

**IMPROVEMENT AREA NO. 2 OF  
COMMUNITY FACILITIES DISTRICT NO. 88-1  
OF WESTERN MUNICIPAL WATER DISTRICT**

**FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE FISCAL YEARS ENDED  
June 30, 2020 and 2019**

IMPROVEMENT AREA NO. 2 OF  
COMMUNITY FACILITIES DISTRICT NO. 88-1  
OF WESTERN MUNICIPAL WATER DISTRICT

TABLE OF CONTENTS

For the fiscal years ended June 30, 2020 and 2019

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Basic Financial Statements:	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Net Position	4
Statements of Cash Flows	5 - 6
Notes to the Basic Financial Statements	7 - 16



CLA (CliftonLarsonAllen LLP)  
2875 Michelle Drive  
Suite 300  
Irvine, CA 92606  
714-978-1300 | fax 714-978-7893  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Riverside, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Improvement Area No. 2 of Community Facilities District No. 88-1 of Western Municipal Water District (Improvement Area) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Improvement Area's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

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

## **Other Matters**

The financial statements as of June 30, 2019, were audited by White Nelson Diehl Evans LLP, whose partners and professional staff joined CliftonLarsonAllen LLP as of November 1, 2020, and has subsequently ceased operations. White Nelson Diehl Evans LLP's report dated December 9, 2019, expressed an unmodified opinion on those statements.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of the Improvement Area's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Improvement Area's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Improvement Area's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Irvine, California  
December 17, 2020

## **BASIC FINANCIAL STATEMENTS**

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Statements of Net Position  
June 30, 2020 and 2019**

	2020	2019
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 2)	\$ 411,567	\$ 378,588
Accrued interest receivable	24	1,345
Prepaid assets	398	398
Special assessments receivable	3,727	16,699
Total Current Assets	415,716	397,030
<b>Noncurrent Assets:</b>		
Investments (Note 2)	250,927	258,590
Special assessments receivable	-	95,298
Total Noncurrent Assets	250,927	353,888
Total Assets	666,643	750,918
<b>Deferred Outflows of Resources:</b>		
Deferred amount on debt refunding	84,215	147,376
Total Deferred Outflows of Resources	84,215	147,376
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities:</b>		
Accounts payable	200	200
Accrued interest payable	6,147	8,819
Current portion of bonds payable (Note 3)	295,000	285,000
Total Current Liabilities	301,347	294,019
<b>Noncurrent Liabilities:</b>		
Bonds payable (Note 3)	309,586	604,275
Total Noncurrent Liabilities	309,586	604,275
Total Liabilities	610,933	898,294
<b>Deferred Inflows of Resources:</b>		
Special Assessments	139,925	-
Total Deferred Inflows of Resources	139,925	-
<b>Net Position:</b>		
Unrestricted	-	-
Total Net Position	\$ -	\$ -

See accompanying notes to the basic financial statements

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Statements of Revenues, Expenses and Changes in Net Position  
For the years ended June 30, 2020 and 2019**

	2020	2019
<b>Revenues:</b>		
Special assessments	\$ 100,013	\$ 110,379
Investment earnings	10,592	10,564
Total Revenues	110,605	120,943
<b>Expenses:</b>		
Interest	90,731	101,066
Administrative fees	19,874	19,877
Total Expenses	110,605	120,943
Changes in Net Position	-	-
Net Position, Beginning of Year	-	-
Net Position, End of Year	\$ -	\$ -

See accompanying notes to the basic financial statements

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Statements of Cash Flows  
For the years ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Payments for administrative fees	\$ (19,874)	\$ (20,469)
Interest earnings	506	630
	(19,368)	(19,839)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from special assessments	348,208	319,381
Principal payments on bonds payable	(285,000)	(265,000)
Interest payments on bonds payable	(29,931)	(39,913)
	33,277	14,468
<b>Cash Flows from Investing Activities:</b>		
Investment earnings received	7,559	7,456
Purchase of investments	(247,489)	-
Proceeds from maturities of investments	259,000	-
	19,070	7,456
Net Cash Provided by Investing Activities		
	32,979	2,085
Net Increase in Cash and Cash Equivalents		
	378,588	376,503
Cash and Cash Equivalents, Beginning of Year		
	\$ 411,567	\$ 378,588

(Continued)

See accompanying notes to the basic financial statements

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Statements of Cash Flows (Continued)  
For the years ended June 30, 2020 and 2019**

	2020	2019
<b>Reconciliation of Changes in Net Position to Net Cash (Used in) Operating Activities:</b>		
Changes in Net Position	\$ -	\$ -
Adjustments to Reconcile Changes in Net Position to Net Cash (Used in) Operating Activities:		
Amortization (included within interest expense)	63,472	63,472
Changes in Assets and Liabilities:		
(Increase) in accounts receivables	(82,840)	(82,721)
Increase (decrease) in accounts payable	-	(590)
Total Adjustments	(19,368)	(19,839)
Net Cash (Used in) Operating Activities	\$ (19,368)	\$ (19,839)

See accompanying notes to the basic financial statements

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 1: Reporting entity and summary of significant accounting policies***

***A. Organization and operations of the reporting entity***

The Improvement Area No. 2 of Community Facilities District No. 88-1 of Western Municipal Water District (the Improvement Area) was established by the former Murrieta County Water District to finance the design and construction of certain street and related drainage improvements, water transmission and distribution lines, sewer lines and utility facilities.

The Improvement Area was established and authorized to issue \$8,500,000 of bond indebtedness. The financing was accomplished through the authorization of special tax bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 adopted by the Board of Directors of the former Murrieta County Water District acting as the legislative body of the Improvement Area. The bonds are only payable from certain proceeds of an annual special assessment to be levied and collected from properties located within the Improvement Area. At June 30, 2020 and 2019, the Improvement Area consisted of 327 parcels each year. In the event that the special assessments are not paid when due, the only sources of funds to repay the special tax bonds are amounts held in the bond reserve fund, or proceeds, if any, from foreclosure sales of land within the Improvement Area following a delinquency in the special assessment payment. Neither the full faith and credit nor the taxing power of Western Municipal Water District, the County of Riverside, the State of California, or any other political subdivision thereof is pledged to the payments of the bonds.

On November 23, 2005, the Murrieta County Water District merged with Western Municipal Water District. This merger resulted in no change in the operations of the Improvement Area No. 2 of Community Facilities District No. 88-1.

***B. Basis of accounting and measurement focus***

The Improvement Area reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 1: Reporting entity and summary of significant accounting policies (continued)***

***C. New accounting pronouncements***

1. Current year standards implemented

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

2. There are currently no pending accounting standards not yet implemented that are anticipated to impact the Improvement Area.

***D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position***

1. Cash and cash equivalents

The Improvement Area considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

2. Use of restricted resources

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Improvement Area's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

3. Investments and investment policy

The Improvement Area has adopted an investment policy to deposit funds in financial institutions. Investments are generally stated at fair value based on the last reported sales price published on the national exchange. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment earnings are comprised of interest income, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Bond discounts

Bond discounts are amortized using the straight line method over the remaining life of the respective debt service. Amortization expense is included in interest expense.

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 1: Reporting entity and summary of significant accounting policies (continued)***

5. Deferred inflows and outflows of resources

GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Deferred amounts resulting from the refundings of debt are reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, the Improvement Area's deferred amount on refunding of debt has been classified as a deferred outflow of resources in the statement of net position in conformity with GASB 65. Deferred inflows of resources are reported when resources associated with imposed non-exchange transactions are received before the period when resources are required to be used. Special assessments received in excess of non-current special tax receivables has been classified as deferred inflow of resources in the statement of net position in conformity with GASB 65.

*E. Use of estimates*

The preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

***Note 2: Cash and investments***

Cash and investments as of June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Deposits held with financial institutions	\$ 8,346	\$ 9,041
Money market funds	403,221	369,547
Negotiable certificates of deposit	<u>250,927</u>	<u>258,590</u>
Total cash and investments	<u>\$ 662,494</u>	<u>\$ 637,178</u>

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 2: Cash and investments (continued)**

*Authorized investments*

The table below identifies the investment types that are authorized by the Improvement Area in accordance with the California Government Code (or the Improvement Area's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Improvement Area'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 debt proceeds held by a bond trustee that are governed by the provisions of debt agreements of the Improvement Area, rather than the general provisions of the California Government Code or the Improvement Area's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Municipal Securities	5 years	30%	5%
California State and Local Agency Obligations			
Notes or Bonds of any of the other 49 states			
U.S. Treasury Obligations	10 years	None	No Limit
U.S. Government Agency Securities Obligations	10 years	None	25%
Banker's Acceptances	180 days	40%	5%
Prime Commercial Paper	270 days	25%	5%
Federally Insured Time Deposits (Non-negotiable CDs)	5 years	20% (combined with collateralized Time Deposits)	FDIC Limit
Collateralized Time Deposit (Non-negotiable CDs)	5 years	20% (combined with Federally-insured Time Deposits)	No Limit
Certified Deposit Placement Services (CDARS)	5 years	30% (combined with CDs)	No Limit
Negotiable Certificates of Deposit (NCDs)	5 years	30% (combined with CDARS)	5%
Repurchase Agreements	90 days	None	5%
Corporate Medium-Term Notes	5 years	30%	5%
Supranational	5 years	30%	10%
California State Local Agency Investment Fund	N/A	\$75 million	No Limit
Mutual Funds	N/A	20% (combined with Money Market Mutual Funds)	10%
Money Market Mutual Funds	N/A	20% (combined with Mutual Funds)	No Limit
Mortgage Pass-Through Securities	5 years	20%	5%
Asset-Backed Securities	5 years	20%	5%
Collateralized Mortgage Obligations	5 years	20%	5%
Local Government Pooled Investment Funds	N/A	None	No Limit
CalTrust Pooled Investment Funds	N/A	None	No Limit

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 2: Cash and investments (continued)**

*Authorized investments (continued)*

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Improvement Area's investment policy. The table below identifies the investment types that are authorized for investments held by a bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	No Limit
U.S. Agency Securities	None	None	No Limit
Local Agency Bonds	None	None	No Limit
Banker's Acceptances	270 days	None	No Limit
Commercial Paper	180 days	None	No Limit
Money Market Funds	N/A	None	No Limit
Guaranteed Investment Contracts	None	None	No Limit
Certificates of Deposit	None	None	No Limit
Local Agency Investment Fund (LAIF)	N/A	\$75 million	No Limit

*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 risk 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 Improvement Area's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Improvement Area deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). In addition, none of the Improvement Area's counterparties hold the investments, for which separate safekeeping arrangements exist.

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 2: Cash and investments (continued)**

*Custodial credit risk (continued)*

At June 30, 2020 and 2019, the Improvement Area had deposits with bank balances of \$8,346 and \$9,041, respectively. The Federal Deposit Insurance Corporation insures all accounts at each bank up to \$250,000.

*Interest rate risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The Improvement Area's investment policy follows the California Government Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Maturity of investments at June 30, 2020 is as follows:

Investment Type	Total	Investment Maturities (in Years)		
		1 or less	1 - 5	Over 5
Held by Bond Trustee:				
Money market funds	\$ 403,221	\$ 403,221	\$ -	\$ -
Negotiable certificates of deposit	<u>250,927</u>	<u>-</u>	<u>250,927</u>	<u>-</u>
Total Investments Held by Bond Trustee	<u>\$ 654,148</u>	<u>\$ 403,221</u>	<u>\$ 250,927</u>	<u>\$ -</u>

Maturity of investments at June 30, 2019 is as follows:

Investment Type	Total	Investment Maturities (in Years)		
		1 or less	1 - 5	Over 5
Held by Bond Trustee:				
Money market funds	\$ 369,547	\$ 369,547	\$ -	\$ -
Negotiable certificates of deposit	<u>258,590</u>	<u>258,590</u>	<u>-</u>	<u>-</u>
Total Investments Held by Bond Trustee	<u>\$ 628,137</u>	<u>\$ 628,137</u>	<u>\$ -</u>	<u>\$ -</u>

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 2: Cash and investments (continued)**

*Credit risk*

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, Standard & Poor's and Moody's.

Credit rating of investments at June 30, 2020 is as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Not Rated</u>	<u>Ratings as of Year End Aaa-mf/ AAAm</u>
Held by Bond Trustee:				
Money market funds	\$ 403,221	Aa2/AAm	\$ -	\$ 403,221
Negotiable certificates of deposit	<u>250,927</u>	None	<u>250,927</u>	<u>-</u>
Total Investments Held by Bond Trustee	<u>\$ 654,148</u>		<u>\$ 250,927</u>	<u>\$ 403,221</u>

Credit rating of investments at June 30, 2019 is as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Not Rated</u>	<u>Ratings as of Year End Aaa-mf/ AAAm</u>
Held by Bond Trustee:				
Money market funds	\$ 369,547	Aa2/AAm	\$ -	\$ 369,547
Negotiable certificates of deposit	<u>258,590</u>	None	<u>258,590</u>	<u>-</u>
Total Investments Held by Bond Trustee	<u>\$ 628,137</u>		<u>\$ 258,590</u>	<u>\$ 369,547</u>

*Concentration of credit risk*

The investment policy of the Improvement Area contains no limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of the total Improvement Area investments are as follows:

<u>Issuer and Investment Type</u>	<u>2020 Reported Amount</u>	<u>2019 Reported Amount</u>
Negotiable certificates of deposit:		
UBS Bank USA	\$ 250,927	\$ -
BMW Bank North America	\$ -	\$ 246,607

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

**Note 2: Cash and investments (continued)**

*Fair value measurements*

The Improvement Area categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The hierarchy of the Improvement Area's investments at June 30, 2020 is as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Held by Bond Trustee:				
Money market funds	\$ 403,221	\$ -	\$ -	\$ 403,221
Negotiable certificates of deposit	-	250,927	-	250,927
Total leveled investments	<u>\$ 403,221</u>	<u>\$ 250,927</u>	<u>\$ -</u>	<u>\$ 654,148</u>

The hierarchy of the Improvement Area's investments at June 30, 2019 is as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Held by Bond Trustee:				
Money market funds	\$ 369,547	\$ -	\$ -	\$ 365,312
Negotiable certificates of deposit	-	258,590	-	258,590
Total leveled investments	<u>\$ 369,547</u>	<u>\$ 258,590</u>	<u>\$ -</u>	<u>\$ 628,137</u>

**Note 3: Long-term debt**

Long-term debt as of June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions/ Amortization	Ending Balance
Other debt:				
Series 2011 Special Tax Bonds	\$ 890,000	\$ -	\$ (285,000)	\$ 605,000
Less: unamortized discount	(725)	-	311	(414)
Total Series 2011 Special Tax Bonds	<u>\$ 889,275</u>	<u>\$ -</u>	<u>\$ (284,689)</u>	<u>\$ 604,586</u>
Total Long-Term Debt	\$ 889,275			\$ 604,586
Less: current portion	(285,000)			(295,000)
Long-Term Portion	<u>\$ 604,275</u>			<u>\$ 309,586</u>

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 3: Long-term debt (continued)***

Long-term debt as of June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Amortization</u>	<u>Ending Balance</u>
Other debt:				
Series 2011 Special Tax Bonds	\$ 1,155,000	\$ -	\$ (265,000)	\$ 890,000
Less: unamortized discount	<u>(1,036)</u>	<u>-</u>	<u>311</u>	<u>(725)</u>
Total Series 2011 Special Tax Bonds	<u>\$ 1,153,964</u>	<u>\$ -</u>	<u>\$ (264,689)</u>	<u>\$ 889,275</u>
 Total Long-Term Debt	 \$ 1,153,964			 \$ 889,275
Less: current portion	<u>(265,000)</u>			<u>(285,000)</u>
Long-Term Portion	<u>\$ 888,964</u>			<u>\$ 604,275</u>

***Improvement Area No. 2 Series 2011 Special Tax Bonds***

In September 2011, the Improvement Area No. 2 of the Community Facilities District No. 88-1 issued Series 2011 Special Tax Refunding Bonds in the amount of \$2,590,000. Interest is payable semi-annually on April 1 and October 1 each year at stated rates ranging from 1.125% to 4.125%, while principal payments are payable on October 1 each year through 2021. Proceeds from this issuance, along with other available funds, were used to refund the outstanding principal amount of \$5,810,000 of the 1996 Special Tax Refunding Bonds in October 2011. This refunding, together with certain proceeds from the CFD No. 88-1 issuance of Series 2011 Special Tax Bonds and other available funds, were used to refund all of the outstanding Murrieta Water Public Financing Authority Special Tax Revenue Bonds designated as \$4,355,000 outstanding principal amount of 1996 Series A (Senior Lien Bonds) and \$2,960,000 outstanding principal amount of 1996 Series B (Junior Lien Bonds).

The Improvement Area No. 2 Series 2011 Special Tax Refunding Bonds also has a debt service reserve requirement. At June 30, 2020, this reserve was fully funded with a balance of \$267,310.

**Improvement Area No. 2 of  
Community Facilities District No. 88-1  
of Western Municipal Water District  
Notes to the Basic Financial Statements  
June 30, 2020 and 2019**

***Note 3: Long-term debt (continued)***

Annual debt service requirements on the Improvement Area No. 2 Series 2011 Special Tax Refunding Bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 295,000	\$ 18,688	\$ 313,688
2022	<u>310,000</u>	<u>6,394</u>	<u>316,394</u>
Total	<u>\$ 605,000</u>	<u>\$ 25,082</u>	<u>\$ 630,082</u>
Less:			
Current portion	(295,000)		
Unamortized discount	<u>(414)</u>		
Total Noncurrent	<u>\$ 309,586</u>		

***Note 4: Commitments and contingencies***

*Litigation*

In the ordinary course of operations, the Improvement Area is subject to claims and litigation from outside parties. After consultation with legal counsel, the Improvement Area believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

*COVID-19 Pandemic*

The COVID-19 pandemic is ongoing, and the ultimate geographic spread of the virus, the duration, and the severity of the outbreak remains uncertain. In addition, the economic implications and actions that may be taken by government authorities to contain the outbreak, or to treat its impact, are also unknown. The related financial impact on the Improvement Area and the duration cannot be estimated at this time.

***Note 5: Subsequent events***

Events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosure as of December 17, 2020, which is the date these financial statements were available to be issued.