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

REVISED AGENDA

TUESDAY, OCTOBER 27, 2026
3:00 P.M.

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

THIS MEETING WILL BE HELD AT THE ABOVE DATE, TIME, AND LOCATION AND MEMBERS OF THE PUBLIC MAY ATTEND IN PERSON AT THE DISTRICT OFFICE LOCATED AT 990 E. MISSION RD., FALLBROOK, CA 92028. FOR THE CONVENIENCE OF MEMBERS OF THE PUBLIC WHO DO NOT WISH TO ATTEND IN PERSON, FALLBROOK PUBLIC UTILITY DISTRICT PROVIDES A MEANS TO OBSERVE AND PROVIDE PUBLIC COMMENTS AT THE MEETING VIA WEB CONFERENCE USING THE BELOW CALL-IN AND WEBLINK INFORMATION. PLEASE NOTE THAT IN THE EVENT OF TECHNICAL ISSUES THAT DISRUPT THE ABILITY OF MEMBERS OF THE PUBLIC TO VIEW THE MEETING OR PROVIDE PUBLIC COMMENTS THROUGH THE WEB CONFERENCE OPTION, THE MEETING WILL CONTINUE.

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

SUBMIT COMMENTS BEFORE THE MEETING:

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

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

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

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

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

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

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

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT

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

A. ANNUAL PARS REVIEW

B. REVIEW OF DISTRICT'S DRAFT FISCAL YEAR 2025-26 FINANCIAL STATEMENTS AND NOTES

C. CALENDAR YEAR 2027 RATES AND CHARGES DISCUSSION

III. ADJOURNMENT OF MEETING

* * * * *

DECLARATION OF POSTING

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

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

October 22, 2026
Dated / Fallbrook, CA

/s/ Lauren Eckert
Executive Assistant/Board Secretary

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M E M O

TO: Fiscal Policy and Insurance (FP&I) Committee
FROM: Jack Bebee, General Manager
David Shank, Assistant General Manager/CFO
DATE: October 27, 2026
SUBJECT: Review of District's Draft Fiscal Year 2025-26 Financial Statements and Notes

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Purpose

Provide the Committee with the Draft Fiscal Year 2025-26 Financial Statements and Notes.

Summary

The Draft Fiscal Year 2025-26 Financial Statements and notes provide a detailed summary of the District's financial performance over the past fiscal year. Shannon Ayala a partner at Davis Farr, the District's independent auditor, will be at the meeting to review the financial results and answer any questions.

The financial statements will be incorporated into the District's Draft Annual Comprehensive Financial Report, which sent to the Committee for review.

Recommended Action

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

FALLBROOK PUBLIC UTILITY DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED JUNE 30, 2026

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FALLBROOK PUBLIC UTILITY DISTRICT
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DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Independent Auditor's Report

Board of Directors
Fallbrook Public Utility District
Fallbrook, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Fallbrook Public Utility District (the District), as of and for the year ended June 30, 2026, 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 accompanying financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2026, and the respective changes in 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended June 30, 2026, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Report on Summarized Comparative Information

The financial statements of Fallbrook Public Utility District for the year ended June 30, 2025 were audited by other auditors whose report dated November 3, 2025, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *Introductory Section*, *Statistical Section, Other Information,* and *Continuing Disclosure* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 20, 2026, 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 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.

Irvine, California
November 20, 2026

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FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2025)

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 22,852,898	$ 10,390,243
Investments	17,173,316	12,177,022
Receivables - Water Sales and Services	5,285,256	4,689,312
Accrued Interest Receivable	125,421	107,284
Property Taxes Receivable	34,057	43,886
Lease Receivable, Current Portion	228,595	249,881
Other Receivables	497,575	3,436,766
Inventory	1,748,620	1,644,256
Prepaid Expenses and Other Deposits	480,972	182,859
Restricted Assets:		
Cash and Cash Equivalents	4,658,607	10,530,815
Investments	11,573,924	7,667,994
Total Current Assets	64,659,241	51,120,318
NONCURRENT ASSETS		
Lease Receivable, Net of Current Portion	2,122,399	2,350,994
Capital Assets:		
Capital Assets, Not Being Depreciated	19,799,236	16,692,611
Capital Assets Being Depreciated, Net	157,962,321	158,948,544
Total Capital Assets, Net	177,761,557	175,641,155
Total Noncurrent Assets	179,883,956	177,992,149
Total Assets	244,543,197	229,112,467
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts from OPEB	512,222	239,484
Deferred Amounts from Pension	4,715,402	5,504,669
Total Deferred Outflows of Resources	5,227,624	5,744,153

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See accompanying Notes to Basic Financial Statements.

FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2025)

	2026	2025
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$ 4,486,323	$ 2,917,679
Accrued Wages	294,796	213,225
Construction and Other Deposits	13,699	21,229
Accrued Interest Payable	646,412	658,019
Retention Payable	150,324	78,100
Unearned Revenue	5,993,466	-
Lease Liability, Current Portion	20,701	19,988
Subscription Liability, Current Portion	159,907	34,434
Compensation Absences, Current Portion	845,858	720,569
Long-Term Debt, Current Portion	4,303,592	3,787,066
Total Current Liabilities	16,915,078	8,450,309
NONCURRENT LIABILITIES		
Health Retirement Account Liability	213,821	284,421
Lease Liability, Net of Current Portion	32,445	53,146
Subscription Liability, Net of Current Portion	878,703	-
Compensated Absences, Net of Current Portion	1,268,787	1,080,854
Long-Term Debt, Net of Current Portion	84,988,565	89,692,669
Net OPEB Liability	394,415	140,801
Net Pension Liability	16,241,162	18,137,672
Total Noncurrent Liabilities	104,017,898	109,389,563
Total Liabilities	120,932,976	117,839,872
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts from OPEB	87,294	69,658
Deferred Amounts from Pension	2,632,917	515,386
Deferred Amounts from Lease Receivable	2,182,088	2,457,349
Total Deferred Inflows of Resources	4,902,299	3,042,393
NET POSITION		
Net Investment in Capital Assets	87,377,644	85,099,661
Restricted for:		
1958 Annex Projects	1,213,780	1,213,780
Debt Service Reserves	3,444,827	3,511,813
Capital Projects	-	3,639,419
Pension	11,573,924	9,833,797
Unrestricted	20,325,371	10,675,885
Total Net Position	$ 123,935,546	$ 113,974,355

See accompanying Notes to Basic Financial Statements.

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FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2025)

	2026	2025
OPERATING REVENUES:		
Charges for Services:		
Water	$ 25,774,064	$ 24,994,733
Recycled Water	1,460,972	1,382,485
Wastewater	7,566,675	7,286,868
Lease Revenue	243,899	276,197
Water Availability Charges	198,459	198,987
Connection Fees	657,848	1,104,774
Settlement Revenue	1,483,400	-
Total Operating Revenues	37,385,317	35,244,044
OPERATING EXPENSES:		
Cost of Water	5,593,398	5,795,983
Water Operations	13,466,426	12,945,934
Recycled Water Operations	587,471	576,932
Wastewater Operations	6,314,876	6,637,897
CPEN Expenses	2,165,254	-
Depreciation and Amortization	9,665,230	9,245,178
Total Operating Expenses	37,792,655	35,201,924
Operating Income (Loss)	(407,338)	42,120
NONCAPITAL SUBSIDIES:		
Property Taxes	2,967,114	2,813,075
MWD Local Resource Program	945,500	945,500
Grant Revenue	169,660	-
Community Benefit Program Subsidy	(865,822)	(651,685)
Intergovernmental Revenue	2,135,008	-
Total Noncapital Subsidies	5,351,460	3,106,890
Operating Income (Loss) and Noncapital Subsidies	4,944,122	3,149,010
OTHER NONOPERATING REVENUES (EXPENSES)		
Capital Improvements Charges	3,587,610	3,354,701
Investment Income	2,577,783	2,502,631
Lease Interest Income	25,027	31,902
Gain (Loss) on Disposal of Capital Assets	301,638	749,822
Water Bank Buydown	-	2,754,444
Interest Expense	(1,951,135)	(1,999,038)
BABS Subsidy	39,845	56,074
Capital Contributions	436,301	73,951
Total Other Nonoperating Revenues (Expenses)	5,017,069	7,524,487
Increase (Decrease) in Net Position	9,961,191	10,673,497
Net Position - Beginning	113,974,355	103,300,858
Net Position - Ending	$ 123,935,546	$ 113,974,355

See accompanying Notes to Basic Financial Statements.

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FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2025)

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	39,882,359	31,558,776
Payments to Suppliers	(11,675,596)	(16,490,091)
Payments to Employees	(14,041,770)	(8,421,902)
Receipts from Others	5,968,086	-
Net Cash Provided (Used) by Operating Activities	20,133,079	6,646,783
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from Property Taxes	2,976,943	2,811,005
Intergovernmental Revenue	2,135,008	-
Community Benefit Program Subsidy	(865,822)	(651,685)
Proceeds from Grants	169,660	-
Proceeds from MWD Local Resource Program	945,500	945,500
Net Cash Provided (Used) by Noncapital Financing Activities	5,361,289	3,104,820
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(10,633,440)	(11,637,515)
Proceeds From the Sale of Capital Assets	342,190	750,894
Principal Payments on Long-Term Debt	(3,995,622)	(3,645,401)
Interest Paid	(2,323,409)	(2,509,246)
Capital Improvement Charges	4,023,911	6,109,145
Net Cash Provided (Used) by Capital and Related Financing Activities	(12,586,370)	(10,932,123)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	2,707,334	4,173,811
Purchase of Investments	(11,849,125)	-
Interest Received	2,824,240	2,116,716
Net Cash Provided (Used) by Investing Activities	(6,317,551)	6,290,527
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,590,447	5,110,007
Cash and Cash Equivalents - Beginning of Year	20,921,058	15,811,051
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 27,511,505	$ 20,921,058
FINANCIAL STATEMENT PRESENTATION		
Cash and Cash Equivalents	22,852,898	10,390,243
Cash and Cash Equivalents - Restricted Assets	4,658,607	10,530,815
Total Cash and Cash Equivalents	$ 27,511,505	$ 20,921,058

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FALLBROOK PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2026
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2025)

	2026	2025
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (407,338)	$ 42,120
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	9,665,230	9,245,178
(Increase) Decrease in:		
Receivables	2,593,128	(3,651,965)
Inventory	(104,364)	(17,550)
Prepaid Expenses and Other Deposits	(298,113)	(35,079)
Deferred Outflows of Resources	516,529	1,664,324
Increase (Decrease) in:		
Accounts Payable	1,568,644	(345,891)
Accrued Wages	81,571	52,713
Construction and Other Deposits	(7,530)	-
Retention Payable	72,224	-
Unearned Revenue	5,993,466	-
Health Retirement Account Liability	(70,600)	(762)
Net OPEB Liability	253,614	22,831
Net Pension Liability	(1,896,510)	(116,003)
Compensated Absences	313,222	45,835
Deferred Inflows of Resources	1,859,906	(258,968)
Net Cash Provided (Used) by Operating Activities	$ 20,133,079	$ 6,646,783
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in Fair Value of Investments	$ (239,567)	$ 382,498
Acquisition and Construction of Capital Assets in Accounts Payable	150,342	515,510
Capital Assets Contributed	436,301	73,951
New Subscription Based IT Arrangement	1,192,744	-

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See accompanying Notes to Basic Financial Statements.

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 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 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

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

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

The District distinguishes operating revenues and expenses from noncapital subsidies, and other nonoperating revenues and expenses.

Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gains and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) capital subsidies received and provided.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A subsidy represents amounts received from or provided to another party or fund of the District. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the District and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the District charging higher fees in the future. Subsidies can be capital and noncapital in nature.

All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses. 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.

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.

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, 2026, $399,947 of unrestricted net position is designated for the Community Benefit Program.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2025, from which the summarized information was derived.

C. 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's deferred outflows of resources reported on the statement of net position relate to pension and other postemployment benefits.

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's deferred inflows of resources reported on the statement of net position relate to pension, other postemployment benefits and leases. Deferred inflow related to lease receivables will be recognized as revenue in a systematic and rational manner over the life of the lease.

D. 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.

E. Water Sales

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

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. Inventory

Inventory consists of water stored at Red Mountain Reservoir and in 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.

H. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses and are expensed during the periods benefited.

I. 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.

J. 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. 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.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The ranges of estimated useful lives of capital assets are as follows:

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

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.

K. 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.

L. 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.

M. Subscription Based Information Technology Arrangements (SBITA)

SBITA payable represents the District's obligation to make payments arising from the SBITA agreements. SBITA payable is recognized at the commencement date based on the present value of expected payments over the term. Interest expense is recognized ratably over the contract term.

N. Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, four types of leave qualify for liability recognition for compensated absences – vacation, sick leave, executive leave and compensatory leave. The liability for compensated absences includes salary-related benefits, where applicable.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Contributed Capital

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.

P. Property Taxes and Assessments

Property taxes in California are levied in accordance with Article XIIIA 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 Office 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.

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.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

T. Implementation of New Accounting Standards

During the year ended June 30, 2026, the District adopted new accounting guidance by implementing the following standards:

Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements, which seeks to modernize the public-sector financial reporting model.

GASB Statement No. 104, Disclosure of Certain Capital Assets, which seeks to enhance the financial reporting transparency by requiring state and local governments to separately disclose specific capital asset categories in their financial statement footnotes and introduces new reporting rules for assets held for sale.

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2026 are classified in the Statement of Net Position as follows:

Cash and Cash Equivalents	$	22,852,898
Restricted Cash and Cash Equivalents		4,658,607
Investments		17,173,316
Restricted Investments		11,573,924
Total Cash and Investments	$	56,258,745

Cash and investments consist of the following:

Cash on Hand	$	1,300
Deposits with Financial Institutions		1,614,489
Investments		54,642,956
Total Cash and Investments	$	56,258,745

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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	No Limitation	75%	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.

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, 2026.

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NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment Type	Total	Remaining Maturities in Months: 12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Treasury Securities	$ 6,865,634	$ -	$ 1,779,782	$ 5,085,852
Local Agency Investment Fund (LAIF)	7,547	7,547	-	-
California Asset Management Program (CAMP)	25,888,169	25,888,169	-	-
Asset Backed Securities	2,290,812	3,455	134,462	2,152,895
Medium-Term Notes	4,647,552	-	400,680	4,246,872
Municipal Bonds	184,965	-	100,420	84,545
Negotiable Certificates of Deposit	-	-	-	-
Federal Agency Collateralized Mortgage Obligations	3,149,129	-	942,691	2,206,438
Money Market	35,224	35,224	-	-
PARS Pooled Pension Trust	11,573,924	11,573,924	-	-
Total	$ 54,642,956	$ 37,508,319	$ 3,358,035	$ 13,776,602

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, 2026.

Investment Type	Total	Minimum Rating*	Ratings as of Year End: Exempt from Disclosure	AAA	AA	A	Not Rated
U.S. Treasury Securities	$ 6,865,634	Exempt	$ 6,865,634	$ -	$ -	$ -	$ -
Local Agency Investment Fund (LAIF)	7,547	N/A	-	-	-	-	7,547
California Asset Management Program (CAMP)	25,888,169	AAA	-	25,888,169	-	-	-
Asset Backed Securities	2,290,812	A	-	2,290,812	-	-	-
Medium-Term Notes	4,647,552	A	-	-	1,277,469	3,370,083	-
Municipal Bonds	184,965	A/A-1	-	-	184,965	-	-
Federal Agency Collateralized Mortgage Obligations	3,149,129	AA		-	3,149,129	-	-
Money Market	35,224	AA	-	35,224	-	-	-
PARS Pooled Pension Trust	11,573,924	N/A	-	-	-	-	11,573,924
Total	$ 54,642,956		$ 6,865,634	$ 28,214,205	$ 4,611,563	$ 3,370,083	$ 11,581,471

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

Concentration of Credit Risk

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. The District holds no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2026.

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NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The 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, 2026, the District's deposits with financial institutions (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California law.

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.

Joint Power Authority Pools

The District is a voluntary participant in the California Asset Management Program (CAMP), a California Joint Power Authority that falls under California Government Code Section 53601 (p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers. 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 CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio).

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NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The asset or liability 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.

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NOTE 2 CASH AND INVESTMENTS (CONTINUED)

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Investments at Fair Value Level:				
U.S. Treasury Securities	$ 6,865,634	$ -	$ -	$ 6,865,634
Asset Backed Securities	-	2,290,812	-	2,290,812
Medium-Term Notes	-	4,647,552	-	4,647,552
Municipal Bonds	-	184,965	-	184,965
Federal Agency Collateralized Mortgage Obligations	-	3,149,129	-	3,149,129
Total Investments by Fair Value Level	$ 6,865,634	$ 10,272,458	$ -	17,138,092
Investments not measured at Fair Value				
Local Agency Investment Fund (LAIF)				7,547
California Asset Management Program (CAMP)				25,888,169
Money Market				35,224
PARS Pooled Pension Trust				11,573,924
Total Investments not measured at Fair Value				37,504,864
Total Investments				$ 54,642,956

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NOTE 3 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2026 were as follows:

	Balance at June 30, 2025	Additions	Deletions	Reclassifications	Balance at June 30, 2026
Capital Assets, Not Being Depreciated:					
Land and Property Rights - Water	$ 11,588,810	$ -	$ (325)	$ -	$ 11,588,485
Land and Property Rights - Wastewater	1,128,164	-	-	-	1,128,164
Construction In Progress	3,975,637	9,895,770	-	(6,788,820)	7,082,587
Total Capital Assets, Not Depreciated	16,692,611	9,895,770	(325)	(6,788,820)	19,799,236
Capital Assets, Being Depreciated:					
Water Operations:					
Impounding Dam	35,442,997	-	-	1,039,881	36,482,878
Distribution System	82,714,327	305,000	-	1,424,667	84,443,994
Buildings and Structure	62,759,265	-	-	441,325	63,200,590
Equipment	11,343,770	397,994	(454,265)	1,864,825	13,152,324
SBITA	102,536	1,192,745	-	-	1,295,281
Right-of-Use Equipment	98,249	-	-	-	98,249
Total Water Operations	192,461,144	1,895,739	(454,265)	4,770,698	198,673,316
Wastewater Operations:					
Collection System	14,743,232	35,000	-	1,182,203	15,960,435
Treatment and Disposal Facilities	65,536,241	-	-	700,809	66,237,050
Equipment	1,610,235	-	-	-	1,610,235
Total Wastewater Operations	81,889,708	35,000	-	1,883,012	83,807,720
Recycle Operations:					
Distribution System	6,418,472	-	-	135,110	6,553,582
Total Recycle Operations	6,418,472	-	-	135,110	6,553,582
					-
Total Capital Assets Being Depreciated	280,769,324	1,930,739	(454,265)	6,788,820	289,034,618
Less: Accumulated Depreciation For:					
Impounding Dam	(22,829,300)	(1,307,653)	-	-	(24,136,953)
Distribution System	(80,424,571)	(5,429,254)	-	-	(85,853,825)
Buildings and Structures	(9,745,960)	(2,051,063)	-	-	(11,797,023)
Equipment	(8,735,454)	(720,671)	413,713	-	(9,042,412)
Less: Accumulated Amortization For:					
SBITA	(55,467)	(136,862)	-	-	(192,329)
Right-of-Use Equipment	(30,028)	(19,727)	-	-	(49,755)
Total Accumulated Depreciation and Amortization	(121,820,780)	(9,665,230)	413,713	-	(131,072,297)
Total Capital Assets Being Depreciated, Net	158,948,544	(7,734,491)	(40,552)	6,788,820	157,962,321
Total Capital Assets, Net	$ 175,641,155	$ 2,161,279	$ (40,877)	$ -	$ 177,761,557

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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, 2026, the District recognized $243,899 and $25,027 in lease and interest revenue, respectively, pursuant to these contracts.

Total future payments to be received under lease agreements and revenue to be recognized from deferred inflows are as follows:

Year Ending June 30,	Lease Receivable			Deferred Inflow
	Principal	Interest	Total	
2027	$ 228,595	$ 25,876	$ 254,471	$ 248,087
2028	221,431	24,191	245,622	234,670
2029	188,124	22,527	210,651	197,847
2030	186,565	20,949	207,514	190,482
2031	193,166	19,299	212,465	190,482
2032-2036	730,977	73,483	804,460	674,435
2037-2041	478,693	35,345	514,038	371,590
2042-2044	123,443	4,052	127,495	74,495
Total	$ 2,350,994	$ 225,722	$ 2,576,716	$ 2,182,088

NOTE 5 INVENTORY

Inventory at June 30, 2026 consisted of the following:

Water Inventory	$ 476,462
Materials Inventory	1,272,158
Total	$ 1,748,620

NOTE 6 LEASE LIABILITY

The District leases a Konica Printer under a long-term, noncancelable lease agreement. The lease expires in 2029. An initial lease liability was recorded in the amount of $98,249 for the use of the Konica Printer. As of June 30, 2026, the value of the lease liability is $53,146. The District is required to make monthly fixed payments of $1,853. The lease has an interest rate of 3.5110%.

Changes in the lease liability is as follows:

Balance June 30, 2025	Additions	Net Deletions	Balance June 30, 2026	Due Within One Year
$ 73,134	$ -	$ (19,988)	$ 53,146	$ 20,701

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NOTE 6 LEASE LIABILITY (CONTINUED)

Total future payments under the lease agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 20,701	$ 1,535	$ 22,236
2028	21,440	796	22,236
2029	11,005	113	11,118
Total	$ 53,146	$ 2,444	$ 55,590

NOTE 7 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has five active subscription-based information technology arrangements (SBITAs). The subscriptions have payments that range from $3,110 to $126,015 and interest rates that range from 2.766% to 3.009%. The combined value of the right to assets, as of June 30, 2026 of $1,295,281 with accumulated amortization of $192,329 is included with the capital assets in note 3.

Changes in the SBITA liabilities are as follows:

Balance June 30, 2025	Additions	Net Deletions	Balance June 30, 2026	Due Within One Year
$ 34,434	$ 1,192,744	$ (188,568)	$ 1,038,610	$ 159,907

Total future payments under the SBITA agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 159,907	$ 26,743	$ 186,650
2028	164,623	24,558	189,181
2029	171,911	19,914	191,825
2030	142,063	19,033	161,096
2031	123,920	11,067	134,987
2032-2033	276,186	11,607	287,793
Total	$ 1,038,610	$ 112,922	$ 1,151,532

NOTE 8 COMPENSATED ABSENCES

Changes in compensated absences for the year ended June 30, 2026, were as follows:

Balance June 30, 2025	Net Change	Balance June 30, 2026	Due Within One Year
$ 1,717,236	$ 397,409	$ 2,114,645	$ 845,858

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NOTE 9 LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2026 were as follows:

	Balance at June 30, 2025	Additions	Deletions	Balance at June 30, 2026	Due Within One Year
Red Mountain State Revolving Fund Loan	$ 2,188,020	$ -	$ (341,785)	$ 1,846,235	$ 350,628
Qualified Energy Conservation Bonds	1,196,848	-	(458,515)	738,333	484,114
State Water Resources Control Board Loan	60,685,791	-	(1,661,766)	59,024,025	1,693,339
2021 Wastewater Revenue Refunding Bonds Series A	14,845,000	-	(585,000)	14,260,000	1,185,000
2021 Wastewater Revenue Refunding Bonds Series B	560,000	-	(560,000)	-	-
2024 Water Revenue Bonds	11,140,000	-	(180,000)	10,960,000	190,000
Unamortized Premiums:					
2021 Wastewater Revenue Refunding Bonds	2,127,113	-	(357,245)	1,769,868	357,244
2024 Water Revenue Bonds	736,963	-	(43,267)	693,696	43,267
Totals	$ 93,479,735	$ -	$ (4,187,578)	$ 89,292,157	$ 4,303,592

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:

Year Ending June 30,	Principal	Interest	Total
2027	$ 350,628	$ 45,222	$ 395,850
2028	359,700	36,151	395,851
2029	369,006	26,844	395,850
2030	378,553	17,297	395,850
2031	388,348	7,503	395,851
	$ 1,846,235	$ 133,017	$ 1,979,252

Qualified Energy Conservation Bonds (QECB)

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.

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NOTE 9 LONG-TERM DEBT (CONTINUED)

Future debt service requirements for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 484,114	$ 35,465	$ 519,579
2028	254,219	7,296	261,515
	$ 738,333	$ 42,761	$ 781,094

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. Total proceeds from the loan were $62,757,217 and accrued interest of $2,560,055 was capitalized and added to the loan balance. The District's annual repayment, including principal and interest, is $2,814,795. The repayment term is 30 years, maturing on March 1, 2053.

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 1,693,339	$ 1,121,456	$ 2,814,795
2028	1,725,512	1,089,283	2,814,795
2029	1,758,297	1,056,498	2,814,795
2030	1,791,704	1,023,091	2,814,795
2031	1,825,747	989,048	2,814,795
2032-2036	9,662,443	4,411,533	14,073,976
2037-2041	10,615,925	3,458,050	14,073,975
2042-2046	11,663,497	2,410,478	14,073,975
2047-2051	12,814,443	1,259,533	14,073,976
2052-2053	5,473,118	156,474	5,629,592
	$ 59,024,025	$ 16,975,444	$ 75,999,469

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NOTE 9 LONG-TERM DEBT (CONTINUED)

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 Plant 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.

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 1,185,000	$ 546,700	$ 1,731,700
2028	1,230,000	498,400	1,728,400
2029	1,280,000	448,200	1,728,200
2030	1,335,000	395,900	1,730,900
2031	1,390,000	341,400	1,731,400
2032-2036	7,840,000	809,000	8,649,000
	$ 14,260,000	$ 3,039,600	$ 17,299,600

2024 Water Revenue Bonds

On February 27, 2024, the District issued Water Revenue Bonds, Series 2024 in the amount of $11,205,000 to finance capital improvements for the District's water system. The bonds were issued with an original issue premium of $793,785, which will be amortized over the life of the bonds. The bonds mature annually from December 1, 2024 to December 1, 2053. Bonds maturing through December 1, 2043 bears annual interest rate of 5%. Bonds maturing beginning December 1, 2044 bears annual interest rate of 4%. Bonds maturing on December 1, 2033 to December 1, 2043 are subject optional redemption on redemption date of June 1, 2033, at par.

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NOTE 9 LONG-TERM DEBT (CONTINUED)

The District has pledged all of the Net System Revenues derived from the operation of its water 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 Water 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.

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 190,000	$ 494,284	$ 684,284
2028	200,000	485,713	685,713
2029	210,000	474,008	684,008
2030	220,000	463,109	683,109
2031	230,000	451,703	681,703
2032-2036	1,345,000	2,067,480	3,412,480
2037-2041	1,725,000	1,679,335	3,404,335
2042-2046	2,210,000	1,191,699	3,401,699
2047-2051	2,720,000	672,760	3,392,760
2052-2054	1,910,000	118,673	2,028,673
	$ 10,960,000	$ 8,098,764	$ 19,058,764

NOTE 10 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 Annual Comprehensive Financial Report, which is available online at www.calpers.ca.gov.

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NOTE 10 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, 2025 measurement date, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or After January 1, 2013
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	8.00%	8.25%
Required Employer Contribution Rates:		
Normal Cost Rate	15.05%	8.27%
Payment of Unfunded Liability	$ 1,622,886	$ 22,341

Employees Covered

The following employees were covered by the benefit terms for the Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	88
Inactive Employees Entitled to But Not Yet Receiving Benefits	64
Active Employees	67
Total	219

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NOTE 10 PENSION PLANS (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, 2026, the fair value of the funds held in the trust account was $11,573,924. When evaluating the District's pension funding level these funds should be taken into account.

As of June 30, 2026, Fallbrook Public Utility District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2025	$ 65,101,783	$ 46,964,111	$ 18,137,672
Balance at: 6/30/2026	68,514,896	52,273,734	16,241,162
Net Changes during 2025-26	$ 3,413,113	$ 5,309,623	$ (1,896,510)

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, 2025, 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, 2024 rolled forward to June 30, 2025 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.

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NOTE 10 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, 2025 and 2026 was as follows:

Proportion - June 30, 2025	0.37501%
Proportion - June 30, 2026	0.40713%
Change - increase (decrease)	0.03212%

For the year ended June 30, 2026, the District recognized pension expense of $3,482,801; of which $2,292,933 pertains to water operations, $174,981 pertains to recycled water operations, and $1,014,887 pertains to wastewater and operations. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to to measurement date	$ 2,489,329	$ -
Differences between employer's contributions and proportionate share of contributions	275,135	-
Differences between expected and actual experience	1,946,080	-
Changes in employer's proportions	4,858	435,309
Net differences between projected and actual earnings	-	2,197,608
	$ 4,715,402	$ 2,632,917

$2,489,329 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, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2027	$ 1,965,326
2028	(533,298)
2029	(999,953)
2030	(838,919)
	$ (406,844)

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NOTE 10 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, 2025 measurement period was determined by an actuarial valuation as of June 30, 2024, with update procedures to roll forward the total pension liability to June 30, 2025. The total pension liability was based on the following:

	Miscellaneous
Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025
Actuarial Cost Method	Entry-Age Actuarial 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 and Review of Actuarial Assumptions*. Mortality rates incorporate full 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 experience study report from November 2021 that can be found on the CalPERS website.

(3) The lessor of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

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NOTE 10 PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for PERF C 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, as actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Asset Class	Assumed Asset Allocation[1]	Long-Term Expected Real Rate of Return[1,2]
Public Equity	37.0%	4.56%
Private Equity	17.0	5.56
Fixed Income	28.0	2.53
Real Assets	15.0	3.03
Private Debt	8.0	4.93
Strategic Leverage	(5.0)	1.40

[1] Figures are based on the 2024 Mid-Cycle Asset Liability Management

[2] An expected annual rate of price inflation of 2.30% was used for this period.

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 project benefit payments to determine the total pension liability.

Subsequent Events

On November 19, 2025, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the November CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, mortality rates, rates of salary increases, and inflation assumptions, and various other assumptions for public agencies. These new assumptions will be effective as of the June 30, 2025, valuation date and reflected in the June 30, 2026, GASB accounting valuation reports.

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NOTE 10 PENSION PLANS (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:

	1% Decrease 5.90%	Current Rate 6.90%	1% Increase 7.90%
Net Pension Liability	$ 25,487,093	$ 16,241,162	$ 8,631,861

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, 2026, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2026.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Employees hired before July 1, 2022, 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, 2026 is $207,791. The District will pay for half (50%) of the retiree-only monthly premium. Employees hired after July 1, 2022 are not eligible for District paid health benefits in retirement.

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NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

During the year ended June 30, 2017, the District entered into a trust agreement with Public Agency Retirement Services (PARS), as the trust administrator and U.S. Bank National Association (US Bank) as the trustee. Management of the OPEB Plan is vested with the General Manager of the District with oversight and governance by the District's Finance Committee. Benefit terms are as established by the District's board of directors and agreed upon between the District and the Fallbrook Public Utility District Employees' Association through Memorandum of Understanding. The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. On June 30, 2026, the PARS OPEB account's fair value was $1,446,737.

Employees Covered

As of the June 30, 2025 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

	Number of Participants
Inactive Employees Currently Receiving Benefits	10
Participating Active Employees	47
Total	57

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, 2026, total contributions of $136,298 consists of $49,623 in premium payments made by the District outside of the trust and implicit subsidy of $86,675.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2025, with update procedures to roll forward the net OPEB liability to June 30, 2025. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

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NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2025 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, 2025
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025
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	7.50 percent for 2025, 6.75 percent for 2026-2029, 5.00 percent for 2030-2044, 4.50 percent for 2045-2074, 4.00 percent for 2075 and later years; Medicare ages: 5.50 percent for 2025, 5.00 percent for 2026-2029, 4.50 percent for 2030-2074, and 4.00 percent for 2075 and later years.
Mortality	Preretirement Mortality Rates for Public Agency Miscellaneous from 2000-2019 CalPERS Experience Study. Postretirement Mortality Rates for Public Agency Miscellaneous from 2000-2019 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.

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NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

Asset Class	Strategic Allocation	Real Rate of Return
Broad U.S. Equity	50.0%	4.20%
U.S. Fixed	50.0%	2.20%

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.

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NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2024 (Measurement Date)	$ 1,314,345	$ 1,173,544	$ 140,801
Changes for the year:			
Service Cost*	71,848	-	71,848
Interest on the Total OPEB Liability	79,142	-	79,142
Difference between Expected and Actual Experience	248,982	-	248,982
Changes in Assumptions	101,566	-	101,566
Contributions - Employer	-	136,298	(136,298)
Net Investment Income	-	118,307	(118,307)
Administrative Expenses	-	(6,681)	6,681
Benefit Payments	(136,298)	(136,298)	-
Other Miscellaneous Expenses	-	-	-
Net changes	365,240	111,626	253,614
Balance at June 30, 2025 (Measurement Date)	$ 1,679,585	$ 1,285,170	$ 394,415

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

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%)	Current Rate (6.0%)	1% Increase (7.0%)
Net OPEB Liability	$ 510,103	$ 394,415	$ 286,503

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 (4.5% decreasing to 3.00%) or 1 percentage point higher (6.50% decreasing to 5.00%), than the current healthcare cost trend rates:

	1% Decrease	Trend Rates	1% Increase
Net OPEB Liability	$ 248,524	$ 394,415	$ 563,148

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NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2026, the District recognized OPEB expense of $135,038. At June 30, 2026, 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	$ 136,526	$ -
Differences Between Actual and Expected Experience	247,499	50,857
Change in Assumptions	128,197	35
Differences Between Projected and Actual Earnings	-	36,402
	$ 512,222	$ 87,294

$136,526 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 fiscal year ending June 30, 2027.

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

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2027	$ 75,804
2028	26,886
2029	18,381
2030	31,356
2031	38,325
Thereafter	97,650

Payable to the OPEB Plan

At June 30, 2025, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2026.

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NOTE 12 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, 2026, 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, communicable disease $10 million, subsidence $45 million, lead $45 million, and mold $45 million.

Cyber Liability – Insured through Coalition Insurance Solutions, Inc., with coverage limits of $3 million maximum per member and $5 million in the aggregate.

Property Program – ACWA/JPIA pools for the first $10 million and purchases excess coverage up to $500 million, except for Boiler & Machinery $150 million per occurrence, Earthquake $2,500,000 program aggregate and Flood $25 million. Deductibles are $25,000 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. District's total insurable values is $126,031,881.

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.

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NOTE 13 COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2026, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Completion Date
SMGTP Emergency Backup Generator	$ 1,200,000	February 2027
Downtown Pipeline Replacement	750,000	November 2026
WRP Creek Crossing	375,000	December 2026
Enterprise Software Replacement	350,000	September 2027
Stage Coach Emergency Replacement	60,000	July 2026
8MG Chlorination Station	50,000	November 2026

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.

NOTE 14 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.

In January 2021, the District issued Wastewater Revenue Refunding Bonds (see Note 9). 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.

In February 2024, the District issued Water Revenue Bonds (see Note 9). The District has pledged all of the Net System Revenues derived from the operation of its water systems for the debt service payment of the bond.

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NOTE 14 SEGMENT INFORMATION (CONTINUED)

Condensed information for the water and wastewater activities are as follows:

Condensed Statement of Net Position

	Water	Wastewater
Cash and investments	$ 26,998,269	$ 10,969,830
Other assets	5,853,873	1,468,399
Capital Assets	136,161,447	37,339,360
Deferred Outflows of Resources	5,801,226	1,516,011
Total Assets and Deferred Outflows of Resources	174,814,815	51,293,600
Current Liabilities	4,041,131	363,358
Long-Term Debt	74,949,659	17,497,725
Net Pension and OPEB Liabilities	10,979,481	4,824,317
Deferred Inflows of Resources	3,977,427	788,861
Total Liabilities and Deferred Inflows of Resources	93,947,698	23,474,261
Net Investment in Capital Assets	62,613,712	20,571,161
Restricted for:		
1958 Annex Project	1,213,780	-
Debt Service Reserves	3,444,827	-
Unrestricted	13,594,798	7,248,178
Net Position	$ 80,867,117	$ 27,819,339

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NOTE 14 SEGMENT INFORMATION (CONTINUED)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Water	Wastewater
Operating Revenues:		
Service Charges	$ 25,774,064	$ 7,566,675
Other Revenues	2,301,525	451,741
Total Operating Revenues	28,075,589	8,018,416
Operating Expenses:		
Cost of Water	5,593,398	-
Operations and Maintenance	8,247,626	3,448,686
Administrative and General	5,218,800	2,866,190
Depreciation Expenses	6,355,190	3,158,037
Total Operating Expenses	25,415,014	9,472,913
Noncapital Subsidies:		
Property Taxes	1,545,174	1,350,844
Operating Transfers	(736,000)	418,980
Total Noncapital Subsidies	809,174	1,769,824
Other Nonoperating Revenues (Expenses):		
Capital Improvement Charges	2,074,696	1,512,914
Investment Income[1]	1,055,370	531,708
Other Revenues	1,648,439	35,000
Interest Expense	(1,671,760)	(279,375)
BABS Subsidy	-	39,845
Total Other Nonoperating Revenues (Expenses)	3,106,745	1,840,092
Increase (Decrease) in Net Position	6,576,494	2,155,419
Net Position - Beginning of Year	74,290,623	25,663,920
Net Position - End of Year	$ 80,867,117	$ 27,819,339

(1) Investment income excludes the mark-to-market investment gain and investment

Condensed Statement of Cash Flows

	Water	Wastewater
Cash Flows from Operating Activities	$ 13,058,627	$ 1,965,279
Cash Flows from Noncapital Financing Activities	1,765,568	1,769,172
Cash Flows from Capital and Related Financing Activities	(10,635,949)	(1,868,194)
Cash Flows from Investing Activities	1,058,052	531,708
Net Change in Cash and Cash Equivalents	5,246,298	2,397,965
Cash and Cash Equivalents - Beginning of Year	21,751,971	8,571,865
Cash and Cash Equivalents - End of Year	$ 26,998,269	$ 10,969,830

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

Measurement date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Classic and PEPRA Miscellaneous Plans					
Plan's Proportion of the Net Pension Liability	0.40713%	0.37501%	0.36504%	0.48437%	0.48437%
Plan's Proportionate Share of the Net Pension Liability	$ 16,241,162	$ 18,137,672	$ 18,253,676	$ 17,217,505	$ 9,197,304
Covered Payroll	$ 7,227,226	$ 7,001,542	$ 6,456,461	$ 5,694,940	$ 5,394,615
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	224.72%	259.05%	282.72%	302.33%	170.49%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.30%	72.14%	70.51%	83.49%	83.49%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 2,005,187	$ 1,792,623	$ 1,913,165	$ 1,708,723	$ 1,828,758

Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Plan's Proportion of the Net Pension Liability	0.34901%	0.13301%	0.13015%	0.12853%	0.12729%
Proportionate share of the collective net pension liability	$ 14,721,348	$ 13,629,333	$ 12,541,929	$ 12,746,294	$ 11,014,856
Covered Payroll	$ 5,448,979	$ 5,179,369	$ 5,216,869	$ 5,271,090	$ 4,743,986
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	270.17%	263.15%	240.41%	241.82%	232.19%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.50%	75.26%	75.26%	73.31%	74.06%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 1,733,944	$ 1,640,356	$ 1,410,070	$ 1,335,205	$ 1,234,176

Notes to Schedule:

Benefit Changes:
There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions:
There were no assumption changes in 2023, 2024 or 2025. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021.

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FALLBROOK PUBLIC UTILITY DISTRICT
SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS
LAST TEN FISCAL YEARS

Fiscal Year	2026	2025	2024	2023	2022
Actuarially Determined Contribution	$ 2,489,329	$ 2,226,333	$ 1,985,723	$ 1,913,165	$ 1,708,723
Contributions in Relation to the Actuarially Determined Contributions	(2,489,329)	(2,226,333)	(1,985,723)	(1,913,165)	(1,708,723)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 7,875,389	$ 7,227,226	$ 7,001,542	$ 6,456,461	$ 5,694,940
Contributions as a Percentage of Covered Payroll	31.61%	30.80%	28.36%	29.63%	30.00%

Fiscal Year	2021	2020	2019	2018	2017
Actuarially Determined Contribution	$ 1,548,933	$ 1,407,555	$ 1,224,180	$ 1,081,154	$ 968,372
Contributions in Relation to the Actuarially Determined Contributions	(1,548,933)	(1,407,555)	(1,224,180)	(1,081,154)	(968,372)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 5,394,615	$ 5,448,979	$ 5,179,369	$ 5,216,869	$ 5,271,090
Contributions as a Percentage of Covered Payroll	28.71%	25.83%	23.64%	20.72%	18.37%

Notes to Schedule:

Fiscal Year End:	June 30, 2026
Valuation Date:	June 30, 2023

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age actuarial cost method
Amortization Method	Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing.
Asset Valuation Method	Fair value of assets
Inflation	2.30%
Salary Increases	Varies by category, entry age, and duration of service.
Payroll Growth	2.80%
Investment Rate of Return	6.80% net of pension plan investment and administrative expenses; includes inflation.

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

Measurement Date	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Total OPEB Liability:					
Service Cost	$ 71,848	$ 70,764	$ 68,683	$ 64,523	$ 61,298
Interest on Total OPEB Liability	79,142	78,007	81,104	75,172	74,434
Difference Between Expected and Actual Experience	248,982	-	(78,103)	9,047	-
Changes of Assumptions	101,566	-	(53)	67,709	-
Benefit payments, including refunds of member contributions	(136,298)	(125,729)	(124,925)	(118,674)	(134,400)
Net Change in Total OPEB Liability	365,240	23,042	(53,294)	97,777	1,332
Total OPEB Liability - Beginning of Year	1,314,345	1,291,303	1,344,597	1,246,820	1,245,488
Total OPEB Liability - End of Year (a)	1,679,585	1,314,345	1,291,303	1,344,597	1,246,820
OPEB Fiduciary Net Position					
Contributions - Employer	136,298	125,729	124,925	118,674	134,400
Net Investment Income	118,307	131,430	82,164	(162,270)	232,085
Administrative Expenses	(6,681)	(6,294)	(6,045)	(6,787)	(6,301)
Benefit Payments	(136,298)	(125,729)	(124,925)	(118,674)	(134,400)
Other Miscellaneous Expenses	-	(124,925)	-	-	-
Net Change in Plan Fiduciary Net Position	111,626	211	76,119	(169,057)	225,784
Plan Fiduciary Net Position - Beginning of Year	1,173,544	1,173,333	1,097,214	1,266,271	1,040,487
Plan Fiduciary Net Position - End of Year (b)	1,285,170	1,173,544	1,173,333	1,097,214	1,266,271
Net OPEB Liability (Asset) - Ending (a)-(b)	$ 394,415	$ 140,801	$ 117,970	$ 247,383	$ (19,451)
Covered Payroll	$ 7,227,226	$ 7,001,542	$ 6,456,461	$ 5,694,940	$ 5,394,615
Total OPEB Liability as a Percentage of Covered Payroll	5.46%	2.01%	1.83%	4.34%	-0.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	76.52%	89.29%	90.86%	81.60%	101.56%

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 expenses 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 nine years are shown.

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

Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:				
Service Cost	$ 58,287	$ 57,291	$ 63,116	$ 61,278
Interest on Total OPEB Liability	67,499	62,409	39,301	38,242
Difference Between Expected and Actual Experience	95,306	-	178,893	-
Changes of Assumptions	8,321	-	(122,601)	-
Benefit payments, including refunds of member contributions	(99,787)	(86,699)	(115,569)	(31,396)
Net Change in Total OPEB Liability	129,626	33,001	43,140	68,124
Total OPEB Liability - Beginning of Year	1,115,862	1,082,861	1,039,721	971,597
Total OPEB Liability - End of Year (a)	1,245,488	1,115,862	1,082,861	1,039,721
OPEB Fiduciary Net Position				
Contributions - Employer	99,787	86,699	268,569	767,396
Net Investment Income	39,017	61,267	40,802	20,571
Administrative Expenses	(5,179)	(2,402)	(1,970)	(619)
Benefit Payments	(99,787)	(86,699)	(115,569)	(31,396)
Other Miscellaneous Expenses	-	-	-	-
Net Change in Plan Fiduciary Net Position	33,838	58,865	191,832	755,952
Plan Fiduciary Net Position - Beginning of Year	1,006,649	947,784	755,952	-
Plan Fiduciary Net Position - End of Year (b)	1,040,487	1,006,649	947,784	755,952
Net OPEB Liability (Asset) - Ending (a)-(b)	$ 205,001	$ 109,213	$ 135,077	$ 283,769
Covered Payroll	$ 5,448,979	$ 5,179,369	$ 5,216,869	$ 5,271,090
Total OPEB Liability as a Percentage of Covered Payroll	3.76%	2.11%	2.59%	5.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	83.54%	90.21%	87.53%	72.71%

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 expenses 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 nine years are shown.

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FALLBROOK PUBLIC UTILITY DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB
LAST TEN FISCAL YEARS*

Fiscal Year	6/30/2026	6/30/2025	6/30/2024	6/30/2023	6/30/2022
Actuarially Determined Contribution (ADC)	$ 114,739	$ 85,161	$ 82,680	$ 99,437	$ 75,659
Contributions in Relation to the Actuarially Determined Contributions	(136,526)	(136,298)	(125,729)	(124,924)	(118,673)
Contribution Deficiency (Excess)	$ (21,787)	$ (51,137)	$ (43,049)	$ (25,487)	$ (43,014)
Covered Payroll	$ 7,875,389	$ 7,227,226	$ 7,001,542	$ 6,456,461	$ 5,694,940
Contributions as a Percentage of Covered Payroll	1.73%	1.18%	1.18%	1.54%	1.33%

Fiscal Year	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Actuarially Determined Contribution (ADC)	$ 73,456	$ 66,239	$ 72,529	$ 74,065
Contributions in Relation to the Actuarially Determined Contributions	(134,400)	(99,786)	(67,197)	(202,055)
Contribution Deficiency (Excess)	$ (60,944)	$ (33,547)	$ 5,332	$ (127,990)
Covered Payroll	$ 5,394,615	$ 5,448,979	$ 5,179,369	$ 5,216,869
Contributions as a Percentage of Covered Payroll	1.36%	1.22%	1.40%	1.42%

Notes to Schedule:

Methods and Assumptions Used to Determine Liability:

Actuarial Cost Method	Entry Age Actuarial Cost Method**
Discount Rate	6.00%
Projected Salary Increases	3.00% Per Year
Projected Long-Term Investment Rate of Return, Net of Plan Investment Expenses	6.00%
Healthcare Cost Trend Rate	7.50% for 2025, 6.75% for 2026 -2029, 5.00% for 2030 - 2044, 4.50% for 2045-2074, 4.00% for 2075 and later years; Medicare ages: 4.50% for 2025, 5.00% for 2026 - 2029, 4.50% for 2030 - 2074, and 4.00% for 2075 and later years.
Preretirement Mortality	Preretirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).
Postretirement Mortality	Post-retirement Mortality Rates for Public Agency Miscellaneous from CalPERS Experience Study (2000-2019).

implementation; therefore, nine 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).

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FALLBROOK PUBLIC UTILITY DISTRICT
SCHEDULE OF OPERATING INCOME AND EXPENSES
YEAR ENDED JUNE 30, 2026

	Year Ended June 30, 2026				
	Water	Recycled Water	Wastewater	CPEN	Total
OPERATING REVENUES					
Water Sales	$ 25,774,064	$ -	$ -	$ -	$ 25,774,064
Recycled Water Sales	-	1,460,972	-	-	1,460,972
Wastewater Sales	-	-	7,566,675	-	7,566,675
Lease Revenue	243,899	-	-	-	243,899
Water Availability Charges	198,459	-	-	-	198,459
Connection Fees	206,107	-	451,741	-	657,848
Settlement Revenue	1,483,400	-	-	-	1,483,400
Total Operating Revenues	27,905,929	1,460,972	8,018,416	-	37,385,317
OPERATING EXPENSES					
Cost of Water Sold	5,593,398	-	-	-	5,593,398
Operations and Maintenance	13,466,426	587,471	6,314,876	-	20,368,773
CPEN Expenses	-	-	-	2,165,254	2,165,254
Depreciation and Amortization Expense	6,355,190	152,003	3,158,037	-	9,665,230
Total Operating Expenses	25,415,014	739,474	9,472,913	2,165,254	37,792,655
OPERATING INCOME (LOSS)	$ 2,490,915	$ 721,498	$ (1,454,497)	$ (2,165,254)	$ (407,338)

	Year Ended June 30, 2025				
	Water	Recycled Water	Wastewater	CPEN	Total
OPERATING REVENUES					
Water Sales	$ 24,994,733	$ -	$ -	$ -	$ 24,994,733
Recycled Water Sales	-	1,382,485	-	-	1,382,485
Wastewater Sales	-	-	7,286,868	-	7,286,868
Lease Revenue	276,197	-	-	-	276,197
Water Availability Charges	198,987	-	-	-	198,987
Connection Fees	238,155	-	866,619	-	1,104,774
Total Operating Revenues	25,708,072	1,382,485	8,153,487	-	35,244,044
OPERATING EXPENSES					
Cost of Water Sold	5,795,983	-	-	-	5,795,983
Operations and Maintenance	7,557,433	492,389	3,678,900	-	11,728,722
Administrative and General Expenses	5,388,501	84,543	2,958,997	-	8,432,041
Depreciation and Amortization Expense	5,998,878	149,755	3,096,545	-	9,245,178
Total Operating Expenses	24,740,795	726,687	9,734,442	-	35,201,924
OPERATING INCOME (LOSS)	$ 967,277	$ 655,798	$ (1,580,955)	$ -	$ 42,120

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STATISTICAL SECTION

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