a \$5,399,688 increase in net position before capital contributions. The District’s nonoperating revenues come from six primary sources, property taxes in the amount of \$2,617,564, water and wastewater capital improvement charges in the amount of \$2,838,696, investment income in the amount of \$932,974, water availability charges in the amount of \$200,107, connection fees in the amount of \$186,946 and the Federal Interest Rates Subsidy Payments of \$86,153.

Fiscal year 2022 compared to Fiscal Year 2021

Fiscal year ending June 30, 2022 water sales revenues were down 0.7% or \$183,231 from fiscal year ending June 30, 2021 due to a slight decrease in water sales. Wastewater revenues were up 5.7% from fiscal year ending June 30, 2021 levels due to rate increases and higher billable flows. While the Statements of Net Position shows the District’s overall financial position, the Statements of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of the changes in the District’s fiscal year ending June 30, 2022 net position. The District’s net position decreased by \$1,100,157 during fiscal year ending June 30, 2022.

Operating revenue increased \$303,385 due to rate increases and higher billable flows. Recycled water sales were slightly up at 586 AF as compared to 557 AF in fiscal year ending June 30, 2021. Wastewater revenues increased by \$342,429 versus fiscal year ending June 30, 2021. Operating revenues included potable water and recycled sales, monthly District water and wastewater operations charges and pass-through charges from the SDCWA.

Operating expenses increased by \$3,996,361 from fiscal year ending June 30, 2021. The increase in operating expense was driven by a \$3,002,675 increase in water operations and a \$1,224,697 increase in wastewater operations from fiscal year ending June 30, 2021. The GASB 68 pension increase for water and wastewater operations was \$1,380,888 and \$606,757, respectively. The increases were driven by changes in the actuarial assumptions of the District’s pension obligation, which like depreciation, is the systematic allocation of the cost over a specified time horizon. The District’s Depreciation expense increased by \$294,507 from fiscal year ending June 30, 2021.

The District’s operating loss of \$5,114,560 when netted against combined nonoperating revenues and expenses of \$3,954,505 results in a \$1,160,055 decrease in net position before capital contributions. The District’s nonoperating revenues came from six primary sources, property taxes in the amount of \$2,397,429, water and wastewater capital improvement charges in the amount of \$2,650,202, grant revenue in the combined amount of \$596,014, water availability charges in the amount of \$202,234, connection fees in the amount of \$193,201 and the SDCWA rate refund in the amount of \$839,398. The majority of the grant funds and the SDCWA rate refund are non-recurring revenues.

Supplemental information for each of the three operations divisions can be found on page 74 of this report.

Capital Assets

The District’s has implemented an asset management program to improve the system reliability and reduce the number of unscheduled repairs. A critical component of the asset management program is the District’s pipeline and valve replacement program. In fiscal year ending June 30, 2023, the District replaced 4,300 feet of pipe and 109 valves. The District’s pipeline and valve replacement program’s goal is to reduce the replacement cycle of pipelines to 100 years from the previous 400 year replacement cycle. Additional information on the District’s capital asset activity can be found at Note 3 of the Notes to the Basic Financial Statements.

June 30, 2023, the District has the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Completion Date
Emergency Pipeline Replacement	\$ 600,000	12/31/2023
Lang Reservoir Decommissioning	50,000	8/31/2023
Overland Trail Lift Station Rehabilitation	50,000	12/31/2023
Main Street Sewer Main Replacement	95,000	3/1/2024
Hawthorne Lift Station/Gravity Main	20,000	3/1/2024
Reclamation Plant Storm Water	30,000	8/1/2023
Pipeline Replacement	2,700,000	3/1/2024

Debt Administration

At June 30, 2023, the District had \$89.3 million of long-term debt outstanding. \$2.0 million of this debt is attributable to the wastewater Qualified Energy Conservation Bonds (QECCB) solar loan, which qualifies for Federal Interest Rate Subsidy payments. The loan was originally for \$7.2 million. An additional \$2.8 million of indebtedness is attributable to the Red Mountain Disinfection Facility SRF loan, which was originally for \$6.16 million. \$17.7 million of indebtedness and \$2.9 million in unamortized premium is attributable to the District's Waste Water Revenue Refunding Bonds, which refunded the District's Wastewater Treatment Plant SRF loan, which was originally for \$29.6 million. The SRF loan for the SMGTP, was approved for \$63.9 million at the end of fiscal year ending June 30, 2022. Scheduled debt service payments (principal and interest) on this loan commence once the project is completed, which is anticipated to occur in the fiscal year 2024. During the year ending June 30, 2023 \$1.0 million of principal payments were made on the District's outstanding long-term obligations.

More detailed information about the District's debt structure is found in Note 7 to the Basic Financial Statements.

FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 8,625,839	\$ 10,327,128
Investments	10,956,276	7,063,348
Receivables - Water Sales and Services	4,442,273	5,431,116
Accrued Interest Receivable	61,144	32,947
Property Taxes Receivable	45,418	42,166
Lease Receivable, Current Portion	219,700	262,820
Other Receivables	399,671	1,582,499
Inventory	1,405,107	1,460,165
Prepaid Expenses and Other Deposits	100,705	71,282
Restricted Assets:		
Cash and Cash Equivalents	9,816,557	8,812,335
Investments	3,977,503	3,561,261
Total Current Assets	40,050,193	38,647,067
NONCURRENT ASSETS		
Capital Assets:		
Capital Assets, Not Being Depreciated	18,329,634	19,935,557
Capital Assets Being Depreciated, Net	156,180,190	157,672,281
Total Capital Assets, Net	174,509,824	177,607,838
Lease Receivable, Net of Current Portion	2,192,063	2,534,615
Total Noncurrent Assets	176,701,887	180,142,453
 Total Assets	 216,752,080	 218,789,520
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts From Pension	7,217,689	2,740,102
Deferred Amounts From OPEB	420,988	280,807
Total Deferred Outflows of Resources	7,638,677	3,020,909

See accompanying Notes to Basic Financial Statements.

**FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	2023	2022
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,489,410	\$ 4,325,917
Accrued Wages	147,964	109,004
Construction and Other Deposits	11,203	10,175
Accrued Interest Payable	645,606	646,898
Retention Payable	64,035	77,541
Lease Liability, Current Portion	10,173	20,269
Subscription Liability, Current Portion	37,290	-
Compensated Absences, Current Portion	648,132	581,242
Current Portion of Other Long-Term Debt	3,455,524	1,819,356
Total Current Liabilities	7,509,337	7,590,402
NONCURRENT LIABILITIES		
Health Retirement Account Liability	307,468	378,664
Net OPEB Liability (Asset)	247,383	(19,452)
Net Pension Liability	17,127,503	9,197,303
Lease Liability, Net of Current Portion	-	10,173
Compensated Absences, Net of Current Portion	972,198	871,864
Long-Term Debt - Net of Current Portion	85,881,118	89,718,605
Total Noncurrent Liabilities	104,535,670	100,157,157
Total Liabilities	112,045,007	107,747,559
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts From Pension	1,668,860	8,418,155
Deferred Amounts From OPEB	41,941	175,205
Deferred Amounts From Lease Receivable	2,337,411	2,747,528
Total Deferred Inflows of Resources	4,048,212	11,340,888
NET POSITION		
Net Investment in Capital Assets	84,709,855	84,830,631
Restricted for:		
1958 Annex Projects	1,213,780	1,213,780
Debt Service	317,358	316,687
Pension	9,176,661	8,100,614
Unrestricted	12,879,884	8,260,270
Total Net Position	\$ 108,297,538	\$ 102,721,982

See accompanying Notes to Basic Financial Statements.

FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	2023	2022
OPERATING REVENUES		
Water	\$ 23,467,210	\$ 25,245,783
Recycled Water	1,102,493	1,232,350
Wastewater	7,059,790	6,336,853
Total Operating Revenues	31,629,493	32,814,986
OPERATING EXPENSES		
Cost of Water	10,716,859	13,245,830
Water Operations	7,769,158	10,369,275
Recycled Water Operations	446,834	626,050
Wastewater Operations	5,035,068	6,620,611
Operating Expenses Before Depreciation and Amortization	23,967,919	30,861,766
Operating Income Before Depreciation and Amortization	7,661,574	1,953,220
Depreciation and Amortization	8,997,162	7,067,780
Total Operating Expenses Including Depreciation and Amortization Operating Loss	(1,335,588)	(5,114,560)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	2,617,564	2,397,429
Capital Improvements Charges	2,838,696	2,650,202
Investment Income	932,974	(1,835,245)
Lease Interest Income	16,496	15,437
Water Availability Charges	200,107	202,234
MWD Local Resource Program	517,280	197,884
Lease Revenue	331,006	284,819
Intergovernmental Revenue - Federal Interest Rate Subsidy	86,153	99,240
Connection Fees	186,946	193,201
SDCWA Rate Refund	8,441	839,398
COVID Relief Grant	-	184,762
Water Supply Grant Funds	452,253	213,368
Gain on Disposal of Capital Assets	170,307	36,543
Community Benefit Program Expense	(96)	-
Interest Expense	(1,622,851)	(1,524,767)
Total Nonoperating Revenues (Expenses)	6,735,276	3,954,505
Changes in Net Position Before Capital Contributions	5,399,688	(1,160,055)
Capital Contributions	175,868	59,898
CHANGE IN NET POSITION	5,575,556	(1,100,157)
Net Position - Beginning of Year	102,721,982	103,822,139
NET POSITION - END OF YEAR	\$ 108,297,538	\$ 102,721,982

See accompanying Notes to Basic Financial Statements.

**FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 33,801,164	\$ 32,212,416
Payments for Water	(11,890,421)	(13,159,883)
Payments for Services and Supplies	(5,091,766)	(6,069,694)
Payments for Employee Wages, Benefits and Related Costs	(10,791,442)	(9,705,098)
Net Cash Provided by Operating Activities	<u>6,027,535</u>	<u>3,277,741</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	<u>2,614,312</u>	<u>2,413,788</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,614,312</u>	<u>2,413,788</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Lease Revenues Collected	2,482,128	248,252
Acquisition and Construction of Capital Assets	(6,389,114)	(15,739,839)
Proceeds From Sales of Capital Assets	182,896	36,543
Proceeds of Issuance of Debt	-	11,250,321
Principal Payments on Long-Term Debt	(1,882,878)	(2,168,342)
Interest Paid	(2,006,105)	(1,460,027)
Intergovernmental Revenue - Federal Interest Rate Subsidy	86,153	99,240
Capital Improvement Charges and Connection Fees	3,025,642	2,843,403
Proceeds from SDCWA Rate Rebate	8,441	839,398
Proceeds from Covid Relief Grant	-	184,762
Proceeds from MWD Local Resource Program	517,280	197,884
Water Availability Charges	<u>200,107</u>	<u>202,234</u>
Net Cash Used by Capital and Related Financing Activities	<u>(3,775,450)</u>	<u>(3,466,171)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (Purchases) of Investments, net	(4,309,170)	(1,853,104)
Interest Received	<u>937,769</u>	<u>(1,003,408)</u>
Net Cash Used by Investing Activities	<u>(3,371,401)</u>	<u>(2,856,512)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,494,996	(631,154)
Cash and Cash Equivalents - Beginning of Year	<u>19,139,463</u>	<u>19,770,617</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 20,634,459</u>	<u>\$ 19,139,463</u>
FINANCIAL STATEMENT PRESENTATION		
Cash and Cash Equivalents	\$ 8,625,839	\$ 10,327,128
Cash and Cash Equivalents - Restricted Assets	<u>9,816,557</u>	<u>8,812,335</u>
Total Cash and Cash Equivalents	<u>\$ 18,442,396</u>	<u>\$ 19,139,463</u>

See accompanying Notes to Basic Financial Statements.

FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,335,588)	\$ (5,114,560)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	8,997,162	7,067,779
Community Benefit Program Expenses	(96)	-
(Increase) Decrease in:		
Receivables	2,171,671	(602,570)
Inventory	55,058	401,760
Prepaid Expenses And Other Deposits	(29,423)	11,221
Deferred Outflows of Resources	(4,617,768)	72,206
Increase (Decrease) in:		
Accounts Payable	(662,945)	(1,063,147)
Accrued Wages	38,960	(58,281)
HRA Liability	(71,196)	27,414
Net OPEB Obligation	266,835	(224,453)
Net Pension Liability	7,930,200	(5,524,045)
Compensated Absences	167,224	30,392
Deferred Inflows of Resources	(6,882,559)	8,254,025
Net Cash Provided by Operating Activities	\$ 6,027,535	\$ 3,277,741
 SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Change in Fair Value of Investments	\$ -	\$ (809,449)
Acquisition and Construction of Capital Assets in Accounts Payable	\$ 351,829	\$ 1,161,705
Capital Assets Contributed	\$ 59,898	\$ 59,898

See accompanying Notes to Basic Financial Statements.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Operations of the District

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

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

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Proprietary Fund

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

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary Fund (Continued)

The District distinguishes operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

Net Position

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

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

Net Investment in Capital Assets

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

Restricted Net Position

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Position (Continued)

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of “net investment in capital assets,” or “restricted net position.” As of June 30, 2023, \$545,901 of unrestricted net position is designated for Community Benefit Program.

Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government’s financial statements for the year ended June 30, 2022, from which the summarized information was derived.

C. New Accounting Pronouncements

Current Year Standards

GASB 96 – In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Entity adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets 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 and other postemployment benefits for employer contributions made after the measurement date of the net pension liability and net other postemployment benefit liability.
- Deferred outflow related to pensions and other postemployment benefits for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions and other postemployment benefits through the Plans.
- Deferred outflow related to pension and other postemployment benefits resulting from the changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and other postemployment benefits through the Plans.
- Deferred outflow related pensions resulting from changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are 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 and other postemployment benefits resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deferred Outflows/Inflows of Resources (Continued)

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

- Deferred inflow related to pensions for differences between expected and actual experiences. These amounts are 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 net other postemployment benefit liability 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 net other postemployment benefit liability through the Plan.
- Deferred inflow related to pensions resulting from changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are 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 lease receivables. This inflow will be recognized as revenue in a systematic and rational manner over the life of the lease.

E. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

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

State Investment Pool

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents, and Investments (Continued)

Investment Valuation

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

F. Water Sales

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

G. Accounts Receivable and Allowance for Doubtful Accounts

The District participates in the County of San Diego's Teeter Plan. Under the Plan, each year in June, the County advances the delinquent accounts receivables amount to the District. The advance is then collected from the taxpayer by the County. The County also receives penalty payments. As a result, the District does not record an allowance for doubtful accounts.

H. Inventory

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

I. Prepaid Expenses

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

J. Restricted Assets

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

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 one year. Improvements to existing capital assets are capitalized if they extend the useful life of the asset by three or more years and the cost of the improvement is \$5,000 or greater. Interest costs incurred while constructing capital assets can be capitalized as part of the specific capital assets. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Water Transmission and Distribution System:	
Impounding Dams and Reservoirs	50 Years
Pipelines	50 Years
Other	20 to 25 Years
Wastewater Collection System, and Treatment and Disposal Facilities	
Buildings and Structures	45 Years
Equipment	3 to 10 Years

Right-to-use leased assets and subscription assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

L. Lease Receivable

The District measures lease receivable at the present value of lease payments expected to be received during the lease term. Interest revenue is recognized ratably over the contract term.

M. 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, 2023, were as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
\$ 1,453,106	\$ 983,857	\$ (816,633)	\$ 1,620,330	\$ 648,132

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Lease Payable

Lease payable represents the District’s obligation to make lease payments arising from the lease. Lease payable is recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

O. 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.

P. 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

Q. Use of Estimates

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

S. Other Postemployment Benefits

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

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Cash Equivalents	\$ 8,625,839
Restricted Cash and Cash Equivalents	9,816,557
Investments	10,956,276
Restricted Investments	3,977,503
Total Cash and Investments	<u>\$ 33,376,175</u>

Cash and Investments Consist of the following:

Cash on Hand	\$ 1,300
Deposits with Financial Institutions	1,318,751
Investments	32,056,124
Total Cash and Investments	<u>\$ 33,376,175</u>

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)**Investments Authorized by the California Government Code and the District's Investment Policy**

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

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

Investments Authorized by Debt Agreements

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

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.

FALLBROOK PUBLIC UTILITY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

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, 2023.

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 6,567	\$ 6,567	\$ -	\$ -
California Asset Management Program (CAMP)	7,939,117	7,939,117	-	-
Asset Backed Securities	1,169,555	-	-	1,169,555
Medium-Term Notes	3,134,251	141,841	605,460	2,386,950
Municipal Bonds	139,653	-	-	139,653
U.S. Agency Securities	94,485	94,485	-	-
U.S. Treasury Securities	9,730,710	194,094	3,414,340	6,122,276
Federal Agency Collateralized Mortgage Obligations	665,125	-	190,455	474,670
PARS Pooled Trust - Pension Trust	9,176,661	9,176,661	-	-
Total	\$ 32,056,124	\$ 17,552,765	\$ 4,210,255	\$ 10,293,104

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, 2023.

Investment Type	Total	Minimum Legal Rating*	Ratings as of Year End					
			Exempt from Disclosure	AAA	AA/AA-/AA+	A/A-/A+	BBB+	Not Rated
Local Agency Investment Fund (LAIF)	\$ 6,567	Exempt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,567
California Asset Management Program (CAMP)	7,939,117	AAA	-	7,939,117	-	-	-	-
Asset Backed Securities	1,169,555	A	-	1,135,905	-	-	-	33,650
Medium-Term Notes	3,134,251	A	-	-	359,381	2,357,234	417,636	-
Municipal Bonds	139,653	A/A-1	-	-	139,653	-	-	-
U.S. Agency Securities	94,485	N/A	-	-	94,485	-	-	-
U.S. Treasury Securities	9,730,710	Exempt	9,730,710	-	-	-	-	-
Federal Agency Collateralized Mortgage Obligations	665,125	AA	-	-	665,125	-	-	-
PARS Pooled Trust - Pension Trust	9,176,661	Exempt	9,176,661	-	-	-	-	-
Total	\$ 32,056,124		\$ 18,907,371	\$ 9,075,022	\$ 1,258,644	\$ 2,357,234	\$ 417,636	\$ 40,217

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2023.

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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2023, the District's deposits with financial institutions (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California law.

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.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)**Fair Value Measurements (Continued)**

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the District’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District’s own data.

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

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	June 30, 2023
Investments by Fair Value Level:				
Asset Backed Securities	\$ -	\$ 1,169,555	\$ -	\$ 1,169,555
Medium-Term Notes	-	3,134,251	-	3,134,251
Municipal Bonds	-	139,653	-	139,653
U.S. Agency Securities	-	94,485	-	94,485
U.S. Treasury Securities	-	9,730,710	-	9,730,710
Federal Agency Collateralized Mortgage Obligations	-	665,125	-	665,125
	<u>-</u>	<u>14,933,779</u>	<u>-</u>	<u>14,933,779</u>
Total Investments by Fair Value Level				
	<u>\$ -</u>	<u>\$ 14,933,779</u>	<u>\$ -</u>	<u>\$ 14,933,779</u>
Investments Measured at Cost or Net Asset Value (NAV):				
Local Agency Investment Fund (LAIF)				6,567
California Asset Management Program (CAMP)				7,939,117
PARS Pooled Trust - Pension Trust				9,176,661
Total Investments at Cost or Net Asset Value (NAV)				<u>17,122,345</u>
Total Investments				<u>\$ 32,056,124</u>

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2023 were as follows:

	Balance June 30, 2022	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2023
Capital Assets, Not Being Depreciated:					
Land and Property Rights-Water	\$ 11,704,070	\$ -	\$ (10,027)	\$ -	\$ 11,694,043
Land and Property Rights-Wastewater	1,128,164	-	-	-	1,128,164
Construction In Progress	7,103,323	5,445,539	-	(7,041,435)	5,507,427
Total Capital Assets, Not Being Depreciated	<u>19,935,557</u>	<u>5,445,539</u>	<u>(10,027)</u>	<u>(7,041,435)</u>	<u>18,329,634</u>
Capital Assets, Being Depreciated:					
Water Operations:					
Impounding Dam	35,041,584	-	-	37,939	35,079,523
Distribution System	66,215,242	-	-	5,370,729	71,585,971
Buildings and Structures	60,315,819	-	(6,936)	490,999	60,799,882
Equipment	10,907,457	196,557	(34,192)	20,792	11,090,614
Subscription Asset	80,542	-	-	-	80,542
Right of Use Lease Asset - Equipment	50,630	-	-	-	50,630
Total Water Operations	<u>172,611,274</u>	<u>196,557</u>	<u>(41,128)</u>	<u>5,920,459</u>	<u>178,687,162</u>
Wastewater Operations:					
Collection System	13,688,991	-	-	367,545	14,056,536
Treatment And Disposal Facilities	60,958,010	-	-	326,481	61,284,491
Equipment	882,918	189,099	-	97,307	1,169,324
Total Wastewater Operations	<u>75,529,919</u>	<u>189,099</u>	<u>-</u>	<u>791,333</u>	<u>76,510,351</u>
Recycle Operations:					
Distribution System	4,673,586	-	(2,371)	329,643	5,000,858
Total Recycle Operations	<u>4,673,586</u>	<u>-</u>	<u>(2,371)</u>	<u>329,643</u>	<u>5,000,858</u>
Total Capital Assets Being Depreciated	252,814,779	385,656	(43,499)	7,041,435	260,198,371
Less Accumulated Depreciation for:					
Impounding Dam	(18,643,718)	(1,431,903)	-	-	(20,075,621)
Systems and facilities	(65,540,963)	(4,828,764)	-	-	(70,369,727)
Building and Structures	(3,879,567)	(1,910,537)	6,745	-	(5,783,359)
Equipment	(6,977,136)	(759,106)	34,192	-	(7,702,050)
Less Accumulated Amortization for:					
Subscription Asset	-	(46,280)	-	-	(46,280)
Right of Use Lease Asset - Equipment	(20,572)	(20,572)	-	-	(41,144)
Total Accumulated Depreciation and Amortization	<u>(95,061,956)</u>	<u>(8,997,162)</u>	<u>40,937</u>	<u>-</u>	<u>(104,018,181)</u>
Total Capital Assets Being Depreciated, Net	157,752,823	(8,611,506)	(2,562)	7,041,435	156,180,190
Total Capital Assets, Net	<u>\$ 177,688,380</u>	<u>\$ (3,165,967)</u>	<u>\$ (12,589)</u>	<u>\$ -</u>	<u>\$ 174,509,824</u>

NOTE 4 LEASE RECEIVABLE

The District, acting as lessor, leases several real properties for cell towers under long-term, noncancelable lease agreements. The leases expire at various dates through 2043 and provide various renewal options ranging from three months to five years. During the year ended June 30, 2023, the City recognized \$331,006 and \$16,496 in lease revenue and interest revenue, respectively, pursuant to these contracts. Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 LEASE RECEIVABLE (CONTINUED)

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 219,700	\$ 13,077	\$ 232,777
2025	226,019	11,760	237,779
2026	232,472	10,405	237,779
2027	209,645	9,072	242,877
2028	200,865	7,930	208,795
2029-2033	748,606	25,231	773,837
2034-2038	504,515	8,239	512,754
2039-2043	69,941	183	70,124
Total	<u>\$ 2,411,763</u>	<u>\$ 85,897</u>	<u>\$ 2,516,722</u>

NOTE 5 LEASE LIABILITY

The District leases a Konica Printer under a long-term, noncancelable lease agreement. The lease expires in 2024. An initial lease liability was recorded in the amount of \$50,630 for the use of the Konica Printer. As of 06/30/2023, the value of the lease liability is \$10,173. The District is required to make monthly fixed payments of \$1,698. The lease has an interest rate of 0.5060. Total lease payment of \$10,185 under lease agreements is due in fiscal year 2024.

NOTE 6 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District The Entity has entered into subscription based-information technology arrangements (SBITAs) for use of several information technology. The SBITA arrangements expire at various dates through 2024 and provide for renewal options. As of 06/30/2023, the value of the subscription liability is \$37,290. Total subscription payment of \$37,411 under SBITA agreements is due in fiscal year 2024.

NOTE 7 LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2023 were as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Red Mountain State Revolving Fund Loan	\$ 3,162,524	-	\$ (316,574)	\$ 2,845,950	\$ 324,764
Qualified Energy Conservation Revenue Bonds	2,428,971	-	(387,783)	2,041,188	410,387
State Water Resources Control Board Loan	63,916,954	-	-	63,916,954	1,600,373
2021 Wastewater Revenue Refunding Bonds Series A	14,845,000	-	-	14,845,000	-
2021 Wastewater Revenue Refunding Bonds Series B	3,925,000	-	(1,115,000)	2,810,000	1,120,000
Unamortized Premium on 2021 Revenue Bonds	3,259,512	-	(381,962)	2,877,550	-
Total Long-Term Debt	<u>\$ 91,537,961</u>	<u>\$ -</u>	<u>\$ (2,201,319)</u>	<u>\$ 89,336,642</u>	<u>\$ 3,455,524</u>

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 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 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 loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 324,764	\$ 71,087	\$ 395,851
2025	333,166	62,685	395,851
2026	341,786	54,065	395,851
2027	350,629	45,223	395,852
2028	359,700	36,151	395,851
2029-2031	1,135,905	51,645	1,187,550
Total	<u>\$ 2,845,950</u>	<u>\$ 320,856</u>	<u>\$ 3,166,806</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 loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 410,387	\$ 111,302	\$ 521,689
2025	433,953	87,409	521,362
2026	458,515	62,150	520,665
2027	484,114	35,465	519,579
2028	254,219	7,296	261,515
Total	<u>\$ 2,041,188</u>	<u>\$ 303,622</u>	<u>\$ 2,344,810</u>

State Water Resources Control Board Loan

On August 28, 2019, the District entered into an agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund Loan to finance the construction of the Santa Margarita Conjunctive Use Project water treatment plant. The maximum loan amount was \$53,334,000 with interest at 1.9%. On January 31, 2020, the SWRCB increased the original loan approval to \$63,916,954. The District's annual repayment, including principal and interest, is \$2,763,723. The repayment term is 30 years, maturing on March 1, 2053. Total proceeds from the loan were \$62,757,217.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LONG-TERM DEBT (CONTINUED)

State Water Resources Control Board Loan (Continued)

Future debt service requirements for the loan payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,600,373	\$ 1,214,422	\$ 2,814,795
2025	1,630,780	1,184,015	2,814,795
2026	1,661,765	1,153,030	2,814,795
2027	1,693,339	1,121,456	2,814,795
2028	1,725,512	1,089,283	2,814,795
2029-2033	9,131,969	4,942,007	14,073,976
2034-2038	10,033,104	4,040,871	14,073,975
2039-2043	11,023,163	3,050,812	14,073,975
2044-2048	12,110,921	1,963,055	14,073,976
2049-2053	13,306,028	767,958	14,073,986
Total	<u>\$ 63,916,954</u>	<u>\$ 20,526,909</u>	<u>\$ 84,443,863</u>

2021 Wastewater Revenue Refunding Bonds

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

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LONG-TERM DEBT (CONTINUED)

2021 Wastewater Revenue Refunding Bonds (Continued)

Future debt service requirements for loan payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,120,000	\$ 610,746	\$ 1,730,746
2025	1,130,000	603,575	1,730,746
2026	1,145,000	584,934	1,733,575
2027	1,185,000	546,700	1,729,934
2028	1,230,000	498,400	1,728,400
2029-2032	5,450,000	1,470,200	6,920,200
2033-2036	6,395,000	524,300	6,919,300
Total	<u>\$ 17,655,000</u>	<u>\$ 4,838,855</u>	<u>\$ 22,492,901</u>

NOTE 8 INVENTORY

Inventory at June 30, 2023 consisted of the following:

Water Inventory	\$ 395,742
Materials Inventory	1,009,365
Total	<u>\$ 1,405,107</u>

NOTE 9 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.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial 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, 2022 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	13.020%	7.760%
Payment of Unfunded Liability	\$ 1,234,631	\$ 8,587

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)

A. General Information about the Pension Plan (Continued)

Contributions

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

Supplemental Plan Funding

In Fiscal year ended June 30, 2017, the District entered into a Section 115 Trust (Trust) agreement with the Public Agency Retirement Services (PARS), as the trust administrator and U.S. Bank National Association (US Bank) as the trustee. The Trust funds are available to the District to pay for pension related expenditures or reduce pension liabilities. On June 30, 202, the fair value of the funds held in the trust account was \$9,176,661. When evaluating the District’s pension funding level these funds should be taken into account.

As of June 30, 2023, 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><u>\$ 17,127,503</u></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, 2022, 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, 2021 rolled forward to June 30, 2022 using standard update procedures. The Districts’ proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The Fallbrook Public Utility District's proportionate share of the net pension liability as of the measurement dates ended June 30, 2021 and 2022 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	0.48437%
Proportion - June 30, 2022	0.36603%
Change - Increase (Decrease)	-0.11834%

For the year ended June 30, 2023, the District recognized pension expense of \$1,383,517; of which \$913,121 pertains to water operations, \$69,176 pertains to recycled water operations, and \$401,220 pertains to wastewater and operations. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 1,913,165	\$ -
Differences Between Actual and Expected Experience	343,954	(230,365)
Change in Assumptions	1,755,071	-
Change In Employer's Proportion and Differences Between The Employer's Contributions And The Employer's Proportionate Share of Contributions	68,195	(1,438,495)
Net Differences Between Projected and Actual Earnings on Plan Investments	3,137,304	-
Total	<u>\$ 7,217,689</u>	<u>\$ (1,668,860)</u>

\$1,913,165 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 749,350
2025	627,469
2026	339,963
2027	1,918,883
2028	-
Thereafter	-
Total	<u>\$ 3,635,665</u>

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 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, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures to roll forward the total pension liability to June 30, 2022. The total pension liability was based on the following:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

- (1) Varies by entry age and service
- (2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.
- (3) Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLANS (CONTINUED)**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**Long-Term Expected Rate of Return (Continued)

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

Asset Class ⁽¹⁾	New Strategic Allocation	Real Return Real Return (a) (b)	Real Return Years 11+ ^(3,4)
Global Equity	30.00 %	4.54%	5.98%
Global Equity - Non-Cap-Weighted	12.00	3.84%	2.62%
Private Equity	13.00	7.28%	1.81%
Treasury	5.00	0.27%	7.23%
Mortgage-Backed Securities	5.00	0.50%	4.93%
Investment Grade Corporates	10.00	1.56%	-0.92%
High Yield	5.00	2.27%	
Emerging Market Debt	5.00	2.48%	
Private Debt	5.00	3.57%	
Real Assets	15.00	3.21%	
Leverage	(5.00)	-0.59%	
Total	100.00 %		

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Assumptions

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30% from the measurement date June 30, 2021 to June 30, 2022.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 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 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	5.90%
Net Pension Liability	\$ 25,177,884
Current Discount Rate	6.90%
Net Pension Liability	\$ 17,127,505
1% Increase	7.90%
Net Pension Liability	\$ 10,504,041

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, 2023, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

Employees retiring after age 50, with 10 or more years of continuous employment, will have the mandatory amount estimated by the District at the date of retirement to be necessary to pay for 50% of the employee’s monthly health insurance premium, and any additional costs for spouse and dependent(s) covered at the time of retirement. The difference between the total value of sick leave at retirement and the estimated cost benefit (medical, dental and vision) minus the estimated costs of 50% of the retiree’s medical premium is deposited into a health reimbursement account at the District to pay for retiree benefits until Medicare entitlement or the account is depleted. The District’s health reimbursement account (HRA) balance as of June 30, 2023 is \$304,238. The District will pay for half (50%) of the retired employee’s monthly premium.

During the year ended June 30, 2017, the District entered into a trust agreement with Public Agency Retirement Services (PARS), as the trust administrator and U.S. Bank National Association (US Bank) as the trustee. Management of the OPEB Plan is vested with the General Manager of the District with oversight and governance by the District’s Finance Committee. Benefit terms are as established by the District’s board of directors and agreed upon between the District and the Fallbrook Public Utility District Employees’ Association through Memorandum of Understanding. The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. On June 30, 2023, the PARS OPEB account’s fair value was \$1,173,333.

Employees Covered

As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

	Number of Participants
Inactive Employees Currently Receiving Benefits	13
Participating Active Employees	59
Total	72

Contributions

Benefit provisions and contribution requirements of plan members and the District are established and may be amended by the District. The plan does not require employee contributions. Administrative costs of this plan are financed through investment earnings. For the fiscal year ended June 30, 2023, total contributions of 124,924 consists of \$48,590 in premium payments made by the District outside of the trust and implicit subsidy of \$76,334.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2022 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, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age, Level Percent of Pay
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
Projected Salary Increase	3.0% per year
Expected Long-Term Investment Rate of Return, Net of Plan Investment Expense	6.00%
Healthcare Cost Trend Rates	6.50 percent for 2022, 6.00 percent for 2023, 5.50 percent for 2024, 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.50 percent for 2022-2029 and 4.00 percent for 2030 and later years.
Mortality	Preretirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study. Postretirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study.

Investment Policy

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Investment Policy (Continued)

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

- The OPEB Plan assets should earn, on a long-term average basis, a rate of return equal to or more than the target rate of return of 6.0%;
- The OPEB Plan trust should seek to earn a return more than its policy benchmark over the long-term;
- The OPEB Plan assets will be managed on a total return basis which considers both investment income and capital appreciation. As the plan sponsor the District recognizes the importance of preservation of capital, but also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns.

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

Asset Class	Strategic Allocation	Real Rate of Return
Fixed Income	50%	1.8%
Equity	50%	4.4%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0%. 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.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2021, (Measurement Date)	\$ 1,246,820	\$ 1,266,272	\$ (19,452)
Changes in the Year:			
Service Cost **	64,523	-	64,523
Interest on the Total OPEB Liability	75,172	-	75,172
Differences Between Actual and Actual Experience	9,047	-	9,047
Changes in Assumptions	67,709	-	67,709
Contribution - Employer	-	118,674	(118,674)
Net Investment Income	-	(162,270)	162,270
Administrative Expenses	-	(6,788)	6,788
Benefit Payments	(118,674)	(118,674)	-
Net Changes	97,777	(169,058)	266,835
Balance at June 30, 2022 (Measurement Date),	\$ 1,344,597	\$ 1,097,214	\$ 247,383

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

Change of Assumptions

Healthcare trend rate assumptions increased 1% (from 5.5% to 6.5%).

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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

	1% Decrease (5.0%)	Discount Rate (6.0%)	1% Increase (7.0%)
Net OPEB Liability	\$ 337,908	\$ 247,383	\$ 163,034

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.50% decreasing to 3.00%) or 1 percentage point higher (7.50% decreasing to 5.00%), than the current healthcare cost trend rates:

	1% Decrease ²	Trend Rates	1% Increase ³
Net OPEB Liability	\$ 134,513	\$ 247,383	\$ 378,205

² Trend rate for each future year reduced by 1.00%.

³ Trend rate for each future year reduced by 1.00%.

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$118,314. At June 30, 2023, 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	\$ 124,924	\$ -
Differences Between Actual and Expected Experience	128,324	-
Change in Assumptions	65,088	(41,941)
Differences Between Projected and Actual Earnings	102,652	-
Total	<u>\$ 420,988</u>	<u>\$ (41,941)</u>

\$124,924 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, 2024.

FALLBROOK PUBLIC UTILITY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 49,198
2025	49,598
2026	41,328
2027	69,549
2028	20,631
Thereafter	23,819

Payable to the OPEB Plan

At June 30, 2023, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

NOTE 11 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, 2023, 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, PFAS \$29.5 million, subsidence \$45 million, lead \$45 million, and mold \$45 million.

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

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 RISK MANAGEMENT (CONTINUED)

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.

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

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

During the past four 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.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2023, 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>
Emergency Pipeline Replacement	\$ 600,000	December 2023
Lang Reservoir Decommissioning	50,000	August 2023
Overland Trail Lift Station	50,000	December 2023
Main Street Sewer Main Replacement	95,000	March 2024
Hawthorne Life Station	20,000	March 2024
Rec Plant Storm Water	30,000	August 2023
Pipeline Replacement	2,700,000	March 2024

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.

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 SEGMENT INFORMATION

The District reports one overall activity on its financial statements, however the District’s identifiable activities include water services, recycled water services and wastewater services. On January 11, 2021 The District issued Wastewater Revenue Refunding Bonds (see note 5). The District has pledged all of the Net System Revenues derived from the operation of its wastewater systems for the debt service payment of the bond. For the purposes of reporting below the wastewater activity has been identified as a segment. Condensed information for the wastewater activity segment as of and for the period ended June 30, 2023 are as follows:

Condensed Statement of Net Position

Current Assets	\$ 5,294,884
Capital Assets	43,616,584
Other Assets and Deferred Outflows of Resources	<u>2,215,215</u>
Total Assets and Deferred Outflows of Resources	<u>51,126,683</u>
Current Liabilities	926,051
Long Term Debt	22,573,738
Net Pension and OPEB Liabilities	5,038,717
Deferred Inflows of Resources	<u>496,132</u>
Total Liabilities and Deferred Inflows of Resources	<u>29,034,638</u>
Net Investment in Capital Assets	21,042,846
Unrestricted	<u>1,049,199</u>
Net Position	<u><u>\$ 22,092,045</u></u>

**FALLBROOK PUBLIC UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 SEGMENT INFORMATION (CONTINUED)**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

Operation Revenues	
Wastewater	\$ 7,059,790
Total Operating Revenues	<u>7,059,790</u>
Operating Expenses	
Operations and Maintenance	2,484,939
Administrative and General	2,550,129
Depreciation Expenses	2,904,667
Total Operating Expenses	<u>7,939,735</u>
Nonoperating Revenues (Expenses) and Transfers	
Property Taxes	1,199,210
Capital Improvements Charges	1,241,192
Investment Income	137,514
Other Revenues	162,183
Interest Expense	(365,345)
Transfers	414,307
Total Nonoperating Revenues (Expenses)	<u>2,789,061</u>
Changes in Net Position	1,909,116
Net Position - Beginning of Year	20,182,929
Net Position - End of Year	<u>\$ 22,092,045</u>
Condensed Statement of Cash Flows	
Cash Flows from Operating Activities	\$ 1,501,042
Cash Flows from Noncapital Financing Activities	1,199,210
Cash Flows from Capital and Related Financing Activities	(2,022,245)
Cash Flows from Investing Activities	<u>47,824</u>
Net Increase in Cash and Cash Equivalents	725,831
Cash and Cash Equivalents, Beginning of the Year	3,581,212
Cash and Cash Equivalents, End of the Year	<u>\$ 4,307,043</u>

NOTE 14 SUBSEQUENT EVENT

In 2019, the District began the process to detach from the San Diego County Water Authority and annex into the service area of Easter Municipal Water District (EMWD). The detachment process was managed by the Local Agency Formation Commission (LAFCO) of San Diego County and on July 10, 2023 LAFCO approved the detachment pending a vote of the District's rate payers. On November 7, 2023, the District's rate payers approved. The District is in the process of executing a Memorandum of Understanding to annex into EMWD's service area that was approved on August 7, 2019. These administrative actions are expected to be completed next fiscal year.

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

Fiscal Year-End	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Classic & PEPRM Miscellaneous Plan				
Plan's Proportion of the Net Pension Liability	0.48437%	0.48437%	0.34901%	0.13301%
Plan's Proportionate Share of the Net Pension Liability	\$ 17,217,505	\$ 9,197,304	\$ 14,721,348	\$ 13,629,333
Covered Payroll	\$ 5,694,940	\$ 5,394,615	\$ 5,448,979	\$ 5,179,369
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	302.33%	170.49%	270.17%	263.15%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.49%	83.49%	72.50%	75.26%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 1,708,723	\$ 1,828,758	\$ 1,733,944	\$ 1,640,356

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.

From fiscal year June 30, 2020 to June 30, 2021

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023

The discount rate was reduced from 7.15% to 6.90%

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

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

Fiscal Year-End	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Classic & PEPR Miscellaneous Plan					
Plan's Proportion of the Net Pension Liability	0.13015%	0.12853%	0.12729%	0.12295%	0.11351%
Plan's Proportionate Share of the Net Pension Liability	\$ 12,541,929	\$ 12,746,294	\$ 11,014,856	\$ 8,439,096	\$ 6,888,388
Covered Payroll	\$ 5,216,869	\$ 5,271,090	\$ 4,743,986	\$ 4,753,842	\$ 4,683,594
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	240.41%	241.82%	232.19%	177.52%	147.07%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	73.31%	74.06%	78.40%	83.21%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 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.

From fiscal year June 30, 2020 to June 30, 2021

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023

The discount rate was reduced from 7.15% to 6.90%

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

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

	2023	2022	2021	2020
Contribution Deficiency (Excess)	\$ 1,913,165	\$ 1,708,723	\$ 1,548,933	\$ 1,407,555
Contributions in Relation to the Actuarially Determined Contributions	<u>1,913,165</u>	<u>1,708,723</u>	<u>1,548,933</u>	<u>1,407,555</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,204,036	\$ 5,694,940	\$ 5,394,615	\$ 5,448,979
Contributions as a Percentage of Covered Payroll	30.84%	30.00%	28.71%	25.83%

Notes to Schedule:

Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.300%	2.500%	2.500%	2.625%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	7.00% (3)	7.00% (3)	7.25% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) Classic: 50-67 and PEPPRA: 52-67
- (5) 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 nine years are shown.

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

	2019	2018	2017	2016	2015
Contribution Deficiency (Excess)	\$ 1,224,180	\$ 1,081,154	\$ 968,372	\$ 870,680	\$ 756,872
Contributions in Relation to the Actuarially Determined Contributions	1,224,180	1,081,154	968,372	870,680	756,872
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,179,369	\$ 5,216,869	\$ 5,271,090	\$ 4,743,986	\$ 4,753,842
Contributions as a Percentage of Covered Payroll	23.64%	20.72%	18.37%	18.35%	15.92%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) Classic: 50-67 and PEPRA: 52-67
- (5) 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 nine years are shown.

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

Fiscal Year-End	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:						
Service Cost	\$ 64,523	\$ 61,298	\$ 58,287	\$ 57,291	\$ 63,116	\$ 61,278
Interest on Total OPEB Liability	75,172	74,434	67,499	62,409	39,301	38,242
Difference Between Expected and Actual Experience	9,047	-	95,306	-	178,893	-
Changes of Assumptions	67,709	-	8,321	-	(122,601)	-
Benefit Payments, Including Refunds of	(118,674)	(134,400)	(99,787)	(86,699)	(115,569)	(31,396)
Net Change in Total OPEB Liability	97,777	1,332	129,626	33,001	43,140	68,124
Total OPEB Liability - Beginning of Year	1,246,820	1,245,488	1,115,862	1,082,861	1,039,721	971,597
Total OPEB Liability - End of Year (a)	1,344,597	1,246,820	1,245,488	1,115,862	1,082,861	1,039,721
Plan Fiduciary Net Position:						
Contributions - Employer	118,674	134,400	99,787	86,699	268,569	767,396
Net Investment Income	(162,270)	232,085	39,017	61,267	40,802	20,571
Administrative Expenses	(6,787)	(6,301)	(5,179)	(2,402)	(1,970)	(619)
Benefit Payments	(118,674)	(134,400)	(99,787)	(86,699)	(115,569)	(31,396)
Net Change in Plan Fiduciary Net Position	(169,057)	225,784	33,838	58,865	191,832	755,952
Plan Fiduciary Net Position - Beginning of Year	1,266,271	1,040,487	1,006,649	947,784	755,952	-
Plan Fiduciary Net Position - End of Year (b)	1,097,214	1,266,271	1,040,487	1,006,649	947,784	755,952
Net OPEB Liability (Asset) - Ending (a)-(b)	\$ 247,383	\$ (19,451)	\$ 205,001	\$ 109,213	\$ 135,077	\$ 283,769
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	81.60%	101.56%	83.54%	90.21%	87.53%	72.71%
Covered Payroll	\$ 5,694,940	\$ 5,394,615	\$ 5,448,979	\$ 5,179,369	\$ 5,216,869	\$ 5,684,049
Net OPEB Liability as Percentage of Covered Payroll	4.34%	-0.36%	3.76%	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 five years are shown.

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

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarially Determined Contribution	\$ 99,437	\$ 75,659	\$ 73,456	\$ 66,239	\$ 72,529	\$ 74,065
Contributions in Relation to the Actuarially Determined Contributions	(124,924)	(118,673)	(134,400)	(99,786)	(67,197)	(202,055)
Contribution Deficiency (Excess)	<u>\$ (25,487)</u>	<u>\$ (43,014)</u>	<u>\$ (60,944)</u>	<u>\$ (33,547)</u>	<u>\$ 5,332</u>	<u>\$ (127,990)</u>
Covered Payroll	\$ 6,204,036	\$ 5,694,940	\$ 5,394,615	\$ 5,448,979	\$ 5,179,369	\$ 5,216,869
Contributions as a Percentage of Covered Payroll	1.60%	1.33%	1.36%	1.22%	1.40%	1.42%

Notes to Schedule:

Valuation Date	6/30/2022	6/30/2021	6/30/2020	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	6.00%
Healthcare Cost Trend Rate	6.50 percent for 2022, 6.00 percent for 2023, 5.50 percent for 2024, 5.25 percent for 2059-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.50 percent for 2022-2029 and 4.00 percent for 2030 and later years.
Mortality	Preretirement mortality rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study.

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

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

**FALLBROOK PUBLIC UTILITY DISTRICT
SCHEDULE OF OPERATING INCOME AND EXPENSES**

YEAR ENDED JUNE 30, 2023

	Water	Recycled Water	Wastewater	Total
Operating Revenues:				
Water Sales	\$ 23,467,210	\$ -	\$ -	\$ 23,467,210
Recycled Water Sales	-	1,102,493	-	1,102,493
Wastewater Sales	-	-	7,059,790	7,059,790
Total Operating Revenues	<u>23,467,210</u>	<u>1,102,493</u>	<u>7,059,790</u>	<u>31,629,493</u>
Operating Expenses:				
Cost of Water Sold	10,716,859	-	-	10,716,859
Operations and Maintenance	3,126,441	373,973	2,484,939	5,985,353
Administrative and General Expenses	4,642,717	72,861	2,550,129	7,265,707
Total Operating Expenses Before Depreciation and Amortization	<u>18,486,017</u>	<u>446,834</u>	<u>5,035,068</u>	<u>23,967,919</u>
Depreciation and Amortization Expense	6,023,850	68,645	2,904,667	8,997,162
Total Operating Expenses	<u>24,509,867</u>	<u>515,479</u>	<u>7,939,735</u>	<u>32,965,081</u>
Operating Income (Loss)	<u>\$ (1,042,657)</u>	<u>\$ 587,014</u>	<u>\$ (879,945)</u>	<u>\$ (1,335,588)</u>

YEAR ENDED JUNE 30, 2022

	Water	Recycled Water	Wastewater	Total
Operating Revenues:				
Water Sales	\$ 25,245,783	\$ -	\$ -	\$ 25,245,783
Recycled Water Sales	-	1,232,350	-	1,232,350
Wastewater Sales	-	-	6,336,853	6,336,853
Total Operating Revenues	<u>25,245,783</u>	<u>1,232,350</u>	<u>6,336,853</u>	<u>32,814,986</u>
Operating Expenses:				
Cost of Water Sold	13,245,830	-	-	13,245,830
Operations and Maintenance	6,046,295	558,105	4,242,550	10,846,950
Administrative and General Expenses	4,322,980	67,945	2,378,061	6,768,986
Other Expenses	4,322,980	67,945	2,378,061	6,768,986
Total Operating Expenses Before Depreciation	<u>23,615,105</u>	<u>626,050</u>	<u>6,620,611</u>	<u>30,861,766</u>
Depreciation Expense	4,148,931	60,422	2,858,427	7,067,780
Total Operating Expenses	<u>27,764,036</u>	<u>686,472</u>	<u>9,479,038</u>	<u>37,929,546</u>
Operating Income (Loss)	<u>\$ (2,518,253)</u>	<u>\$ 545,878</u>	<u>\$ (3,142,185)</u>	<u>\$ (5,114,560)</u>

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Table #1 - Net Positions

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2014	\$ 64,203,257	\$ 2,431,978	\$ 12,479,645	\$ 79,114,880
2015	67,995,640	2,231,947	4,807,404	75,034,991
2016	70,683,956	3,455,377	5,170,519	79,309,852
2017	76,004,617	3,495,635	5,668,185	85,168,437
2018	79,333,568	4,711,487	2,038,252	86,083,307
2019	81,264,522	9,477,694	6,465,333	97,207,549
2020	82,199,752	10,188,202	6,316,800	98,704,754
2021	83,368,399	10,340,855	10,112,885	103,822,139
2022	84,830,631	9,631,081	8,260,270	102,721,982
2023	84,709,855	10,707,799	12,879,884	108,297,538

Source: Fallbrook Public Utility District

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

	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Changes in Net Position:			
Operating Revenues (See Table 4)	\$ 28,955,183	\$ 27,483,881	\$ 25,356,017
Operating Expenses (See Table 3)	(33,062,764)	(28,604,249)	(27,144,267)
Other Operating Revenues	681,876	-	-
Operating Income (loss)	\$ (3,425,705)	\$ (1,120,368)	\$ (1,788,250)
Non-Operating Revenues (expenses)			
Property Taxes Ad-Valorem	\$ 1,623,510	\$ 1,719,296	\$ 1,815,734
Capital Improvement Charges	1,981,822	2,134,025	2,224,529
California Solar Initiative Rebate	843,714	729,519	740,125
Investment income (Loss)	209,175	141,433	324,126
Lease Interest income	-	-	-
Water Availability Charges	200,779	200,810	200,808
MWD Local Resource Program	-	-	-
Lease Revenue	183,641	185,770	185,220
Intergovernmental Revenue - Federal Interest Subsidy	-	206,584	185,040
Connection Fees	118,581	208,521	131,894
SDCWA Rate Refund	-	-	-
COVID Relief Grant	-	-	-
Water Supply Grant Funds	-	-	-
Gain (Loss) on disposal of capital assets	-	(444,252)	(551,281)
Community Benefit Program Expense	-	-	-
Other Non-Operating Revenues	140,396	162,913	91,361
Other Non-Operating Expenses	(344,730)	(847,725)	(916,212)
Total Non-Operating Revenues(expenses), net	\$ 4,956,888	\$ 4,396,894	\$ 4,431,344
Net income Before Capital Contributions	\$ 1,531,183	\$ 3,276,526	\$ 2,643,094
Capital Contributions	76,746	153,790	75,299
Capital Grant - Proposition 50	828,598 ⁽¹⁾	224,596 ⁽¹⁾	874,040 ⁽³⁾
Capital Grant - Proposition 84	-	-	682,428 ⁽³⁾
Changes in Net Position	\$ 2,436,527	\$ 3,654,912	\$ 4,274,861
Net Position			
Beginning, as restated	\$ 76,678,353	\$ 79,114,880	\$ 75,034,991
Adjustments to restate balance	-	(7,734,801) ⁽²⁾	-
Ending, as restated	\$ 79,114,880	\$ 75,034,991	\$ 79,309,852

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

(2) Accumulative effect of change in accounting principles.

(3) State Proposition 50 in the amount of \$874,040 and State Proposition 84 in the amount of \$682,428 was received.

Source: Fallbrook Public Utility District

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

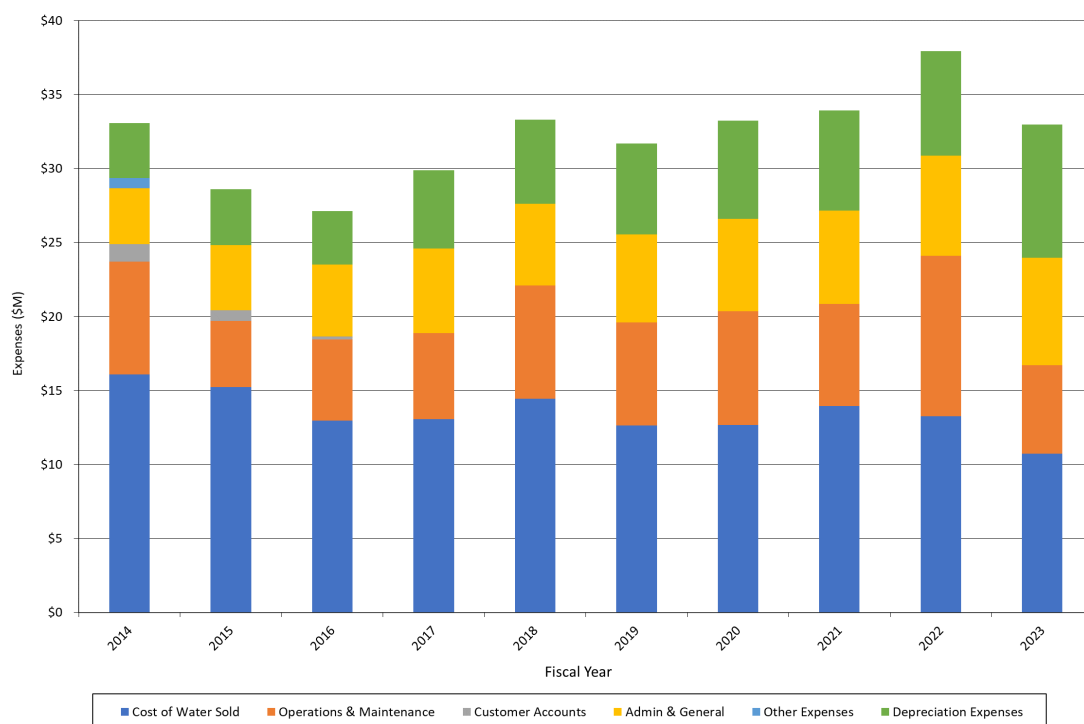
Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
\$ 27,256,065 (29,890,177)	\$ 29,882,022 (33,319,799)	\$ 26,944,550 (31,708,417)	\$ 28,931,007 (33,234,259)	\$ 32,511,601 (33,933,185)	\$ 32,814,986 (37,929,546)	\$ 31,629,493 (32,965,081)
-	-	-	-	-	-	-
\$ (2,634,112)	\$ (3,437,777)	\$ (4,763,867)	\$ (4,303,252)	\$ (1,421,584)	\$ (5,114,560)	\$ (1,335,588)
\$ 1,889,808 2,283,558 234,930 63,861	\$ 1,984,543 2,476,452	\$ 2,106,034 2,505,876	\$ 2,205,975 2,559,135	\$ 2,340,185 2,604,061	\$ 2,397,429 2,650,202	\$ 2,617,564 2,838,696
-	-	-	-	-	-	-
-	18,188	915,275	920,135	1,543,078	(1,835,245)	932,974
-	-	-	-	-	15,437	16,496
200,730	229,400	204,359	204,418	208,842	202,234	200,107
-	-	-	-	-	197,884	517,280
166,012	178,602	199,433	249,092	251,047	284,819	331,006
238,765	145,338	134,924	123,762	112,207	99,240	86,153
238,124	411,774	180,966	107,107	149,650	193,201	186,946
-	-	-	-	909,413	839,398	8,441
-	-	-	-	-	184,762	-
-	-	-	-	-	213,368	452,253
-	(273,396)	9,338,297	(31,450)	38,100	36,543	170,307
-	-	-	-	-	-	(96)
32,729	-	-	-	-	-	-
(1,174,011)	(959,015)	(909,966)	(910,224)	(1,665,457)	(1,524,767)	(1,622,851)
\$ 4,174,506	\$ 4,211,886	\$ 14,675,198	\$ 5,427,950	\$ 6,491,127	\$ 3,954,505	\$ 6,735,276
\$ 1,540,394	\$ 774,109	\$ 9,911,331	\$ 1,124,698	\$ 5,069,543	\$ (1,160,055)	\$ 5,399,688
59,509	73,661	73,789	372,507	47,842	59,898	175,868
773,163	-	-	-	-	-	-
-	67,100	-	-	-	-	-
\$ 2,373,066	\$ 914,870	\$ 9,985,120	\$ 1,497,205	\$ 5,117,385	\$ (1,100,157)	\$ 5,575,556
\$ 79,309,852 3,485,519	\$ 85,168,437	\$ 86,083,307 1,139,122	\$ 97,207,549	\$ 98,704,754	\$ 103,822,139	\$ 102,721,982
\$ 85,168,437	\$ 86,083,307	\$ 97,207,549	\$ 98,704,754	\$ 103,822,139	\$ 102,721,982	\$ 108,297,538

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

Fiscal Year	Water				Recycled			
	Cost of Water Sold	Operations & Maintenance	Customer Accounts	Admin & General ⁽¹⁾	Cost of Water Sold	Operations & Maintenance	Admin & General ⁽¹⁾	Other Expenses
2014	\$15,649,781	\$3,810,606	\$1,179,998	\$2,006,124	\$427,328	\$63,620	\$188,964	\$171,960
2015	14,692,652	2,173,576	725,610	2,286,586	551,866	N/A	337,226	N/A
2016	12,804,470	2,788,548	203,260	2,571,803	146,128	N/A	242,623	N/A
2017	13,067,064	3,030,201	N/A	2,963,305	N/A	622,997	346,173	N/A
2018	14,453,229	3,922,528	N/A	2,868,610	N/A	693,972	330,993	N/A
2019	12,650,795	3,444,139	N/A	3,807,921	N/A	548,821	51,473	N/A
2020	12,663,006	3,984,938	N/A	3,985,541	N/A	433,945	63,499	N/A
2021	13,955,908	3,330,054	N/A	4,036,546	N/A	378,419	63,071	N/A
2022	13,245,830	6,046,295	N/A	4,322,980	N/A	558,105	67,945	N/A
2023	10,716,859	3,126,441	N/A	4,642,717	N/A	373,973	72,861	N/A

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

Chart #1 - Operating Expenses by Activity



Source: Fallbrook Public Utility District

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

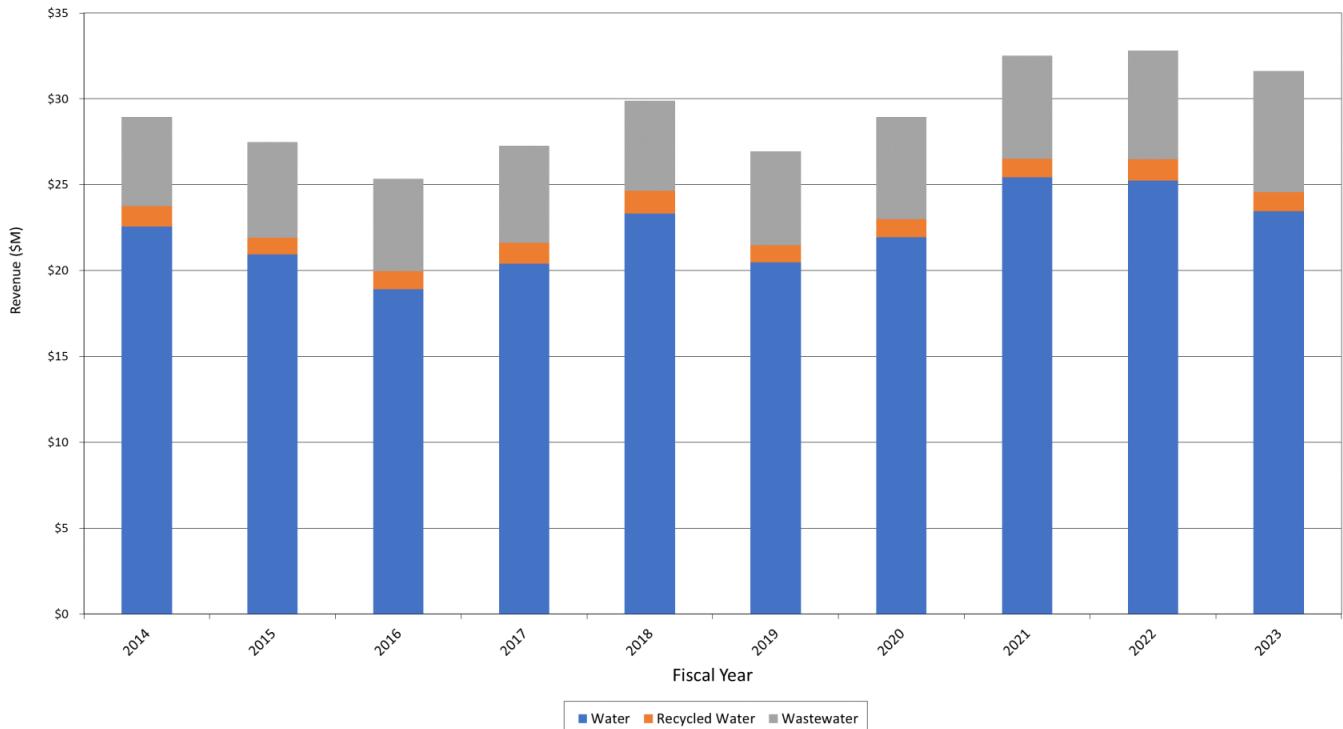
Wastewater			Depreciation Expenses	Total Operating Expenses
Operations & Maintenance	Admin & General ⁽¹⁾	Other Expenses		
\$ 3,765,046	\$ 1,584,190	\$ 509,916	\$ 3,705,231	\$ 33,062,764
2,296,712	1,763,527	N/A	3,776,494	28,604,249
2,709,284	2,038,033	N/A	3,640,118	27,144,267
2,173,738	2,392,389	N/A	5,294,310	29,890,177
3,039,790	2,316,954	N/A	5,693,723	33,319,799
2,956,457	2,090,222	N/A	6,158,589	31,708,417
3,286,965	2,178,369	N/A	6,637,996	33,234,259
3,188,426	2,207,488	N/A	6,773,273	33,933,185
4,242,550	2,378,061	N/A	7,067,780	37,929,546
2,484,939	2,550,129	N/A	8,997,162	32,965,081

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

Fiscal Year	Water			Recycled			Wastewater		Total Operating Revenue
	Water Sales	Service Charges	Other Charges	Water Sales	Service Charges	Other Charges	Service Charges	Other Charges	
2014	\$ 16,587,771	\$ 4,772,242	\$ 1,188,741	\$ 802,509	\$ 50,972	\$ 344,423	\$ 5,205,516	\$ 3,009	\$ 28,955,183
2015	14,722,792	4,930,254	1,295,660	662,849	53,011	244,466	5,571,362	3,487	27,483,881
2016	12,328,995	5,000,621	1,583,301	824,925	59,359	156,353	5,402,353	110	25,356,017
2017	13,233,057	5,388,463	1,783,859	1,135,841	N/A	86,620	5,627,476	749	27,256,065
2018	16,194,537	5,777,173	1,340,062	1,153,170	17,956	156,060	5,258,183	(15,119)	29,882,022
2019	12,997,586	6,291,436	1,192,767	920,376	(17,974)	96,541	5,453,590	10,230	26,944,550
2020	14,040,914	6,782,468	1,116,852	949,040	51,745	58,520	5,924,878	6,590	28,931,007
2021	17,115,866	7,237,052	1,076,096	1,029,394	53,769	5,000	5,993,042	1,382	32,511,601
2022	16,464,444	7,664,909	1,116,430	1,169,287	58,063	5,000	6,323,887	12,966	32,814,986
2023	14,194,199	8,259,546	1,013,465	1,037,210	60,283	5,000	7,048,717	11,073	31,629,493

Source: Fallbrook Public Utility District

Chart #2 - Operating Revenues by Source



Source: Fallbrook Public Utility District

Table #5 - Water Rates (\$/Kgal*)⁽¹⁾

Fiscal Year	Domestic			Commercial		Government	Special Ag Rate	Commercial Ag Rate
	Tier 1	Tier 2	Tier 3 ⁽²⁾	Tier 1	Tier 2			
2014	\$ 4.03	\$ 4.64	\$ 5.11	\$ 4.03	\$ 4.64	\$ 4.64	\$ 3.14	\$ 4.06
2015	4.19	4.61	5.08	4.19	4.61	4.61	3.14	4.06
2016	4.38	4.82	5.31	4.38	4.82	4.82	3.18	4.28
2017	5.21	5.74	6.32	5.21	5.74	5.74	3.65	4.97
2018	5.62	5.71	6.95	5.79	5.79	5.70	4.17	4.83
2019	5.96	6.05	7.37	6.14	6.14	6.04	4.42	5.12
2020	6.44	6.53	7.96	6.63	6.63	6.52	4.77	5.53
2021	6.83	6.92	8.44	7.03	7.03	6.91	5.06	5.86
2022	7.17	7.27	8.86	7.38	7.38	7.26	5.31	6.15
2023	7.31	8.06	N/A	7.72	7.72	7.72	5.63	6.38

*Kgal = 1,000 gal

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

Note: (2) - The District removed the Tier 3 domestic rate as of January 1, 2023.

Source: Fallbrook Public Utility District

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

Fiscal Year	¾" Meter	1" Meter	1 ½" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
2014	\$ 36.63	\$ 47.66	\$ 68.02	\$ 99.54	\$ 162.38	\$ 258.19	\$ 461.43	\$ 21.83
2015	38.10	49.57	70.74	103.52	168.88	268.52	479.89	22.70
2016	39.24	51.06	72.86	106.63	173.95	276.58	494.29	23.38
2017	41.59	54.12	77.23	113.03	184.39	293.17	523.95	24.78
2018	44.10	67.33	125.36	195.01	380.73	589.67	1,170.06	*Variable
2019	46.75	71.37	132.88	206.71	403.57	625.05	1,240.26	*Variable
2020	50.49	77.08	143.51	223.25	435.86	675.05	1,339.48	*Variable
2021	53.52	81.70	152.12	236.65	462.01	715.55	1,419.85	*Variable
2022	56.20	85.79	159.73	248.48	485.11	751.33	1,490.84	*Variable
2023	60.60	96.51	185.46	292.64	578.82	900.36	1,793.16	*Variable

* Standby rates are based on meter size

For more information on the District's rate structure, visit www.fpubd.com

Source: Fallbrook Public Utility District

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

Fiscal Year	¾" Meter	1" Meter	1 ½" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
2014	\$ 44.89	\$ 59.28	\$ 85.69	\$ 126.62	\$ 208.35	\$ 323.73	\$ 583.40	\$ 21.83
2015	44.89	59.28	85.69	126.62	208.35	323.73	583.40	22.70
2016	46.24	61.06	88.26	130.42	214.60	333.44	600.90	23.38
2017	49.01	64.72	93.56	138.25	227.48	353.45	636.95	24.78
2018	44.10	67.33	125.36	195.01	380.73	589.67	1,170.06	*Variable
2019	46.75	71.37	132.88	206.71	403.57	625.05	1,240.26	*Variable
2020	50.49	77.08	143.51	223.25	435.86	675.05	1,339.48	*Variable
2021	53.52	81.70	152.12	236.65	462.01	715.55	1,419.85	*Variable
2022	56.20	85.79	159.73	248.48	485.11	751.33	1,490.84	*Variable
2023	60.60	96.51	185.46	292.64	578.82	900.36	1,793.16	*Variable

* Standby rates are based on meter size

For more information on the District's rate structure, visit www.fpud.com

Source: Fallbrook Public Utility District

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

Fiscal Year	¾" Meter	1" Meter	1 ½" Meter	2" Meter	3" Meter	4" Meter	6" Meter	Standby
2014	\$ 8.00	\$ 11.00	\$ 16.00	\$ 25.00	\$ 42.00	\$ 66.00	\$ 120.00	\$ 4.80
2015	8.59	11.81	17.18	26.84	45.10	70.87	128.85	5.15
2016	9.06	12.46	18.12	28.31	47.57	74.75	135.90	5.44
2017	9.45	12.99	18.90	29.53	49.61	77.96	141.75	5.67
2018	8.58	14.30	28.60	45.76	91.52	143.00	286.00	*Variable
2019	9.12	15.20	30.40	48.64	97.29	152.01	304.02	*Variable
2020	9.47	15.78	31.56	50.49	100.98	157.79	315.57	*Variable
2021	9.77	16.27	32.55	52.07	104.14	162.72	325.43	*Variable
2022	10.10	16.82	33.66	53.84	107.68	168.25	336.50	*Variable
2023	11.11	18.50	37.03	59.22	118.45	185.08	370.15	*Variable

* Standby rates are based on meter size

For more information on the District's rate structure, visit www.fpud.com

Source: Fallbrook Public Utility District

Table #9 - Sewer Rates by Customer Class (2014 - 2023)

	2014	2015	2016	2017	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽¹⁾⁽²⁾
Fixed Rates (by meter size) (\$/month)					Fixed Rates by EDU					
3/4"	\$13.19	\$14.10	\$ 14.23	\$ 16.12	B Y	B Y	B Y	B Y	B Y	Residential/ Domestic \$18.88/EDU
1"	19.95	21.23	21.55	24.01						
1 1/2"	36.86	39.06	39.86	43.75						
2"	57.15	60.46	61.84	67.42	EDU	EDU	EDU	EDU	EDU	Commercial/ Government \$12.14/EDU
3"	104.49	110.38	113.14	122.67	\$9.28/ EDU	\$9.70/ EDU	\$10.14/ EDU	\$10.60/ EDU	\$11.08/ EDU	
4"	172.12	181.70	186.36	201.60						
6"	341.20	359.99	369.49	398.91						
Billable Flow Rates ⁽³⁾ (\$/Kgal)										
Single Family Residence, Ag Domestic, Multi - Family	\$ 7.64	\$ 7.64	\$ 8.21	\$ 8.77	\$ 9.44	\$ 9.86	\$ 10.32	\$ 10.79	\$ 11.28	\$ 10.22
Low -Strength Commercial, Schools, Churches	11.54	11.54	12.35	13.27	9.37	9.79	10.25	10.72	11.20	11.09
Medium Strength Commercial	11.54	11.54	12.35	13.27	11.57	12.09	12.65	13.22	13.81	13.82
High Strength Commercial	19.35	19.35	20.63	22.28	14.44	15.09	15.77	16.48	17.22	17.66

Notes:

- (1) - Rates switched from fiscal year to calendar year January 1, 2018.
- (2) - The 2022 rate study changed the monthly fixed charge methodology effective January 1, 2023.
- (3) - Billable flow rates are calculated based upon water usage adjusted for outdoor use.

Source: Fallbrook Public Utility District

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Per EDU	\$ 10.00	\$ 10.44	\$ 10.70	\$ 10.84	\$ 11.16	\$ 11.53	\$ 11.62	\$ 11.63	\$ 11.68	\$ 12.66

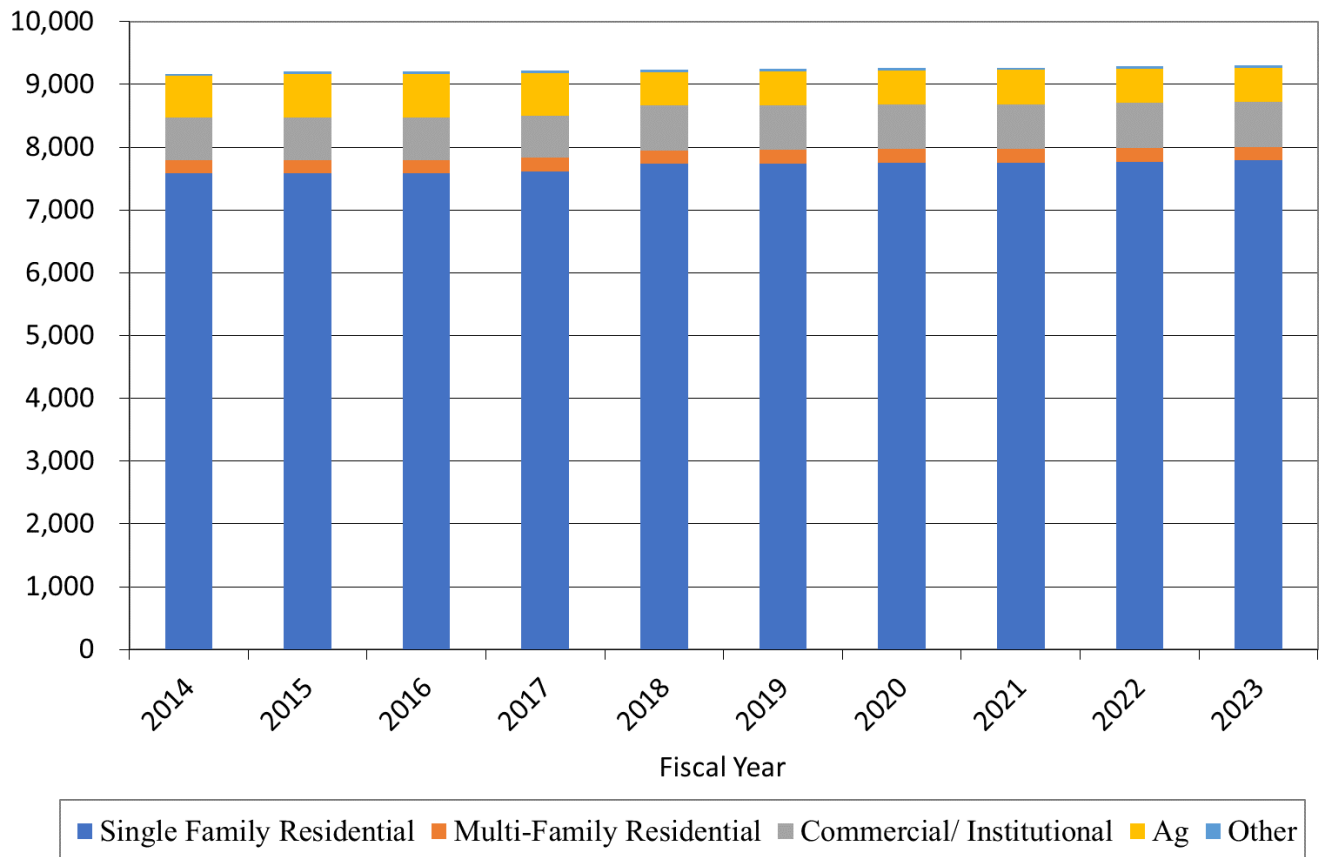
Source: Fallbrook Public Utility District

Table #11 - Number of Water Customers by Type

As of June 30	Single Family Residential	Multi-Family Residential	Commercial/ Institutional	Ag	Other	Total
2014	7,582	217	680	660	32	9,171
2015	7,581	217	679	695	33	9,205
2016	7,582	217	671	699	37	9,206
2017	7,617	217	673	674	38	9,219
2018	7,735	218	711	529	40	9,233
2019	7,742	218	713	533	45	9,251
2020	7,755	216	712	535	41	9,259
2021	7,757	218	711	543	41	9,270
2022	7,772	218	712	546	43	9,291
2023	7,787	217	712	551	43	9,310

Source: Fallbrook Public Utility District

Chart #3 - Number of Water Customers by Type



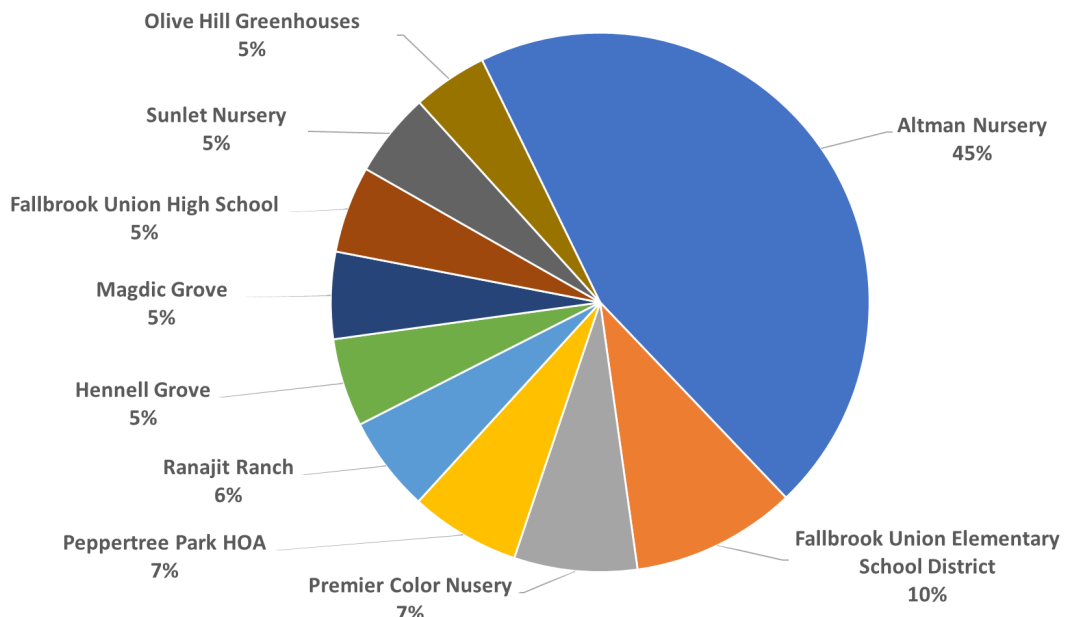
Source: Fallbrook Public Utility District

Table #12 - Top Ten Water Customers

Fiscal Year 2014			Fiscal Year 2023		
Customer	Annual Usage (Kgal)	Percent of Total	Customer	Annual Usage (Kgal)	Percent of Total
Ross Ranch	104,772	2.55%	Altman Nursery	132,741	5.98%
Chandler Ranch	85,451	2.08%	Fallbrook Union Elementary School District	29,140	1.31%
ACW Ranch	69,751	1.70%	Premier Color Nusery	21,746	0.98%
Sparrow Hawk Ranch	58,529	1.43%	Peppertree Park HOA	19,484	0.88%
Eco Farms Ranch	56,961	1.39%	Ranajit Ranch	16,881	0.76%
Color Spot Nursery	39,758	0.97%	Hennell Grove	15,571	0.70%
Lilac 124 Inc	39,283	0.96%	Magdic Grove	15,346	0.69%
Brown Ranch	38,856	0.95%	Fallbrook Union High School	15,326	0.69%
Magdic Grove	33,526	0.82%	Sunlet Nursery	14,882	0.67%
Hennel Grove	29,322	0.71%	Olive Hill Greenhouses	13,204	0.60%
Total Top 10 Customers	556,209	13.54%	Total Top 10 Customers	294,321	13.26%
Total All Other Water Customers	3,550,651	86.46%	Total All Other Water Customers	1,924,725	86.74%
Total Water Consumed	4,106,860	100.00%	Total Water Consumed	2,219,046	100.00%

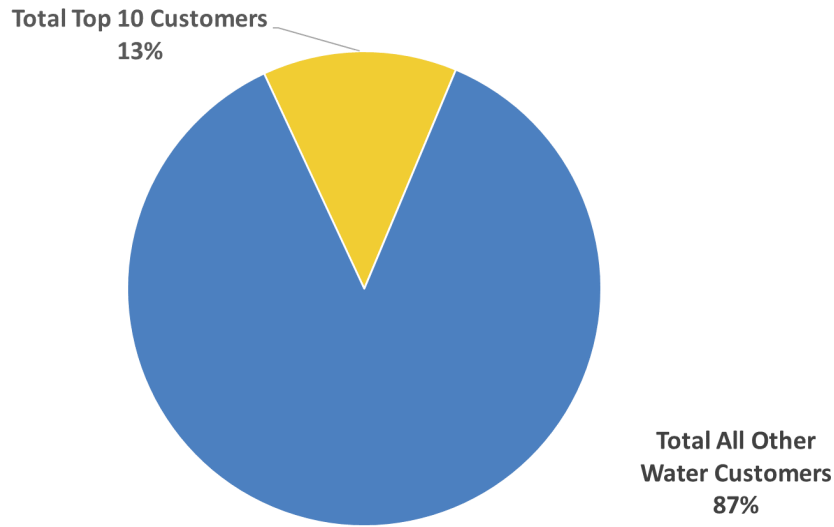
Source: Fallbrook Public Utility District

Chart #4 - Top Ten Water Customers and their Relative Consumption Fiscal Year 2023



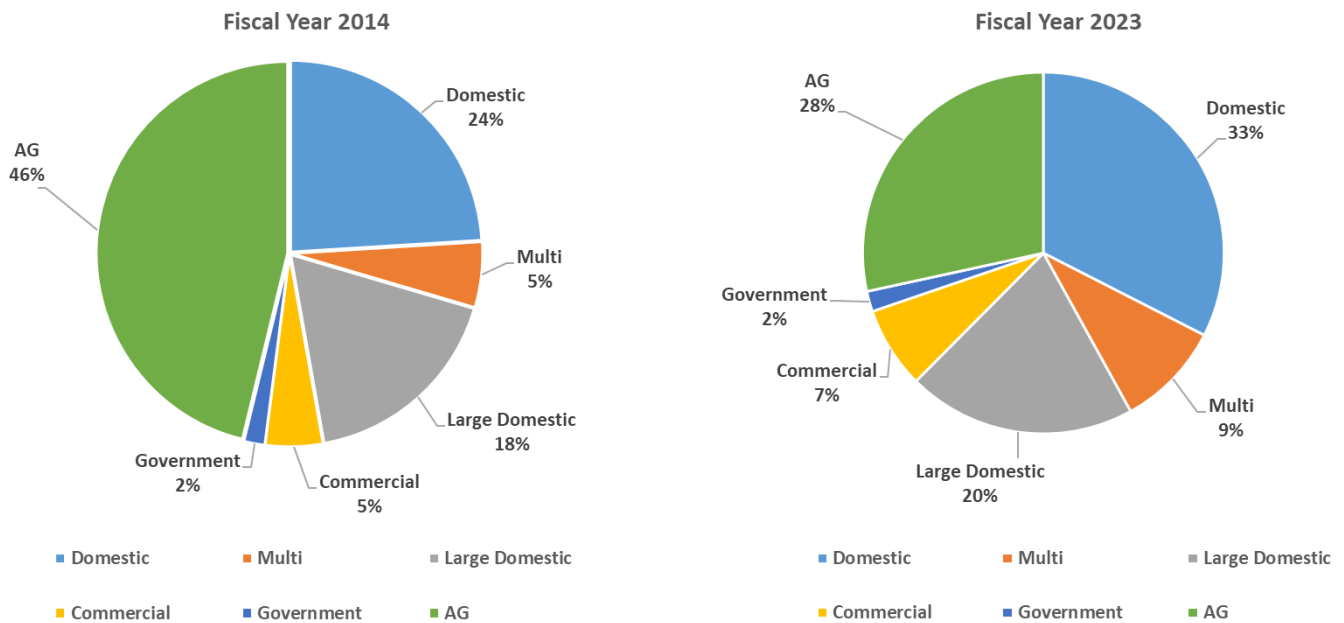
Source: Fallbrook Public Utility District

Chart #5 - Total Water Consumed Fiscal Year 2023



Source: Fallbrook Public Utility District

Chart #6 - Breakdown of Water Sales by Customer Class for Fiscal Year 2014 vs Fiscal Year 2023



Source: Fallbrook Public Utility District

Table #13 - Water System

Fiscal Year	Miles of Water Mains	Service Connections	Annual Production (G)	Average Daily Production (gpd)
2014	268.94	9,154	4,178,179,040	11,447,066
2015	268.98	9,166	3,327,254,350	9,115,765
2016	269.11	9,197	3,235,951,180	8,865,620
2017	269.11	9,211	3,114,930,490	8,534,056
2018	269.11	9,244	3,287,934,350	9,008,039
2019	269.29	9,253	2,684,556,048	7,354,948
2020	269.36	9,262	2,602,343,841	7,129,709
2021	270.44	9,275	2,905,874,048	7,961,299
2022	271.62	9,295	2,686,152,719	7,359,323
2023	271.62	9,315	2,169,744,054	5,944,504

Source: Fallbrook Public Utility District

Table #14 - Water System Total Production⁽¹⁾

Fiscal Year	Total Used/Prod. (AF)	HCF
2014	12,822.40	5,585,437.44
2015	10,211.00	4,447,911.60
2016	9,930.80	4,325,856.48
2017	9,559.40	4,164,074.64
2018	10,090.30	4,395,334.68
2019	8,238.60	3,588,734.16
2020	7,986.30	3,478,832.28
2021	8,917.80	3,884,593.68
2022	8,243.50	3,590,868.60
2023	6,658.70	2,900,529.72

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

Source: Fallbrook Public Utility District

Table #15 - Sewer System

Fiscal Year	Miles of Sewer Lines	Sewer Connections	Annual Sewerage (G)	Daily Sewerage (GD)
2014	78.62	5,028	540,541,189.86	1,480,934.77
2015	78.64	5,034	562,027,804.80	1,539,802.20
2016	78.64	5,044	499,860,321.77	1,369,480.33
2017	78.64	5,049	507,140,810.66	1,389,426.88
2018	78.64	5,049	486,337,179.41	1,332,430.63
2019	78.70	5,004	556,424,471.00	1,524,450.00
2020	79.14	5,011	551,861,979.40	1,511,950.63
2021	79.14	5,029	551,882,461.86	1,512,006.74
2022	79.14	5,032	552,099,762.35	1,512,602.09
2023	79.14	5,039	598,986,532.11	1,641,058.99

Source: Fallbrook Public Utility District

Table #16 - Sewer System Influent Flow

Fiscal Year	Total Used/Prod. (AF)
2014	1,873.30
2015	1,997.62
2016	1,639.42
2017	1,706.45
2018	1,592.26
2019	1,707.60
2020	1,693.60
2021	1,693.70
2022	1,694.30
2023	1,838.22

Source: Fallbrook Public Utility District

Table #17 - Recycled Water System

Fiscal Year	Miles of Recycled Pipes	Service Connections	Used Annual Recycled Water (AF) ⁽¹⁾	Daily Usage (MGD)
2014	8.28	28	746.80	0.7
2015	8.28	28	598.80	0.5
2016	10.53	29	599.83	0.5
2017	10.53	30	671.34	0.6
2018	10.53	32	740.40	0.7
2019	10.53	33	562.66	0.5
2020	10.53	30	559.89	0.5
2021	10.53	30	556.54	0.5
2022	10.53	30	586.28	0.5
2023	10.53	30	493.83	0.4

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

Table #18 - Recycled Water System Production

Fiscal Year	Total Prod./Disposed (AF)	Notes:
2014	1,658.86	G- Gallons
2015	1,724.80	GD - Gallons per Day
2016	1,534.02	AF - Acre Feet
2017	1,556.36	MG - Millions of Gallons
2018	1,492.51	MGD - Millions of Gallons per Day
2019	1,617.50	
2020	1,656.50	
2021	1,619.20	
2022	1,714.20	
2023	1,904.19	

Source: Fallbrook Public Utility District

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

Table #19- Annual Recycled Water Production and WRP Influent Flow

Fiscal Year	Annual Production	Daily Average Production	Total Used Production	Total Disposed	WRP Influent Flow (Acre-Ft)
2014	1,756.49	4.81	690.15	1,066.34	1,888.80
2015	1,588.47	4.35	584.11	1,004.36	1,878.31
2016	1,489.03	4.08	694.37	794.66	1,600.40
2017	1,570.92	4.30	664.82	906.11	1,694.43
2018	1,492.51	4.09	740.39	752.12	1,592.26
2019	1,617.50	4.43	562.70	1,054.80	1,707.60
2020	1,656.50	4.54	559.90	1,096.60	1,693.60
2021	1,619.20	4.44	556.50	1,062.70	1,693.70
2022	1,714.20	4.70	586.30	1,127.90	1,694.30
2023	1,904.19	5.22	493.83	1,410.36	1,838.22

Source: Fallbrook Public Utility District

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

Fiscal Year	Water Services	Wastewater Services	Recycled Water Services	General & Administrative	Community Benefit Program	Total FTE Employees
2014	21	13	6	27.8	0	67.8
2015	21	13	5	28.8	0	67.8
2016	20	13	5	28.8	0	66.8
2017	23	12	5	27.8	0	67.8
2018	24	15.2	2.8	25.8	0	67.8
2019	24	15.2	2.8	25.8	0	67.8
2020	25	15.2	2.8	24.8	0	67.8
2021	25	15.2	2.8	23.8	0	66.8
2022	26.4	15.8	2.8	24	0	69
2023	26.4	15.8	2.8	24	0.05	69

Source: Fallbrook Public Utility District

Table #21 -Assessed Valuation of Taxable Property

Fiscal Year	Secured				Unsecured		Total Assessed Value
	Water		Sewer		Water	Sewer	
	Local Assessed	State Assessed	Local Assessed	State Assessed			
2014	\$ 3,058,914,090	-	\$ 1,811,990,591	-	\$ 39,761,073	\$ 34,916,821	\$ 4,945,582,575
2015	3,234,556,718	-	1,928,060,834	-	40,480,476	35,184,912	5,238,282,940
2016	3,390,367,447	-	2,021,437,198	-	37,440,559	32,152,307	5,481,397,511
2017	3,518,846,961	-	2,098,501,032	-	36,135,611	31,163,876	5,684,647,480
2018	3,709,470,372	-	2,220,524,962	-	36,271,614	31,902,804	5,998,169,752
2019	3,895,955,738	-	2,337,209,037	-	41,211,234	35,075,356	6,309,451,365
2020	4,078,331,287	-	2,463,512,540	-	41,515,562	35,305,514	6,618,664,903
2021	4,268,726,975	-	2,583,369,560	-	42,961,480	37,819,020	6,932,877,035
2022	4,399,211,909	-	2,663,835,892	-	37,054,002	32,536,269	7,132,638,072
2023	4,739,631,751	-	2,878,119,724	-	46,156,838	41,126,926	7,705,035,239

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

Table #22 -Property Tax

Fiscal Year	Current Year Levy ⁽¹⁾			Revenues Collected ⁽²⁾			Uncollected Collected			Percent Uncollected
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total	
2014	\$ 887,378	\$ 798,786	\$ 1,686,164	\$ 874,729	\$ 787,339	\$ 1,662,068	\$ 12,649	\$ 11,447	\$ 24,096	1.4%
2015	933,206	847,121	1,780,327	921,440	836,401	1,757,840	11,766	10,721	22,487	1.3%
2016	982,997	890,717	1,873,715	970,998	879,769	1,850,767	11,999	10,949	22,948	1.2%
2017	1,022,747	927,792	1,950,539	1,009,595	915,788	1,925,384	13,151	12,004	25,155	1.3%
2018	1,072,468	978,636	2,051,105	1,060,447	967,619	2,028,066	12,021	11,017	23,039	1.1%
2019	1,122,771	1,028,393	2,151,164	1,108,272	1,015,057	2,123,329	14,499	13,336	27,835	1.3%
2020	1,169,224	1,079,727	2,248,951	1,154,850	1,066,408	2,221,258	14,374	13,319	27,693	1.2%
2021	1,221,575	1,131,688	2,353,264	1,205,539	1,116,772	2,322,312	16,036	14,916	30,952	1.3%
2022	1,274,829	1,179,737	2,454,566	1,245,713	1,152,659	2,398,372	29,116	27,078	56,194	2.3%
2023	1,388,768	1,293,644	2,682,412	1,359,100	1,265,875	2,624,974	29,668	27,769	57,438	2.1%

Notes:

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

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

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

Table #23 -Key Performance Indicators (KPIs) Fiscal Year 2023

Strategic Goal	Department	Key Performance Indicator	Target	FY 2022-23 Actual	Target Met
Efficiency	Safety	Maintain a Workers Compensation Experience Modification Rate below 1%	Below 1%	0.86%	Yes
Efficiency	Inventory/ Purchasing	Maintain an inventory shrinkage rate of less than 1%	Below 1%	0.37% surplus*	Yes
Efficiency	Recycled	Maintain an overall compliance of >99.9% each month from all samples associated with the Title 22 and WDR Permit	>99.9%	99.9%	Yes
Efficiency	Recycled	Maintain energy consumption data to stay within the annual average target	Below 2,760,000 kWh	2,560,696/kWh	Yes
Efficiency	Wastewater	Reduce 10-year average wastewater spills by 10% - Keep spills under 9,075 gallons	Below 9,075 gallons	3,010 gallons 10 year average	Yes
Efficiency	Wastewater	Keep common sewer spills to 3 or less during the year	3 or less spills/year	1 spill	Yes
Efficiency	Wastewater	Clean 20,000 feet of regular sewer mains each month to total 240,000 feet per year	240,000 feet/year	272,751 feet	Yes
Efficiency	Wastewater	Maintain energy consumption to stay within the annual average target	Below 2,760,000 kWh	2,560,696/kWh	Yes
Community	Customer Service	Maintain an average customer service call wait time of less than 3 minutes	Below 3 minutes	0:55 seconds	Yes
Community	Customer Service	Percentage of customers enrolled in Watersmart-AMI portal (as a % of total District customers)	60% by Fiscal Year 2026	37%	Yes
Fiscal Management	Finance	Debt Coverage	>1.20	4.19	Yes
Fiscal Management	Finance	Days Cash on hand	90 days or greater	113 days	Yes
Water Supply	Water	Cost/Acre Foot of SMGTP Product Water Supply	Below \$1,500/AF	\$1,062/AF	Yes
Infrastructure	Water	Cost/Valve Installed (Labor & Materials)	Below \$6,500/Valve	\$6,245/Valve	Yes
Infrastructure	Wastewater	Cost/MG of Wastewater Influent Flows	Below \$3,500/MG	\$3,146/MG	Yes
Workforce	Human Resources	Employee engagement survey results; percentage of employees rating their overall morale as "high"	Above 25%	47%	Yes

Source: Fallbrook Public Utility District

* We had a surplus this year instead of a shrinkage.

Table #24 -Pledged-Revenue Debt Service Coverage Ratio

Fiscal Year	Total Operating Revenues	Total Operating Expenses ⁽¹⁾	Non-Operating Revenue ⁽²⁾	Net Revenue Available for Debt Service	Debt Service	Coverage Ratio	Required Coverage Level
2014	\$ 28,955,183	\$ 29,357,533	\$ 5,301,618	\$ 4,899,268	\$ 1,414,198	3.46	1.20
2015	27,483,881	25,591,207	5,482,287	7,374,961	1,319,031	5.59	1.20
2016	25,356,017	24,281,233	5,898,837	6,973,621	1,302,876	5.35	1.20
2017	27,256,065	25,384,395	5,348,517	7,220,187	2,756,731	2.62	1.20
2018	29,882,022	27,626,075	5,170,901	7,426,848	2,758,501	2.69	1.20
2019	26,944,550	25,549,828	⁽³⁾ 6,246,867	6,731,623	2,760,019	2.44	1.20
2020	28,931,007	26,596,263	6,338,174	7,762,694	2,761,290	2.81	1.20
2021	32,511,601	27,159,912	8,156,584	11,842,816	3,101,093	3.82	1.20
2022	32,814,986	30,861,766	5,479,272	7,432,492	3,621,118	2.05	1.20
2023	31,629,493	23,967,919	8,358,127	16,019,701	3,822,936	4.19	1.20

Source: Fallbrook Public Utility District

Notes:

(1) - Excludes depreciation

(2) - Excludes debt interest expenses

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

Table #25 Computation of Direct and Overlapping Debt (As of 06/30/2023)

2022-2023 Assessed Valuation: \$4,785,788,589

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt (6/30/23)	% Applicable ⁽¹⁾	District's Share of Debt (6/30/23)
Metropolitan Water District	\$ 19,215,000	0.131%	\$ 25,172
Palomar Community College District	641,965,146	3.174	20,375,974
Bonsall Unified School District	10,433,071	0.477	49,766
Fallbrook Union High School District	38,380,000	62.789	24,098,418
Fallbrook Union School District	10,832,411	66.479	7,201,279
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 51,750,609
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	\$ 229,680,000	0.729%	\$ 1,674,367
San Diego County Pension Obligation Bonds	277,990,000	0.729	2,026,547
San Diego County Superintendent of Schools Certificates of Participation	6,935,000	0.729	50,556
Palomar Community College District Certificates of Participation	1,310,000	3.174	41,579
Bonsall Unified School District Certificates of Participation	6,283,900	0.477	29,974
Fallbrook Union High School District General Fund Obligations	6,550,130	62.789	4,112,761
Fallbrook Public Utility District	0	100.	0
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 7,935,784
TOTAL DIRECT DEBT			\$ 0
TOTAL OVERLAPPING DEBT			\$ 59,686,393
COMBINED TOTAL DEBT			\$ 59,686,393 ⁽²⁾

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

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

Ratios to 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.08%
Total Direct Debt	0.00%
Combined Total Debt	1.25%

Source: California Municipal Statistics Inc.

Table #26 - San Diego County Principal Employers

Fiscal Year 2014			Fiscal Year 2023		
Employer Name	Number of Employees	% of Total County Employment	Employer Name	Number of Employees	% of Total County Employment
State of California	40,100	2.69%	Naval Base San Diego ⁽¹⁾	43,003	2.81%
University of California, San Diego	28,341	1.90%	University of California, San Diego ⁽²⁾	35,802	2.34%
County of San Diego	16,627	1.11%	County of San Diego	20,387	1.33%
Sharp Healthcare	16,477	1.10%	Sharp Healthcare ⁽³⁾	19,000	1.24%
Scripps Health	13,717	0.92%	San Diego Unified School District	13,559	0.89%
Qualcomm Inc.	13,700	0.92%	Scripps Health	13,445	0.88%
City of San Diego	10,584	0.71%	City of San Diego	12,777	0.84%
UC San Diego Health System	7,726	0.52%	Qualcomm Inc.	12,500	0.82%
Kaiser Permanente	7,549	0.51%	Kaiser Permanente ⁽¹⁾	9,166	0.60%
General Atomics (and affiliated companies)	6,714	0.45%	San Diego State University	7,104	0.46%
Total Top Ten County Employers	161,535	10.83%	Total Top Ten County Employers	186,743	12.22%
All Other County Employers	1,330,065	89.17%	All Other County Employers	1,341,496	87.78%
Total County Employment	1,491,600	100.00%	Total County Employment	1,528,239	100.00%

Sources:

U.S. Bureau of Labor Statistics; University of California; San Diego County; San Diego Unified; Sharp Healthcare; San Diego Unified School District; Scripps Health; City of San Diego; Qualcomm; San Diego State University

Note:

- (1) Data for FY 2023 not available as of publication date. Data shown is for FY 2021.
- (2) Number of employees excludes non-academic student staff.
- (3) Number of employees is an approximate number.

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

Fiscal Year	District's Outstanding Long-Term Debt ⁽¹⁾		Total Outstanding Debt	Demographic Statistics				Per Capita Outstanding Debt	Per Capita Debt as a Percent of Personal Income
	Notes	Contracts		Population Estimate ⁽¹⁾⁽²⁾	Per Capita Personal Income ⁽³⁾	Unemployment Rate ⁽⁴⁾	Total Estimated Personal Income		
2014	-	\$21,810,892	\$21,810,892	32,496	\$ 50,915	6.5%	\$1,654,524,959	\$ 671	1.3%
2015	-	32,389,288	32,389,288	32,626	53,357	5.3%	1,740,843,138	993	1.9%
2016	-	38,841,278	38,841,278	32,757	55,074	4.9%	1,804,078,863	1,186	2.2%
2017	-	37,101,306	37,101,306	32,889	56,969	4.2%	1,873,648,656	1,128	2.0%
2018	-	35,314,028	35,314,028	33,021	59,014	3.7%	1,948,701,294	1,069	1.8%
2019	-	33,474,377	33,474,377	33,153	62,034	3.7%	2,056,613,202	1,010	1.6%
2020	-	⁽⁵⁾ 58,912,499	58,912,499	34,432	67,536	13.5%	2,325,399,552	1,711	2.5%
2021	-	⁽⁶⁾ 88,278,477	88,278,477	34,570	73,350	7.0%	2,535,689,549	2,554	3.5%
2022	-	⁽⁷⁾ 91,537,961	91,537,961	34,708	74,326	3.4%	2,579,707,322	2,637	3.5%
2023	-	⁽⁷⁾ 89,336,642	89,336,642	34,847	77,299	4.0%	2,693,627,197	2,564	3.3%

Sources:

- (1) - Fallbrook Public Utility District
- (2) - <https://datasurfer.sandag.org/>
- (3) - U.S. Department of Commerce, Bureau of Economic Analysis, and Federal Reserve Bank of St. Louis (FRED)
- (4) - U.S. Bureau of labor Statistics, June 2023 unemployment rate

Notes:

- (1) - Debt secured by District's net revenues
- (2) - Historic population estimated based upon a 0.4% growth rate and the 2020 population estimate of 34,432 calculated by FPUD GIS staff.
- (3) - Per capita personal income for the San Diego County Region.
- (4) - June 2023 unemployment rate.
- (5) - Includes \$27.3 million in construction expenses/withdrawals.
- (6) - Includes \$58.5 million in construction expenses/withdrawals.
- (7) - Includes \$63.9 million in construction expenses/withdrawals.

CONTINUING DISCLOSURE



November 15, 2023

990 East Mission Road
Fallbrook, California
92028-2232
www.fpud.com
(760) 728-1125

Subject: 2023 Annual Continuing Disclosure Report

We are pleased to present the Fallbrook Public Utility District's (District's) Annual Continuing Disclosure Report (Report) for Fiscal Year ending June 30, 2023. On January 12, 2021, the District issued \$19,880,000 in 2021 Wastewater Revenue Refunding Bonds Series A and Series B (collectively 2021 Bonds). The 2021 Bonds were issued to refund the outstanding principal of a California State Water Resources Control Board loan. The 2021 Bonds are payable from and secured by a pledge of Wastewater System Net Revenues, as defined by the Official Statement dated January 12, 2021 (2021 Official Statement).

Board of Directors

Dave Baxter
Division 1

Ken Endter
Division 2

Jennifer DeMeo
Division 3

Don McDougal
Division 4

Charley Wolk
Division 5

This Report has been produced pursuant to the District's 2021 Bonds Continuing Disclosure Certificate (Certificate) covenants, in order to provide required information to the marketplace as provided for under S.E.C. Rule 15c2-12(b)(5). This information is for the benefit of interested parties and includes the information specified in the Certificate. For further information and a more complete description of the District and the 2021 Bonds please refer to the 2021 Official Statement.

Staff

Jack Bebee
General Manager

David Shank
*Assistant General Manager/
Chief Financial Officer*

Lauren Eckert
*Executive Assistant/
Board Secretary*

The information set forth herein has been furnished by the District and by other sources, which is believed to be accurate and reliable, but is not guaranteed as to accuracy or completeness. Statements contained in this Report that involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, the information and expressions of opinion contained herein speaks only as of its date and are subject to change without notice and neither the District, nor the Trustee have any obligation to update this Report, other than as expressly provided in the Certificate. The delivery of this Report will not, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described herein or to the information provided in any final official statement.

General Counsel

Paula de Sousa
Best Best & Krieger

Jack Bebee
General Manager

David Shank
Assistant General Manager/CFO

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I. Introduction

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

Fallbrook Public Utility District (District) was incorporated on June 5, 1922 to serve water from local area wells along the San Luis Rey River. Soon after it was established, the District began to grow. Annexations into the District have expanded the service area from 500 acres to 28,000 acres (44 square miles).

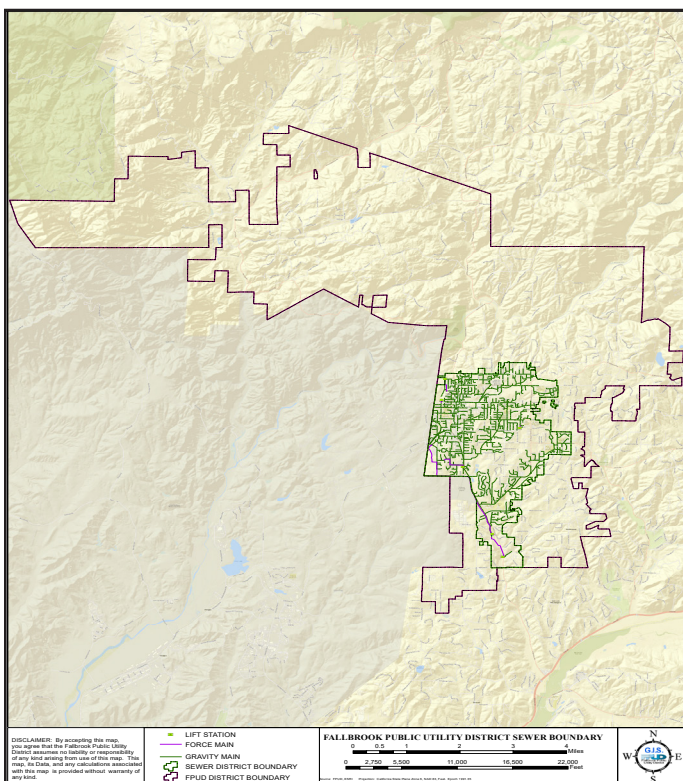
The District's scope of operations grew in 1994 when the Fallbrook Sanitary District merged with the District. It had provided parts of Fallbrook with recycled water and wastewater service within a 4,200 acre area of downtown (as shown in the figure to the left). The District took over those services, and the same year the playing fields at Fallbrook High School started receiving reclaimed water as its source of irrigation water and so did two new large nurseries. In 2015, the District completed a major overhaul, upgrade and expansion of the Plant. The \$27 million project took three years to complete, replacing aged and aging equipment, and allowed for a substantial expansion of the District's recycled water distribution system. The overhaul involved upgrades to the existing Plant to improve reliability in operation and created much-needed storage space for recycled water.

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

Wastewater System

The District's wastewater system is comprised of 78 miles of buried sewer lines and force mains, a 2.7 million gallon per day water reclamation plant, a 1-megawatt solar facility and a 12-mile ocean outfall line.

District Sewer Boundary



II. Bond Information

Principal Outstanding

	Bond Issues	As of June 30, 2023
	2021 Wastewater Revenue Refunding Bonds Series A	\$14,845,000
	2021 Wastewater Revenue Refunding Bonds Series B	2,810,000

III. Financial Information

The audited financial statements for the District for the fiscal year ended June 30, 2023 have been filed separately on EMMA and are hereby incorporated by reference into this Report.

IV. Operating Information

The following table shows the number of residential and non-residential connections for the Wastewater System for the years shown.

Table #1 - Number and Type of Wastewater Connections

As of June 30,	Residential	Non-Residential	Total
2018	4,641	408	5,049
2019	4,621	383	5,004
2020	4,630	381	5,011
2021	4,654	375	5,029
2022	4,659	373	5,032
2023	4,662	377	5,039

Source: Fallbrook Public Utility District

The following table shows the ten largest customers of the Wastewater System as of June 30, 2023 based on charges billed.

Table #2 - Ten Largest Wastewater Customers as of June 30, 2023

No.	Customer	Type of Business	Revenues	% of Total Revenues ⁽¹⁾
1	VALLEY VIEW MOBILE LODGE	Residential	\$ 93,598	1.15%
2	CPI GV CRESTVIEW ESTATES OW LLC	Residential	58,446	0.72%
3	FALLBROOK HILLS APARTMENTS	Residential	57,338	0.70%
4	SUMMER RIDGE APARTMENTS	Residential	54,339	0.67%
5	CORTEZ APARTMENTS	Residential	51,659	0.63%
6	PINEVIEW PRESERVATION LP	Residential	48,894	0.60%
7	REED & BROOKE APARTMENTS	Residential	46,966	0.58%
8	TURNAGAIN ARMS APARTMENTS	Residential	46,200	0.57%
9	FALLBROOK UNION HIGH SCHOOL DISTRICT	High School	45,034	0.55%
10	SUNSHINE PARK ESTATES	Residential	41,797	0.51%
	Total, Top 10 Customers		\$ 544,271	6.68%

(1) Based on total Service Charges and CIC Charges for Fiscal Year 2022-23 of \$8,152,656.

Source: Fallbrook Public Utility District

The following table sets forth the historical average daily wastewater flow to the WRP for the fiscal years shown.

Table #3 - Historical Average Daily Flow at WRP

As of June 30,	Average Daily Sewer Flow (MGD)	Average Daily Sewer Flow (AF)
2010	1.73	5.30
2011	1.74	5.35
2012	1.67	5.13
2013	1.53	4.69
2014	1.48	4.54
2015	1.54	4.73
2016	1.37	4.20
2017	1.39	4.26
2018	1.33	4.09
2019	1.52	4.68
2020	1.51	4.63
2021	1.51	4.63
2022	1.51	4.63
2023	1.64	5.03

Source: Fallbrook Public Utility District

The following table shows the current and projected sewer services charges of the District.

Table #4 - Monthly Sewer Service Charges

	Effective Jan. 1, 2018	Effective Jan. 1, 2019	Effective Jan. 1, 2020	Effective Jan. 1, 2021	Effective Jan. 1, 2022	Effective Jan. 1, 2023
Monthly Fixed Charge Per EDU⁽¹⁾						
Wastewater Charge-Combined ⁽²⁾	\$ 9.28	\$ 9.70	\$ 10.14	\$ 10.60	\$ 11.08	N/A
Residential/Domestic	N/A	N/A	N/A	N/A	N/A	\$ 18.88
Commercial/Government	N/A	N/A	N/A	N/A	N/A	12.14
Capital Improvement Charge (CIC) ⁽³⁾	11.16	11.53	11.62	11.63	11.68	12.66
Monthly Variable Charge Per 1,000 Gallons⁽⁴⁾						
Single-Family, Multi-Family & Ag. Domestic	\$ 9.44	\$ 9.86	\$ 10.32	\$ 10.79	\$ 11.28	\$ 10.22
Gov't, Schools, Churches & Low-Strength Commercial	9.37	9.79	10.25	10.72	11.20	11.09
Medium-Strength Commercial	11.57	12.09	12.65	13.22	13.81	13.82
High-Strength Commercial	14.44	15.09	15.77	16.48	17.22	17.66

Notes:

(1) See Fallbrook Public Utility District Administrative Code Article 11 Section 11.7 for the Schedule of Equivalent Dwelling Units (EDUs) Methodology based on EDUs became effective January 1, 2018.

(2) The 2022 rate study changed the monthly fixed charge methodology effective January 1, 2023.

(3) Each January 1, the District is authorized to increase the Wastewater CIC in accordance with the Engineering News Record Construction Cost Index of February for Los Angeles of the preceding year ("ENR CCI"), not to exceed 10% annually.

(4) Residential variable charge based on 2-year adjusted average winter water usage. Commercial variable charge is based on adjusted monthly water usage.

Source: Fallbrook Public Utility District

The following table sets forth the historical assessed values for the fiscal years shown, for “Improvement District “S” which corresponds to the former geographic boundaries of the Fallbrook Sanitary District which was merged into the District and became the Wastewater System.

Table #5 - Historical Assessed Valuations-Improvement District “S”

Fiscal Year	Local Assessed	State Assessed	Unsecured Value	Total	% Change
2010	\$ 1,821,146,148	\$ 225,000	\$ 36,302,150	\$ 1,857,673,298	0.0%
2011	1,781,731,084	225,000	37,141,389	1,819,097,473	-2.1%
2012	1,783,734,000	225,000	33,883,225	1,817,842,225	-0.1%
2013	1,773,732,093	225,000	35,613,386	1,809,570,479	-0.5%
2014	1,811,990,591	-	34,916,821	1,846,907,412	2.1%
2015	1,928,060,834	-	35,184,912	1,963,245,746	6.3%
2016	2,021,437,198	-	32,152,307	2,053,589,505	4.6%
2017	2,098,501,032	-	31,163,876	2,129,664,908	3.7%
2018	2,220,524,962	-	31,902,804	2,252,427,766	5.8%
2019	2,337,209,037	-	35,075,356	2,372,284,393	5.3%
2020	2,463,512,540	-	35,305,514	2,498,818,054	5.3%
2021	2,583,369,560	-	37,819,020	2,621,188,580	4.9%
2022	2,663,835,892	-	32,536,269	2,696,372,161	2.9%
2023	2,878,119,724	-	41,126,926	2,919,246,650	8.3%

Source: Fallbrook Public Utility District; San Diego County Auditor-Controller

The following table sets forth the top 20 taxpayers within Improvement District “S” for Fiscal Year 2022-2023.

Table #6 - Top Taxpayers in Improvement District “S”

No.	Taxpayer	Primary Land Use	FY 2022-23 Assessed Valuation	% of Total
1	Contour PropCo 1735 S Mission LLC	Assisted Living Facility	\$ 31,612,488	1.10%
2	Vista Fortuna LLC	Shopping Center	24,482,500	0.85%
3	Albertsons LLC	Supermarket	20,891,221	0.73%
4	Americare Health & Retirement LLC	Assisted Living Facility	18,383,121	0.64%
5	CPI/GV Crestview Estates Owner LLC	Mobile Home Park	14,716,498	0.51%
6	Sheryl A. Hailey	Residential Properties	13,904,918	0.48%
7	Axelgaard Manufacturing Co. Ltd.	Industrial	13,512,501	0.47%
8	Hampton Family Trust	Residential Properties	9,955,426	0.35%
9	Amber Creek Associates Ltd.	Apartments	9,723,018	0.34%
10	BRCC Investments LLC	Shopping Center	9,649,817	0.34%
11	Fallbrook Village Apartments LLC	Apartments	9,066,531	0.32%
12	Fallbrook Plaza LLC	Shopping Center	8,668,496	0.30%
13	Rec Properties LLC	Apartments	8,583,304	0.30%
14	Fallbrook Medical Arts LLC	Medical Offices	8,500,000	0.30%
15	Ark Properties LLC	Public Storage	8,247,913	0.29%
16	Fallbrook Hills Apartments LLC	Apartments	8,219,446	0.29%
17	J & V Vozza No. 1 LLC	Apartments	7,885,043	0.27%
18	Sunset Views Apartments LLC	Apartments	7,808,629	0.27%
19	Old Vine Apartments LLC	Apartments	7,516,040	0.26%
20	Felipe and Concepcion Jimenez	Apartments	7,376,882	0.26%
	Total, Top 20 Customers		\$ 248,703,792	8.64%
	Total Assessed Value, All Taxpayers		\$ 2,878,119,724	

Source: California Municipal Statistics

The following table presents historical Wastewater Fund revenues, expenses and debt service coverage for Fiscal Years 2018-19 to 2022-23.

Table #7 - Wastewater Revenues, Expenses and Debt Service Coverage

Fiscal Year Ending June 30,	2019	2020	2021	2022	2023
Operating Revenues:					
Service Charges	\$ 5,453,590	\$ 5,924,878	\$ 5,993,042	\$ 6,323,887	\$ 7,048,717
Other Charges	10,230	6,590	1,382	12,966	11,073
Sub-Total	\$ 5,463,820	\$ 5,931,468	\$ 5,994,424	\$ 6,336,853	\$ 7,059,790
Operating Expenses (Excludes Depreciation):					
Operations & Maintenance	\$ 2,956,457	\$ 3,286,965	\$ 3,188,427	\$ 3,827,472 ⁽¹⁾	\$ 2,484,939 ⁽²⁾
Administrative & General	2,090,222	2,178,369	2,207,487	2,378,061	2,550,129
Sub-Total	\$ 5,046,679	\$ 5,465,334	\$ 5,395,914	\$ 6,205,533	\$ 5,035,068
Net Operating Income	\$ 417,141	\$ 466,134	\$ 598,510	\$ 131,320	\$ 2,042,722
Non-Operating Revenues (Expenses)					
Property Taxes	\$ 1,015,057	\$ 1,066,408	\$ 1,069,872	\$ 1,094,591	\$ 1,199,210
Capital Improvement Charges	1,162,117	1,168,350	1,171,245	1,179,305	1,241,192
Investment Income ⁽³⁾	84,296	131,547	71,912	82,914	137,514
Connection Fees	133,729	123,762	39,579	95,944	74,087
Sub-Total	\$ 2,395,199	\$ 2,490,067	\$ 2,352,608	\$ 2,452,754	\$ 2,652,003
NET REVENUES	\$ 2,812,340	\$ 2,956,201	\$ 2,951,118	\$ 2,584,075	\$ 4,676,725
Debt Service Expense:					
2010 Agreement (net of subsidy) ⁽⁴⁾	\$ 379,131	\$ 391,696	\$ 408,435	\$ 422,072	\$ 436,062
SRF Loan	1,845,746	1,845,746	1,750,772	-	-
2021 Refunding Bonds	-	-	22,271	1,729,884	1,731,022
Sub-Total	\$ 2,224,877	\$ 2,237,442	\$ 2,181,478	\$ 2,151,956	\$ 2,167,084
Debt Service Coverage (DSC)	1.26	1.32	1.35	1.20	2.16
QECB Loan Subsidy:					
Gross Interest Subsidy Rate (%)	70.0%	70.0%	70.0%	70.0%	70.0%
Sequestration Rate (%)	6.2%	5.9%	5.7%	5.7%	5.7%
Net Interest Subsidy Rate (%)	65.7%	65.9%	66.0%	66.0%	66.0%

(1) GASB 68 expense has been reduced by \$415,078.45 to reflect the non-cash cost of CalPERS risk mitigation and discount rate reduction.

(2) GASB 68 credit of \$401,220.00 is included to reflect the extraordinary impact of the CalPERS risk mitigation and discount rate reduction.

(3) Investment Income excludes the mark-to-market investment gain and investment earnings on the District's 115 Trust.

(4) Amount shown is net of the 70% interest rate subsidy, adjusted for a sequestration rate of 5.7%.

Source: Fallbrook Public Utility District

V. Significant Events

Pursuant to the provisions of the Continuing Disclosure Certificate, the District shall provide, in a timely manner and in no event in excess of ten (10) Business Days after the occurrence of such Significant Event, notice of such Significant Event with the MSRB. No significant events were observed during the reporting period. For a list of Significant Events please refer to the 2021 Official Statement.