

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020



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**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
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YEARS ENDED JUNE 30, 2021 AND 2020**

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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 years ended June 30, 2021 and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

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

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, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the Improvement Area made restatements to beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 January 13, 2022, 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
January 13, 2022

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, 2021 AND 2020**

	2021	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 85,428	\$ 411,567
Accrued Interest Receivable	-	24
Prepaid Assets	398	398
Special Assessments Receivable	2,708	3,727
Total Current Assets	88,534	415,716
Noncurrent Assets:		
Investments	247,865	250,927
Total Noncurrent Assets	247,865	250,927
Total Assets	336,399	666,643
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Debt Refunding	21,054	84,215
Total Deferred Outflows of Resources	21,054	84,215
LIABILITIES		
Current Liabilities:		
Accounts Payable	200	200
Accrued Interest Payable	3,197	6,147
Current Portion of Bonds Payable	309,896	295,000
Total Current Liabilities	313,293	301,347
Noncurrent Liabilities:		
Bonds Payable	-	309,586
Total Noncurrent Liabilities	-	309,586
Total Liabilities	313,293	610,933
NET POSITION		
Restricted for debt service payments	44,160	139,925
Total Net Position	\$ 44,160	\$ 139,925

See accompanying Notes to 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
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Special Assessments	\$ 3,332	\$ 239,938
Total Operating Revenues	<u>3,332</u>	<u>239,938</u>
OPERATING EXPENSES		
Interest	79,209	90,731
Administrative Fees	21,108	19,874
Total Operating Expenses	<u>100,317</u>	<u>110,605</u>
OPERATING INCOME (LOSS)	(96,985)	129,333
NONOPERATING REVENUES		
Investment Earnings	<u>1,220</u>	<u>10,592</u>
INCREASE (DECREASE) IN NET POSITION	(95,765)	139,925
Net Position - Beginning of Period	<u>139,925</u>	<u>-</u>
NET POSITION - END OF PERIOD	<u><u>\$ 44,160</u></u>	<u><u>\$ 139,925</u></u>

See accompanying Notes to Basic Financial Statements.

**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments for Administrative Fees	\$ (21,108)	\$ (19,874)
Net Cash Used by Operating Activities	(21,108)	(19,874)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Special Assessments	4,351	348,208
Principal Payments on Bonds Payable	(295,000)	(285,000)
Interest Payments on Bonds Payable	(18,688)	(29,931)
Net Cash Provided (Used) by Capital and Related Financing Activities	(309,337)	33,277
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings Received	4,306	8,065
Purchase of Investments	-	(247,489)
Proceeds from Maturities of Investments	-	259,000
Net Cash Provided by Investing Activities	4,306	19,576
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(326,139)	32,979
Cash and Cash Equivalents - Beginning of Year	411,567	378,588
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 85,428	\$ 411,567

See accompanying Notes to Basic Financial Statements.

**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (96,985)	\$ 129,333
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Special Assessments	(3,332)	(239,938)
Interest Expense	79,209	90,731
Total Adjustments	75,877	(149,207)
Net Cash Used by Operating Activities	\$ (21,108)	\$ (19,874)
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Amortization of Discount	\$ 63,471	\$ 63,472

See accompanying Notes to Basic Financial Statements.

**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 and 2020, 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. 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

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.

5. Deferred Inflows and Outflows of Resources

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.

**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Operating and Nonoperating

The District distinguishes operating revenues and expense from non-operating items. Operating revenues, such as special assessments, result from assessments on the properties responsible for repaying the debt. Non-operating revenues, such as investment earnings, result from non-exchange transactions in which the District receives value without directly giving value in exchange. Operating expenses for the District include interest and administrative fees. All expenses not meeting this definition are reported as non-operating expenses.

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, 2021 and 2020 consist of the following:

	2021	2020
Deposits Held with Financial Institutions	\$ 6,683	\$ 8,346
Money Market Funds	78,745	403,221
Negotiable Certificates of Deposit	247,865	250,927
Total Cash and Investments	\$ 333,293	\$ 662,494

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.

**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Authorized Investments (Continued)

<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 (Nonnegotiable CDs)	5 Years	(20% (Combined with Collateralized Time Deposits) (20% (Combined with Federally Insured Time Deposits)	FDIC Limit
Collateralized Time Deposit (Nonnegotiable CDs)	5 Years	30% (Combined with CDs)	No Limit
Certified Deposit Placement Services (CDARS)	5 Years	30% (Combined with CDARS)	No Limit
Negotiable Certificates of Deposit (NCDs)	5 Years	None	5%
Repurchase Agreements	90 Days	30%	5%
Corporate Medium-Term Notes	5 Years	30%	5%
Supranational	5 Years	30%	10%
California State Local Agency Investment Fund	N/A	\$75 Million 20% (Combined with Money Market Mutual Funds)	No Limit
Mutual Funds	N/A	20% (Combined with Mutual Funds)	10%
Money Market Mutual Funds	N/A	20%	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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

At June 30, 2021 and 2020, the Improvement Area had deposits with bank balances of \$6,683 and \$8,346, 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, 2021 is as follows:

Investment Type	Total	Investment Maturities (in Years)		
		1 or Less	1 - 5	Over 5
Held by Bond Trustee:				
Money Market Funds	\$ 78,745	\$ 78,745	\$ -	\$ -
Negotiable Certificates of Deposit	247,865	247,865	-	-
Total Investments Held by Bond Trustee	<u>\$ 326,610</u>	<u>326,610</u>	<u>\$ -</u>	<u>\$ -</u>

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	250,927	-	250,927	-
Total Investments Held by Bond Trustee	<u>\$ 654,148</u>	<u>403,221</u>	<u>\$ 250,927</u>	<u>\$ -</u>

**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 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	\$ 78,745	Aa2/Aam	\$ -	\$ 78,745
Negotiable Certificates of Deposit	<u>247,865</u>	None	<u>247,865</u>	<u>-</u>
Total Investments Held by Bond Trustee	<u>\$ 326,610</u>		<u>\$ 247,865</u>	<u>\$ 78,745</u>

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>

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>2021 Reported Amount</u>	<u>2020 Reported Amount</u>
Negotiable Certificates of Deposit: UBS Bank USA	\$ 247,865	\$ 250,927

**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 is as follows:

	<u>Quoted Prices Level 1</u>	<u>Observable Inputs Level 2</u>	<u>Unobservable Inputs Level 3</u>	<u>Total</u>
Held by Bond Trustee:				
Negotiable Certificates of Deposit	\$ -	\$ 247,865	\$ -	\$ 247,865
Total Leveled Investments	<u>\$ -</u>	<u>\$ 247,865</u>	<u>\$ -</u>	247,865
Money Market Funds*				78,745
Total Investments				<u>\$ 326,610</u>

*Not subject to fair value hierarchy.

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

	<u>Quoted Prices Level 1</u>	<u>Observable Inputs Level 2</u>	<u>Unobservable Inputs Level 3</u>	<u>Total</u>
Held by Bond Trustee:				
Negotiable Certificates of Deposit	\$ -	\$ 250,927	\$ -	\$ 250,927
Total Leveled Investments	<u>\$ -</u>	<u>\$ 250,927</u>	<u>\$ -</u>	250,927
Money Market Funds*				403,221
Total Investments				<u>\$ 654,148</u>

*Not subject to fair value hierarchy.

**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 LONG-TERM DEBT

Long-term debt as of June 30, 2021 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	\$ 605,000	\$ -	\$ (295,000)	\$ 310,000
Less: Unamortized Discount	<u>(414)</u>	<u>-</u>	<u>310</u>	<u>(104)</u>
Total Series 2011 Special Tax Bonds	<u>\$ 604,586</u>	<u>\$ -</u>	<u>\$ (294,690)</u>	<u>\$ 309,896</u>
 Total Long-Term Debt	 \$ 604,586			 \$ 309,896
Less: Current Portion	<u>(295,000)</u>			<u>(309,896)</u>
Long-Term Portion	<u>\$ 309,586</u>			<u>\$ -</u>

Long-term debt as of June 30, 2020 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	\$ 890,000	\$ -	\$ (285,000)	\$ 605,000
Less: Unamortized Discount	<u>(725)</u>	<u>-</u>	<u>311</u>	<u>(414)</u>
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	<u>(285,000)</u>			<u>(295,000)</u>
Long-Term Portion	<u>\$ 604,275</u>			<u>\$ 309,586</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).

**IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 88-1
OF WESTERN MUNICIPAL WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 LONG-TERM DEBT (CONTINUED)

Improvement Area No. 2 Series 2011 Special Tax Bonds (Continued)

The Improvement Area No. 2 Series 2011 Special Tax Refunding Bonds also has a debt service reserve requirement. At June 30, 2021, this reserve was fully funded.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 310,000	\$ 6,394	\$ 316,394
Total	310,000	\$ 6,394	\$ 316,394
Less: Current Portion	(310,000)		
Total Noncurrent	\$ -		

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 RESTATEMENT

The financial information for the year ended June 30, 2020 was restated to reflect the recognition of special assessments upon receipt and the removal of deferred inflows of resources not applicable to the District. This resulted in an increase to the change in net position of \$139,925, which created a restricted net position of \$139,925.

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